REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

CORPORATE GOVERNMENT AUDIT SECTOR
Cluster 6 – Social, Cultural, Trading, Promotional and Other Services

June 17, 2026

THE BOARD OF DIRECTORS
Intercontinental Broadcasting Corporation
Broadcast City, Capitol Hills
Diliman, Quezon City

for Grace - Whgint
6-17-26
9:30PM

Gentlemen/Mesdames:

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree (PD) No. 1445, otherwise known as the Government Auditing Code of the Philippines, we transmit herewith our report on the results of the audit of the accounts and transactions of the **Intercontinental Broadcasting Corporation (IBC-13)**, for the years ended December 31, 2025 and 2024.

The report consists of the Independent Auditor's Report, the Audited Financial Statements, the Observations and Recommendations, and the Status of Implementation of Prior Year's Audit Recommendations.

The auditor rendered a qualified opinion on the fairness of the presentation of the financial statements of the IBC-13 for the years ended December 31, 2025 and 2024 in view of the following:

1. The faithful representation in the financial statements of the balance of the Receivables account, with a carrying amount of P115.346 million as at December 31, 2025, could not be ascertained due to: (a) non-maintenance of Subsidiary Ledgers (SLs) and unavailability of supporting documents for the recorded receivables aggregating to P315.198 million; (b) variance of P66.798 million between balance per books and the confirmed balance; (c) existence of negative balances totaling P17.594 million; and (d) erroneous computation of impairment, resulting in the understatement of Allowance for Impairment and Impairment Loss accounts by P14.708 million, which are not in accordance with International Public Sector Accounting Standard (IPSAS) 1, IPSAS 29 and the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities.

2. The faithful representation in the financial statements of the balance of Cash and cash equivalents account amounting to P360.178 million as at December 31, 2025, could not be established due to: (a) existence of a

negative balance of P3.761 million in the Cash Collecting Officer account; (b) variance of P31,193 between the balance per books and bank confirmation, attributed to dormant bank accounts; and (c) deficiencies and errors in identifying reconciling items totaling P58.007 million in the Calendar Year (CY) 2025 Bank Reconciliation Statements (BRS), contrary to Paragraph 27 of IPSAS 1.

3. The fair presentation of the Withholding Tax at Source (WTS) account valued at P19.055 million as at December 31, 2025 could not be ascertained due to: a) the absence of Certificates of Creditable Tax Withheld (CTW) and sufficient supporting documentation for an adjusting entry involving an overpayment, totaling P18.137 million; and b) non-recording of WTS for seven Official Receipts/Acknowledgement Receipts aggregating P83,964, which resulted in an understatement of the account by the same amount, contrary to Paragraph 27 of IPSAS 1.

For the above observations which caused the issuance of a qualified opinion, we recommended that Management:

1.1. Re: Completion of SLs and Reconciliation between the General Ledger (GL) and SLs

a. Prioritize the preparation and completion of SLs for the P315.198 million (73.76 percent) unsupported receivables to ensure that all balances in the GL are fully substantiated;

b. Require monthly reconciliation between the GL and SLs to immediately identify, trace, and correct variances, and to prevent the accumulation of unreconciled balances in future reporting periods;

1.2 Re: Variances noted as a result of confirmation

c. Coordinate closely with the Commission Secretariat regarding the status of the P66.429 million money claim against the Department of Education (DepEd) to ensure that the Network can take prompt action once the Commission Proper issues a resolution;

d. Pending resolution of the Commission Proper, derecognize the recorded receivable from DepEd, as it does not satisfy the recognition criteria for an asset. Instead, disclose the matter in the Notes to Financial Statements as a Contingent Asset;

e. Resolve the P459,052 variance with Client A and the discrepancy with Client B, including, but not limited to, verifying the original source documents rather than relying on forwarded balances, and confirmation with the concerned debtors;

1.3 Re: Negative Balances and Reclassification

f. Prepare adjusting journal entries to reclassify the P17.594 million in negative (credit) balances to the appropriate liability accounts (e.g., Customers' Deposits or Other Payables). Afterwards, submit the corresponding Journal Entry Voucher (JEV) to the Audit Team for review and evaluation;

g. Refrain from offsetting credit balances against asset accounts to ensure the fair presentation of both Assets and Liabilities accounts in the Financial Statements;

