

AUDIT OBSERVATIONS AND RECOMMENDATIONS

A. Financial Audit

1. The accuracy, reliability and existence of the balance of cash in bank account in the amount of P299.815 million as of December 31, 2017, were doubtful due to unreconciled discrepancies between the book and bank balances in the net amount of P3.375 million and the absence of bank reconciliation statements for some bank accounts.

- 1.1 The results of the confirmation of the bank balances of PTNI as of December 31, 2017, showed the following:

Bank/Account Particulars	Balances per Bank	Balances per Books	Variance/ Discrepancies
LBP (Gen .Fund)	P180,828,524.08	P178,422,518.60	P(2,406,005.48)
LBP (Equity)	111,777,433.02	111,780,933.03	3,500.01
LBP (US Dollar) (\$188,314.98)*	9,415,592.70	145,539.50	(9,270,053.20)
PNB Combo SA	34,233.84	10,620,648.31	10,586,414.47
PNB SA	--	0.21	0.21
PNB SA (Equity)	--	(6,288,435.60)	(6,288,435.60)
PNB (CONSTEL)	--	621,927.33	621,927.33
PNB-CA (US Dollar) (\$22,688.96)	1,134,429.17	4,512,434.27	3,378,005.10
TOTAL	P303,190,212.81	P299,815,565.65	P (3,374,647.16)

**conversion rate: P49.99917/US Dollar as per reported exchange rate of 12/31/2017*

- 1.2 As shown in the above table, balances of all bank accounts maintained at Land Bank of the Philippines (LBP) and Philippine National Bank (PNB) had discrepancies. This observation was also noted in the previous Annual Audit Reports but remained uncorrected in the books which resulted to a variance in the amount of P3,374,647.16 as of December 31, 2017. These uncorrected balances understated the book balances of cash in bank account.
- 1.3 Verification of the bank accounts showed that the PNB Peso Combo Savings and PNB Dollar Current Accounts with bank balances as of December 31, 2017, in the amounts of P34,233.84 and P1,134,429.17 or US\$22,688.96, respectively, were confirmed by the PNB as dormant accounts.
- 1.4 Interview with the accounting personnel revealed that the said accounts remained dormant because the present officials of the PTNI could not withdraw or close the accounts as PNB required the signatures of the previous PTNI officials who were then signatories of these two accounts.
- 1.5 Likewise, Bank Reconciliation Statements (BRS) were not prepared for all cash in bank accounts maintained at the PNB and some of those accounts maintained at the LBP. Thus, identification of the reconciling items and necessary adjustments could not be made.

1.6 Confirmation of the LBP US Dollar Account showed that said account had a balance of US\$188,314.98 or the equivalent of P9,415,592.70 as of December 31, 2017. Verification revealed that not all deposits to and withdrawals from said account were recorded in the books. From the opening date of the account in September 3, 2012 up to December 31, 2017, total deposits to and withdrawals from the said account as reflected in the passbook, amounted US\$1,430,324.02 and US\$1,242,238.20, respectively. However, only the transactions totaling US\$27,722.24 or P1,374,524.10 and US\$24,796.80 or P1,228,984.60, respectively, were recorded in the books of accounts. The general ledger balance as of December 31, 2017, of said account was US\$2,925.44 or P145,539.50 only.

1.7 The audit also revealed that of the eight bank accounts maintained by the PTNI with both LBP and PNB, only two accounts, the LBP Current Account-General Fund and the LBP Current Account-Equity Fund were provided with the monthly bank reconciliation statements (BRS). However, the reconciling items identified in both BRS were not recorded in the books as of December 31, 2017.

1.8 Thus, the aforementioned deficiencies cast doubt on the accuracy, validity and existence of the cash-in-bank account balance as of December 31, 2017.

1.9 We reiterated our prior year's recommendations that Management strictly comply with the provisions of Section 74 of PD 1445 (Government Auditing Code) and regularly prepare the BRS to reconcile the cash in bank balances between accounting and the bank records and make the necessary adjustments where appropriate. For the bank reconciling items, make representations with the concerned bank to effect the necessary adjustments.

2. Cash-in-bank and Trust Liability accounts were understated by US\$188,086.00 or P9.404 million due to non-recording in the books deposits and withdrawals under dollar savings account maintained at LBP for the PTNI ASEAN Project Fund in the amount of US\$1.403 million and US\$1.217 million or P70.129 million and P60.871 million contrary to Item 12 of the Rules Governing the Control, Disbursement and Accounting of the ASEAN Cultural Fund and Section 112 of PD 1445.

2.1 Item No. 12 of the Rules Governing the Control, Disbursement and Accounting of the ASEAN Cultural Fund, an Annex to the Agreement on the Establishment of the ASEAN Cultural Fund requires that the ASEAN National Secretariat of each member country shall submit to the ASEAN Standing Committee through the ASEAN Secretariat an Annual Report of the accounting of the funds disbursed. The Annual Report shall include the Annual Financial Statement which shall be audited by the Auditor of the Government concerned.

2.2 Section 112 of Presidential Decree No. 1445 (State Audit Code of the Phil.) provides that "Recording of financial transaction. - Each government agency shall record its financial transactions and operations in conformity with general accepted accounting principles and in accordance with pertinent laws and regulations.

