PART II – OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL

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 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.

1.1 This is a reiteration, with updates, of the previous year's audit observation, as Management has not yet fully implemented the recommendations.

1.2 Paragraph 27 of IPSAS 1 on the Presentation of Financial Statements states that:

> *Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses set out in IPSASs. The application of IPSASs, with additional disclosures when necessary, is presumed to result in financial statements that achieve a fair presentation.*

1.3 Related thereto, Paragraphs 3.10 and 3.26 of the Conceptual Framework for General Purpose Financial Reporting (CFGPFR) by Public Sector Entities give emphasis on the faithful representation and verifiability, as follows:

> *3.10 To be useful in financial reporting, information must be a faithful representation of the economic and other phenomena that it purports to represent. Faithful representation is attained when the depiction of the phenomenon is complete, neutral, and free from material error. Information that faithfully represents an economic or other phenomenon depicts the substance of the underlying transaction, other event, activity or circumstance-which is not necessarily always the same as its legal form.*

> *3.26 Verifiability is the quality of information that helps assure users that information in GPFRs faithfully represents the economic and other phenomena that it purports to represent. Supportability is sometimes used to describe this quality when*

applied in respect of explanatory information and prospective financial and non-financial quantitative information disclosed in GPFRs - that is, quality of information that helps assure users that explanatory or prospective financial and non-financial quantitative information faithfully represents the economic and other phenomena that it purports to represent.

1.4 The gross Receivables account as at December 31, 2025 amounted to P427.333 million with an Allowance for Impairment of P311.987 million, resulting in receivables with a carrying amount of P115.346 million. Details are shown in Table 1.

Table 1 – Composition of Receivables account as at December 31, 2025

Sub-Account	Gross Amount	Allowance for Impairment	Carrying Amount
Accounts Receivable (AR) – Trade	P 420,203,878	P 305,805,413	P 114,398,465
Due from officers and employees	109,628	-	109,628
Other receivables	7,019,112	6,181,241	837,871
Total	P 427,332,618	P 311,986,654	P 115,345,964

Non-maintenance of Subsidiary Ledgers (SLs) and unavailability of supporting documents for the recorded receivables aggregating P315.198 million

1.5 As shown in Table 1, the gross Receivables balance of IBC-13 stood at P427.333 million as at December 31, 2025. Of this amount, the Accounting Section (AS) submitted SLs totaling only P112.135 million, representing merely 26.24 percent of the total account balance. The specific breakdown of these accounts is provided in Table 2.

Table 2 – Receivable accounts with supporting SLs

Account Title	Amount
AR-TV Manila (In House)	P 104,008,063
AR-Radio Manila	995,000
AR-DYJJ Roxas	3,054
Due from officers and employees	109,628
Other Receivables-Social Security System (SSS)	7,019,112
Total	**P 112,134,857**

1.6 Audit verification disclosed that most accounts shown in Table 2 arose from current operations. However, a significant portion of the receivables amounting to P315.198 million and detailed in Table 3, has remained in the books since the CY 1986 sequestration. Management commented that the supporting records for these dormant accounts are unavailable and can no longer be retrieved.

Table 3 – Receivable accounts without supporting SLs

Account Title	Age of Receivables: Less than 5 years	5 to 9 years	10 years and more	Total
AR-TV Manila	P -	P -	P 26,091,124	P 26,091,124
AR-TV Manila (In House)	290,179	1,591,117	259,309,119	261,190,415
AR-TV -12 Iloilo	-	-	2,439,739	2,439,739
AR-TV-12 Iloilo (In House)	-	3,334,042	-	3,334,042
AR-TV-13 Davao	-	-	539,110	539,110
AR-TV-13 Davao (In House)	-	-	539,174	539,174
AR-TV-13 Cebu	-	-	193,635	193,635
AR-TV-13 Cebu (In House)	-	-	1,271,670	1,271,670
AR-TV-13 Laoag	-	-	107,117	107,117
AR-Radio Manila	-	-	2,183,078	2,183,078
AR-Radio Manila (In House)	-	-	4,750,570	4,750,570
AR-DYBQ Iloilo	-	-	452,482	452,482
AR-DYBQ Iloilo (In House)	-	242,812	3,271,326	3,514,138
AR-DYRG Kalibo	-	-	479,246	479,246
AR-DYRG Kalibo (In House)	-	-	1,010,113	1,010,113
AR-DYJJ Roxas	-	-	73,054	73,054
AR-DYJJ Roxas (In House)	-	201,168	801,051	1,002,219
AR-DYSJ Antique	-	-	58,743	58,743
AR-DZMZ Manila	-	-	4,754,979	4,754,979
AR-Project Banahaw	-	-	(222,782)	(222,782)
AR-DWLW Laoag	-	-	131,200	131,200
AR-DWLW Laoag (In House)	-	-	16,526	16,526
AR-DWDW Dagupan	-	-	36,398	36,398
AR-DWDW Dagupan (In House)	-	-	193,149	193,149
AR-DWNW Naga	-	-	306,924	306,924
AR-DWNW Naga (In House)	-	-	401,510	401,510
AR-DWGW Legaspi	-	-	331,821	331,821
AR-DWGW Legaspi (In House)	-	-	63,993	63,993
AR-DXWG Iligan	-	-	(107,862)	(107,862)
AR-Davao BBC	-	-	62,235	62,235
Total	**P 290,179**	**P 5,369,139**	**P 309,538,442**	**P 315,197,760**

Variance of P66.798 million between balance per books and the confirmed balance

1.7 Paragraph 16 of IPSAS 29 on the Recognition of Financial Asset provides that:

> *An entity shall recognize a financial asset or a financial liability in its statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument.*

1.8 The Audit Team sent 13 Confirmation Letters (CLs) to clients to verify the accuracy of the recorded receivables. Of the 13 CLs, only five replies were received, while the remaining eight were either returned due to undeliverable addresses or remained unreturned by the clients.

1.9 Of the five replies received, three clients confirmed their recorded balances totaling P6.178 million, while the other two clients, whose accounts had a combined book value of P66.439 million, confirmed only P100,000, resulting in a variance of P66.339 million for CY 2025. Furthermore, a P459,052 variance noted during the CY 2024 confirmation remained unreconciled. Thus, as at December 31, 2025, the total AR variance aggregated to P66.798 million, as detailed in Table 4.

Table 4 – Variance of Receivables per books vis-à-vis Replies to CLs

CL No.	Amount per books	Amount per reply	Variance
2025-009	P 459,052	P -	P 459,052
2026-004	66,428,566	-	66,428,566
2026-010	10,000	100,000	(90,000)
	P 66,897,618	**P 100,000**	**P 66,797,618**

1.10 IBC-13 has filed a Petition for Money Claim through Commission on Audit (COA) Commission Proper Case No. 2023-0606 dated May 24, 2023, before the COA for an unrecognized claim against the Department of Education (DepEd) amounting to P66.429 million. Per inquiry with the COA Commission Secretariat, the case is currently pending review by the Commission Proper.

1.11 Relative thereto, Paragraph 18 of IPSAS 19 defines a contingent asset as *"a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity."*

1.12 Pending resolution, the matter was disclosed under Note 6 of the Notes to Financial Statements of the Network.

1.13 With regard to the other discrepancies, the AS committed to trace the P459,052 variance with Client A, noting that the amount pertains to a forwarded balance from prior years. In addition, coordination with Client B is ongoing to resolve the reported variance. Initial findings suggest possible errors on the client's end, considering that the existing contract with Client B is valued at only P10,000.

Existence of negative balances totaling P17.594 million

1.14 Paragraph 48 of IPSAS 1 provides that:

> *Assets and liabilities, and revenue and expenses, shall not be offset unless required or permitted by an IPSAS.*

1.15 Review of the SLs and Aging Schedule of Receivables revealed several accounts with negative balances aggregating P17.594 million. These amounts were incorrectly offset against the total Receivables balance instead of being reclassified to the appropriate Liability/Payable accounts, as summarized in Table 5.

Table 5 – Receivables with negative balances as at December 31, 2025

Account	Amount
AR-TV Manila (In House)	P (15,307,012)
AR-TV-12 Iloilo (In House)	(627,810)
AR-TV-13 Davao (In House)	(274,153)
AR-TV-13 Cebu (In House)	(194,913)
AR-DYBQ Iloilo (In House)	(477,447)
AR-DYRG Kalibo (In House)	(56,140)
AR-DYJJ Roxas (In House)	(109,253)
AR-Project Banahaw	(222,782)
AR-DXWG Iligan	(107,862)
Other Receivables – SSS	(216,976)
Total	**P (17,594,348)**

1.16 Inquiry with the AS disclosed that the negative balances had existed as early as the Network's sequestration in CY 1986. Thus, no available supporting documents to verify their nature and causes. While review of the negative balances is ongoing and guidance has been sought from the COA–Government Accountancy Sector (GAS) through Memorandum dated January 27, 2025, no corrective adjustments were made prior to the year-end. Consequently, the accounts remain unadjusted in the Network's Financial Statements.

Erroneous computation of impairment resulting in the understatement of Allowance for Impairment and Impairment Loss accounts by P14.708 million

1.17 Paragraph 67 of IPSAS 29 on the Recognition and Measurement of Financial Instruments states that:

> *An entity shall assess at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the entity shall apply paragraph 72 (for financial assets carried at amortized cost), paragraph 75 (for financial assets carried at cost) or paragraph 76 (for available-for-sale financial assets) to determine the amount of any impairment loss.*

1.18 The Aging Reports prepared by the Finance Department (FD) categorized Receivable balances as either current or past due, with the corresponding Allowance for Impairment computed based on specific percentages for each age bracket.

1.19 However, review of the reports as at December 31, 2025 revealed that several balances were misclassified into incorrect age categories. Additionally, negative balances totaling P17.047 million, which were improperly offset against the Receivables, were not excluded from the computation of impairment. Consequently, the reperformance of the aging process and recomputation of the Allowance for Impairment disclosed an understatement of P14.708 million in both the Allowance for Impairment and Impairment Loss accounts, as detailed in Table 6.

Table 6 – Comparison of Allowance for Impairment recorded per books vis-à-vis per audit

Allowance for Impairment	Per books	Recomputed Allowance per audit	Effect on account balance Over/(Under)
AR – Trade	P 305,805,413	P 320,460,621	P (14,655,208)
Other Receivables-SSS	6,181,241	6,234,285	(53,044)
Total	**P 311,986,654**	**P 326,694,906**	**P (14,708,252)**

1.20 Due to the aforementioned audit observations, the correctness of the Receivables account, reported at a net realizable value of P115.346 million as at December 31, 2025 could not be ascertained. Consequently, the account's presentation is not in conformity with the aforementioned accounting standards.

Other observation

Receivables totaling P317.585 million have remained outstanding for 10 years or more. Although these long outstanding receivables have been fully provided with an allowance for impairment, they continue to be carried in the books without the completion of the appropriate procedures for disposition, derecognition or write-off.

1.21 Section 8.2 of COA Circular No. 2023-008 dated August 17, 2023 prescribing the Guidelines on the Proper Disposition of Dormant Receivable Accounts, among others, states that:

> *Within one (1) year from the effectivity of the Circular, the Head of Accounting Unit through the HoA shall file with/through the ATL and/or RSA/SA, depending on the jurisdictional amount, a request for the approval of COA to write-off/derecognize from the books the dormant accounts pursuant to the provisions of this Circular. Xxx*

1.22 COA Circular No. 2025-005 dated December 18, 2025 extended the validity of COA Circular No. 2023-008 dated August 17, 2023 as follows:

> *The Commission Proper hereby allows NGAs and Instrumentalities, LGUs and GCs to continue filing requests for the derecognition of dormant accounts beyond the reglementary period until a new circular is issued.*

1.23 Audit results revealed that dormant receivable accounts aggregating to P317.585 million, with net realizable value of P31.660 million, have remained outstanding for 10 years or more. Despite these accounts representing 74.26 percent of the total Receivables balance and the Network's documented collection efforts, Management has yet to file a formal request for write-off in accordance with existing regulations. A detailed breakdown is provided in Table 7.

Table 7 – Dormant Receivables as at December 31, 2025

Account	Account Balance	Dormant accounts	Allowance for Impairment	Net Realizable Value
AR-TV Manila	P 26,091,124	P 26,091,124	P 23,482,012	P 2,609,112
AR-TV Manila (In House)	365,198,477	260,665,109	234,598,598	26,066,511
AR-TV -12 Iloilo	2,439,739	2,439,739	2,195,765	243,974
Accounts Receivable-TV-12 Iloilo (In House)	3,334,042	-	-	-
AR-TV-13 Davao	539,110	539,110	485,199	53,911
AR-TV-13 Davao (In House)	539,174	539,174	485,257	53,917
AR-TV-13 Cebu	193,635	193,635	174,272	19,363
AR-TV-13 Cebu (In House)	1,271,670	1,271,670	1,144,503	127,167
AR-TV-13 Laoag	107,117	107,117	96,405	10,712
AR-Radio Manila	3,178,079	2,183,079	1,964,771	218,308
AR-Radio Manila (In House)	4,750,570	4,750,570	4,275,513	475,057
AR-DYBQ Iloilo	452,482	452,482	407,234	45,248
AR-DYBQ Iloilo (In House)	3,514,138	3,271,326	2,944,194	327,132
AR-DYRG Kalibo	479,246	479,246	431,321	47,925
AR-DYRG Kalibo (In House)	1,010,113	1,010,113	909,102	101,011
AR-DYJJ Roxas	76,108	73,054	65,749	7,305
AR-DYJJ Roxas (In House)	1,002,219	801,051	720,946	80,105
AR-DYSJ Antique	58,743	58,743	52,869	5,874
AR-DZMZ Manila	4,754,979	4,754,979	4,279,481	475,498
AR-DWLW Laoag	131,200	131,200	118,080	13,120
AR-DWLW Laoag (In House)	16,526	16,526	14,873	1,653
AR-DWDW Dagupan	36,398	36,398	32,758	3,640
AR-DWDW Dagupan (In House)	193,149	193,149	173,835	19,314
AR-DWNW Naga	306,924	306,924	276,232	30,692
AR-DWNW Naga (In House)	401,510	401,510	361,359	40,151
AR-DWGW Legaspi	331,821	331,821	298,639	33,182
AR-DWGW Legaspi (In House)	63,993	63,993	57,594	6,399
AR-Davao BBC	62,235	62,235	56,011	6,224
Subtotal	***P 420,534,521***	***P 311,225,077***	***P 280,102,572***	***P 31,122,505***
Due from Officers and Employees	109,628	-	-	-
Other Receivables – SSS	7,019,112	6,359,626	5,822,094	537,532
Total	**P 427,663,261**	**P 317,584,703**	**P 285,924,666**	**P 31,660,037**

1.24 Audit revealed that the gross AR-Trade accounts totaling P311.225 million, representing 72.83 percent of the total Receivables, have remained outstanding since the Network's sequestration in CY 1986. In addition, the Other Receivables-Social Security System (SSS) account, amounting to P6.360 million, has remained dormant for 10 to 26 years (CYs 1999–2015), casting significant doubt on its collectability. While an Allowance for Impairment has been recognized, no formal Request for Authority to Write-off has been filed with the COA as at year-end.

