

**PEOPLE'S TELEVISION NETWORK, INC.
ANNUAL AUDIT REPORT FOR CY 2011**

EXECUTIVE SUMMARY

Introduction

The People's Television Network, Inc. (PTNI), a corporate body engaged in television broadcasting in the Philippines, came into existence by virtue of Republic Act No. 7306 dated March 26, 1992. It provides broadcast support to the government through a balanced programming of high quality news, public affairs, entertainment, educational, cultural and sports programming, and by responding to information needs utilizing its modern broadcast technology. The Network is governed by a Board of Directors, who serves as its policy making body. Its members are appointed by the President of the Philippines, composed of the following:

- a. Two members from the Government sector;
- b. Two members from the private sector, one of whom shall be at least ten years of experience in the broadcast industry; and
- c. One member from the education sector.

The present PTNI administration is headed by **Honorable Rolando G. Reyes**, Chairman of the Board of Directors and **Undersecretary George T. Syliangco**, OIC - General Manager, from the Presidential Communications Operations Office.

The Board Members are **Mr. Virgilio P. Nadal, Jr., Ms. Veronica B. Jimenez, Mr. Jan T. Co Chua and Mr. Tito G. Cruz.**

The PTNI has provincial stations and transmitters in Davao, Zamboanga City, Zamboanga del Norte, Pagadian, Palawan, Guimaras, Naga, Cebu, Dumaguete, Samar, Tacloban and Baguio.

As of December 31, 2011, the Network has a total work force of 432 employees consisting of the following:

Permanent	297
Temporary	1
Contractual	27
Contract of Service (Talents)	107
<u>Total</u>	<u>432</u>

PTNI's Operational Performance

For CY 2011, the Network undertaken various programs and projects as follows:

1. Broadcasted a total of 6,545 broadcast hours, at an average of 18 broadcast hours per day;
2. Produced various news program and aired the Network's flagship sports program *Teledyaryo Sports*;
3. Produced, covered and aired various programs of national interest;
4. Aired a total of 153 press conferences from Malacañang;
5. Aired *Pilipinas Natin*, a program highlighting the achievements of the government's objectives contained in the Philippine Development Plan;
6. Covered and aired programs which highlighted the President's various activities; and
7. Initiated the amendment of R.A. 7306 or the PTNI Charter

Scope of Audit

The audit covered the operations of the PTNI for CY 2011. The audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depended on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

State Auditor's Report on the Financial Statements

The auditor rendered an adverse opinion on the fairness of the presentation of the financial statements of the PTNI for the year 2011.

Summary of Significant Audit Observations and Recommendations

Below is a summary of the significant findings and recommendations for CY 2011:

1. *The propriety of the carrying cost of depreciable Property, Plant and Equipment (PPE) amounting to P572.375 million cannot be ascertained due to the (a) existence of unexplainable net variance of P253.600 million in the PPE and accumulated depreciation balances; (b) improper classification to PPE of Construction-in-Progress and Items-in-transit of P31.230 million; (c) non-booking up of installation cost and taxes totaling P75.247 million, related to protocol equipment purchased through the RP-French Protocol Agreement; (d) absence*

of equipment ledger cards and property cards to monitor and control PPE accounts; and (e) non-reconciliation of Inventory Report with the records of the Accounting and Property Departments.

We recommended the following courses of action:

On unexplainable net variance in the PPE and Accumulated Depreciation balances, and improper classification to PPE of Construction-in-Progress and Items-in-Transit

- a) The Accounting Department, in coordination with the Property Department, conduct a thorough analysis of PPE accounts to identify, investigate, and clear reconciling items;
- b) Perform periodic reconciliation of property records to ensure that all discrepancies are immediately investigated, cleared and reconciled with the books of accounts;
- c) Re-compute the accumulated depreciation as at year-end;
- d) Reclassify the Construction-in-Progress and Items-in-Transit to appropriate accounts; and
- e) Prepare the necessary journal entries to adjust the duly investigated reconciling items in order to reflect the correct account balances.

On unrecorded installation cost and taxes related to protocol equipment

- a) Analyze and investigate the causes of the discrepancy between the balances appearing in the GL and schedule; and
- b) Prepare the necessary journal entries to book-up the unrecorded taxes and installation costs, and to adjust the duly validated reconciling items.

On the absence of equipment ledger cards and property cards

For the Accounting Department to -

- a) Maintain complete and accurate Equipment Ledger Card/Property, Plant and Equipment Ledger Card for each class of equipment pursuant to Section 488 (d) of the GAAM and the NGAS, in order to promote effective monitoring and controls over the property, plant and equipment;
- b) Ensure that the Equipment Ledger Cards/Property, Plant and Equipment Ledger Cards are duly reconciled with the general ledger, lapsing schedule and property cards/records of Property Department;

- c) Prepare the necessary adjusting entry, if any, to correct the misstatements in the affected accounts (e.g., PPE, Depreciation Expense, Accumulated Depreciation, etc.) due to reconciling items.

