Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City, Philippines

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of the **Intercontinental Broadcasting Corporation (IBC-13)**, which comprise the statements of financial position as at December 31, 2025 and 2024, and the statements of financial performance, statements of changes in net assets/equity, and statements of cash flows for the years then ended, statement of comparison of budget and actual amounts for the year ended December 31, 2025, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects and possible effects of the matters described in the Bases for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the IBC-13 as at December 31, 2025 and 2024, and its financial performance and its cash flows for the years then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Bases for Qualified Opinion

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 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.

In addition, 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 2025 Bank Reconciliation Statements, contrary to Paragraph 27 of IPSAS 1.

Likewise, 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 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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the IBC-13's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the IBC-13 or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the IBC-13's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs) will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the IBC-13's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the IBC-13's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the IBC-13 to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and the significant audit findings, including any significant deficiencies in the internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2025, required by the Bureau of Internal Revenue as disclosed in Note 31 to financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with IPSASs. Such supplementary information is the responsibility of management.

COMMISSION ON AUDIT

MAY ANNE R. SARMIENTO
Supervising Auditor
Audit Group H – Development, Media and Other Agencies 2
Cluster 6 – Social, Cultural, Trading, Promotional and Other Services
Corporate Government Audit Sector

May 26, 2026