

**PEOPLE’S TELEVISION NETWORK, INC.
ANNUAL AUDIT REPORT FOR CY 2013**

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. Its 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 Ms. Jan T. Co Chua (up to August 2014), Mr. Virgilio P. Nadal, Jr. (up to April 2014) and Ms. Veronica B. Jimenez.

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, 2014, the Network has a total work force of 555 employees consisting of the following:

Permanent	259
Temporary	1
Contractual	23
Contract of Service (Talents)	272
<u>Total</u>	<u>555</u>

Financial Profile

Assets		P1,265,598,609
Liabilities		575,826,162
Equity		P 689,772,447
Income	P139,392,445	
Subsidy	<u>466,639,155</u>	P 606,031,600
Expenses		289,638,248
Net Income		<u>P 316,393,352</u>

PTNI's Operational Performance

In 2014, the Network improved its audience share and received recognition for its quality programs such as:

1. 2014 Anak TV Seal Awards for:
 - a. 6th ASEAN Quiz
 - b. Good Morning, Boss!
 - c. News@1 Junior Edition
 - d. One Vision, One Identity, One Community
 - e. PTV Sports
 - f. The Veronica Chronicles
 - g. Be Alive!
 - h. GSIS Members' Hour
 - i. Lakbayin ang Magandang Pilipinas
 - j. Oras ng Himala
 - k. Power to Unite
 - l. Signs and Wonders
 - m. The Doctor is In
 - n. Biyaheng Langit
 - o. Kasangga Mo ang Langit
2. University of the Philippines Institute for Science and Mathematics Education Development (UP NISMED) plaque of recognition for the program Continuing Education via Television

The following programs and news events were aired by the Network in CY 2014:

1. Signing of the Bangsamoro Comprehensive Agreement in Manila (March), the Normalization Annex in Kuala Lumpur, Malaysia (January), and the endorsement of the Bangsamoro Basic Law to Congress (September)
2. State Visit of US President Barack Obama (April)
3. World Economic Forum (May)
4. Palarong Pambansa in Sta. Cruz, Laguna (May)
5. 116th Independence Day Celebration
6. 5th State of the Nation Address (SONA) of the President

7. First Anniversary of typhoon Yolanda
8. Senate and House of Representatives' inquiries related to the Priority Development Assistance Fund (PDAF) and the Disbursement Acceleration Program (DAP)
9. Territorial feud against China in the West Philippine Sea
10. Hearings on alleged irregularities in the procurement and construction of various Makati City infrastructure projects
11. Presidential foreign trips in Malaysia, Myanmar, Spain, Belgium, France, Germany, USA, Indonesia, China, Singapore and South Korea

Towards improving its services, the Network has already completed the third phase of the Modernization Program in 2014. The Modernization Program aims to update the Network's production and broadcast facilities to improve operational capability and widen signal reach. The Network is now capable of transmission from its main studio in Quezon City plus six more stations in Puerto Princesa, Dumaguete, Baguio City, Davao, Naga and Calbayog.

Scope of Audit

The audit covered the operations of the PTNI for CY 2014. 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 2014.

Summary of Significant Audit Observations and Recommendations

Below is a summary of the significant findings and recommendations for CY 2014:

1. The validity of the balance of Accounts Receivable - Trade account amounting to P563.205 million could not be determined due to unreconciled balances between the General Ledger (GL) and Subsidiary Ledgers (SL) and the negative results of confirmation.

We recommended that Management:

- a) analyze the prior years' GL balances of the Accounts Receivable – Trade to reconcile with the SL; and

- b) send demand letters/billing statements to all debtors to remind and update them of their outstanding accounts due to PTNI.
2. The correctness of Cash in Bank balance per books in the amount of P208.043 million as of December 31, 2014 could not be assured due to unreconciled amounts between the General Ledger (GL) and confirmed bank balances contrary to the provisions of Sections 74 of P.D. 1445 and unrecorded trust funds amounting to \$1,652.

We recommended that Management:

- a) reconcile all bank accounts pursuant to Sections 74 of P.D. 1445;
 - b) record the trust fund transactions; and
 - c) record all adjustments to correct the GL balances.
3. Management was unable to conduct physical inventory and submit Inventory Reports for its Property Plant and Equipment (PPE) for CY 2014 contrary to COA Circular No. 80-124 dated January 18, 1980. As a result, the reliability of the balance of the PPE account in the gross amount of P1.552 billion could not be ascertained.

We recommended Management to:

- a) conduct physical inventory of all its PPE and prepare a complete and accurate PPE Inventory Report in accordance with COA Circular No. 80-124 dated January 18, 1980; and
 - b) reconcile the results of the physical inventory with the Property Cards and PPE Ledger Cards maintained by the Property and Accounting Divisions.
4. The Agency entered into co-production agreements with various program producers either with minimum guaranteed payments or without any financial consideration resulting in unrealized potential revenue of P25.121 million.

We recommended that:

- a) a minimum guaranteed payment based on the Airtime Rate Card be required from all co-producers in order to have assured revenue from the use of airtime; and
 - b) the Sales and Marketing Division exert more effort to maximize the Network's earning potential.
5. Net Value-added Tax (VAT) of P53.546 million was not remitted to the Bureau of Internal Revenue (BIR) contrary to the provisions of the National Internal Revenue Code (NIRC) resulting to accumulated balances for Output and Input Taxes of P148.851 million and P95.305 million respectively as of December 31, 2014.

We recommended that Management remit the net output VAT to the BIR pursuant to the aforementioned provisions of the NIRC.

6. Loan amortizations deducted from employees' salaries were not fully remitted to GSIS contrary to the provisions of the Implementing Rules and Regulations of R.A. 8291 (Revised Government Insurance Act of 1977).

We recommended that Management remit all loan amortizations deducted from salaries of the Agency's personnel to GSIS pursuant to R.A. 8291 to avoid above-mentioned sanctions/penalties provided under Sections 59.6 and 59.7 of R.A. 8291.

7. The Agency did not fully remit Philippine Health Insurance Corporation (PhilHealth) contributions contrary to the provisions of the Revised Implementing Rules and Regulations of the National Health Insurance Act of 2013.

We recommended that Management remit all premium contributions to PhilHealth pursuant to the Revised Implementing Rules and Regulations of the National Health Insurance Act of 2013.

8. Cash advances granted to officers and employees for official travels and other contingency expenses amounting to P4.715 million were not liquidated pursuant to COA Circular No. 97-002 dated February 10, 1997 and Section 89 of P.D. 1445.

We recommended that Management strictly comply with the provisions of COA Circular No. 97-002 and require:

- a) the concerned personnel to settle/liquidate their cash advances immediately upon serving its purpose and submit valid documents to support the liquidation; and
- b) the regular monitoring and strict enforcement of regulations and implementation of controls in the submission, settlement and liquidation of cash advances by the Finance Department.

Status of Unsettled Audit Disallowances, Charges and Suspensions

As of December 31, 2014, disallowances and suspensions amounting to P4.730 million and P4.465 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 32 audit recommendations embodied in the previous year's Annual Audit Report, eight were fully implemented, 12 were partially implemented and 12 were not implemented.