



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, 2013, and the statement of comprehensive Income, statement of changes in equity and statement of cash flows 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 generally accepted in the Philippines, 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 qualified audit opinion.

### *Basis for Qualified Opinion*

The following audit observations were considered in forming our audit opinion:

1. The correctness and validity of the net cost of depreciable Property, Plant and Equipment (PPE) amounting to P523.413 million was doubtful due to the (a) unexplained net variance of P227.727 million between the general ledger balance and that of the PPE schedule; (b) unadjusted balances of Construction in Progress and Items in Transit amounting to P31.230 million; (c) absence of property ledger cards; and (d) inability to conduct physical inventory.
2. The validity of the net realizable value of Accounts Receivable amounting to P172.899 million could not be determined due to the (a) non-reconciliation of general ledger (GL) and subsidiary ledger (SL) balances; (b) unreliable provision of allowance for doubtful accounts (ADA); and (c) presence of dormant accounts. Moreover, there were unbilled revenues of P9.410 million due to the absence of perfected contracts between the Network and its advertising clients.
3. The correctness of the Cash in Bank balance of P54.224 million was doubtful as results of bank confirmation disclosed a balance of only P49.138 million or a discrepancy of P5.086 million. In addition, there were no monthly Bank Reconciliation Statements (BRS) prepared by Management for most of the accounts contrary to the provisions of Sections 74 and 122 of P.D. 1445.

### *Qualified Opinion*

In our opinion, except for the effects on the financial statements of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the People's Television Network, Inc., as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with state accounting principles generally accepted in the Philippines.

### ***Report on Supplementary Information Required Under BIR Revenue Regulation 15-2010***

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes, duties, and license fees paid or accrued during the taxable year described in Note 19 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

### **COMMISSION ON AUDIT**

  
**MARISSA V. FAJARDO-PARIÑAS**

OIC-Supervising Auditor

Audit Group H – Development, Media and Other Agencies Group

Cluster 6, Corporate Government Sector

June 11, 2014