For the Property Department to -

- a) Maintain individual property cards to properly monitor the PPE and accountability thereof; and
- b) Perform periodic reconciliation of PPE records in close coordination with the Accounting Department.

On the non-inclusion of the acquisition costs of PPE in the Inventory Report

- a) Require the Inventory Committee to present the acquisition costs of the PPE in the Inventory Report and reconcile it with the records of the Accounting and Property Departments;
 - b) Perform the reconciliation to the extent practicable. Decide prudently on how to resolve the discrepancies pertinent to the assets acquired many years back and can no longer be located; and
 - c) Require that adjustments be made on PPE records, wherever applicable, to ensure that correct PPE balances are reflected in all property records.
2. *The net realizable value of Accounts Receivable amounting to P189.771 million was doubtful due to non-reconciliation of the general ledger and subsidiary ledger balances, as well as non-provisioning of allowance for doubtful accounts for certain accounts.*

We recommended that the Management require the Accounting Department to take the following course of action:

- a) Expedite the detailed analysis of Trade Accounts Receivable to establish the correct account balance and to ensure that duly reconciled GL and SL balances are maintained;
 - b) Perform periodic reconciliation of the GL and SL balances of Trade Accounts Receivable;
 - c) Prepare an updated aging schedule of Trade Accounts Receivable and re-compute for the correct Allowance for Doubtful Accounts; and
 - d) Prepare the necessary adjusting entry to rectify the affected account balances.
3. *The balance of Due from Officers and Employees – Cash Advances under the General Fund amounting to P7.416 million as at December 31, 2011 was uncertain due to (a) unreconciled balances of cash advances reflected in the general ledger and detailed schedules; and (b) untimely liquidation thereof that*

resulted in the non-recognition of pertinent expenses. Also, additional cash advances were granted prior to the settlement of previous cash advances in violation of Section 89 of P.D. 1445, resulting in the accumulation of unliquidated cash advances.

We recommended the following courses of action:

- a) Closely monitor the granting, utilization and liquidation of cash advances in order to provide for a more efficient and effective internal control over the most liquid asset of the agency;
 - b) Strictly require that a cash advance be immediately reported on or liquidated as soon as the purpose for which it was granted has been served;
 - c) Ensure that no additional cash advance shall be allowed to any official or employee unless the previous cash advance given to him is first settled or a proper accounting thereof is made. Under no circumstances shall cash advances remain unliquidated at the end of the year;
 - d) Require the accounting personnel to maintain updated subsidiary ledgers duly reconciled with the general ledger and detailed schedule of cash advances; and
 - e) Validate the outstanding cash advances of PTNI's former employees and private television network and prepare the necessary adjusting entry to correct the affected account balances.
4. *The non-completion of the bank reconciliation statements for PNB accounts and the non-adjusting of the duly verified book reconciling items for LBP accounts rendered the validity and reliability of the Cash-in-Bank year-end balance of P6.337 million doubtful.*

We recommended that Management require the Special Committee for Finance to –

- a) Facilitate the early completion of the bank reconciliation statements for PNB accounts;
- b) Investigate the causes/reasons for the existence of (i) CIB balances with closed bank accounts; and (ii) abnormal (negative) balances on CIB accounts.

We also recommended that Management require the Finance Department to –

- a) Ensure that periodic and updated bank reconciliations are prepared and that duly verified reconciling items are adjusted in the books on a timely basis, to guarantee the reliability of the year-end cash and related account balances; and

- b) Prepare the necessary adjusting entry to book up the duly validated reconciling items for CY 2011 pertinent to the LBP accounts.

Status of Unsettled Audit Disallowances, Charges and Suspensions

As of December 31, 2011, suspensions and disallowances amounting to P0.055 million and P4.791 million, respectively, remained unsettled. Of the total unsettled disallowance, P0.732 million is under appeal with the Commission on Audit.

Status of Implementation of Prior Year's Audit Recommendations

Of the 16 audit recommendations embodied in the previous year's Annual Audit Report, 1 was fully implemented, 14 were partially implemented and 1 was not implemented.

COA-PTNI Audit Group

The COA-PTNI Audit Group is headed by **Ms. Ellen T. Sison**, OIC-Supervising Auditor, assisted by the following:

	<i>Name</i>	<i>Designation</i>
1	Rosario S. Carpio	Audit Team Leader
2	Dorothy P. Fernandez	Audit Team Member
3	Edna C. Genses	Audit Team Member