

**PEOPLE'S TELEVISION NETWORK, INC.
ANNUAL AUDIT REPORT FOR CY 2012**

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. The charter was subsequently amended by Republic Act No. 10390 which was approved by the President on March 14, 2013.

PTNI provides broadcast support to the government by providing a balanced programming of high quality news, public affairs, entertainment, educational, cultural and sports programming, and 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 and composed of the following:

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

The PTNI administration is headed by its General Manager, Mr. Cleo B. Dongga-as.

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, 2012, the Network has a total work force of 498 employees consisting of the following:

Permanent	266
Temporary	1
Contractual	24
Contract of Service (Talents)	207
<u>Total</u>	<u>498</u>

PTNI's Operational Performance

For CY 2012, the Network undertook various programs and projects as follows:

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

Scope of Audit

The audit covered the operations of the PTNI for CY 2012. 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 a qualified opinion on the fairness of the presentation of the financial statements of the PTNI for the year 2012.

Summary of Significant Audit Observations and Recommendations

Below is a summary of the significant findings and recommendations for CY 2012:

1. The correctness of the balance of the Property, Plant and Equipment (PPE) account amounting to P492.453 million could not be ascertained due to: (a) unreconciled net variance of P192.836 million between the general ledger and the schedule balances; (b) incomplete documents to support the proper recognition of building improvements amounting to P3.000 million; (c) understated acquisition cost of PPE due to the non-recognition of the 12 per cent VAT amounting to P1.878 million; (d) unadjusted balances of Construction in Progress and Items in Transit amounting to P31.230 million; and (e) non-reconciliation of inventory report with the records of Property and Accounting Sections.

We recommended that Management:

- a) Conduct a thorough analysis of accounting records to reconcile the balances in the general ledger with the schedule of PPE and make the necessary adjustments;
 - b) Establish the time as to when the renovation in the main lobby of the main building was completed and accepted by Management to determine the proper timing of asset recognition as well as depreciation;
 - c) Adjust the cost of PPE to include import duties and other nonrefundable purchase taxes as required under PAS 16;
 - d) Record foreign currency-denominated PPE in Philippine pesos based on the BSP exchange rate prevailing at the time of acquisition;
 - e) Conduct a final inspection for assets constructed and secure all necessary documents to reclassify Construction in Progress and Items in Transit to appropriate accounts. Provide depreciation for these assets as required under PAS 16;
 - f) Maintain complete and accurate PPE ledger cards for the Accounting Section and property cards for the Property Section to properly monitor the PPE accounts. Conduct periodic reconciliation to identify and adjust reconciling items. Ensure that the PPE ledger cards are reconciled with the general ledger, schedule of PPE and property cards; and
 - g) Require that the acquisition costs and other required information be presented in the RPCPPE and reconcile it with the records of the Accounting and Property Sections.
2. The realizable value of Accounts Receivable amounting to P222.443 million was doubtful due to (a) unreconciled balances of the general and subsidiary ledgers, (b) unreliable provision of allowance for doubtful accounts; and (c) negative result of confirmation.

We recommended and Management agreed to:

- a) Create a special team that would reconcile the balances of the general and subsidiary ledgers. If the unreconciled balances were carried over from the beginning balances in previous years, separate the current accounts that were already reconciled. Work backward, as the previous accounts are reconciled, transfer the same to the current-reconciled accounts;
- b) Provide an allowance for doubtful accounts for all accounts receivable recognized in the books;

- c) Create a team to locate and update addresses of all debtors; and
 - d) Send billing statements to all debtors to remind and update them of their outstanding account due to PTNI.
3. Of the P70.709 million balance of Cash in Bank, the correctness of P12.094 million could not be relied upon due to the inability of Management to submit the December 31, 2012 bank reconciliation statements for PNB accounts and the inclusion in the books of two PNB bank accounts with balances of P2.015 million and (P5.65) million respectively, although said accounts did not exist in the records of the bank.

We recommended that Management:

- a) Facilitate the reconciliation and early preparation of monthly bank reconciliation statements of the PNB accounts and record all adjustments to correct the cash in bank balances;
 - b) Include in the Notes to the Financial Statements disclosure on the status of the PNB CONSTEL and Equity Funds.
4. The validity of the balance of Due from Officers and Employees account (123) in the amount of P14.149 million as of December 31, 2012 was doubtful due to (a) unreconciled general and subsidiary ledger balances; (b) non-preparation of subsidiary ledgers for some accounts contrary to Sections 111 and 112 of P.D. 1445; and (c) non-liquidation of cash advances contrary to the provisions of COA Circular No. 97-002 dated February 10, 1997 and Section 89 of P.D. 1445.

We recommended that Management:

- a) Strictly comply with the provisions of COA Circular No. 97-002;
- b) Require the concerned personnel to settle/liquidate their cash advances immediately upon serving its purpose and submit valid documents to support the liquidation;
- c) Monitor regularly and strictly enforce submission, settlement and liquidation of cash advances by the finance department;
- d) Order the immediate liquidation of prior years' cash advances and suspend salaries of erring accountable officers in accordance with COA Circular No. 2012-004 dated November 28, 2012;
- e) Reconcile the balances of the general ledger and subsidiary ledgers; and
- f) Prepare subsidiary ledgers for some controlling accounts.

Status of Unsettled Audit Disallowances, Charges and Suspensions

As of December 31, 2012, disallowances and suspensions amounting to P4.806 million and P129,934 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 34 audit recommendations embodied in the previous year's Annual Audit Report, 4 were fully implemented, 15 were partially implemented and 15 were not implemented.

COA-PTNI Audit Group

The COA-PTNI Audit Group is composed of the following:

	<i>Name</i>	<i>Designation</i>
1	Marissa V. Fajardo-Pariñas	OIC-Supervising Auditor
2	Rosario S. Carpio	Audit Team Leader
3	Dorothy P. Fernandez	Audit Team Member
4	Ma. Elena Z. Bulauan	Audit Team Member
5	Eva M. Giron	Audit Team Member