1.25 According to the FD, supporting documents for these dormant accounts are currently being compiled, and additional demand letters are scheduled for issuance. Management remarked that, once documentation is complete, the list of receivables will be presented to the BOD for approval before submission to COA.

1.26 COA Circular No. 2025-005 dated December 18, 2025 is intended only as a temporary relief. With the lapse of the extended period and pending issuance of a new circular, the opportunity for one-time cleansing of accounts may no longer be readily available in the future.

1.27 The persistence of these unresolved receivable issues suggests systemic weaknesses in IBC-13's internal control framework, specifically in the recognition, monitoring, collection, and disposition of receivables.

1.28 **We recommended that Management direct the AS to:**

1. Re: Completion of SLs and Reconciliation between the 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;

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 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;

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;**

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;**

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 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;**

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.**

1.29 Management commented that the FD conducted a review of the subject accounts and noted that no updated SLs are available, as these accounts had remained non-moving and dormant for several years. The balances have been continuously carried forward in the books from prior years, including those originating from the period of sequestration in CY 1986, without any recorded movements or subsequent transactions up to the present.

1.30 Further verification disclosed that the supporting records and detailed schedules pertaining to these accounts are no longer available and could not be retrieved due to the lapse of time and institutional transitions over the years.

1.31 At present, Management is undertaking the reconstruction and updating of the SLs on a per account basis to facilitate proper verification, reconciliation, and eventual processing for write-off, subject to existing accounting and auditing rules and regulations.

1.32 Management also followed up the status of the petition for money claim against DepEd. As of this date, however, no reply or update has been received.

1.33 With regard to the P459,052 variance with Client A, the AS, in coordination with the Billing and Collection Section, shall continuously exert its best efforts to reconcile the amounts pertaining to prior periods. Upon completion of the verification and reconciliation process, the necessary adjusting entries shall be made to properly reflect the correct accounts and balances.

1.34 Further, the FD reviewed the account related to Client B and found that the broadcast contract with said entity amounted only to P10,000, which has already been fully settled, as of this date. Clarification with Client B revealed that the balance indicated in the client's reply to COA was mistakenly referred to their transactions with IBC-13 Broadcast Workers Cooperative.

1.35 The FD reviewed the related account and explained that the negative balances were not separately reclassified or adjusted from the rest of the account balances, considering that the overall balance of the account remained positive as at year-end. Nevertheless, Management acknowledged the need for further review and reconciliation of the negative balances and has already sought guidance from the COA-GAS. In addition, it was noted that the balances primarily pertain to prior years' accounts, the majority of which have been outstanding for more than 10 years, except for two accounts that have already been reclassified to their appropriate accounts.

1.36 Pending completion of the review and evaluation for possible write-off, the majority of the negative balances were not yet reclassified to Other Payables or other appropriate accounts. Should any valid liabilities be identified upon proper review and reconciliation, the necessary adjustments will be made accordingly.

1.37 The FD also agreed to exclude negative balances in computing the impairment of receivables.

1.38 The FD reviewed the related accounts and recomputed the impairment losses for AR and Other Receivables-SSS accounts, and have effected the necessary adjusting entries to recognize the correct amount of allowance for impairment and impairment losses for CY 2025.

1.39 The FD acknowledged the foregoing audit recommendations and commits to continuously undertake the reconstruction and updating of SLs, validation of balances, and gathering of available supporting documents for long-outstanding receivable accounts, including those originating from CY 1986. Management likewise committed to issue the necessary demand letters and perform all feasible measures to establish the validity and recoverability of the accounts concerned.

1.40 Further, Management stated that the procedures and documentary requirements prescribed under COA Circular No. 2023-008 dated August 17, 2023, as amended by COA Circular No. 2025-005 dated December 18, 2025, are presently being adopted and complied with the FD as basis for the cleansing and disposition of dormant accounts. Upon completion of the reconciliation and SL reconstruction process, Management shall immediately initiate the appropriate request for the BOD's approval and the subsequent filing of a formal Request for Authority to Write-off.

1.41 The Audit Team acknowledges the actions taken and the commitment of the Network to address the recommendations. However, full compliance will be monitored during the CY 2026 audit.

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 2025 Bank Reconciliation Statements, contrary to Paragraph 27 of International Public Sector Accounting Standard 1.

2.1 This is a reiteration with updates of the prior years' audit observations, as Management has not yet fully implemented the recommendations.

2.2 Paragraph 27 of IPSAS 1 on the Presentation of Financial Statements states that:

> *Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses set out in IPSASs. The application of IPSASs, with*

additional disclosures when necessary, is presumed to result in financial statements that achieve a fair presentation.

2.3 The Cash and cash equivalents account as at December 31, 2025 amounted to P360.178 million, the details of which are shown in Table 8.

Table 8 - Composition of Cash and cash equivalents

Account	Amount
Cash collecting officer	P (3,760,836)
Petty cash fund	1,316
Checks and other cash items	5,530
Cash in bank	363,931,614
Total	**P 360,177,624**

Existence of a negative balance of P3.761 million in the Cash Collecting Officer account

2.4 As can be gleaned from Table 8, the Cash Collecting Officer account of the Network exhibited a negative balance of P3.761 million as at year-end. Verification of the Monthly Cash Report (MCR) as at December 31, 2025 showed a zero balance. However, comparison with the General Ledger (GL) revealed a discrepancy of P 3.761 million, as detailed in Table 9.

Table 9 - Comparison between the records of Treasury and Accounting Section

Particulars	Treasury Section	Accounting Section	Variance
Beginning balance	P 1,931,430	P (4,917,465)	P 6,848,895
Total cash collections, CY 2025	14,030,648	14,034,706	(4,058)
Deposits of cash collections	(14,030,648)	(14,789,507)	758,859
Other debits [release of unissued Manager's Check (MC) in CY 2024]	(1,931,430)	-	(1,931,430)
Prior period book adjustments	-	1,911,430	(1,911,430)
Total	**P -**	**P (3,760,836)**	**P 3,760,836**

2.5 Further analysis of the account disclosed the following causes of discrepancies, as shown in Table 10.

Table 10 – Details of discrepancies between the records of Treasury vis-à-vis Accounting Section

Particulars	Amount
Variance in the prior years' balances	P 6,848,895
Check erroneously recorded as cash collection – Official Receipt (OR) No. 14033	1,471,319
Unrecorded cash collection – OR No. 14040	(716,518)
Non-recording of released MC in CY 2025	(1,931,430)
Prior period book adjustments	(1,911,430)
Total	**P 3,760,836**

2.6 The recurring issue of abnormal or negative balances in the Cash Collecting Officer account has been highlighted in the previous Annual Audit Reports. Discussions with the Finance Manager revealed that reconciliations between the Treasury Section (TS) and AS were inadvertently not prioritized following the resignation of key personnel in both departments. Management has since hired new staff to manage the account and has committed to tracing the root causes of prior year variances and recording the necessary adjusting entries in the succeeding year.

Variance of P31,193 between balance per books and bank confirmation

2.7 Bank confirmations were conducted with the three depository banks of IBC-13 to verify the existence and accuracy of the Cash in bank balances as at December 31, 2025. The results disclosed a total variance of P31,193, as detailed in Table 11.

Table 11 – Balance of Cash in bank vis-à-vis Per books

Bank/Account Number	Balance per Books	Balance per Bank	Variance
Bank 1/Account A	P 363,417,604	P 363,417,604	P -
Bank 1/Account B	482,817	482,817	-
Subtotal	***P 363,900,421***	***P 363,900,421***	***P -***
Bank 2/Account A	30,199*	-	30,199
Bank 3/Account A	994	-	994
Total	**P 363,931,614**	**P 363,900,421**	**P 31,193**

*$513.55 @ P58.8050 reported US dollar exchange rate as at 12/29/2025

2.8 The discrepancies summarized in Table 11 pertain to dormant accounts maintained by IBC-13 with the Banks 2 and 3. Confirmation from Bank 2 in Calendar Year (CY) 2024 verified a dormant dollar account balance of US Dollar 513.55.

2.9 Under the Unclaimed Balances Law or the Presidential Decree (PD) No. 679, these funds are scheduled for reporting to the Bureau of the Treasury and may be subject to escheat proceedings if the account remains inactive. Regarding the balance with Bank 3, bank records indicate that the account has been inactive and had already been garnished as early as July 22, 2015. Management, through the Finance Manager, stated that while these accounts were functional prior to sequestration and the transition to Bank 1, coordination with the respective banks is ongoing and that the matter will be elevated to the Board of Directors (BOD) for final disposition and appropriate action.

Deficiencies and errors in identifying reconciling items totaling P58.007 million in the CY 2025 Bank Reconciliation Statements (BRS)

2.10 As shown in Table 4, the Network's recorded balances with Bank 1 aggregating to P363.900 million as at December 31, 2025, are in agreement with the confirmed bank balances. However, a detailed verification of the BRS, book adjustments, and a comparison of the GL against the bank statements for CY 2025 revealed several deficiencies. These include errors in the identification of reconciling items amounting to P58.007 million, as summarized in Table 12.

Table 12 – Deficiencies noted in the submitted BRS of the AS

Particulars	Effect in Cash in bank account		Total
	Bank 1/Account A	Bank 1/Account B	
Unrecorded check deposits	P (335,607)	P -	P (335,607)
Unrecorded deposit of cash collection – OR No. 14040	(716,518)	-	(716,518)
Check erroneously recorded as cash collection – OR No. 14033	1,471,320	-	1,471,320
Unrecorded bank credit memo	(8,000)	-	(8,000)
Unrecorded bank debit memos for amounts due from credit card transactions	1,016,838	-	1,016,838
Unaccounted Outstanding Checks (OC)	55,063,263	-	55,063,263
Paid and/or cancelled vouchers that were erroneously classified as OC	6,886,093	-	6,886,093
Errors/deficiencies noted in book adjustments made by the AS	(6,470,874)	1,100,187	(5,370,687)
Total – Overstated/(Understated) by	**P 56,906,515**	**P 1,100,187**	**P 58,006,702**

2.11 The breakdown of the unrecorded check deposits totaling P335,607 is presented in Table 13.

Table 13 – Unrecorded Check Deposits

Date	Description	Amount
8/28/2025	Local check deposit	P 111,869
9/22/2025	Local check deposit	111,869
10/20/2025	Local check deposit	111,869
Total		**P 335,607**

2.12 Audit revealed that no Official or Acknowledgement Receipts were issued for the aforementioned check deposits. Upon inquiry, the TS stated that they were unaware of these deposits due to lack of client advice and supporting Billing or Service Invoices from the Billing and Collection Section. The TS has committed to trace the origin of these funds.

2.13 In addition, verification of OCs as at December 31, 2025 showed a total of P123.009 million. However, the BRS submitted by the AS reflected only P74.832 million in OCs reverted to the Cash in bank account and recognized as Accounts Payable, resulting in a discrepancy of P55.063 million. Further verification disclosed that, of the P74.832 million identified by the AS, only P67.946 million was confirmed to be outstanding, while P6.886 million was improperly included in the classification. Detailed breakdowns are provided in Table 14.

Table 14 – Details of OCs identified by the AS vis-à-vis as verified by the Audit Team

Particulars	Amount
OCs verified by the Audit Team	P 123,009,173
OCs that were duly accounted for by the AS	67,945,910
Unaccounted OCs as at December 31, 2025	**P 55,063,263**

Particulars		Amount
OCs that were duly accounted for by the AS		P 67,945,910
Vouchers that were already paid and cleared in the bank	P5,341,382	
Cancelled vouchers	569,022	
Vouchers with partial unpaid balances	136,000	
Vouchers that were taken-up twice as OC	839,689	
Subtotal		***P 6,886,093***
Total OCs per AS		**P 74,832,003**

2.14 The summary of the other deficiencies noted by the Audit Team are presented in Table 15.

Table 15 – Other Deficiencies Noted in the BRS

Particulars	Effect in Cash in Bank account	
	Bank 1/Account A	**Bank 1/Account B**
Erroneous adjusting entries made by the AS	P (14,064,318)	P 13,842,229
Unrecorded fund transfers from Bank 1/Account A to Bank 1/Account B	7,596,366	(7,596,366)
Unsupported adjusting entry made by the AS	-	(5,145,676)
Disbursements made with difference in book records vs. cleared amount in bank statement	(2,922)	-
Total	**P (6,470,874)**	**P 1,100,187**

2.15 Furthermore, the AS was unable to prepare and submit the BRS to the Audit Team on a regular basis. This is not in accordance with Sections 5 and 7, Chapter 21 of the Government Accounting Manual, Volume I, which prescribe as follows:

Sec. 5. Preparation of the Bank Reconciliation Statement. The Chief Accountant/Designated Staff shall within ten days from receipt of the monthly Bank Statement (BS) together with the paid checks, original copies of Debit Memoranda (DM)/Credit Memoranda (CM) from the GSB, reconcile the BS with the GL and prepare the BRS. Xxx

Sec. 7. Reporting. The Chief Accountant shall submit the BRS within twenty days after the receipt of the monthly BS. Xxx

2.16 The BRS for CY 2025 were only provided to the Audit Team on March 12, 2026, following a formal request. The AS attributed this delay to the resignation of the personnel previously tasked with the monthly preparation. Such delay impedes the timely detection of discrepancies, often resulting in significant unreconciled differences between book and bank balances.