- 2.3 PTNI, being a government TV network, was designated as implementing agency for the TV-related ASEAN Projects. As a member agency, PTNI develop project proposals for submission to the ASEAN Secretariat for funding by the ASEAN Committee on Culture and Information (COCI) and participates in regional ASEAN meetings. Thus, funds were transferred to PTNI for various approved projects.
- 2.4 In January 2018, the Audit Team requested the Land Bank of the Philippines (LBP) for confirmation of the balances of various accounts maintained therewith by the PTNI. The bank affirmed that among the accounts maintained by PTNI was the subject account for the ASEAN Project Fund under a Dollar Savings Account. Subsequently, we requested for a copy of the passbook for the said account which showed an initial deposit amounting to US\$11,990 on September 3, 2012. However, upon verification with the PTNI books of account we found that all receipts and disbursements from the said account were not recorded in the books of the PTNI.
- 2.5 Further scrutiny of the details of the passbook revealed that deposits to and withdrawals from the said account from September 3, 2012 to December 31, 2017, amounted to US\$1,430,324 and US\$1,242,238 or P71,515,014 and P62,110,879, respectively. Of the said deposits and withdrawals, only US\$27,722 and US\$24,797 or P1,386,077 and P1,239,819, respectively, were recorded in the PTNI books. Thus, these unrecorded deposits and withdrawals as of December 31, 2017, in the total amount of US\$1,402,602 and US\$1,217,441 or P70,128,925 and P60,871,060, respectively, resulted in the understatement of Cash-in-bank and Trust Liability accounts by US\$188,086 or P9,404,415.
- 2.6 *We recommended that Management strictly comply with item No. 12 of the Rules Governing the Control, Disbursement and Accounting of the ASEAN Cultural Fund and Section 112 of PD 1445 and record all transactions in the books of accounts for fair presentation of PTNI's financial statements.***
- 3. The accuracy, reliability and existence of the balance of Plant, Property and Equipment (PPE) account in the amount of P1.616 billion as of December 31, 2017, could not be ascertained due to: a) non-completion of the physical inventory taking; b) non-submission of physical inventory reports for CY 2017; and c) inadequate accounting and property records which practices were contrary to Section 490 of GAAM Volume I and COA Circular No. 80-124 dated January 18, 1980.**
- 3.1 Section 490 of the Government Accounting and Auditing Manual (GAAM) Volume 1 provides that, "physical stock-taking is an indispensable procedure for checking the integrity of property custodianship. In all cases, the physical inventory-taking which is required semi-annually or annually should be regarded with importance."
- 3.2 Provided in Par. V, COA Circular No. 80-124 dated January 18, 1980:
- Item No. 1 - "A committee shall be formed to take charge of the physical inventory-taking, consisting of two or more employees designated by the head of the agency including the property/administrative officer or custodian x x x. A representative of the Auditor shall witness the inventory-taking."*

Item No. 4 - "x x x all inventory reports shall be prepared on the prescribed form...the reports shall be reconciled with accounting and property inventory records x x x"

- 3.3 Interview with the Officer-in-Charge, Property Division, who was also the head of the Inventory Team revealed that for CY 2017, the Team had conducted physical count of PPE in only two out of eleven provincial stations and only 50 percent of the PPE located in the Head Office. Of the total balance of P1.616 billion of the PPE account as of December 31, 2017, only P296.70 million or roughly 18 percent were subjected to the physical count by the designated inventory team.
 - 3.4 It was also noted that the balances of PPE accounts were not supported with adequate accounting and property records, such as the PPE Ledger Cards (PPELC) and Property Cards (PC) thus, the accuracy, reliability and existence of the said accounts as presented in the financial statements as of December 31, 2017, could not be ascertained.
 - 3.5 ***We reiterated our prior year's recommendations that Management:***
 - a. ***Plan properly and religiously conduct of physical inventory taking of PPE accounts as well as prepare and submit the PPE Inventory Report duly reconciled with the accounting and property records in accordance with Section 490 of the GAAM and COA Circular No. 80-124 dated January 18, 1980; and***
 - b. ***Require Accounting and Property Divisions to maintain PPELC and PC, respectively, to facilitate reconciliation of PPE book balance with the physical inventory report balance.***
4. **Recording of non-existing parking lot extension project in the amount of P1.300 million resulted in the overstatements of Construction in Progress (CIP) and Equity accounts.**
- 4.1 In the audit of PTNI transactions we discovered that the Accounting Division processed the payment of the progress billing prepared by the contractor for the Development of the Parking Lot Extension in the amount of P1,300,173 and recorded the same under Construction-in-Progress account. Verification of the accomplishment report in support of the payment made showed that accomplishment of said project was non-existent. Thus, the payment made and the recording thereof resulted in the overstatements of the CIP (non-current asset account) and equity accounts by the same amount.
 - 4.2 ***We recommended that Management require Accounting Division to derecognize in the books the non-existing Parking Lot Extension Project recorded under Construction-in-Progress account.***

B. Compliance Audit

5. The legality, validity and accuracy of deposits and withdrawals made with LBP dollar savings account for PTNI ASEAN Project Fund in the amount of US\$1.430 million and US\$1.242 million or P71.515 million and P62.111 million, respectively, could not be determined due to non-submission of documents to support the same to the Auditor's Office for post audit contrary to Item 12 of the Rules Governing the Control, Disbursement and Accounting of the ASEAN Cultural Fund as well as Section 4 of PD 1445.

- 5.1 Item No. 12 of the Rules Governing the Control, Disbursement and Accounting of the ASEAN Cultural Fund, an Annex to the Agreement on the Establishment of the ASEAN Cultural Fund requires that the ASEAN National Secretariat of each member country shall submit to the ASEAN Standing Committee through the ASEAN Secretariat an Annual Report of the accounting of the funds disbursed. The Annual Report shall include the Annual Financial Statement which shall be audited by the Auditor of the Government concerned.
- 5.2 Section 4 of Presidential Decree No. 1445 (State Audit Code of the Phil.) provides that: "Fundamental principles. - Financial transactions and operations of any government agency shall be governed by the fundamental principles. Such fundamental principles state that: x x x " 6.) claims against government funds shall be supported with complete documentation; 7. all laws and regulations applicable to the financial transactions shall be faithfully adhered to; x x x "
- 5.3 In January 2018, the Audit Team requested the Land Bank of the Philippines (LBP) for confirmation of the balances of various accounts maintained therewith by the PTNI. The bank affirmed that among the accounts maintained by PTNI was the subject account for the ASEAN Project Fund under a Dollar Savings Account. Subsequently, we requested for a copy of the passbook for the said account which showed an initial deposit amounting to US\$11,990 on September 3, 2012. However, upon verification with the PTNI books of account we found that all receipts and disbursements from the said account were not recorded in the books of the PTNI.
- 5.4 Further scrutiny of the details of the passbook revealed that deposits to and withdrawals from the said account from September 3, 2012 to December 31, 2017 amounted to US\$1,430,324 and US\$1,242,238 or P71,515,014 and P62,110,879, respectively. However, we were not able to validate the transactions pertaining to said deposits and withdrawals since documents relative thereto were not submitted to the Auditor's Office for post audit contrary to the above-cited provision of the Agreement on the Establishment of the ASEAN Cultural Fund and Section 4 of PD 1445.
- 5.5 ***We recommended that Management require the submission of all documents pertaining to the transactions made from its LBP dollar bank account in compliance with Item No. 12 of the Rules Governing the Control, Disbursement and Accounting of the ASEAN Cultural Fund, an Annex to the Agreement on the Establishment of the ASEAN Cultural Fund and Section 4 of PD 1445.***

6. PTNI paid non-existent project (Development of the Parking Lot Extension) in the amount of P1.300 million contrary to Section 2 of PD 1445 and Section 7.1 of the Revised IRR of RA 9184.