1.4 Re: Aging and Allowance for Impairment

h. Update and validate the Aging Schedule of Receivables, ensuring that all accounts are categorized based on their correct age category;

i. Perform recomputation of the Allowance for Impairment to ensure that negative balances are excluded and are not impaired together with the receivables;

j. Effect the necessary adjustments to the Allowance for Impairment and Impairment Loss accounts to correct the noted understatement of P14.708 million, and submit the corresponding JEV to the Audit Team once available;

1.5 Re: Dormant Accounts and Write-off Procedures

k. Expedite the gathering of supporting documents and the issuance of final demand letters for accounts aged 10 years or more, particularly the P311.225 million accounts originating from CY 1986;

l. Immediately initiate the request for Board of Directors approval to file a formal Request for Authority to Write-off, following the guidelines and procedures prescribed under Commission on Audit (COA) Circular No. 2023-008 dated August 17, 2023, as amended by COA Circular No. 2025-005 dated December 18, 2025, to take advantage of the existing regulatory opportunity for account cleansing before such opportunity lapses;

1.6 Re: Strengthening Internal Controls

m. Enhance internal control procedures relative to the monitoring of receivables, including, but not limited to, implementing an automated aging system; and

n. Conduct periodic review of the "forwarded balances" to ensure that old accounting errors are not perpetually carried forward to succeeding years without verification;

2.1. Direct the Finance Division (FD) to require the Accounting Section to determine the nature of the variance from prior years, locate the pertinent documents, and make the necessary adjusting entries to address the discrepancies between the Cash Collecting Officer account per GL and the Monthly Cash Report;

2.2 Direct the FD to:

a. Coordinate immediately with Bank 2 to execute the necessary transactions, such as nominal deposit and/or withdrawal, or submit the required documentation to reactivate the dormant US dollar account and effectively avoid escheat proceedings;

b. Facilitate undertaking of the required procedures to formally close the subject bank accounts, including but not limited to the withdrawal of the remaining balances, to avoid unnecessary loss of government funds as a result of the dormancy;

c. Afterwards, record the corresponding derecognition entries in the books for the closed bank accounts;

d. Strictly adhere to the monthly preparation and submission of BRS within the prescribed period to ensure the timely detection and correction of errors and reconciling items;

e. Conduct a thorough investigation to identify the root cause(s) of the deficiencies and errors noted in the BRS, and, thereafter, prepare and record the required adjusting entries and submit them, along with supporting documentation, to the Audit Team for review and evaluation;

f. Submit the complete supporting documents to justify credit card expenditures totaling P1.557 million, ensuring compliance with existing liquidating procedures and documentation requirements; and

g. Ensure strict adherence to Section 5.3.2 of COA Circular No. 2021-014 dated December 22, 2021 and Item X of the Network's Guidelines on the Use of Credit Card dated May 22, 2025, to maintain the integrity and proper accounting of all corporate credit card transactions; and

3.1. Direct the FD to:

a. Analyze the beginning balance of the WTS account and prepare the necessary adjustment(s) to reflect the accurate balance of the account;

b. Closely coordinate with the Bureau of Internal Revenue (BIR) to confirm whether the balance of the WTS account, particularly those from prior years, could still be revalidated and used as tax credits;

c. Following BIR confirmation, assess the propriety of derecognizing the CTW without the required BIR Forms and other supporting documentation;

d. Conduct an investigation relative to the missing or unaccounted Certificates of CTW to identify any negligence and/or fault of erring employee(s), and take necessary action, if warranted; and

e. Prepare adjusting entries for the unrecorded CTW noted above and submit the corresponding JEVs to the Audit Team for review and evaluation.

The other significant audit observations and recommendations that need immediate actions are as follows:

4. Lack of coordination between the FD and the End-User Department (ED) resulted in the non-imposition of liquidated damages (LD) in the amount of P6.297 million for six fully paid Digital Terrestrial Television Broadcast (DTTB) projects, which incurred delays ranging from 17 to 211 days, contrary to Section 68 and Annex D of the 2016 Revised Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 9184. Moreover, 12 DTTB contracts did not contain the mandatory LD provision, thereby exposing the Network to the risk of non-indemnification in the event of project delays.