2.17 Consequently, the failure to correctly identify and categorize reconciling items, compounded by unsupported accounting entries resulted in a net misstatement of the Cash in Bank account by P58.007 million. This misstatement casts doubt on the fair presentation of the reported P363.932 million Cash in Bank balance as at year-end.

2.18 In view of the above-mentioned observations, the faithful representation of the balance of the Cash and Cash Equivalents account amounting to P360.178 million as at December 31, 2025 could not be established.

Other observation

Credit card disbursements amounting to P1.557 million lacked the necessary supporting documentation required under Section 5.3.2 of COA Circular No. 2021-014 dated December 22, 2021, and the Network's Guidelines on the Use of Credit Card, thus, exposes the Network to the risk of misuse and misappropriation of government funds. Also, various recording errors were identified during the audit, contrary to Section No. 4 (6) of Presidential Decree No. 1445, thereby, casting doubt on the propriety of the transactions involved.

2.19 Sections 5.3.2 of COA Circular No. 2021-014 dated December 22, 2021 on the Guidelines on the use of Electronic Collection and Electronic Payment for Government Transactions states that:

> *5.3.2. All e-Payments shall follow the existing procedures on disbursement with duly approved Disbursement Vouchers (DV) or Payroll with complete supporting documents subject to the usual accounting and auditing rules and regulations.*

2.20 Further, Item X of the guidelines adopted by the IBC-13 on the use of the Network's credit card dated May 22, 2025 approved by the IBC-13 President and Chief Executive Officer, and the BOD provides that:

> *X. Procedure for Credit Card Use*
>
> 1. *Request for Use*
>
>   *Submit a formal written request to the President, with complete supporting documents as required by COA Circular No. 2012-001.*
>
> 2. *DV Preparation*
>
>   *Approved requests will be forwarded to the Finance Department for preparation of the Disbursement Voucher (DV).*
>
> 3. *Internal Audit Review*
>
>   *The DV shall be reviewed and endorsed by the Internal Audit Department.*
>
> 4. *Final Approval*
>
>   *The President shall sign the DV after audit review.*

5. *Card Utilization*

   Upon final approval, the transaction may proceed using the Network's credit card.

6. *Submission of Documents*

   Official receipts and invoices must be submitted to the Finance Department immediately for recording and auditing purposes.

2.21 Review of the bank statements and the BRS prepared by the AS for CY 2025 revealed several debits from the Bank 1/Account A representing monthly payments of credit card in the total amount of P2.026 million. Details are presented in Table 16.

Table 16 – Summary of Credit Card Payments for CY 2025

Date Recorded in the Books	Ref. No.	Date debited from the bank account	Amount
1/31/2025	20197	1/20/2025	P 25,709
2/28/2025	20256	2/18/2025	126,434
4/30/2025	20318	3/21/2025	302,415
4/30/2025	20318	4/21/2025	85,396
-	-	5/20/2025	127,076
-	-	6/19/2025	277,244
-	-	7/21/2025	34,114
-	-	8/18/2025	110,318
-	-	9/11/2025	337,211
-	-	10/20/2025	222,648
-	-	11/18/2025	236,313
-	-	12/19/2025	140,765
Total			**P 2,025,643**

2.22 Upon request by the Audit Team, Management submitted the corresponding monthly Statements of Account (SOAs) showing transactions made using the corporate credit card, as summarized in Table 17.

Table 17 – Summary of Credit Card Transactions for CY 2025

Particulars	Amount
Subscriptions for operating system, internet connection, virtual meetings, etc. from various providers	P 1,056,406
Procurements from various suppliers	647,864
Airfare	321,373
Total	**P 2,025,643**

2.23 Audit revealed that, of the P2.026 million in total expenses charged to the corporate credit card, only P468,851 were supported by approved Disbursement Vouchers (DVs) and complete documentation. The propriety of the remaining P1.557 million could not be ascertained due to the absence of required receipts, invoices, and other pertinent documents, contrary to

Section 4(6) of PD No. 1445 which provides that "*claims against government funds shall be supported with complete documentation.*"

2.24 The concerned personnel from the AS stated that they were not consistently informed of credit card usage, hindering the preparation of DVs which require approved requests and supporting papers. Consequently, transactions from December 2024 to March 2025 totaling P0.540 million were merely recorded as bank reconciliation adjustments, while P1.017 million remained unrecorded contributing to the unadjusted reconciling items noted in Table 12.

2.25 Furthermore, vouchers totaling P350,423 were erroneously classified as OCs and were reverted to the Cash/Accounts Payable accounts, despite having been settled through the corporate credit card. A variance of P57,639 was also noted between the approved DVs and the SOA balances, for which no adjusting entries were made. Had the BRS been prepared and the SOAs reviewed timely, these errors could have been promptly detected and corrected.

2.26 The lack of the required supporting documentation and the non-recognition of P1.017 million in credit card charges resulted in a misstatement of the Cash in Bank account with the corresponding understatement in the related expense accounts.

2.27 **We reiterated our prior years' recommendations that Management direct the FD to require the AS 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 MCR.**

2.28 **We further recommended that Management direct the FD to require the AS 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.**

2.29 Management commented that the FD reviewed the related accounts and found that an erroneous adjusting entry was made during the bank reconciliation. Instead of recording the deposit transaction that should have been recognized as part of the monthly deposit, another transaction was mistakenly recorded. Since the mistakenly recorded transaction had already been included in the Cash in bank account, this resulted in an overstatement of the Cash Collecting Officer account. Accordingly, the FD made the necessary adjusting entries to correct the transactions.

2.30 With regard to the unrecorded release of MC in CY 2025, the FD likewise made the necessary adjusting entry to properly recognize the transaction.

2.31 The AS, in coordination with the TS, shall continuously exert efforts to properly recognize, reconcile, and adjust transactions related to the negative balances in the Cash Collecting Officer account.

2.32 Moreover, the FD coordinated with Bank 2 and has already accomplished the necessary requirements for the application of a demand draft for claiming the dormant US dollar account. As of this date, the FD is coordinating with Bank 1 regarding the deposit of the demand draft and is currently complying with the required documents. Afterwards, adjusting entries will be prepared to effect the demand draft. A copy of the said demand draft including the BOD resolution related thereto was submitted to the Audit Team.

2.33 With regard to Bank 3 dormant account, Management states that it is determined to close the account. Thus, the FD is currently complying with the necessary requirements needed. Necessary adjusting entries will also be undertaken after accomplishing the needed documents and final confirmation from the bank.

2.34 Regarding the bank reconciliation, the AS, particularly the Chief Accountant, shall reperform the bank reconciliation to determine the cause of the discrepancies and conduct a thorough examination of the reconciling items.

2.35 As to the unrecorded check deposits, the FD coordinated with the contact person indicated in the copy of the deposit slip provided by Bank 1 and confirmed the source of the deposits. Upon verification, it was noted that the unrecorded deposits pertain to the remaining three-month contract period for a certain client covering August 20, 2025 to November 19, 2025. The TS subsequently issued acknowledgment receipts for these transactions, copies of which were also submitted to the Audit Team.

2.36 Furthermore, the FD acknowledged the recommendations of the Audit Team and committed to strictly comply with the monthly preparation and submission of the BRS within the prescribed period.

2.37 The FD compiled the available invoices and other necessary supporting documents pertaining to the credit card transactions. Copies of the relevant invoices and supporting documents and adjusting entries made to record the transactions related thereto were likewise submitted for reference and audit verification. The FD commits to secure and complete the remaining invoices and supporting documents for the transactions with incomplete records. In addition, it was noted that certain documents were not properly turned over or endorsed to the current personnel due to changes in assignment and transition of responsibilities. Nevertheless, the FD shall coordinate with the concerned employees, suppliers, and other responsible parties to obtain the lacking documents.

2.38 Additionally, the FD issued a Memorandum to the concerned departments/end-users containing the guidelines and step-by-step procedures for the proper use and documentation of credit card transactions to ensure that all transactions are properly monitored, supported, and recorded in a timely manner.

2.39 As a rejoinder, the Audit Team acknowledges the initial efforts of Management to implement the audit recommendations. However, the documents submitted to the Audit Team will be subjected for review and full compliance with the audit recommendations will be monitored during CY 2026 audit.

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 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 the International Public Sector Accounting Standard 1.

3.1 This is a reiteration, with updates, of the prior year's audit observation, as Management has not yet fully implemented the recommendations.

3.2 Paragraph 27 of IPSAS 1 on the Presentation of Financial Statements states that:

> *Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair*

presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses set out in IPSASs. The application of IPSASs, with additional disclosures when necessary, is presumed to result in financial statements that achieve a fair presentation.

3.3 Based on the GL, the Withholding Tax at Source (WTS) account had a balance of P19.055 million as at December 31, 2025, of which P22,098 was applied as tax credit against income taxes payable for the same fiscal year. The detailed information is provided in Table 18.

Table 18 – Details of the Balance of WTS account as at December 31, 2025

Particulars	Amount	Applied as Tax credit in CY 2025	Balance as at December 31, 2025
Creditable Tax Withheld (CTW), as at Jan. 1, 2025	P17,929,717	-	P17,929,717
CTW for CY 2025	304,763	-	304,763
Adjustments	820,377	P 22,098	798,279
WTS – Government Money Payments – VAT	22,094	-	22,094
Total	**P19,076,951**	**P 22,098**	**P19,054,853**

Unavailability of the Certificates of Creditable Tax Withheld (CTW) for taxes and adequate supporting documents confirming the overpayments made to Bureau of Internal Revenue (BIR), totaling P18.137 million

3.4 Section 2.58.3 of the BIR Revenue Regulation (RR) No. 02-98 dated April 17, 1998 provides:

> *(A) The amount of creditable tax withheld shall be allowed as a tax credit against the income tax liability of the payee in the quarter of the taxable year in which income was earned or received.*
>
> *(B) Claims for tax credit or refund of any creditable income tax which was deducted and withheld on income payments shall be given due course only when it is shown that the income payment has been declared as part of the gross income and the fact of withholding is established by a copy of the withholding tax statement duly issued by the payor to the payee showing the amount paid and the amount of tax withheld therefrom. Proof of remittance is the responsibility of the withholding agent.*
>
> *(C) Excess Credit – An individual or corporate taxpayer's excess expanded withholding tax credits for the taxable*

quarter/year shall automatically be allowed as a credit against his income tax due for the taxable quarters/years immediately succeeding the taxable quarters/years in which the excess credit arose, provided he submits with his income tax return, a copy of the first page of his income tax return for the previous taxable period showing the amount of his excess withholding tax credits, and on which return has not opted for a cash refund or tax credit certificate. Xxx (underscoring ours)

3.5 Expanded Withholding Tax is a creditable withholding tax that may be considered an advance payment of income tax, as it is deductible against the tax liability for the respective taxable quarter or year in which the particular income was earned. Furthermore, it constitutes an asset that can be recognized as a prepayment within the WTS account.

3.6 The obligation to issue a properly completed Certificate of CTW at Source or BIR Form No. 2307, as proof of withholding, lies with the payor, also known as the withholding tax agent. These certificates must be provided to the payee within 20 days after the close of the taxable quarter in which the income was earned or received, or at the same time as the payment if requested by the payee.

3.7 The Audit Team requested the Cash Receipts Book (CRB), GL, issued Billing/Invoices for CY 2025, and BIR Form No. 2307 on file, to determine whether the recorded balance in the books was correct and adequately supported by the required certificates.

3.8 As shown in Table 21, per GL, the WTS account reflected a balance of P19.055 million, as at December 31, 2025. However, further review revealed that, of this amount, only P0.896 million was duly supported by BIR Form No. 2307 and adequate supporting documents on overpayments, while the remaining balance of P18.137 million was not supported by required documents, as detailed in Table 19.

Table 19 – Comparison of WTS per Books vis-à-vis Actual Inventory of BIR No. 2307

Particulars	Amount	
GL balance, as at December 31, 2025		P 19,032,760
Less: Inventory of 2307 Form, as at December 31, 2025	P 250,918	
Annual ITR showing overpayment	644,626	895,544
Total balance without BIR 2307 Forms		**P 18,137,216**

3.9 In addition, the recorded adjustment by the FD pertains to an overpayment of tax payable to the BIR by the Network in CY 2022 amounting to P0.820 million. However, after verification, only P0.645 million was adequately supported by the Annual Income Tax Return (ITR) evidencing the overpayment. Conversely, the amount of P175,751 was doubtful due to the lack of appropriate supporting documentation confirming the overpayment, thus, may not be allowed by the BIR to be deducted from the Network's tax liabilities.

3.10 Inquiries with the concerned personnel revealed that the missing or unaccounted Certificates of CTW were from prior years, and the officers previously responsible for these accounts have already retired. Relative to the CY 2022 overpayment, Management clarified that the BIR authorized the Network to gradually offset the balance against tax liabilities in subsequent periods. Also, the FD agreed to reverse the entry for the overpayment of tax payable amounting to P175,751, due to insufficient proof that the overpayment was in fact made.

3.11 The FD clarified that coordination with the BIR was formalized via letter dated May 30, 2023, acknowledged by the latter on June 1, 2023. The BIR's response indicated that the matter had been referred to its Legal Division for review. While the FD claimed that a follow-up letter was subsequently sent, the copy provided to the Audit Team did not bear the BIR "Received" stamp nor the IBC-13 President's signature, leaving its official transmission unverified.

3.12 To resolve this, the FD committed to conducting continued follow-ups and proposed reclassifying the amount unsupported by BIR Form No. 2307 as a contingent asset. The FD further committed to determine the precise figures for reclassification vis-à-vis those to be retained in the WTS account. These adjustments were however delayed due to operational constraints and increased workloads following the CY 2025 organizational changes.

An unrecorded Certificate of CTW at Source, received from clients, totaling P83,964 resulted in an understatement of the account by the same amount

3.13 Verification was conducted using entries per GL and CRB, along with the available issued Service Invoices from the Billing Section and the Certificates of CTW at Source on file with the AS. It was noted that the Certificates of CTW at Source received from Corporation A and Corporation B, totaling P83,964 were not recorded, as shown in Table 20.

