EXECUTIVE SUMMARY

INTRODUCTION

The Intercontinental Broadcasting Corporation (IBC-13) was originally incorporated as the Continental Broadcasting Corporation (CBC) under Securities and Exchange Commission Registration No. 4118 dated May 11, 1970. The Articles of Incorporation was amended on September 30, 1974, renaming CBC to IBC-13, with the same set of stockholders and subscribers to its capital stock. The IBC-13 studios are located at Broadcast City, Capitol Hills, Diliman, Quezon City, while its transmitter is situated at #125 St. Peter Street Nuestra Señora de la Paz Subdivision, Barangay, Sta. Cruz, Antipolo City.

On March 1, 1986, Juan Ponce Enrile, then Minister of National Defense, ordered the sequestration of Broadcast City television and radio stations, which included the IBC-13, Radio Philippines Network and Banahaw Broadcasting Corporation, under Ministry Order No. A-003 based on the request of the then Presidential Commission on Good Government (PCGG) Chairman, Jovito Salonga. Thereafter, then President of the Republic of the Philippines, Corazon C. Aquino, issued Executive Order (EO) No. 11 dated April 8, 1986, creating a Board of Administrators to manage and operate the business and affairs of the said stations and have custody of their funds and assets subject to the supervision and control of the PCGG. By virtue of a compromise agreement with the PCGG dated November 3, 1990, the Network was surrendered/ceded by Mr. Roberto S. Benedicto to the Republic of the Philippines.

Pursuant to Republic Act (RA) No. 12311 dated October 3, 2025, President Ferdinand Marcos, Jr. approved the renewal of the IBC-13's 25-year franchise to operate and maintain radio and television broadcasting stations in the country. Under Section 2 of EO No. 576 dated November 7, 2006, the Network and other government communication agencies were placed under the supervision and control of the Director-General, Philippine Information Agency under the Office of the President.

DWAN 1206 AM has rich history dating back to 1973 when it was established as DWWA under the Banahaw Broadcasting Corporation. In 1978, it moved to the 1206 kHz frequency following the adoption of the 9 kHz spacing on AM radio stations in the Philippines. In 1984, it changed its call letters to DWAN, which stands for D' WAN (pronounced "the one"). The station has undergone several name changes over the years, including D' Wan, IBC Broadkast Patrol, Islands Galing Broadkaster, and MMDA Traffic Radio. After a period of dormancy, the station was relaunched in June 2024 with a new branding and programming lineup. Under the leadership of the IBC President and Chief Executive Officer (CEO) Jose "Jimmie" C. Policarpio, Jr. and Station Manager Marc Logan, DWAN 1206 AM has introduced a dynamic programming lineup that includes news, talk shows, music and podcasts.

The IBC-13 presently operates under the control and supervision of the Presidential Communications Office in accordance with Section 4 of EO No. 4 dated July 30, 2010.

The primary purposes of the IBC-13 are to carry on the business as operators and/or proprietors of instruments and media of mass communication such as radio, television and/or telecommunication stations on a commercial and/or sustaining basis in any part of the Philippines, and to deal in the manufacture and distribution of radio, television and other electronic components and/or parts thereof.

As at December 31, 2025, the Board of Directors (BOD) was composed of Mr. Noel M. Malaya, Chairman; Mr. Jose C. Policarpio, Jr., President and CEO; Ms. Jennifer G. Jurado, Member; Ms. Catherina D. Vilar, Member; Mr. Alexis A. Suarez, Member; Mr. Miguel G. Damaso, Member; and Mr. Roberto R. Ferrer, Member.

To date, the IBC-13 has only one TV and one radio station on air, the IBC-13 Manila and DWAN 1206 AM radio.

As at December 31, 2025, the IBC-13 had 388 personnel complement for Central Office and provincial stations consisting of the following:

President and CEO	1
Talents	98
Contracts of Service (COS)	289
Total	388

Following the Governance Commission for Government Owned and Controlled Corporation's approval, IBC-13 reorganized and terminated all employees effective August 31, 2025. Using the approved budget, the IBC-13 settled most unpaid benefits and made partial retirement payments, with the remaining retirement balances expected to be released in Calendar Year (CY) 2026 upon budget transfer. Effective September 1, 2025, most former employees were rehired under COS arrangement.

FINANCIAL HIGHLIGHTS (In Philippine Peso)

I. COMPARATIVE FINANCIAL POSITION

	2025	2024	Increase (Decrease)
Assets	1,051,277,164	597,366,629	453,910,535
Liabilities	708,690,179	696,994,407	11,695,772
Capital surplus (deficiency)	**342,586,985**	**(99,627,778)**	**442,214,763**

II. COMPARATIVE FINANCIAL PERFORMANCE

	2025	2024	Increase (Decrease)
Revenue	60,399,673	29,988,692	30,410,981
Subsidy	1,100,600,000	741,035,000	359,565,000
Current operating expenses	(746,825,727)	(235,481,176)	(511,344,551)
Non-operating income	1,233,108	7,046,126	(5,813,018)
Net surplus	**415,407,054**	**542,588,642**	**(127,181,588)**

III. CY 2025 BUDGET AND ACTUAL AMOUNTS

	Budget	Actual	Variance
Personnel services	618,570,000	864,083,473	(245,513,473)
Maintenance and other operating expenses	176,840,000	151,519,505	25,320,495
Financial and non-cash expenses	-	37,088,294	(37,088,294)
Capital expenditures	300,000,000	300,000,000	-
	1,095,410,000	**1,352,691,272**	**(257,281,272)**

SCOPE OF AUDIT

Our audit covered the examination, on a test basis, of the accounts, transactions and operations of the IBC-13 for CY 2025 in accordance with International Standards of Supreme Audit Institutions. It was aimed to express an opinion on the fairness of presentation of the IBC-13's financial position, financial performance and cash flows in accordance with the International Public Sector Accounting Standards (IPSASs) and, to determine whether the Network's compliance to pertinent laws, rules and regulations, and adherence to prescribed policies and procedures.

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

We 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 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 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 BOD 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.

OTHER SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

The other significant 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 Presidential Decree 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.

SUMMARY OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

Based on the Statement of Audit Suspensions, Disallowances and Charges issued as at December 31, 2025, the unsettled audit disallowance and suspensions amounted to P2.321 million and P2.817 million, respectively. Details are shown in Table 32, Part II of this Report.

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the 44 audit recommendations embodied in the prior year's Annual Audit Report, 23 were fully implemented and 21 were not implemented. Details are shown in Part III of this Report.