- 6.1 Section 2 of PD 1445 (State Audit Code) on the Declaration of Policy provides: “It is the declared policy of the State that all resources of the government shall be managed, expended, or utilized in accordance with law and regulations, and safeguarded against loss or wastage through illegal or improper disposition, with a view to ensuring efficiency, economy and effectiveness in the operations of government. The responsibility to take care that such policy is faithfully adhered to rests directly with the chief or head of the government agency.”
- 6.2 Section 7.1, Revised IRR of RA 9184 (Government Procurement Act) provides: “All procurement planning should be within the approved budget of the procuring entity and should be meticulously and judiciously planned x x x. Consistent with government fiscal discipline measures, only those considered crucial to the efficient discharge of governmental functions shall be included in the Annual Procurement Plan (APP).”
- 6.3 The PTNI entered into a contract for the Renovation and Upgrading of the PTV Offices, Studios and Building Facilities including the Development of a Parking Lot Extension in the total cost of P52,370,849.
- 6.4 Review of the approved parking lot design against the actual accomplishments showed that there was no parking lot extension constructed or developed nor improvement made of any kind similar to what was described and defined in the approved plans and specifications of the project.
- 6.5 Verification of the accomplishment report supporting the disbursement voucher revealed that under Item No. V of the Progress Billing No. 9 submitted by the contractor pertained to the Parking Lot Extension item of works, amounting to P1,300,173. Said progress billing was inspected/verified and signed by the OIC, Provincial Network Division and recommended for approval by the Project Manager and OIC, Engineering Division despite the non-existence of the said parking lot extension.
- 6.6 The payment of the progress billings were processed and paid to the contractor despite said deficiency. We also noted that the amount paid for the project exceeded the budgeted cost of P1,286,901 by (P1,300,173 less P1,286,901) P13,271.
- 6.7 Upon inquiry, the OIC, Engineering Division, informed that the PTNI requested for the use of the area intended for the proposed parking lot extension, however, the request was not approved by the Philippine Information Agency (PIA), the property owner of the lot, thus, the construction/development was not implemented.
- 6.8 The inclusion in the project specifications and the costing of the parking lot extension in the procurement of the Renovation and Upgrading of the PTV Offices, Studios and Building Facilities Including the Development of a Parking Lot Extension without seeking first the approval of the PIA, showed that the

said procurement was not meticulously and judiciously planned contrary to the pertinent provisions of Section 7.1 of the Revised IRR of RA 9184.

- 6.9 ***We recommended that Management require the contractor to refund the amount of P1,300,173 representing payment for the development of a parking lot extension that did not materialize or deduct the said amount from future billings of said contractor for any project undertaken by them otherwise, a Notice of Disallowance shall be issued by the Audit Team for the recovery of the amount involved.***

7. The legality, validity, and accuracy of payments made for the salaries and other benefits of Contractual and Contract of Service (COS) personnel for the period, January 2017 to December 2017, amounting to P77.302 million could not be established since these were not documented as required under Section 4, P.D. 1445 and COA Circular No. 2012-001 dated June 14, 2012.

- 7.1 Section 4, P.D. 1445 pertains to the fundamental principles in handling government funds and requires that financial transactions and operations of any government agency shall be supported with complete documentation and all laws and regulations applicable thereto shall be faithfully adhered to.
- 7.2 Paragraph 3, Section 4.1.3 of COA Circular No. 2012-001 dated June 14, 2012, on the documentation of payments for the salary of personnel under Casual/Contract of Service provides that the documentary Requirements shall include: a) Copy of the Service Contract; b) Certification by the Personnel Officer that the activities/services cannot be provided by regular or permanent personnel of the agency; c) Accomplishment Report; d) Approved DTRs.
- 7.3 Further, paragraph 3.1.1 of COA Circular No. 2009-001 requires that: Within five (5) working days from the execution of a contract by the government agency xxxx, shall submit a copy of said contract and each of all the documents forming part thereof by reference or incorporation to the Auditor of the agency concerned.
- 7.4 Post audit of payrolls for the period, January to December 2017, revealed that the contracts and the certification from the personnel officer that the services of COS cannot be provided by the regular personnel of the Agency were not attached to the payroll contrary to the aforementioned regulation. Also, copies of the contracts of casual and COS personnel were not submitted to the Auditor within five (5) working days from the execution of contract contrary to COA Circular 2009-001.
- 7.5 In response to our verbal request with the Administrative Division on the submission of said contracts for CY 2017, they replied that they cannot commit when to submit the contracts for CY 2017. However, they promised to submit copies of said contracts for CY 2016 once these were signed by the OIC-Finance Officer. Further verification disclosed that the last contracts submitted to this Office were contracts for CY 2015. Hence, the legality, validity and accuracy of payments in the total amount of P46,751,534.85 net of withholding taxes could not be established. The details of payments were as follows:

Nature of Contracts	Amount
Contract of Service (COS)	P44,854,780.07
Contractual	1,896,754.78
Total	P 46,751,534.85

- 7.6 Verification of the documents showed that the Daily Time Records (DTRs) attached to the said payrolls were not approved by the Supervisor as required under the said COA Circular.
- 7.7 The non-submission of the required supporting documents in the payment of salaries of contractual and COS personnel was contrary to the above regulations and will result in the issuance of Notices of Suspension (NS) and a Notice of Disallowance if the NS are not complied within 90 days from receipt.
- 7.8 ***We recommended that Management submit/attach to the payrolls of COS/Contractual personnel all the documentary requirements as provided for under COA circular No. 2012-001.***
- 8. Liquidated damages amounting to P67.179 million were not imposed on various suppliers who incurred delays in the delivery of contracted goods/services contrary to Annex D, Section 3.1 of the Revised Implementing Rules and Regulations (RIRR) of the R.A. 9184 (Government Procurement Act).**
- 8.1 Annex D, Section 3.1 of the 2016 Revised IRR of RA 9184 requires that: “When the supplier fails to satisfactorily deliver goods under the contract within the specified delivery schedule, inclusive of duly granted time extensions, if any, the supplier shall be liable for damages for the delay and shall pay the procuring entity liquidated damages, not by way of penalty, an amount equal to one-tenth (1/10) of one percent (1%) of the cost of the delayed goods scheduled for delivery for every day of delay until such goods are finally delivered and accepted by the procuring entity concerned.”
- 8.2 Audit of the Disbursement Vouchers (DVs) for the payment of various goods and services showed that there were late deliveries, however, the accounting division did not impose/deduct the corresponding liquidated damages on the payment to the various suppliers as a result of the late deliveries contrary to Section 68 of the Revised IRR of RA 9184. The liquidated damages computed by the Audit Team amounted to P67,179,115.13 are shown below:

Item Nos.	Particulars of Project/Contract	Contract Price	Amount of Liquidated Damages
1	Supply/delivery of 2 units digital satellite/electronic vans	P114,748,448.00	P29,793,368.83
2	Supply/delivery of HD video system for Studios A & B	103,580,566.00	5,059,658.33
3	Supply/delivery of centralized Non-linear editing system	11,682,800.00	698,546.40
4	Supply/delivery delivery of TOC/MCR system expansion	80,000,000.00	2,863.09
	Sub-Total – Fully delivered goods/services	310,011,814.00	35,554,436.65
5	Supply & install 1 set 24	31,888,800.00	22,633,478.38

	panel antenna system		
6	Renovation of PTV Offices, Studios, Bldg, & parking facilities	52,370,848.92	8,991,200.10
	Total –Partially delivered	P 84,259,648.92	P31,624,678.48
	Total	P394,271,462.92	P67,179,115.13

8.3 Verification of the supporting documents revealed that PTNI had already fully paid the four suppliers for items one to four in the above tabulation it appearing that they had fully delivered the procured goods/services. Likewise, the 10 percent retention fee previously withheld from the payments due to them were already released, except for the 10 percent retention fee withheld for the delivery of Item No. 3. Thus, collection of liquidated damages due from the paid suppliers amounting to P34,855,890.25 (P35,554,436.65-P698,546.40) are now uncertain.

8.4 As shown in the above tabulation, we also noted that the accumulated liquidated damages on the late deliveries of two suppliers have already reached 10 percent of the amount of their contracts, but PTNI did not rescind their contracts nor take other courses of action to collect the liquidated damages due from them contrary to the requirements of R.A. 9184

8.5 **We recommended that Management:**

a. Strictly comply with Annex D, Section 3.1 of the Revised IRR of RA 9184, on the imposition of liquidated damages due to late deliveries of the procured goods and services;

b. Ensure collection/recovery of the liquidated damages from the concerned suppliers/contractors through: a) reduction of the amounts due them in other projects/contracts; b) the retention previously withheld and not yet released by PTNI; and c) send collection letters; and

c. Rescind contracts wherein liquidated damages for late deliveries have already reached 10 percent of the contract amount pursuant to the requirements of the RIRR of RA 9184.

9. Payments made to Producer/Blocktimer (Bitag Media Unlimited, Inc. (BMUI) in the total amount of P60.010 million, representing segment buy and spot placement in airing the Department of Tourism’s (DOT’s) commercial advertisements were not supported with proper documents such as the Memorandum of Agreement (MOA) and Certificate of Performance (COP) contrary to Section 4 of PD 1445 and COA Circular No. 2012-001 dated June 14, 2012.

9.1 Section 4 of PD 1445, Fundamental principles. - “Financial transactions and operations of any government agency shall be governed by the fundamental principles set forth hereunder, to wit: 4) Fiscal responsibility shall, to the greatest extent, be shared by all those exercising authority over the financial affairs, transactions, and operations of the government agency. 6) Claims against government funds shall be supported with complete documentation. 7) All laws and regulations applicable to financial transactions shall be faithfully adhered to.

- 9.2 Post audit of the disbursements for CY 2017, disclosed that payments were made to Producer/Blocktimer BMUI in the total amount of P60,009,560.00 representing segment buy and spot placement in airing the DOT's commercial advertisements within the airtime provided to Blocktimer BMUI for the daily telecast of its program, Kilos Pronto, to wit:

DV/ Check No.	Date	Amount
17050779 / 389311	5/11/2017	P 22,089,560.00
17102125 / 390507	11/08/2017	18,960,000.00
17122485 / 390754	12/15/2017	18,960,000.00
Total		P 60,009,560.00

- 9.3 In our review of the disbursement vouchers, we noted that they were not supported with the following documents:
- a. MOA between Blocktimer BMUI and PTNI
 - b. Certificate of Performance
 - c. Duly Approved Budget Utilization Request
 - d. Billing Statement detailing the deliverables
- 9.4 Interview with the Accounting personnel revealed that there was no Memorandum of Agreement (MOA) or contract by and between PTNI and Blocktimer BMUI relative to the airing of DOT commercial advertisements in said program.
- 9.5 The MOA on file was between PTNI and DOT, specifically requiring PTNI to air a 6-minute segment buy in PTVs Daily News-type magazine segment, *Kilos Pronto*, plus a 3-minute DOT spot within the program. There were no provisions for the airtime rates per segment/spot and such other terms and conditions of the commercial advertisement specifically as regards the manner of payment.
- 9.6 Verbal requests for the submission of copy of the MOA were made with the Finance and Airtime Management/Programming Divisions, however, the Audit Team was informed that the MOA was under review by the Legal Unit.
- 9.7 Since there was no MOA wherein the terms and conditions of the agreement are supposed to be spelled out, there was also no basis for the computations on how the said three payments were arrived at.
- 9.8 Verification showed that the computation sheet prepared by the Accounting Division attached to the DV for the first payment to Blocktimer BMUI in the amount of P22,089,560.00 was merely a presentation of deductions from the amount remitted by DOT to PTNI such as: the commercial for 1st quarter, airtime "*I travel*", and the operational cost for three months. There was also no Certificate of Performance to support the actual airing of DOT segments/spots and no documents to support or serve as basis of the amount remitted by DOT as well as on how the nature and amount of deductions were arrived at. Said computation showed the following details of how the amount of P22,089,560 was arrived at:

Amount remitted by DOT to PTNI	P 28,125,000.00
Less: Commercial for 1 st quarter	(4,285,440.00)
Cost of airtime "I travel" for 13 weeks	(650,000.00)
Operational cost for 3 months	(1,100,000.00)
Net amount paid to Blocktimer BMUI	P 22,089,560.00

9.9 Certificate of Performance (COP) to determine the actual airing time/period as well as the frequency of airing or the actual segments/spots of the DOT commercial advertisements shown within the *Kilos Pronto* program as the basis to evaluate if all the requirements/deliverables of the contract had been performed/complied, were also not submitted.