Table 20 – Unrecorded Certificates of CTW at Source

OR/AR No.	CY 2025 (Quarter)	Payee	Amount per BIR Form No. 2307
0001	3rd Quarter	Corporation A	P 9,600
0002	2nd Quarter	Corporation A	19,200
0003	2nd Quarter	Corporation A	9,600
0049	1st Quarter	Corporation A	19,200
0048	1st Quarter	Corporation A	1,000
0050	2nd Quarter	Corporation A	5,000
14024	2nd Quarter	Corporation B	20,364
Total			**P83,964**

3.14 The non-recording of the above-mentioned CTW at Source for Corporation A occurred because the Cashier issued receipts based only on the net amount received. Consequently, since the CRB relied on these receipts as primary source documents, the withheld tax portion was omitted from the recording.

Relative to the transaction with Corporation B, the AS confirmed that the CTW was inadvertently overlooked during the recording process. As a consequence, the non-recording of the CTW at Source resulted in an understatement of the WTS account by P83,964.

3.15 The absence of BIR Form No. 2307 and other supporting documentation to support the adjustments made relative to the tax overpayments totaling P18.137 million, combined with the unrecorded CTW in the amount of P83,964, casts doubt on the fair presentation of the WTS account as at year-end, not in accordance with Paragraph 27 of IPSAS 1.

3.16 **We recommended that Management 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 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.**

3.17 Management commented that the FD conducted a detailed review and reconciliation of the WTS account, including verification of subsidiary records against available supporting documents. The review confirmed that a significant portion of the WTS balance represents amounts carried forward from prior year for which complete supporting documentation, including BIR Form 2307, is no longer available. These balances originated from transactions recorded in earlier periods and were retained in the books as part of beginning balances.

3.18 Moreover, considering the lapse of the prescriptive period under the National Internal Revenue Code for the utilization or refund of excess creditable withholding taxes, Management has determined that the probability of recovery or future economic benefit from these amounts is remote.

3.19 In accordance with the principle of prudence and faithful representation under applicable accounting standards, including IPSAS, Management determined that continued recognition of these balances as an asset is no longer appropriate.

3.20 Accordingly, the FD performed the necessary reconciliation and recorded appropriate adjustments. As part of the process, the balances were initially reclassified to Contingent Asset account pending final assessment. Upon determination that the amounts are no longer recoverable and do not meet the recognition criteria for assets, the balances will be derecognized and written off.

3.21 Moreover, the FD verified that the amount of P83,964 pertains to Certificates of CTW at Source received from clients that were not recorded in the books due to non-posting upon receipt.

3.22 Management acknowledged the audit observation and confirmed that this resulted in an understatement of the WTS account.

3.23 To address the matter, Management shall coordinate with the concerned clients and the BIR to validate the authenticity and determine the eligibility of these certificates for recognition as creditable withholding taxes. Recognition in the books shall be subject to the availability of sufficient and appropriate supporting documentation. Pending validation, the FD has prepared the necessary correcting entries to properly recognize the transactions and ensure the accurate presentation of receivables, cash collections, and related tax accounts in the Financial Statements.

3.24 Moving forward, the FD shall implement appropriate measures to further strengthen its review and recording processes to ensure the accuracy, completeness, and proper classification of WTS and its related accounts.

3.25 As a rejoinder, the Audit Team acknowledges the actions taken and the commitment by the Network to address the recommendations. However, full compliance will be monitored during CY 2026 audit.

4. The faithful representation of the balances of various Liability accounts as at December 31, 2025 totaling P4.054 million, could not be established due to: a) negative balances in the total amount of P2.054 million; and b) absence of Subsidiary Ledgers and inadequate documentation to support the said balances, not in accordance with Paragraph 27 of International Public Sector Accounting Standard 1 and Paragraphs 3.10 and 3.26 of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities.

4.1 This is a reiteration, with updates, of the previous years' audit observation, as Management has not yet fully implemented the recommendation.

4.2 Paragraph 27 of IPSAS 1 on the Presentation of Financial Statements states that:

Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair *presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses set out in IPSASs. The application of IPSASs, with additional disclosures when necessary, is presumed to result in financial statements that achieve a fair presentation.*

4.3 Related thereto, Paragraphs 3.10 and 3.26 of the CFGPFR by Public Sector Entities give emphasis on the Faithful Representation and Verifiability, as follows:

3.10 To be useful in financial reporting, information must be a faithful representation of the economic and other phenomena that it purports to represent. Faithful representation is attained when the depiction of the phenomenon is complete, neutral, and free from material error. Information that faithfully represents an economic or other phenomenon depicts the substance of the underlying transaction, other event, activity or circumstance-which is not necessarily always the same as its legal form.

3.27 Verifiability is the quality of information that helps assure users that information in GPFRs faithfully represents the economic and other phenomena that it purports to represent. Supportability is sometimes used to describe this quality when applied in respect of explanatory information and prospective financial and non-financial quantitative information disclosed in GPFRs - that is, quality of information that helps assure users that explanatory or prospective financial and non-financial quantitative information faithfully represents the economic and other phenomena that it purports to represent.

4.4 Also, Annex C of the Updated Revised Chart of Accounts for Government Corporations under COA Circular No. 2020-002 dated January 28, 2020 provided the description of accounts with its normal balances. Sound accounting practice dictates that the normal balance for asset and expense accounts should be debit, and the liabilities, equity, and income accounts should be credit.

4.5 Likewise, Item B of Section 12, Volume I of the Government Accounting Manual identified the GL and SLs as among the books of account and registries that a government entity must maintain. Further, good internal control practice requires SLs to better monitor the individual transactions of a particular controlling GL account.

4.6 Audit of IBC-13's liabilities disclosed various accounts with year-end abnormal debit balances aggregating P2.054 million. These abnormal balances, as well as the P2.001 million balance in the Due to SSS - Salary Loan account, were unsupported by SLs. Consequently, the validity and status of these transactions could not be verified. Details are shown in Table 21.

Table 21 – Liability accounts with Negative Balances and without SLs and inadequate documentation as at year-end

Account Title	Amount
Unearned revenue/income	P (1,886,368)
Due to PhilHealth	(86,370)
Due to Pag-IBIG	(81,085)
Sub-total	**P (2,053,823)**
Due to SSS – Salary Loan	2,000,596
Total	**P 4,054,419**

4.7 The Audit Team sought clarification from the FD regarding the abnormal debit balances in the liability accounts. The FD's explanation is summarized as follows:

Unearned Revenue

4.8 The abnormal balance in the Unearned Revenue account has remained outstanding for at least five years. This balance pertains to transactions with a Network's client, the corporate existence of which has been dissolved. The dissolution hindered the retrieval and review of relevant supporting documentation.

Due to PhilHealth and Pag-IBIG

4.9 The outstanding balances in the Due to Philippine Health Insurance Corporation (PhilHealth) and Due to Home Development Mutual Fund (Pag-IBIG) accounts stemmed from historical circumstances, specifically the CY 1986 government take-over and the loss of records during Typhoon Ondoy. Management noted that previous difficulties in securing certifications of good standing resulted from frequent changes in authorized signatories. It further noted that such certifications merely confirm that remittances were made and do not necessarily substantiate the accuracy or validity of the recorded balances.

4.10 The FD further explained that these amounts are balances predating the government take-over, which complicates current verification efforts. Recent increases in abnormal (negative) balances were attributed to discrepancies between auto-payment remittances and ledger entries. Finally, the FD stated that external confirmation with Pag-IBIG and PhilHealth was precluded by the CY 2025 organizational restructuring and significant employee turnover.

Due to SSS – Salary Loan

4.11 With regard to the absence of SLs, the AS had initiated the preparation of individual employee records for SSS, PhilHealth, and Pag-IBIG, however, remained unfinalized. Management cited time constraints and the disruptions caused by the CY 2025 reorganization and personnel turnover as the primary obstacles.

4.12 Thus, the faithful representation of the balances of the aforementioned Liability accounts as at year-end could not be established, contrary to Paragraph 27 of IPSAS 1.

4.13 **We reiterated our prior years' recommendations that Management direct the AS to:**

   a. **Exert all efforts to locate the relevant documents, establish a clear timeline, and assign responsible personnel to conduct a thorough analysis of prior years' transactions that resulted in the negative balances of various liability accounts, and prepare the necessary adjusting entries;**

   b. **Send formal confirmation requests to Pag-IBIG and PhilHealth to determine the correct amounts payable by the IBC-13. Thereafter, reconcile the negative balances of the pertinent liability accounts based on the confirmed amounts;**

   c. **Fast-track the preparation of SLs to enable proper monitoring of the subject accounts; and**

   d. **Coordinate with the Payroll Section to reconcile the recorded year-end unremitted balance of the Due to SSS – Salary Loan account and make the necessary adjustment(s), if warranted.**

4.14 Management commented that the FD had conducted a preliminary review of records related to various liability accounts, as part of the ongoing efforts to address abnormal balances and ensure compliance with COA recommendations.

4.15 The negative balance of P1.886 million had been outstanding for at least five years and was likely attributable to recording errors. The balance also appeared to be related to a client, the corporate existence of which had already been dissolved, thereby, creating challenges in coordinating with third parties for reconciliation and confirmation purposes.

4.16 Moreover, the existence of a negative balance in a liability account may indicate either a possible receivable from the client and/or accounting misstatement. Nevertheless, the FD committed to continue to exert efforts in reviewing the related entries and available supporting documents to ensure that the account is properly examined, reconciled, and accounted for.

4.17 The balances under these accounts represent carried-forward amounts originating from the period of government sequestration of IBC-13 in CY 1986. As a result, the complete verification and accurate determination of the related liabilities have been constrained due to limited availability of supporting records.

4.18 The FD is currently in the process of consolidating and evaluating the records. Verification with the respective agencies showed that there are no overpayments. Hence, statements of account could not be secured.

Nevertheless, the FD will request Certificates of Good Standing from the concerned agencies as proof that IBC-13 has been remitting contributions in good faith.

4.19 Upon completion of the review, the Finance Manager will seek approval from the BOD to proceed with the formal reconciliation of the PhilHealth and Pag-IBIG accounts and to implement the necessary adjusting entries to correct the recorded balances. In addition, the FD requested guidance regarding the appropriate adjusting entries necessary to properly account for the outstanding balances.

4.20 The Payroll Section is also in the process of reconciling the SSS-Salary Loan account. Lastly, the FD committed to maintain SLs for the Due to PhilHealth, Pag-IBIG-Premium, and SSS-Salary Loan accounts.

4.21 As a rejoinder, the Audit Team acknowledges the actions taken and the commitment by the Network to address the recommendations. However, full compliance will be monitored during CY 2026 audit.

5. The accuracy of the recorded balance of the Property, Plant and Equipment (PPE) account could not be established due to a variance of P3.397 million between the balance per books and the Report on the Physical Count of PPE, inclusive of semi-expendable properties below the P50,000 capitalization threshold aggregating P2.384 million, contrary to Paragraph 27 of International Public Sector Accounting Standard 1 and Items 4.1 and 4.2 of COA Circular No. 2022-004 dated May 31, 2022, resulting in the overstatement of the affected PPE items and the corresponding understatement of related expense accounts by P2.384 million.

5.1 This is a reiteration with updates of the previous years' audit observations, as Management has not yet fully implemented the recommendations.

5.2 Paragraph 27 of IPSAS 1 on the Presentation of Financial Statements states that:

> *Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses set out in IPSASs. The application of IPSASs, with additional disclosures when necessary, is presumed to result in financial statements that achieve a fair presentation.*

5.3 Further, Items 4.1 and 4.2 of COA Circular No. 2022-004 dated May 31, 2022, state the following:

> *4.1. Tangible items which meet the definition and recognition criteria of PPE but cost is below Fifty Thousand Pesos*

(P50,000.00) shall be accounted in the books of accounts of the agencies as semi-expendable property. Xxx

4.2. The increase in the capitalization threshold from P15,000.00 to P50,000.00 shall be considered as a change in accounting policy and shall be applied retrospectively. It means that the new capitalization threshold of P50,000.00 shall be applied for all tangible items purchased in calendar year (CY) 2022 onwards and in the prior years.

5.4 Various PPE items, with a gross amount of P631.458 million and a carrying amount of P444.173 million as at December 31, 2025, were categorized into sub-accounts, as presented in Table 22.

Table 22 - Breakdown of PPE account as at December 31, 2025

PPE account	Cost	Accumulated Depreciation	Carrying Amount
Land	P 12,908,287	P -	P 12,908,287
Other land improvements	5,256,733	531,413	4,725,320
Leased asset improvements, buildings and other structure	809,000	768,550	40,450
Buildings	53,741,686	11,337,481	42,404,205
Other infrastructure assets	10,400,328	9,916,555	483,773
Communication equipment	515,631,129	150,499,515	365,131,614
Furnitures and fixture	519,417	156,467	362,950
Office equipment	8,358,486	1,330,412	7,028,074
Motor vehicle	23,677,171	12,588,925	11,088,246
Other PPE	156,230	156,228	2
Total	**P 631,458,467**	**P 187,285,546**	**P 444,172,921**

5.5 On February 11, 2026, the Asset and Property Management Office (APMO) submitted the Report on the Physical Count of Property, Plant and Equipment (RPCPPE) as at December 31, 2025. Comparison between the ledger balances and the physical count revealed a variance amounting to P3.397 million across various PPE sub-accounts; the specific details are presented in Table 23.

Table 23 - Comparison of the PPE sub-account balances per books vis-à-vis per RPCPPE as at December 31, 2025

Particular	Communication Equipment	Office Equipment	Furniture and Fixture	Other PPE	Motor Vehicle	Total
GL balance*	P515,631,129	P8,358,486	P519,417	P156,230	P23,677,171	P548,342,433
RPCPPE	518,868,945	8,517,266	519,417	156,230	23,677,171	551,739,029
Subtotal	**P(3,237,816)**	**P(158,780)**	**-**	**-**	**-**	**P(3,396,596)**

*Inclusive of semi-expendable items aggregating to P2.384 million.