4.1 We recommended that Management:

a. Direct the ED to submit approved contract extensions for the six fully paid projects to justify the non-imposition of LD, despite delays;

b. For the six projects that are not yet fully paid, direct the FD to compute the supposed LD and ensure its imposition before full payment is made;

c. Ensure that all future contracts explicitly include the mandatory LD provision required under Section 68 of the 2016 Revised IRR of RA No. 9184; and

d. Require the ED to submit documented requests for contract extensions to the FD immediately upon the occurrence of force majeure events or other justifiable delays. Such extensions must be approved by the Head of the Procuring Entity prior to the contract's original expiration.

5. The lack of concrete management action to address the inefficient utilization of various lands and buildings of IBC-13 has resulted in the abandonment of these properties, leaving the assets unprotected and exposed to immediate risks, which may lead to more significant issues in the future, contrary to Section 2 of PD No. 1445.

5.1 We reiterated our recommendation that Management take immediate action to protect the properties from informal settlers.

5.2 We also recommended that Management facilitate the preparation, approval, and implementation of a time-bound and comprehensive Long-term Agency Action Plan to ensure the efficient management and safeguarding of government resources.

The other observations together with the recommended courses of action which were discussed by the Audit Team with concerned Management officials and staff during the exit conference conducted on May 26, 2026, are discussed in detail in

Part II of the report. We also invite your attention to the prior year's unimplemented audit recommendations embodied in Part III of the report.

In our transmittal letter of even date, we requested the President and Chief Executive Officer of IBC-13 to implement the recommendations contained in the report and to inform this Commission of the actions taken thereon within 60 days from receipt of the report.

We acknowledge the support and cooperation that Management extended to the Audit Team, thus facilitating the completion of this report.

Very truly yours,

COMMISSION ON AUDIT

By:

ATTY. CHITO C. JANABAN
Director IV
Cluster Director

Copy furnished:

The President of the Republic of the Philippines
The Vice President
The President of the Senate
The Speaker of the House of Representatives
The Chairperson – Senate Finance Committee
The Chairperson – Appropriations Committee
The Secretary of the Department of Budget and Management
The Governance Commission for Government-Owned or Controlled Corporations
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CORPORATE GOVERNMENT AUDIT SECTOR
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June 17, 2026

INTERCONTINENTAL BROADCASTING CORPORATION
OFFICE OF THE PRESIDENT
RECEIVED BY: _Uhugml_ 6-17-26
4:30PM

Mr. JOSE C. POLICARPIO, JR.
President and Chief Executive Officer (CEO)
Intercontinental Broadcasting Corporation
Broadcast City, Capitol Hills
Diliman, Quezon City

Dear President and CEO Policarpio:

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We request that appropriate actions be taken on the observations and recommendations contained in the report and that we be informed of the action(s) taken thereon by submitting the duly accomplished Agency Action Plan and Status of Implementation form (copy attached) within 60 days upon receipt hereof.

We acknowledge the support and cooperation that Management extended to the Audit Team, thus facilitating the completion of this report.

Very truly yours,

COMMISSION ON AUDIT

By:

ATTY. CHITO C. JANABAN
Director IV
Cluster Director

Copy furnished:

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The Vice President
The President of the Senate
The Speaker of the House of Representatives
The Chairperson – Senate Finance Committee
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The Governance Commission for Government-Owned or Controlled Corporations
The Presidential Management Staff, Office of the President
The UP Law Center
The National Library
The COA Central Library

INTERCONTINENTAL BROADCASTING CORPORATION (IBC-13)

AGENCY ACTION PLAN AND STATUS OF IMPLEMENTATION

Audit Observations and Recommendations

For Calendar Year 2025

As of ________________

Reference	Audit Observation	Audit Recommendation	Agency Action Plan				Status of Implementation	Reason for Partial/Delay/Non-Implementation, if applicable	Action Taken/Action to be taken
			Action Plan	Person/Dept. Responsible	Target Implementation Date				
					From	To			

Agency sign-off:

______________________________ ______________

JOSE C. POLICARPIO, JR. Date

President and Chief Executive Officer