9.10 Other deficiencies noted included the following:

- a. The "explanation/particulars" portion of the DVs and Budget Utilization Request (BUR) Forms duly approved by PTNI officials, indicated that the amount represented remittance of collection from Department of Tourism (DOT) for *Kilos Pronto*, instead of payment of airtime spot/segments aired within the said program;

Review of the MOA between DOT and PTNI showed that there was no provisions requiring PTNI to remit to Blocktimer BMUI collections from DOT for the segments/spots aired within the program, "Kilos Pronto.

- b. BOX B of the BUR was not signed by the Head of the Budget Unit as to availability of funds, instead, a marginal note was written stating "subject to attachment of the revised contract.

Despite the absence of the above noted requirement of the Head of the Budget Office, the DVs were still processed and payments were released to the Blocktimer BMUI.

9.11 PTNI officers and personnel failed to exercise due diligence in the processing of the payments to Blocktimer BMUI with the end view of ascertaining that all payments made were in accordance with the duly approved contract/agreement/MOA entered into by and between PTNI and Blocktimer BMUI and duly supported with sufficient and relevant documents necessary to establish validity of the transactions.

9.12 Due to the absence of the documents mentioned and the deficiencies noted, the accuracy, legality and validity of the payments made to Blocktimer BMUI in the amount of P60,009,560.00 could not be ascertained. Said payments were contrary to Section 4 of P.D. 1445 on the fundamental principles governing the financial transactions and operations of any government agency.

9.13 ***We recommended that Management submit the:***

- a. ***Copy of the MOA entered into by and between PTNI and Blocktimer BMUI for airing the DOT commercial advertisements within the***

program Kilos Pronto, indicating therein the airtime rates per spots/segments and other terms and conditions of the contract;

- b. Copy of Certificate of Performance for the airing of DOT commercials within the airtime of Kilos Pronto;*
- c. Billing statement and other relevant documents to support the computation of payments on the amount due to Blocktimer BMUI; and*
- d. Budget Utilization Request duly signed as to availability of funds.*

10. SEA GAMES Incentive (SEAGI) and Economic Relief Allowance (ERA) granted to PTNI officials and employees in the total amount of P10.456 million were without approval of the Office of the President.

- 10.1 Section 5 of P.D. No. 1597 (Rationalization of the System of Compensation and Position Classification) provides that: “Allowances, honoraria and other fringe benefits which may be granted to government employees, whether payable by their respective offices or by other agencies of government shall be subject to the approval of the President upon recommendation of the Secretary of the Department of Budget and Management.”
- 10.2 Section V of COA Circular No. 2013-003 (Reiteration of Audit Disallowance of Payments of Allowances, Incentives and Other Benefits of Government Officials and Employees without legal basis) dated January 30, 2013, provides that: “All COA Auditors are directed to disallow in audit all payments of allowances, incentives and other fringe benefits to all government officials and employees which have no legal basis and do not conform strictly with the laws, rules and regulations granting or authorizing such payments.”
- 10.3 Audit of Disbursement Vouchers (DVs) with corresponding bank debit memo, showed that on various days in December 2017 SEAGI and ERA in the amount of P4,457,500.00 and P5,998,800.00, respectively, or a total of P10,456,300.00 were granted to PTNI officials and employees, including personnel hired under as Contract of Service (COS) without approval of the President. Breakdown of said payments are shown below:

Particulars/Payees	Disb. Voucher No./Date	Debit Memo No./Date	Amount
SEAG Incentives:			
COS personnel	17122463/ Dec. 14,2017	No. 6 /Dec. 18, 2017	P 70,000.00
Permanent employees	17122464/ Dec. 14,2017	No. 6 /Dec. 18, 2017	1,280,000.00
Provincial - permanent	17122465/ Dec. 14,2017	No. 6 /Dec. 18, 2017	300,000.00
PTC Baguio-Contractual	17122466/ Dec. 14,2017	No. 6 /Dec. 18, 2017	10,000.00
Retiree-Chavez, Florencia	17122467/ Dec. 14,2017	No. 7 /Dec. 14, 2017	10,000.00
COS personnel	17122468/ Dec. 14,2017	No. 7 /Dec. 17, 2017	2,787,500.00
Sub-total			4,457,500.00
Economic Relief Assistance:			
COS personnel	17122477/ Dec. 15,2017	No. 9 /Dec. 15, 2017	3,994,800.00
2017 ERA	17122478/ Dec. 15,2017	No. 9 /Dec. 20, 2017	12,000.00
Permanent employees	17122475/ Dec. 15,2017	No. 8 /Dec. 20, 2017	1,536,000.00
Provincial - permanent	17122476/ Dec. 15,2017	No. 8 /Dec. 20, 2017	360,000.00

Contractual employees	17122479/ Dec. 15,2017	No. 8 /Dec. 20, 2017	84,000.00
Contractual Baguio	17122480/ Dec. 15,2017	No. 8 /Dec. 15, 2017	12,000.00
Sub-total			5,998,800.00
Total			P10,456,300.00

10.4 Scrutiny of payrolls and supporting documents revealed that said payments were authorized under Board Resolution Nos. 2017-01 and 2017-02, which were approved by PTNI Board of Directors on December 13, 2017.

10.5 The documents also showed that some of the payrolls/DVs although approved by the PTNI General Manager were not signed by the OIC, Finance Division as to completeness of the supporting documents.

10.6 ***We recommended that Management:***

a. Submit copy of the authority from the Office of the President for the grant of SEA GAMES Incentive and Economic Relief Allowance (ERA) to PTNI officials/employees. If no approval is obtained, refund the said amounts to avoid disallowance in audit; and

b. Stop granting allowances, incentives and benefits without the prior approval from the Office of the President.

11. Contract of Service (COS) personnel were designated as members of the Bids and Awards Committee (BAC) Secretariat and Technical Working Group (TWG) and were paid honoraria contrary to the provisions of Department of Budget and Management (DBM) Budget Circular 2004-5 dated March 23, 2004.

11.1 Budget Circular No. 2004-5, dated March 23, 2004, provides the guidelines on the grant of honoraria to government officials /employees involved in government procurement activities consistent with Republic Act 9184 (Government Procurement Reform Act).

11.2 Section 4.4 of Budget Circular No. 2004-5, provides that: "The members of the BAC Secretariat who perform the attendant functions on an ad hoc basis may likewise be paid honoraria at the same rate as the TWG Chair/Members, subject to the same regulations."