5.6 Account verification performed with the FD identified the following discrepancies in PPE sub-account records as follows:

a. Items totaling P2.384 million per books and P149,480 per RPCPPE were improperly recorded as PPE despite falling below the P50,000 threshold;

b. One air conditioning unit was overvalued in the RPCPPE at P1.277 million, exceeding its actual cost of P1.241 million; and

c. There was no regular reconciliation between Accounting and the APMO.

5.7 Inquiry with the AS confirmed that the FD and APMO are still reconciling the P3.397 million variance in the PPE accounts. The FD acknowledged that items totaling P2.384 million fall below the P50,000 capitalization threshold. However, since the CY 2025 books are already closed, the necessary adjustments will be made once the full reconciliation is complete.

5.8 Further, the FD identified that several pieces of communications equipment were originally omitted from the CY 2025 RPCPPE. While this specific omission has been corrected, the overall variance between the RPCPPE and accounting records has subsequently increased to P3.397 million. This discrepancy remains under joint review by the FD and APMO.

5.9 The reconciliation remained unfinished at year-end due to organizational disruptions caused by the agency's restructuring and significant personnel turnover.

5.10 Moreover, review of the available lapsing schedules and accounting records showed that communication equipment, with cost below the P50,000 capitalization threshold remained included in the PPE account balance as at December 31, 2025, with an aggregate amount of P2.384 million.

5.11 Inquiry with the AS disclosed that the Network has applied the PPE capitalization threshold since CY 2022. However, several PPE items below the threshold were overlooked and, as of year-end, remained accounted for as PPE.

5.12 The recording of properties below P50,000 in unit cost as PPE resulted in the overstatement of the PPE by P2.384 million with the corresponding understatement in the related expense account by the same amount as at December 31, 2025.

Other observation

Unserviceable PPE costing P33.283 million, remained undisposed as at December 31, 2025

5.13 Section 79 "Destruction or sale of unserviceable property" of PD No. 1445 states that:

> *When government property has become unserviceable for any cause, or is no longer needed, it shall, upon application of the officer accountable therefore, be inspected by the head of the agency or his duly authorized representative in the presence of the*

auditor concerned and, if found to be valueless or unsalable, it may be destroyed in their presence. If found to be valuable, it may be sold at public auction to the highest bidder under the supervision of the proper committee an award or similar body in the presence of the auditor concerned or other duly authorized representative of the Commission, after advertising by printed notice in the Official Gazette, or for not less than three consecutive days in any newspaper of general circulation, or where the value of the property does not warrant the expense of publication, by notices posted for a like period in at least three public places in the locality where the property is to be sold. In the event that the public auction fails, the property may be sold at a private sale at such price as may be fixed by the same committee or body concerned and approved by the Commission.

5.14 Verification of records showed the existence of unserviceable PPE costing P33.283 million, which remained undisposed of as at December 31, 2025. The breakdown of these properties by station/office is provided in Table 24.

Table 24 – Inventory of Unserviceable Properties as at December 31, 2025

Station	Other PPE	Communication Equipment	Motor Vehicles	Total Cost	Residual Value
Quezon City – Main Station					
Asset and Property - Stockroom	P98,230	P11,155,603	-	P11,253,833	P19
Engineering – Broadcast Technical Support	-	148,590	-	148,590	3
Engineering Workroom & Maintenance Area	-	3,499,982	-	3,499,982	12
Motorpool – Main Station	-	-	P957,946	957,946	2
Subtotal	***P98,230***	***P14,804,175***	***P957,946***	***P15,860,351***	***P36***
Provincial Stations					
TV-6 Baguio City	-	2,880,692	-	2,880,692	5
TV-10 CDO City	-	50,000	-	50,000	1
TV-13 Cebu	-	70,909	676,818	747,727	3
TV-13 Davao City	-	5,603,992	975,000	6,578,992	40
DYBQ Iloilo	-	2,259,000	1,346,546	3,605,546	7
Guimaras Transmitter	-	2,878,015	-	2,878,015	5
DYJJ Roxas City	-	186,299	495,000	681,299	5
Subtotal	***-***	***P13,928,907***	***P3,493,364***	***P17,422,271***	***P66***
Total	**P 98,230**	**P28,733,082**	**P4,451,310**	**P33,282,622**	**P102**

5.15 On February 11, 2026, the Audit Team issued an audit query concerning the delayed and/or non-disposal of unserviceable properties. Management provided the following response:

Management indicated that, as at December 31, 2025, no disposal of the unserviceable PPE items identified in CYs 2024 and 2025. Only the junk and scrap materials were disposed of in October 2025. Additionally, the concerned Network Stations sent invitations *to junkshops to propose appropriate prices, however, no junkshop expressed interest at that time until the disruptions caused by the CY 2025 reorganization and personnel turnover came.*

In relation to the service vehicles, the Management is still waiting for clearance from the Land Transportation Office (LTO) to clear its registration under levy.

Management also explained that they delayed the disposal of some unserviceable PPE in the stockroom because they are reviewing it again to determine whether it can be reused as spare parts for other equipment, which would still benefit IBC-13.

The Finance Department also presented the approved Inventory and Inspection Report of Unserviceable Property (IIRUP) for unserviceable properties identified by the Inventory Team as at December 31, 2025, except for motor vehicles with LTO-related issues, including those located in the Network's provincial stations.

5.16 The delayed disposal of the PPE exposes to further deterioration, obsolescence, and/or potential misappropriation. It also deprives the Network of a potential revenue or cost-savings had the assets been promptly disposed of through sale or negotiation.

5.17 Finally, the recurrence and continued non-resolution of these audit observation on PPE for more than five years suggest possible deficiencies in the internal control procedures of the IBC-13 concerning the recognition, monitoring, and disposal of PPE-related transactions.

5.18 **We recommended that Management direct the FD and the APMO to:**

a. **Expedite the reconciliation of the P3.397 million variance between the accounting records and the RPCPPE to ensure the faithful representation of the PPE account balance in the Financial Statements as at year-end;**

b. **Thereafter, if warranted, comply with the procedures laid down under COA Circular No. 2020-006 dated January 31, 2020 on the "one-time cleansing of PPE account balances of government agencies" to establish the PPE balances that are verifiable as to existence, condition and accountability;**

c. **Effect the necessary adjusting entries for the P2.384 million items that fall below the P50,000 capitalization threshold, ensuring these are properly reclassified as semi-expendable properties in accordance with existing COA guidelines. Thereafter, submit the JEV to the Audit Team for review and verification;**

d. Strictly adhere to Section 79 of PD No. 1445 by initiating the immediate disposal of unserviceable properties costing P33.283 million;

e. Institutionalize a periodic reconciliation process (e.g., quarterly or semi-annually) between the FD and APMO to prevent the accumulation of variances and ensure that personnel turnover or reorganizations do not disrupt the monitoring of financial accountabilities;

f. Conduct a root-cause analysis to determine why the above-noted PPE observations have remained unresolved for more than five years; and

g. Establish a time-bound and comprehensive Action Plan to resolve perennial audit observations, and ensure that the internal control deficiencies noted are timely detected and corrected.

5.19 Management commented that the AS and APMO had exerted efforts to reconcile the PPE balances reflected in the accounting records and the RPCPPE. As a result, the variance was reduced to P3.397 million from the P22.770 million variance reported in CY 2024.

5.20 The AS and APMO shall continue to expedite the reconciliation process and review existing records to fully reconcile the remaining variances.

5.21 Management likewise considered the conduct of a one-time cleansing of PPE records as the most practical approach to address discrepancies, with the target completion of the one-time cleansing set by the end of CY 2026.

5.22 In accordance with the existing COA guidelines, the FD made an adjusting entry for the P2.384 million PPE items which were reclassified into Semi-Expendable-Machinery and Equipment items.

5.23 Management further stated that the approved Inventory and Inspection Report of Unserviceable Property as at December 31, 2025 had already been prepared. On April 20, 2026, IBC-13 successfully conducted the disposal of unserviceable items located in Cagayan de Oro through public auction. The items were awarded to the highest bidder for a total bid amount of P10,550.

5.24 Pursuant to the letter dated April 17, 2026 issued by the Land Transportation Office, confirming the permanent lifting of the levy/alarm on the motor vehicles of IBC-13 effective March 16, 2026, Management was able to proceed with the disposal of the subject properties. Accordingly, the Invitation to Bid through Public Auction for the disposal of five unserviceable motor vehicles located at the IBC-13 Central Office was conducted, with the Opening of Bids held on May 19, 2026. However, due to the failure of bidding, the next schedule for the public auction shall be determined by the Disposal Team.

5.25 As a rejoinder, the Audit Team acknowledges the actions taken and the commitment by the Network to address the recommendations. However, full compliance will be monitored during CY 2026 audit.

6. The faithful representation in the financial statements of the balance of the Sales Revenue account in the amount of P60.400 million for the year ended December 31, 2025, could not be ascertained due to: (a) cancelled Billing Invoices in the total amount of P1.286 million which were not adjusted in the books as at year-end; (b) non-recognition of Output Value-Added Tax on Sales totaling P1.329 million; and (c) erroneous reversal of sales through ex-deal items amounting to P15,000. As a result, the Sales Revenue account was overstated by the net amount of P2.601 million, the Receivables account was overstated by P1.286 million, and the related Output Tax Liability and Expense accounts were understated by P1.330 million and P15,000, respectively, which are not in accordance with Paragraph 27 of the International Public Sector Accounting Standard (IPSAS) 1 and Paragraph 19 of IPSAS 9.

6.1 Paragraph 27 of IPSAS 1 on the Presentation of Financial Statements states that:

> *Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses set out in IPSASs. The application of IPSASs, with additional disclosures when necessary, is presumed to result in financial statements that achieve a fair presentation.*

6.2 Further, Paragraph 19 of IPSAS 9 reads as follows:

> *When the outcome of a transaction involving the rendering of services can be estimated reliably, <u>revenue associated with the transaction shall be recognized by reference to the stage of completion of the transaction at the reporting date</u>. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:*
>
> *a. The amount of revenue can be measured reliably;*
>
> *b. It is probable that the economic benefits or service potential associated with the transaction will flow to the entity;*
>
> *c. The stage of completion of the transaction at the reporting date can be measured reliably; and*
>
> *d. The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.* (underscoring ours)

6.3 IBC-13 offers various services through television and radio to its clients, such as provision of airtime or blocktime, commercial or advertising spots, segment feature within programs, and social media advertising, among others, to both government and private institutions from which sales revenue is generated. For CY 2025, the reported Sales Revenue of IBC-13 amounted to P60.400 million.

Non-adjustment of cancelled Billing Invoices resulted in double recognition of sales and likewise the overstatement of Sales Revenue and Receivables accounts by P1.286 million

6.4 Review and inspection of the relevant Broadcast Contracts (BCs), Certificates of Performance (CPs) and Billing Invoices (BIs) and/or Service Invoices (SIs) revealed that sales for advertising spots with Corporation A per BC No. 5265 with a total contract amount of P1.440 million was recorded twice in the books of IBC-13. Details are shown in Table 25.

Table 25 – Double Recognition of Sales Revenue

CP No./ Telecast Coverage	Billings made in CY 2024		Billings made in CY 2025	
	BI No./ Date	Net amount billed	BI No./ Date	Net amount billed
CP 293778 August 2024	17301 08/31/2024	P 214,286	17516 02/28/2025	P 240,000
CP 293718 August 2024	17302 08/31/2024	214,286	17517 02/28/2025	240,000
CP 293781 September 2024	17309 09/30/2024	214,286	17518 02/28/2025	240,000
CP 293784 October 2024	17313 10/31/2024	214,286	17519 02/28/2025	240,000
CP 293786 November 2024	17318 11/30/2024	214,286	17520 02/28/2025	240,000
CP 293787 December 2024	17331 12/31/2024	214,286	17521 02/28/2025	240,000
Total		**P1,285,716**		**P1,440,000**

6.5 As shown in Table 25, airtime services were already rendered and billed accordingly in CY 2024. However, new BIs were issued in February 2025 to replace and cancel the former issuances as the amount billed in CY 2024 were net of Value-Added Tax (VAT). Since Corporation A is a VAT-exempt entity, Output VAT should not have been imposed. Despite the double recording, book adjustments for the cancellation of the said revenue were not effected by the AS due to oversight resulting in the overstatement of the Sales Revenue and the Receivables accounts in the total amount of P1.286 million.

Non-recognition of Output VAT on Sales totaling P1.329 million

6.6 Section 33 of the Republic Act No. 10963, otherwise known as 'Tax Reform for Acceleration and Inclusion' Law provides that:

SEC. 33. Section 108 of the NIRC, as amended, is hereby further amended to read as follows:

"SEC. 108. Value-added Tax on Sale of Services and Use or Lease of Properties.

(A) Rate and Base of Tax. - There shall be levied, assessed and collected, a value-added tax equivalent to twelve percent (12%) of gross receipts derived from the sale or exchange of services, including the use or lease of properties.
Xxx"

6.7 IBC-13, as a VAT-registered corporation, is responsible for collecting and remitting 12 percent VAT from its clients to the BIR.

6.8 Post-audit of Sales Receipts Book and verification of CPs and BIs/SIs related to the contract entered into by and between IBC-13 and Corporation C for the airing of Philippine Charity Sweepstakes Office (PCSO) lotto draws disclosed that, in CY 2025, the Network earned total airtime sales of P37.303 million, inclusive of VAT amounting to P3.997 million. However, only P2.668 million of the total VAT were recognized as at December 31, 2025. Details are shown in Table 26.

