



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

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS

People's Television Network, Inc.
Broadcast Complex, Visayas Avenue
Diliman, Quezon City

We have audited the accompanying financial statements of the **People's Television Network, Inc.**, which comprise the statement of financial position as at December 31, 2011, and the statement of comprehensive income, statement of changes in net worth and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion.

Basis for Adverse Opinion

As discussed in Part II.A - Comments and Observations, our audit disclosed the following which we consider in forming our audit opinion:

- a. 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. (*Comments and Observations No. 1 of Part II A*).
- b. 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, and non-provisioning of allowance for doubtful accounts for certain accounts. (*Comments and Observations No. 2 of Part II A*).
- c. The balance of Due from Officers and Employees - Cash Advances 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. (*Comments and Observations No. 3 of Part II A*).
- d. 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. (*Comments and Observations No. 4 of Part II A*).

Adverse Opinion

In our opinion, because of the significance of the matters described in the Basis for Adverse Opinion paragraphs, the financial statements do not present fairly the financial position of the **People's Television Network, Inc.**, as at December 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with State accounting principles.

COMMISSION ON AUDIT


ELLEN T. SISON
OIC-Supervising Auditor
Audit Group F – PCSO and Media Group

June 18, 2012