11.3 Audit of disbursement vouchers for the period, January 2017 to August 2017, showed that honoraria in the total amount of P30,000.00 were paid to the following DVs with COS personnel as payees, contrary to the provisions of DBM Budget Circular 2004-5. Details are shown below:

DV No.	Date	Amount
17030450	3/16/2017	P 6,000.00
17060941	6/1/2017	4,000.00
17030450	3/16/2017	P 6,000.00
17060941	6/1/2017	4,000.00
17030450	3/16/2017	P 6,000.00
17060941	6/1/2017	4,000.00
	Total	P 30,000.00

11.4 The recipients of the said honoraria, various COS personnel, have no employer-employee relationship with PTNI. The services rendered were not considered and will not be accredited as government service. These personnel cannot be designated as members of the BAC Secretariat and TWG and therefore were not entitled to the grant of honoraria pursuant to DBM Circular 2004-5.

11.5 ***We recommended that Management:***

a. Discontinue the practice of designating personnel hired under contract of service as members of the BAC Secretariat and the Technical Working Group or request authority from the DBM to allow COS personnel as members of the BAC Secretariat and the Technical Working Group; and

b. In the absence of such authority from the DBM, require the recipients to refund the honoraria received to avoid issuance of Notice of Disallowance.

12. **The granting and liquidation of cash advances disclosed that: a) Cash Advances for local travels were not liquidated within 30 days after return to their permanent official stations; b) Additional cash advances were granted to officials and employees without liquidating the previous cash advance/s; and c) Liquidation of cash advance were not supported with proper documentation.**

a. Cash Advances for local travels were not liquidated within 30 days after return to their permanent official stations.

12.1 Section 5.1.3 of COA Circular No. 97-002 February 10, 1997 (Rules and Regulations on the granting, utilization and liquidation of cash advances) provides that: "Official Travel – within sixty (60) days after return to the Philippines in the case of foreign travel or within thirty (30) days after return to his permanent official station in case of local travel, as provided for in EO 248 and COA Circular No. 96-004.xxx"

12.2 Audit of the liquidation of cash advances pertinent to the official travels of PTNI Inventory Team disclosed that cash advances were not liquidated within the prescribed period as shown below:

Location	Period of ActualTravel	Date check/ CA was granted	Amount of Advance (CA) Granted	Date due for liquidation	Date Liquidated/ Refunded
Davao City	29 Nov. to 2 Dec. 2016	07 Nov. 2016	282,500.00	1/1/2017	2/15/2017
Cebu City	18-21 Jan. 2017	24 Nov. 2016	282,500.00	2/20/2017	4/18/2017
Totals			P 565,000.00		

12.3 As shown in the above table, it was noted that cash advances was liquidated beyond the thirty days period after return to permanent official station or completion of the local travel contrary to the above-cited regulations.

- b. *Additional cash advances were granted to officials and employees without liquidating previous cash advances.*
- 12.4 Provisions of the 2017 GAA, Sec. 78. (Limitations on Cash Advance) provides that “Notwithstanding any provision of law to the contrary, cash advances shall not be granted until such time that the earlier cash advances availed of by the officials or employees concerned shall have been liquidated in accordance with accounting and auditing rules and regulations.”
- 12.5 Section 4.1.2 of COA Circular No. 97-002 dated February 10, 1997 provides that: “No additional cash advances 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.”
- 12.6 Verification of the schedule of unliquidated cash advances as of December 31, 2017, showed that various officials and employees were granted another cash advances despite the fact that their previous cash advances were not yet liquidated.
- 12.7 The practice of granting another cash advance without first liquidating the previous cash advances granted was contrary to the above regulations and the non-liquidation thereof, resulted in the understatement of expenses in the years they were incurred.
- c. *Liquidation of cash advances (CA) were not supported with proper documentation.*
- 12.8 Review of liquidation reports pertinent to the official travel of the Inventory Team showed that the following documents were not submitted/properly accomplished.
 - a) Certification of the agency head that the travel and claim for reimbursement of actual travel expenses were absolutely necessary in the performance of an assignment as required under Par. 2 Section 4 of EO 298;
 - b) Approved Itinerary of Travel detailing the transportation expenses and travel expenses to be incurred as basis for determining the amount of cash were not submitted as required under item “b” Section 3.1.1.1 of COA Circular 96-004 dated April 19, 1996. (Drawing of Cash Advance); and
 - c) Properly accomplished Reimbursement Expense Receipts (RER) in lieu of Sales Invoices/Official Receipts (ORs).
- 12.9 The PTNI General Manager allowed the Inventory Team in the conduct of physical inventory of PPEs in various provincial stations to claim hotel accommodations, actual meal expenses and incidental expenses in lieu of per diem, subject to usual government accounting and auditing rules and regulations in the disbursement and liquidation of funds.

- 12.10 However, liquidation documents revealed that the actual expenses incurred for the official travel were not supported with certifications by the head of the agency that the expenses incurred were absolutely necessary in the performance of their duty as required under EO 298.
- 12.11 In drawing of cash advances, the approved itinerary of travel detailing the transportation and travel expenses to be incurred should be submitted as basis for determining the propriety of cash advances. However, the accountable officer failed to submit/prepared approved itinerary of travel contrary to the above regulations, thus resulted to overdrawing of the cash advances as shown below:

Location	Period of Actual Travel	Date check/ CA was granted	Amount of Advance (CA) Granted	Date Liquidated/ Refunded	Unused Amount for Refund
Guimaras	26-28 Oct. 2016	10 Oct. 2016	₱135,200.00		
		18 Oct. 2016	114,800.00	11/8/2016	146,525.44
Dumaguete	9-11 Nov. 2016	10 Oct. 2016	135,200.00		
		24 Oct. 2016	114,800.00	12/8/2016	143,407.85
Davao City	29 Nov. to 2 Dec. 2016	07 Nov. 2016	282,500.00	2/15/2017	122,480.73
Cebu City	18-21 Jan. 2017	24 Nov. 2016	282,500.00	4/18/2017	125,040.17
Totals			₱1,065,000.00		₱537,454.19

- 12.12 As shown on the above table, the total cash advances of P1,065,000.00, only P527,545.81 or 49.53 percent were expended and P537,454.19 or 50.46 percent were unused amount which indicates over granting of cash advances. Such practice will expose to risk of misappropriation of funds and the unused funds in the hands of the AO maybe used by PTNI to its operations.
- 12.13 Reimbursement Expense Receipts (in lieu of ORs/Invoices) in the total amount of P29,600.00 were not properly accomplished.
- 12.14 Scrutiny of the submitted documents showed that the amount of P29,600.00 representing payments for taxi fare, rental of vans, boat fare and tricycle rental were supported by RER wherein the payee who acknowledged the receipt of payments was no other than the Disbursing Officer. COA Circular No. 2004-006 dated Sept 9, 2004 provides that Reimbursement Expense Receipts (RER) shall be acceptable as evidence for payment of disbursements if the payee is not a business entity required by the Bureau of Internal Revenue to issue Official Receipts. Accordingly, the disbursing officer cannot be the payee and payor at the same time.