Table 26 – Recognized Sales Revenue and Output Tax for Airtime Sales to Corporation C for CY 2025

CP No./ Telecast Coverage	BI/SI No./ Date	Amount Billed	Sales Revenue	Output VAT
CP 293969 to 293971; 293973 January 1-31, 2025	BI 17342 01/31/2025	P 3,100,000	P 2,767,857	P 332,143
CP 294846 to 294848 February 1-28, 2025	BI 17522 02/28/2025	3,100,000	2,767,857	332,143
CP 295993 to 295996 March 1-31, 2025	BI 17537 03/31/2025	3,100,000	3,100,000	-
CP 296045; 296038 to 296039 April 1-30, 2025	BI 17558 04/30/2025	3,100,000	3,100,000	-
CP 296063 to 296064; 296066 to 296067; 296074 May 1-31, 2025	BI 17578 05/31/2025	3,100,000	3,100,000	-
CP 296081 to 296083; 296085 June 1-30, 2025	BI 17596 06/30/2025	3,100,000	3,100,000	-
CP 296112 to 296113; 296115; 296117; 296126 July 1-31, 2025	BI 17607 07/31/2025	3,100,000	2,767,857	332,143
CP 296128; 296133 to 296135; 296162 August 1-31, 2025	BI 17619 08/31/2025	3,100,000	2,767,857	332,143
CP 296144-296145; 296270; 296272	SI 0001	3,100,000	2,767,857	332,143

CP No./ Telecast Coverage	BI/SI No./ Date	Amount Billed	Sales Revenue	Output VAT
September 1-30, 2025	09/30/2025			
CP 296292 to 296295	SI 0014			
October 1-31, 2025	10/31/2025	3,100,000	2,767,857	332,143
CP 296153; 296155; 296158; 296160	SI 0021			
November 1-30, 2025	11/30/2025	3,100,000	2,767,857	332,143
CP 296172 to 296175	SI 0031			
December 1-30, 2025	12/31/2025	3,100,000	2,767,857	332,143
CP 296196	SI 0032			
December 31, 2025	12/31/2025	103,333	92,262	11,071
Total		**P 37,303,333**	**P 34,635,118**	**P 2,668,215**

6.9 As can be gleaned in Table 26, no Output VAT was recognized for the sales for the months of March to June 2025. Inquiry with the Chief Accountant disclosed that IBC-13 and Corporation C initially planned to operate under a Joint Venture Agreement (JVA) for the airing of the PCSO lotto draws. Under the proposed arrangement, the venturers will form a single entity that would be responsible for the tax implications of the JVA. This resulted in uncertainty in the recognition of output tax during the early months of implementation.

6.10 Management clarified that the recognition of output tax was suspended from March to June 2025 due to the lack of legal clarity regarding the registration and standing of the JVA. In the absence of a dedicated Tax Identification Number for the venture, no formal action was taken to recognize the JVA as a separate and distinct entity. Accordingly, the arrangement between IBC-13 and Corporation C was treated as a simple Memorandum of Agreement, where both parties remain separate and distinct entities for tax purposes. Consequently, proper output tax recognition only resumed in the subsequent months following this internal clarification.

6.11 As at December 31, 2025, no accounting entries were made to effect the necessary adjustments for the unrecognized Output VAT totaling P1.329 million, which resulted in the understatement of the Output VAT account and overstatement of the Sales Revenue account by the same amount.

Erroneous reversal of sales through ex-deal items amounting to P15,000 and non-recognition of receipt and issuance thereof

6.12 On July 31, 2025, IBC-13 entered into an ex-deal contract with Corporation D through BC No. 5283. The Network rendered the airtime services as evidenced by CP No. 296282 dated October 2025 and was billed accordingly through SI No. 0010 dated October 15, 2025. Details are shown in Table 27.

Table 27 – Accounting Entries made to Record SI No. 0010

Date	Account/Particulars	Debit	Credit
10/15/2025	Accounts Receivable	P 15,000	
	Sales Revenue		P 13,393
	Output Tax		1,607
	To record sales (SI No. 0010)		

6.13 Verification of accounting records revealed that the initial entry in Table 27 was reversed through JEV No. 20486 dated November 30, 2025, purportedly to record the issuance of ex-deal items. However, this reversal was erroneous as it did not accurately reflect the receipt and issuance of the ex-deal items but instead merely cancelled the previously recorded Sales Revenue together with the related Output VAT. Consequently, no proper accounting entries were made to recognize the actual receipt and issuance of these items. The correct accounting treatment is illustrated in Table 28.

Table 28 – Should be accounting entries to record receipt and issuance of ex-deal items

Account/Particulars	Debit	Credit
Inventory	P 15,000	
Accounts Receivable		P 15,000
To record receipt of ex-deal items		
Appropriate Expense account	P 15,000	
Inventory		P 15,000
To record issuance of ex-deal items		

6.14 As a result, the Sales Revenue, Output Tax and appropriate expense accounts were unrecognized and were therefore understated.

6.15 In summary, the non-adjustment of cancelled BIs in the total amount of P1.286 million, non-recognition of Output VAT on Sales totaling P1.329 million, and erroneous entry for the recognition and issuance of sales through ex-deal items amounting to P15,000, resulted in the overstatement of the reported Sales Revenue of IBC-13 for CY 2025 in the net amount of P2.601 million, thus, not in accordance with Paragraph 19 of IPSAS 9. Consequently, this casts doubt on the fair representation of the balance of the account in the financial statements as at year-end, contrary to Paragraph 27 of IPSAS 1.

6.16 **We recommended that Management direct the FD to prepare the necessary adjusting journal entries to address the above-noted deficiencies, as follows:**

a. **Recognize the cancellation of BIs aggregating P1.286 million, which remained unadjusted in the books as at year-end;**

b. **Record the Output VAT on sales relative to the transactions with Corporation C amounting to P1.329 million; and**

c. **Correct the improper reversal of sales amounting to P15,000 and record the actual receipt and issuance of the associated ex-deal items using the correct journal entries.**

6.17 Management commented that the FD conducted a review of the accounting entries pertaining to the BIs issued to Corporation A in CYs 2024 and 2025. Based on the review, it was determined that the said transactions were duplicated. The duplication arose from the need to correct the tax treatment of the transactions and to properly classify them as zero-rated sales. Consequently, new BIs were issued in CY 2025 to reflect the correct tax treatment. However, the corresponding invoices issued in CY 2024 were not cancelled.

6.18 To address the matter, the FD prepared and recorded the necessary adjusting entries to eliminate the duplication and ensure that the affected accounts are fairly stated.

6.19 The FD has also prepared the necessary adjusting entries to recognize the Output Tax relative to the transactions with Corporation C amounting to P1.329 million.

6.20 Moreover, the FD acknowledged that the reversal of sales through ex-deal items amounting to P15,000 was not aligned with the nature of transaction, which resulted in the non-recognition of the related receipt and issuance. Accordingly, the FD prepared the necessary adjusting entries to properly recognize the transaction and ensure that the affected accounts are fairly presented.

6.21 As a rejoinder, the Audit Team acknowledges the initial efforts of Management to implement the audit recommendations. However, the documents submitted to the Audit Team will be subjected for review.

B. NON-FINANCIAL

7. Lack of coordination between the Finance Department and the End-User Department resulted in the non-imposition of liquidated damages 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 of Republic Act No. 9184. Moreover, 12 DTTB contracts did not contain the mandatory liquidated damages provision, thereby exposing the Network to the risk of non-indemnification in the event of project delays.

7.1 Section 68 of the revised Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 9184 states that:

All contracts executed in accordance with the Act and this IRR shall contain a provision on liquidated damages which shall be payable by the contractor in case of breach thereof. For the procurement of Goods, Infrastructure Projects and Consulting Services, the amount of the liquidated damages shall be at least equal to one-tenth of one percent (0.001) of the cost of the unperformed portion for every day of delay. Once the cumulative amount of liquidated damages reaches ten percent (10%) of the amount of the contract, the Procuring Entity may rescind or terminate the contract, without prejudice to other courses of action and remedies available under the circumstances.

7.2 Also, Items 2 and 3 of Annex D of the 2016 revised IRR of RA No. 9184 state that:

2. Suspension of Work

2.1 The procuring entity may suspend the work wholly or partly by written order for a certain period of time, as it deems necessary due to forced majeure or any fortuitous event as defined in the contract. The supplier takes all reasonable steps to minimize the cost allocable to the work covered by such order during work stoppage.

2.2 Before the suspension order expires, the procuring entity concerned shall either lift such order or terminate the work covered by the same. If the suspension order is lifted, or if the period of the order expires, the supplier shall have the right to resume work. Appropriate adjustments shall be made in the delivery or contract schedule, or contract price, or both, and the contract shall be modified accordingly.

3. Liquidated Damages

3.1 When the supplier fails to satisfactorily deliver goods under the contract within the specified delivery schedule, inclusive of duly granted time extensions, if any, the supplier shall be liable for *damages for the delay and shall pay the procuring entity liquidated damages, not by way of penalty, an amount equal to one-tenth (1/10) of one percent (1%) of the cost of the delayed goods scheduled for delivery for every day of delay until such are finally delivered and accepted by the procuring entity concerned.*

3.2 The procuring entity need not prove that it has incurred actual damages to be entitled to liquidated damages. Such amount shall be deducted from any money due or which may become due to the supplier, or collected from any securities or warranties posted by the supplier, whichever is convenient to the procuring entity concerned. Xxx

7.3 Verification of 12 projects for CY 2025 with a total contract cost of P324.867 million revealed significant implementation delays across various provincial stations. The Consolidated Quarterly Report on Government Projects, Programs, and Activities (GPPA) for the fourth quarter of CY 2025 showed that as at December 31, 2025, six projects valued at P140.748 million had been completed but beyond its contractual deadlines, two projects amounting to P55.141 million were still ongoing despite already being past their scheduled completion dates, and four projects totaling P128.978 million had not yet commenced as at year-end, as summarized in Table 29.

7.4 In addition, six projects located in Batangas, Legaspi, Tuguegarao, Cagayan De Oro (CDO), Guimaras, and the studio in Quezon City (Phase 1) remained unfinished and/or had not commenced yet as at the end of CY 2025. Despite these delays, no notices were issued to contractors, nor were computations made for Liquidated Damages (LD), which amounted to a total of P23.045 million for the six projects that were not yet fully-paid were issued to the contractors, as detailed in Table 29.

Table 29 – Computation of Supposed LD

Name of Project / Location	**Contract Amount**	**Supposed Date of Completion**	**Days of Delay as at December 31, 2025**	**Supposed LD based on the number of days delayed as at December 31, 2025***	**Percentage of Completion (per GPPA 4th Quarter CY 2025)**
Supply, Delivery, Installation, Integration, Supervision, Training, Testing, Commissioning of 5KW DTTB Transmitter System, Antenna & Transmission Line System, Headend Equipment, and Other Accessories for IBC-Laoag	P 25,076,001	7/18/2025	69 (Project completed on September 25, 2025.)	P 432,561	100
Supply, Delivery, Installation, Integration, Supervision, Training, Testing, Commissioning of 5KW DTTB Transmitter System, Antenna & Transmission Line System, Headend Equipment, and Other Accessories for IBC-Naga	25,383,560	6/3/2025	211	1,639,631	100

Name of Project / Location	Contract Amount	Supposed Date of Completion	Days of Delay as at December 31, 2025	Supposed LD based on the number of days delayed as at December 31, 2025*	Percentage of Completion (per GPPA 4th Quarter CY 2025)
Supply, Delivery, Installation, Integration, Supervision, Training, Testing, Commissioning of 5KW DTTB Transmitter System, Antenna & Transmission Line System, Headend Equipment, and Other Accessories for IBC-Palo	25,383,560	6/3/2025	211	2,001,029	100
Supply, Delivery, Installation, Integration, Supervision, Training, Testing, Commissioning of 3KW DTTB Transmitter System, Antenna & Transmission Line System, Headend Equipment, and Other Accessories for IBC-Calbayog, Samar	17,100,000	6/3/2025	211	1,483,599	100
Supply, Delivery, Installation, Integration, Supervision, Training, Testing, Commissioning of 5KW DTTB Transmitter System, Antenna & Transmission Line System, Headend Equipment, and Other Accessories for IBC-Davao	23,229,024	12/13/2024	73 (Project completed on February 24, 2025.)	593,502	100
Supply, Delivery, Installation, Integration, Supervision, Training, Testing, Commissioning of 5KW DTTB Transmitter System, Antenna & Transmission Line System, Headend Equipment, and Other Accessories for IBC-Baguio	24,576,160	1/2/2025	17 (Project completed on January 19, 2025.)	146,228	100
Subtotal of fully paid projects with no LD imposed	**P140,748,305**			**P 6,296,550**	
Supply, Delivery, Installation, Integration, Supervision, Training, Testing, Commissioning of 5KW DTTB Transmitter System, Antenna & Transmission Line System, Headend Equipment, and Other Accessories for IBC-Batangas	P 25,310,385	7/18/2025	166	P 215,538	80
Supply, Delivery, Installation, Integration, Supervision, Training, Testing, Commissioning of 7.5KW DTTB Transmitter System, Antenna & Transmission Line System, Headend Equipment, and Other Accessories for IBC-Guimaras	29,830,478	6/3/2025	211	3,712,895	80
Supply, Delivery, Installation, Integration, Supervision, Training, Testing, Commissioning of 5KW DTTB Transmitter System, Antenna & Transmission Line System, Headend Equipment, and Other Accessories for IBC-Legaspi	43,309,280	6/7/2025	207	8,965,021	0
Supply, Delivery, Installation, Integration, Supervision, Training, Testing, Commissioning of 5KW DTTB Transmitter System, Antenna & Transmission Line System, Headend Equipment, and Other Accessories for IBC-Tuguegarao	25,383,560	6/3/2025	211	5,355,931	0
Supply, Delivery, Installation, Integration, Supervision, Training, Testing,	25,310,384	7/18/2025	166	4,201,524	0

Name of Project / Location	Contract Amount	Supposed Date of Completion	Days of Delay as at December 31, 2025	Supposed LD based on the number of days delayed as at December 31, 2025*	Percentage of Completion (per GPPA 4th Quarter CY 2025)
Commissioning of 5KW DTTB Transmitter System, Antenna & Transmission Line System, Headend Equipment, and Other Accessories for IBC-CDO					
Procurement and Installation of Broadcast Studio and Broadcast Equipment (Phase 1)	34,975,000	12/14/2025	17	594,575	0
Subtotal of delayed but not yet fully paid projects	**P184,119,087**			**P23,045,484**	
Total	**P324,867,392**			**P29,342,034**	

*Calculation based on the suppliers' staggered deliveries.

7.5 Post-audit of the DVs showed that LD amounting to a total of P6.297 million were neither imposed nor deducted from payments to suppliers for six fully paid projects located in Naga, Laoag, Palo, Samar, Davao, and Baguio, despite delays ranging from 17 to 211 days as at December 31, 2025. In addition, the Audit Team noted that no approved contract extensions were attached to substantiate the delays. Hence, the corresponding LD should have been imposed.