12.15 ***We recommended that Management:***

- a. Strictly comply Section 5.1.3 of COA Circular No. 97-002 to liquidate cash advance within 30 days from return to permanent official station;***
- b. Stop the practice of granting another cash advances to officers and employees with unliquidated cash advances;***

- c. **Prepare the itinerary of travel showing the transportation expenses and travel expenses to be incurred as basis for determining the amount of cash advance in compliance with the aforementioned regulations and to avoid over drawing of cash advances;**
- d. **Accomplish the RER form properly; and**
- e. **Submit a certification from the agency head for every official travel that the claim of actual travel expenses in excess of the authorized travel expenses was absolutely necessary in the performance of duty.**

13. **Results of the cash examinations conducted on the cash and accounts of various Accountable Officers (AOs) disclosed various deficiencies: a) AOs were not bonded or not adequately bonded; b) Cashbooks were not maintained by the AOs; c) AOs were not provided with appropriate safe, vault, or cash receptacles for proper safekeeping of the cash and cash items; and d) Cash advances granted to AOs were transferred or handled by other employees.**

a. *AOs were not properly bonded/not adequately bonded.*

13.1 Section 7.1 of COA Circular No. 97-002 dated February 10, 1997, as amended by COA Circular No. 2006-005 dated July 13, 2006, requires that “Each accountable officer whose total cash accountability is not less than P5,000 shall be bonded.”

13.2 Out of thirteen Accountable Officers (AOs) examined, only three were bonded but the amount of bond of one was not sufficient to cover her cash accountabilities; to wit:

Accountable Officer	Amount of Accountability	Amount of Bond	Amount of Maximum Accountability for the Bond
1 Joecylyn Rodriguez	300,000.00	225,000.00	500,000.00
2 Aquilino Saulog Jr.	150,000.00	100,000.00	250,000.00
3. Leide Anne Obligacion	2,345,940.00	225,000.00	500,000.00

13.3 Verification of records showed that as of December 13, 2017, the following AOs had no approved bond or copy of the Confirmation Letter issued by the Bureau of the Treasury contrary to the above regulations:

Accountable Officer	Amount of Accountability
1. Ma. Theresa Aguzar	289,000.00
2. Richard Valdez	488,600.00
3. Ma. Elena Igharas	850,000.00
4. Rosemarie Manalansang	43,950.00
5. Regina Celestre	87,320.00

6. Maila Mamaril	94,550.00
7. Emma Rose Constantino	734,460.00
8. Elenita Directo	50,000.00
9. Jasmine Barrios	130,540.00
10. Felomena Arroyo	190,000.00

b. *Cashbooks were not maintained by the AOs contrary to the provisions of COA Circular No. 97-002 dated February 10, 1997.*

13.4 Section 6 of COA Circular 97-002 dated February 10, 1997 on the handling, custody and disposition of the cashbook states that:

6.1 "A newly-appointed or designated AO shall start with a new cashbook. Before discharging his duties, the new AO shall be briefed by the Accountant and the Auditor on the proper recording of the transactions and other matters related to his work;

6.2 The AO shall maintain separate cashbooks for salaries, wages, allowances, etc. and for petty operating expenses. The AO shall record the transactions in the prescribed cashbook daily. He may record each invoice/receipt/voucher individually or the total disbursements for the day depending on the volume of the transactions; and

6.3 When the AO ceases to be one, the cashbook shall be submitted to the Accountant or the Treasurer (for local government units) and shall form part of the accounting records. No clearance shall be issued to an AO if he fails to submit the cashbook as required."

13.5 During the cash examination, we noted that except for the AO who handles cash collections and Revolving Fund of P300,000.00, all the other AOs did not maintain cashbook as Special Disbursing Officers to record the daily transactions as required under COA Circular No. 97-002.

c. *Accountable officers were not provided with safe, vault, or cash receptacles for proper safekeeping of the cash and cash items.*

13.6 During the cash count, it was noted that some accountable officers handling cash were not provided with safe, vault or cash receptacle for proper safekeeping of cash and cash items.

13.7 The cash and cash items in the custody of the AOs were placed inside envelopes and kept in their drawers. Some put them in a box while others were placed in the pouch bag and kept in the cabinet. AOs averred that they deposited their cash in their personal accounts and withdraw from time to time or as needed, due to some experiences that bags were slashed and valuables were stolen.

d. *Cash advances granted to AOs were transferred or handled by other employees.*

13.8 COA Circular No. 97-002, provides: Section 4.1.5. "Only duly appointed or designated disbursing officers may perform disbursing functions. Officers and employees who are given cash advances for official travel need not be designated as Disbursing Officers; Section 4.1.6 "Transfer of cash advance from one Accountable Officer (AO) to another shall not be allowed."

13.9 During cash examination, we noted that the cash advances of the following accountable officers were in the custody of their staff or other employees who were hired under a Contract of Service (COS), details are shown below:

Name of Accountable officer	Amount of Cash Advance	Name of staff employees/COS personnel where cash advance was transferred	Amount Transferred
1 Richard Valdez	P488,600.00	Bonifacio Carlos	209,600.00
		Ive Pramis	279,000.00
			488,600.00
2 Maila Mamaril	P 70,000.00	Luzviminda Laqui	30,000.00
		Filomena Arroyo	40,000.00
			70,000.00
3 Rosemarie Manalansang	P43,950.00	Edna Tarrazona	43,950.00

13.10 Moreover, no approved petty cash voucher was presented showing proof that transfer of said funds were duly authorized by designated approving officers and properly received by their staff or COS personnel.

13.11 The practice of transferring cash advances without proper authorization/receipt was contrary to Sections 4.1.5 and 4.1.6 of COA Circular No. 97-002.