7.6 Inquiry with the FD on why full payment was made despite delays disclosed that it was unaware of the applicable LD for delayed deliveries due to the lack of coordination with the Engineering Department (ED). The FD added that it had not received any notice from the ED, as the end-user, advising the deduction of LD from the payments to the suppliers. On the other hand, the ED commented that it was also unaware that approved project extensions, if any, should be forwarded to the FD for LD computation.

7.7 The Audit Team issued Memoranda dated March 17 and April 14, 2026 to evaluate projects status and identify the root cause(s) of implementation delays. In response, Management asserted that all 12 projects were 100 percent complete and operational as at April 2026, notwithstanding the pending formal acceptance. However, review of the comments made by the Management revealed the following factors that contributed to the delays:

- Global logistic disruptions arising from geopolitical conflict, which affected shipment schedules due to rerouting and port restrictions;

- Severe and successive weather disturbances, particularly in Northern Luzon and Visayas, which caused flooding, accessibility issues, and temporary suspension of field activities;

- Operational disruption resulting from the unauthorized resignation of the former Officer-In-Charge (OIC) of the Radio Frequency - ED, who allegedly did not comply with proper turnover procedures, failed to turn over critical project documents and properties under his custody, and had outstanding unliquidated cash advances. These circumstances necessitated internal validation, reconstruction of records, and appropriate administrative and legal actions to protect government interest;

- Contractor-related performance issues in specific project components, particularly civil works involving tower and shelter construction; and

- Unavoidable delays in securing Schengen visa appointments necessary for the conduct of on-site inspection, Factory Acceptance Test as required by the suppliers for the projects in Batangas, CDO, Tuguegarao, and Laoag, with the earliest available schedule provided by the Embassy of Spain in the Philippines falling on July 25, 2025.

7.8 With regard to the project status as at April 14, 2026, Management provided the following remarks:

- *IBC-Laoag* – 100 percent completed as at September 25, 2025, and already accepted prior to the implementation of the requirement of a COA - Technical Services Office (TSO) inspection. The project is fully operational and compliant, having passed internal inspections. Delays were due to force majeure, including global shipment disruptions and severe flooding that directly affected the IBC Laoag station and surrounding areas;

- The DTTB projects in *Palo, Naga, and Calbayog* are now fully operational, reaching completion on August 16, September 30, and November 28, 2025, respectively. Implementation was delayed by contractor performance issues involving Company A and Company B, specifically regarding tower and shelter construction. These setbacks, compounded by adverse weather, led Management to withhold final acceptance and payments until full compliance is verified;

- *Batangas Project*: 100 percent operational as at January 26, 2026. To optimize the rollout, a more cost-effective and technically superior tower-and-shelter design was adopted. Implementation proceeded only after obtaining clearance from the Office of the Government Corporate Counsel (OGCC) to ensure full legal and audit compliance;

- *Tuguegarao Project*: 100 percent operational as at February 9, 2026. Following an inadequate handover from the previous OIC, the tower and shelter components were rebid to strictly adhere to procurement regulations and ensure project integrity;

- *CDO Project*: 100 percent operational as at February 16, 2026. Completion followed the conduct of due diligence regarding site acquisition and tower assets to prevent future legal disputes or ownership issues;

- *Legazpi Project*: 80 percent complete as at May 12, 2026. Progress is ongoing, but the project was affected by weather disruptions, turnover deficiencies, and security concerns. Additionally, the site was relocated to comply with Civil Aviation Authority of the Philippines regulatory restrictions;

- *Studio Project* (Phase 1: Broadcast Studio & Equipment): 100 percent operational as at April 13, 2026. Specialized infrastructure, including acoustic treatments, was undertaken through self-administration to achieve cost savings without compromising technical standards;

- *Guimaras Project*: 100 percent complete as at February 8, 2026. Logistics and delivery timelines were adjusted to prioritize the essential rehabilitation of the tower structure prior to equipment installation; and

- *Baguio & Davao Projects*: Both sites are 100 percent operational (completed January 19 and February 24, 2025, respectively). Earlier implementation delays were attributed to external logistical challenges, specifically customs documentation bottlenecks and adverse weather conditions.

7.9 Management added that to bolster internal controls and ensure strict adherence to the Terms of Reference, IBC-13 now mandates a TSO inspection and formal report before final acceptance or payment. This reflects the Network's commitment to safeguarding government resources and aligning its processes with COA standards.

7.10 However, while the Audit Team acknowledged the merit of this internal oversight measure, requiring TSO inspection before final acceptance or payment may be construed as a form of pre-audit of government transactions. In this regard, we invite the attention of IBC-13 to COA Circular No. 2011-002 dated July 22, 2011, which provides for the lifting of pre-audit, specifically:

> *Pre-audit activities shall henceforth be the responsibility of the agencies concerned as part of their accounting and fiscal control processes. All agencies shall establish and maintain an adequate internal control system in order to achieve economy, efficiency, and effectiveness in the management and utilization of their resources, and prevent illegal, irregular, unnecessary, excessive, extravagant, and unconscionable expenditures and uses of funds and property and ensure the legality and propriety of collection of what is due the government.*

7.11 With respect to the absence of an express LD provision in the contracts, the Bids and Awards Committee Secretariat explained that the Philippine Bidding Documents, particularly Section IV, Item 1 of the General Conditions of Contract, provide that RA No. 9184 and its IRR shall govern the terms of the contract. Hence, the imposition of LD is deemed incorporated by operation of law even if not expressly stated in the contract form.

7.12 While the Audit Team acknowledged the supremacy of the law and the applicability of RA No. 9184 and its 2016 Revised IRR, Section 68 thereof specifically requires the inclusion of an LD provision in the contract. Also, full payment of the projects without imposing the supposed LD despite reported delays contravenes Annex D and Section 68 of the Revised IRR of RA No. 9184. Thus, this may expose the Network to the risk of non-recovery of amounts due to the government.

7.13 **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.**

7.14 Management respectfully acknowledged the observations and recommendations of the Audit Team and expressed its commitment to continuously strengthen internal controls, contract administration, project monitoring, documentation, and inter-office coordination mechanisms in the implementation of broadcast modernization projects.

7.15 The implementation of the subject projects encountered various operational, technical, logistical, legal, and site-specific challenges which materially affected implementation schedules and project activities.

7.16 Management likewise represented that requests for extension arising from force majeure events, operational constraints, legal concerns, contractor-related implementation issues and other meritorious and justifiable circumstances were evaluated and duly approved for the affected projects. These approved extensions correspondingly adjusted the applicable delivery and completion periods under the respective contracts. Consequently, Management maintained that, under the prevailing circumstances during implementation, the conditions warranting the imposition of LD were not considered present.

7.17 Management further explained that, during the conduct of the audit and validation process, the approved contract extensions and supporting implementation records were not immediately consolidated and furnished to the Audit Team for reference, which may have contributed to the observation regarding the non-imposition of LD.

7.18 Copies of the duly approved requests for contract extensions and related supporting documents were submitted for the consideration and reference of the Audit Team.

7.19 Nevertheless, Management assured the Audit Team that any remaining payments, if applicable, shall continue to be subjected to complete compliance with all inspection, acceptance, technical validation, and documentation requirements prior to final processing and release.

7.20 Management committed to ensure that future procurement contracts shall expressly and consistently include the mandatory provisions on LD.

7.21 Management is presently undertaking measures to further strengthen internal coordination and documentation procedures by requiring concerned End-User Units and offices to immediately furnish the FD with approved contract extensions, supporting justifications, implementation records, and related documents relevant to the evaluation of LD and contract implementation concerns.

7.22 Management is likewise considering the creation of a Procurement Contract Implementation and Monitoring Committee. The Audit Team shall likewise be furnished copies of the corresponding policies and issuances upon their approval and implementation by Management.

7.23 Management further informed the Audit Team that, in relation to project implementation issues and delays encountered, appropriate administrative and legal actions have already been initiated against concerned suppliers, contractors, and former personnel whose acts or omissions adversely affected project implementation, turnover of records and operational continuity.

7.24 In addition, Management stated that it has adopted enhanced protective measures for future procurement activities, including the increase of procurement retention money from one percent to five percent, in order to further protect government interests and strengthen contract compliance mechanisms.

7.25 As a rejoinder, the Audit Team acknowledges the initial efforts of Management to implement the audit recommendations. However, the documents submitted to the Audit Team will be subjected to further review and validation to determine whether the approved contract extensions sufficiently justify the non-imposition of LD and whether the actions taken fully address the audit recommendations.

8. 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.

8.1 This is a reiteration of prior year's observation as Management has not yet fully implemented the audit recommendations.

8.2 Section 2 of the PD No. 1445, provides:

> *Declaration of Policy. It is the declared policy of the State that all resources of the government shall be managed, expended or utilized in accordance with law and regulations, and safeguard against loss or wastage through illegal or improper disposition, with a view to ensuring efficiency, economy and effectiveness in the operations of government.*
> *Xxx*

8.3 In CY 2025, IBC-13 Management and the Inventory Team together with the Audit Team conducted a series of inspections and physical inventories at the Main Office and various provincial stations to verify the existence and the condition of the Network's assets. To align with the agency's cost-cutting measures, inventories for the provincial stations were conducted virtually through *Zoom*. During these proceedings, it was observed that several assets remained idle as at December 31, 2025, as detailed in Table 30.

Table 30 – Details of Idle Assets of IBC-13 as at December 31, 2025

	Particulars	Location	Status of the asset
1.	13,840-square meter lot	At the back of the IBC-13 Iloilo Station building	- with a temporary fence
2.	523-square meter lot	Rizal St., Brgy., Rizal Pala-Pala 1, Iloilo City	- with informal settlers
3.	IBC-13 DYBQ Iloilo building with a 240-square meter lot	Iloilo City	- with a fence - abandoned building - absence of water and electricity in the building
4.	400-square meter lot	Brgy. Matina Pangi, Talomo District, Davao City	- vacant lot was not completely covered with fence
5.	92-square meter House and Lot	Lot 27, Blk. 11, Cita Italia Subdivision, Phase 1, Mambog 3, Bacoor City, Cavite	- dilapidated building - no fence - with monthly homeowners' association fees amounting to P700
6.	43.90-square meter Condominium Unit	7th Floor, Perla Mansion Condominium, C. Palanca St., Brgy. San Lorenzo, Makati City	- the unit is for rent, but no one has rented it for almost five years - with a monthly homeowners' association fee amounting to P5,268

8.4 Inquiry with the responsible personnel of the FD regarding the assets listed above, which have remained unutilized by the Network for several years, revealed that this situation was attributable to the absence of concrete action plan from prior administrations. Management further explained that, while the current administration acknowledged the Audit Team's prior year's observation, its immediate priority was the documentation of the reorganization, and the processing and disbursement of employees' separation benefits.

8.5 On February 19, 2026, the Audit Team issued an audit query, and Management provided updates on the status and actions undertaken concerning the idle lands and buildings of the Network, as outlined below.

13,840-square meter lot and IBC-13 DYBQ building with a 240-square meter lot in Iloilo City

8.6 IBC-13 Management explained that it assessed the properties' operational viability. Based on this evaluation, it was determined that disposal is the most prudent course of action. Disposal shall then be executed in accordance with existing laws, rules, and regulations and shall remain subject to the necessary approvals from the relevant oversight agencies.

8.7 However, after further inquiry by the Audit Team with the concerned personnel, as of this writing, there are no approved plans yet for the disposal of the lands and building.

523-square meter lot located at Pala-pala 1, Iloilo City

8.8 Management stated that it has resolved to refer the matter of the informal settlers to the OGCC. The OGCC will be tasked with initiating the appropriate legal remedies and proceedings required for the recovery and turnover of the property.

8.9 Despite Management's response to the audit query, no documentation substantiating the communication with the OGCC was submitted to the Audit Team. When asked for a detailed status update and step-by-step procedures, Management stated that the eviction of informal settlers must follow due process and will be supported by a BOD Resolution. The said resolution has yet to be submitted to the Audit Team.

400-square meter lot – Brgy. Matina Pangi, Talomo District, Davao City

8.10 Management clarified that the previous owner has expressed interest in reacquiring the property. Should the agency proceed with the disposal, the process will be conducted in strict compliance with existing regulations governing the sale of government assets, including all mandated appraisal and approval protocols.

92 sqm. House and Lot - Lot 27, Blk. 11, Cita Italia Subdivision, Phase 1, Mambog 3, Bacoor City, Cavite, and the 43.90-square meter Condominium Unit – 7th Floor, Perla Mansion Condominium, C. Palanca St., Brgy. San Lorenzo, Makati City

8.11 Management plans to move forward with selling these properties after the appraisal is completed. Also, Management submitted a letter dated October 27, 2025, received by the Audit Team last October 28, 2025, requesting this Commission's approval for the property sale and assistance with its revaluation. On November 4, 2025, the Audit Team Leader requested essential documentation, including the Transfer Certificate of Title, Property

Tax Receipt, among others, from the Finance Manager to facilitate its request. To date, Management has not provided the requested documents.

8.12 Management also informed the Audit Team that the six unutilized assets are included in its Long-Term Agency Action Plan to address the problem and prevent further deterioration or unauthorized use of the Network properties. However, as of this writing, the approved Long-Term Agency Action Plan has not yet been furnished to the Audit Team.

8.13 The prolonged underutilization of IBC-13's assets exposes the Network to significant risks, particularly due to unauthorized occupation by the informal settlers, deterioration and possible loss of value. Leaving these properties unprotected and idle for several years is inconsistent with Section 2 of PD No. 1445, which mandates the efficient use of government resources. Given that IBC-13 relies heavily on national government subsidies, these assets should be optimized for profitable or functional use rather than left idle, thereby, ensuring prudent management of public funds and properties.

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

8.15 **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.**

8.16 Management commented that IBC-13 has already initiated preliminary steps toward the possible disposal of idle real properties. IBC-13 also sought guidance from COA on the proper procedure for initiating disposal proceedings, and COA referred IBC-13 to Administrative Order No. 389.

8.17 Upon receipt of clear and definitive guidelines on the applicable rules and procedures governing disposal, it shall prepare and submit a comprehensive Long-term Agency Action Plan.

8.18 The Audit Team acknowledges the actions taken and the commitment by the Network to address the recommendations. However, full compliance with the audit recommendations will be monitored during CY 2026 audit.

9. Delay in the finalization and approval of the draft Internal Audit Charter impaired the independence and effectiveness of IBC-13's Internal Audit Service, contrary to Standard 1000 of the Internal Auditing Standards for the Philippine Public Sector and its Philippine Application Guidelines.

9.1 Standard 1000 of the Internal Auditing Standards for the Philippine Public Sector (IASPPS) provides as follows:

> *The purpose, authority, and responsibility of the internal audit service (IAS) must be formally defined in an internal audit charter, consistent with the Mission of Internal Audit, the Core Principles,*

the Code of Ethics, the Internal Auditing Standards for the Philippine Public Sector (IASPPS), and the Definition of Internal Auditing. The head of internal audit must periodically review the internal audit charter; present it to the senior management, for additional input/enhancement, if any; and submit, for approval, to the head of agency or the governing body/audit committee. (underscoring ours)

9.2 Also, Philippine Application Guidelines (PAG) 1000 provides:

The internal audit charter is a critical document, as it serves as the official record of the approved purpose, authority and responsibility of the IAS of a government agency. To develop this document, the head of internal audit must understand the Mission of Internal Audit, the Core Principles, the Code of Ethics, the IASPPS, and the Definition of Internal Auditing. (underscoring ours)

9.3 Review of the organizational structure and operations of IBC-13 as at December 31, 2025, disclosed that an Internal Audit Service (IAS) had already been established and staffed. However, the IAS operates without an Internal Audit Charter duly approved by the Network's BOD. IBC-13's IAS is composed of three personnel whose duties and responsibilities are assigned by Management instead, instead of being defined and embodied in an approved Internal Audit Charter.

9.4 Since IBC-13 is a sequestered government asset, it has been under the audit monitoring of the Presidential Commission on Good Government (PCGG) from CYs 1986 to 2020. When the PCGG left IBC-13 in June 2020, IBC-13 adopted and continued the practices previously performed by the PCGG's Audit Group, which focused on the Network's disbursement of funds and other special assignments that require assistance from the IAS.

9.5 In September 2025, the agency implemented the Network reorganization per Department of Budget and Management's (DBM) instructions. However, as of this writing, no approved Internal Audit Charter has been presented to the Audit Team for review and evaluation.

9.6 Interviews with the concerned personnel in the Office of the Corporate Secretary, FD, and the IAS revealed that:

- At present, Management, even the IAS, could not provide an Internal Audit Charter or any document approved by the Network's BOD that defined the purpose, authority, and responsibility of the IAS;

- The specific functions, duties, and scope of internal audit activities are not formally delineated, and when PCGG left the IBC-13, the latter continued the practice in the way the PCGG Audit Group conducted the audit;

- The functional and administrative reporting lines of the IAS are not clearly defined. The IAS followed the IBC-13 "yellow book" approved manual on the General Policy/Standard Operating Procedures established in November 2001, which is no longer aligned with the Network's reorganization; and

- The IAS performs ad-hoc assignments from Management without a risk-based annual audit plan approved by the BOD and/or Audit Committee.

9.7 Further inquiry with Management revealed the following:

From CYs 2001 to 2004, during the term of the then IBC-13 President xxx, the Commission on Audit's Supervising Auditor, served as the Team Leader of the PCGG Audit Team. At that time, the Commission drew the attention of the IBC-13 Management to the functions and charter of the IBC-13 Internal Audit Department, as previously mentioned. It was agreed that the Internal Audit Department should focus on formulating policies and operational guidelines, since its prior activities merely duplicated the functions performed by the Finance Department. In this regard, the Finance Department is unaware of why the Internal Audit Department continues to follow the same practices to date.

In addition, the concerned personnel of the IAS further clarified that on July 16, 2024, xxx the then Manager of the Internal Audit Department, transmitted the draft of the proposed Internal Audit Charter along with the Internal Audit Operations, System, and Procedures Manual, in accordance with instructions. These documents were subsequently resubmitted on November 25, 2024, to the Office of the President for review and approval. However, until [then Manager's] retirement, a reviewed Charter has not yet been presented to the BOD for approval.

At present, the concerned IAS personnel clarified that they have again formulated a draft of the Internal Audit Charter, which have been submitted to the Office of the General Manager and the Office of the President. However, these were returned due to the lack of a comprehensive operations, systems, and procurement Manual, which is presently under development. Additionally, IAS indicated that the delay in finalizing the detailed Manual was attributed to challenges in coordinating with all the departments concerned.

9.8 As a consequence, the absence of a BOD-approved Internal Audit Charter resulted in the following:

a. Impaired Independence - Without defined functional reporting to the BOD/Audit Committee, the IAS is susceptible to Management influence;

b. Unclear Mandate - The scope and limitations of audit engagements are not clearly established, leading to ad-hoc engagements and non-risk-based audits that may not address key control risks of the Network;

c. Weak Governance - The BOD is unable to effectively utilize the IAS as an oversight mechanism for internal controls, risk management, and governance processes; and

d. Non-Compliance - The condition constitutes non-compliance with Standard 1000 of the IASPPS and its relevant PAG.

9.9 **We recommended, and Management agreed, to:**

a. Require the IAS to prioritize the preparation and finalization of the Internal Audit Charter; and

b. Immediately submit the finalized Internal Audit Charter to the BOD for approval and adoption.

GENDER AND DEVELOPMENT

10. IBC-13 was unable to comply with Philippine Commission on Women (PCW) - Department of Budget and Management - National Economic and Development Authority Joint Memorandum Circular No. 2022-01 due to the non-preparation of the Gender and Development (GAD) Plans and Budget for Calendar Year 2025. This resulted in the non-allocation of at least five percent of the Network's Corporate Operating Budget for GAD programs. Further, IBC-13 did not comply with its responsibilities under COA Circular No. 2025-001 dated January 28, 2025, thereby casting doubt on whether the GAD policies and guidelines issued by the PCW to strengthen the implementation of Magna Carta of Women were adhered to.

10.1 PCW - DBM - National Economic and Development Authority (NEDA) Joint Memorandum Circular (JMC) No. 2022-01 provides the revised guidelines for the preparation of the annual GAD Plans and Budget (GPB) and GAD Accomplishment Reports to implement the Magna Carta of Women (MCW). Pertinent provisions of which state that:

3.2 GAD planning and budgeting shall be conducted annually as an integral part of all programming and budgeting exercises of agencies. The cost of implementing the programs, activities and projects (PAPs) in the GPB shall be part of the agency budget. The PAPs in the GPB shall also form part of the annual Work and Financial Plan (WFP) of concerned offices or units of the agency.

3.4 The GAD budget, which is the cost of implementing the GAD plan, shall form part of, and is not in addition to the agency's approved annual budget. As provided under the Magna Carta of Women, "the cost of implementing GAD programs shall be the agency's or the local government unit's GAD budget which shall be at least five percent (5%) of the agency's… total budget appropriations."

10.2 Likewise, COA Circular No. 2025-001 dated January 28, 2025 provides the following responsibilities of the Audited Agency:

Xxx

5.2 use the Gender and Development Focal Point System (GFPS) Functionality Assessment Tool (FAT) in periodically assessing the level of functionality of their respective GFPS;

5.3 issue, if necessary, an office memorandum for the preparation of the GAD Agenda;

5.4 conduct Gender Analysis to determine the gender issues or gender mandates that the agency should address;

5.5 administer the enhanced Gender Mainstreaming Evaluation Framework (GMEF) tool to periodically assess the level of their gender mainstreaming efforts;

5.6 develop and maintain a GAD Database containing GAD information to include gender statistics, and age and sex-disaggregated data that have been systematically produced/gathered, and regularly updated to serve as inputs or bases for planning, programming, and policy formulation;

5.7 establish their own Responsibility Centers (RCs) and RC Codes for GAD outlined under COA Circular No. 2021-008 dated September 6, 2021;

5.8 prepare and submit the GAD Plan and Budget;
Xxx

5.9 prepare and submit the GAD AR;
Xxx

10.3 Audit results revealed that IBC-13 was unable to develop its GAD Agenda and GAD Database for CY 2025, which are essential for effective program planning. Consequently, the Network was unable to prepare its CY 2025 GPB. Thus, the mandatory minimum five percent of its Corporate Operating Budget was not allocated to GAD-related Programs, Activities, and Projects (PAPs).

10.4 Also, the requirements of COA Circular No. 2025-001 dated January 28, 2025 have not been complied with, particularly the use of the Gender and Development Focal Point System (GFPS) – Functionality Assessment Tool (FAT), conduct of gender analysis, administration of the enhanced Gender Mainstreaming Evaluation Framework (GMEF), and establishment of Responsibility Centers (RCs) and RC Codes for GAD.

10.5 Inquiries revealed that while IBC-13 issued a Management Order on June 19, 2024, to reconstitute its GFPS, the Network was unable to produce the required GAD deliverables for CY 2025. Management attributed these deficiencies to the organization's *'transitional phase'* and its primary focus on reorganization and other deliverables, which resulted in the non-completion of mandatory GAD documentation.

10.6 Furthermore, the IBC-13 GFPS Technical Working Group (TWG) and Executive Committee provided the Audit Team with an Accomplishment Report detailing GAD-related television and radio programs, seminars, and activities implemented in CY 2025. However, it was noted that this Accomplishment Report was neither submitted to nor endorsed by the PCW.

10.7 The inability of the Network to comply with PCW-DBM-NEDA JMC No. 2022-01 and COA Circular No. 2025-001 dated January 28, 2025 prevented the Network from ensuring gender-responsive governance, thus, casts doubt whether the GAD policies and guidelines issued by the PCW to strengthen the implementation of MCW were adhered to.

10.8 **We recommended that Management:**

a. Issue a supplemental Office Order defining the specific roles and Key Performance Indicators of the GFPS Executive Committee and TWG to ensure GAD compliance is maintained even during organizational transitions;

b. Direct the Human Resource and Information Technology (IT) Departments to collaborate with the GFPS in the conduct of gender analysis and the establishment of a comprehensive GAD Database to serve as basis for future GAD planning;

c. Direct the GFPS to prioritize the preparation of the GAD Agenda and the GPB for the ensuing year and ensure their timely submission through the Gender Mainstreaming Monitoring System for endorsement of the PCW;

d. Allocate at least five percent of the total appropriations to GAD-related PAPs;

e. Facilitate the timely submission of the GAD Accomplishment Report to the PCW;

f. Ensure compliance with PCW-DBM-NEDA JMC No. 2022-01 and COA Circular No. 2025-001 dated January 28, 2025 particularly on the use of the GFPS – FAT, administration of the enhanced GMEF, and the establishment of RCs and RC Codes for GAD; and

g. Conduct technical training for the GFPS members to apprise them on the pertinent GAD-related issuances and the required deliverables.

10.9 In compliance with the audit recommendations, Management issued the following:

a. Supplemental Office Order dated April 13, 2026 defining the specific roles and Key Performance Indicators of the GFPS Executive Committee and TWG to ensure GAD compliance is maintained even during organizational transitions;

b. Memorandum dated April 8, 2026 directing the Administrative and IT Departments to collaborate on the conduct of gender analysis and the establishment of GAD database;

c. Memorandum dated April 8, 2026 addressed to the GAD Committee detailing the itemized instructions addressing the audit observation on GAD; and

d. Office Order No. 10-2026 addressed to all departments formalizing the creation of Committee on Decorum and Investigation, as part of the organization's GAD initiative.

10.10 As a rejoinder, the Audit Team acknowledges the actions taken and commitment by the Network to address the recommendations. However, full compliance will be monitored during CY 2026 audit.

COMPLIANCE WITH SOCIAL SECURITY SYSTEM, PHILIPPINE HEALTH INSURANCE CORPORATION AND HOME DEVELOPMENT MUTUAL FUND

11. IBC-13 consistently collected from its officers and employees SSS, PhilHealth and Pag-IBIG premiums and remitted them within the prescribed period.

COMPLIANCE WITH TAX LAWS

12. IBC-13 has been consistently withholding taxes on salaries and wages and other benefits accruing to its officers and employees as well as on payments for goods and services, which were remitted to the BIR within the reglementary period for CY 2025.

COMPLIANCE WITH PROPERTY INSURANCE LAW

13. In compliance with RA No. 656, otherwise known as the *"Property Insurance Law,"* as amended by the PD No. 245 dated July 13, 1973, IBC-13's insurable properties including its buildings and equipment, were insured under the following Government Service Insurance System (GSIS) Policy Nos. presented in Table 31.

Table 31 – IBC-13' GSIS Insurance Policies

Policy No.	Covered Period	
	From	To
FI-NM-GSISHO-0047729	January 2, 2025	January 2, 2026
FI-NM-GSISHO-0006005	May 16, 2025	December 11, 2025
FL-SPF-GSIS-0006461	December 11, 2025	January 31, 2027

SUMMARY OF AUDIT SUSPENSIONS, DISALLOWANCES, AND CHARGES

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

Table 32 – Unsettled Notices of Disallowance (ND) and Notices of Suspension (NS)

ND/NS No.	Particulars	Amount	Remarks/Status
ND#2022-01(21)	Payments for the procurement of: (1) Supply, Delivery, Installation, Testing, and Commissioning of ENG Cameras and Editing Equipment for IBC-13 News Department; and (2) Supply, Delivery, Installation, Testing, and Commissioning Project: New Studio Upgrade of IBC-13	P 361,615.68	Under appeal
ND#2022-02(21)	Payments for the procurement of Supply and Delivery of Playout System for IBC-13 News Department	1,576,049.99	Under appeal
ND#2016-001(16)	Payment of Cost of Living Allowance to IBC-13 officers	383,111.09	Under appeal
Total NDs		**P 2,320,776.76**	
NS#2020-001(18)	Payment of gasoline allowance without legal basis	P 747,420.00	For issuance of ND
NS#2020-002(18)	Payment of Representation and Transportation Allowance without legal basis	2,069,945.78	-do-
Total NSs		**P 2,817,365.78**	