13.12 ***We recommended that Management implement the following measures:***

- a. Provide adequate bond to all Disbursing Officers pursuant to Section 7.1 of COA Circular No. 97-002 dated February 10, 1997;***
- b. Require all Accountable Officers to maintain cashbook pursuant to Section 6 of the same COA Circular;***
- c. Provide all Disbursing Officers with safe, vault, or cash receptacles for proper safekeeping of the cash and cash items; and***
- d. Instruct all Disbursing Officers to refrain from transferring their cash accountability to other personnel pursuant to Section 4.1.6 of the same COA Circular.***

14. One Special Disbursing Officer (SDO) incurred a shortage in the amount of P1.085 million and a Notice of Suspension (NS) was issued for her cash items in the amount of P1.174 million due to incomplete documentation.

14.1 One SDO was granted various cash advances for the ASEAN Ministers Meeting and Grand Commemorative Celebration of the 50th Anniversary of the Asean and the 31st Asean Summit amounting to P2,345,940.00.

14.2 During the cash count, only the cash on hand in the amount of P87,000.00 and cash-in-bank in her personal bank account amounting to P50,107.59 or a total of P137,107.59 were presented by the SDO.

14.3 The SDO failed to present cash items because she claimed that due the volume of the receipts and the non-preparation of the Report of Disbursements or the non-maintenance of a cashbook.

14.4 Hence, she verbally requested to give her time until the following day to present the receipts/cash items with the recorded disbursements for complete examination.

14.5 However, after the date she verbally committed, the Audit Team made several follow-ups by calling her Office to verify and examine the cash items but she was not in her Office due to some meetings and health reasons.

14.6 On December 18, 2017, the Audit Team issued a demand letter requiring the immediate presentation of the cash item. Since, we have not received any reply, the Audit Team sealed the box containing said cash items on December 19, 2017.

14.7 Pending submission of documents to support the supposed cash items amounting to P1,124,017.19, we determined her cash accountability and noted a cash shortage amounting to P1,084.815.22, computed at as follows:

Particulars	Amount
Cash Advance for the Asean Ministers Meeting and Grand Commemorative	
Celebration of the 50 th Anniversary of the Asean granted on 7/27/2017	P1,466,540.00
Additional Cash Advance granted on 7/27/2017	250,000.00
Cash Advance for the Network's coverage of the 31 st Asean Summit and	
Related Summits in Manila and Pampanga from 11/10-14, 2017 granted on 11/7/2017	629,400.00
Total Accountability	2,345,940.00
Less:	
Cash on Hand	87,000.00
Cash –in-bank (personal account)	50,107.59
Cash Items	1,124,017.19
Total cash and cash items presented	1,261,124.78
Shortage	P1,084,815.22

- 14.8 On January 5, 2018, the SDO submitted to the Audit Team cash items amounting to P1,124,017.19 We completed our examination on the said cash items on January 8, 2018 and noted that the following documents were not submitted:
- a. Disbursements from the cash advance without an approved request for cash advance by the person in charge of the event;
 - b. Detailed activities with specific dates for the whole events including those prior and after the said events. These activities must show who were the persons involved in every activity;
 - c. Justification why the ASEAN Fund in the amount of P50,107.59 was deposited to her personal account;
 - d. Original copy of Official Receipt No. 35645 dated 8/8/2017 in the amount of P1,500.00 paid to Legaspi Towers 300, Inc.;
 - e. Certification of the Agency Head that he is allowing reimbursements/ payments of the following disbursements:
 - e.1 Receipts/sales invoice for payment of meals with addresses/location outside the venue of the event which was held in Pasay City, Metro Manila and Clark, Pampanga amounting to P87,325.42 (Schedule 2) ;
 - e.2 Receipts/sales invoice dated/incurred prior to and after the date of the event, August 2 – 8, 2017 for 50th ASEAN anniversary and Nov. 12-14, 2017 for 31st ASEAN Summit amounting to P246,934.60; and
 - e.3 Receipts/sales invoice for payment of meals totaling P334,260.02 without list of employees who availed the said meals.
 - f. Non-submission of receipts for disbursements made from the cash advance (which was not liquidated) under Annexes 1 to 3 of the Report of Cash Examination amounting to P166,400.00.
- 14.9 Hence, on January 16, 2018, Notice of Suspension No. 2018-01(17) was issued requiring the submission of the above-cited documents.
- 14.10 ***We recommended that Management implement the following measures:***
- a. Require the immediate restitution of SDO cash shortage amounting to P1,084,815.22;***
 - b. File appropriate charges against the SDO for failure to render accounts;***
 - c. Relieve the said employee as Special Disbursing Officer; and***
 - d. Require the SDO to settle the notice of suspension issued through compliance/submission of the requirements/ documents indicated within ninety (90) days from receipt of the said notice to avoid issuance of a notice of disallowance pursuant to Section 82 of P.D. 1445 and Section 9.4 COA Circular No. 2009-006 dated September 15, 2009.***

15. Actual MOOE for CY 2017 exceeded the approved Corporate Operating Budget (COB) in the amount of P47.434 million contrary to Item No. 1 of the conditions of the CY 2016 approved COB, which is punishable under Art. 220, Chapter Four, of the Revised Penal Code of the Philippines and disallowable in audit.

15.1 Art. 220. Chapter Four, Malversation of Public Funds or Property, of the Revised Penal Code of the Philippines provides that:

“Art. 220. Illegal use of public funds or property. – Any public officer who shall apply any public fund or property under his administration to any public use other than for which such fund or property were appropriated by law or ordinance shall suffer the penalty of prision correccional in its minimum period or a fine ranging from one-half to the total of the sum misapplied, if by reason of such misapplication, any damages or embarrassment shall have resulted to the public service. In either case, the offender shall also suffer the penalty of temporary special disqualification.

If no damage or embarrassment to the public service has resulted, the penalty shall be fine from 5 to 50 per cent of the sum misapplied.”

15.2 Item No. 1 of the CY 2016 approved COB of PTNI – The approval of the COB shall be subject to the following conditions:

“1. All expenditures, whether for current operating expenditures or COs, shall be made within the limits of available funds realized from corporate borrowings and National Government budgetary support either in the form of subsidy, equity or loans outlay.”

15.3 Verification of the documents revealed that PTNI has no approved Corporate Operating Budget (COB) for CY 2017, and re-enacted the 2016 Approved COB due to its inability to submit on time the 2017 COB to the Department of Budget and Management (DBM).

15.4 Review of the Statement of Comparison of Budget and Actual Amounts of the PTNI Corporate Funds for the year ended December 31, 2017, showed that the Maintenance and Other Operating Expenses (MOOE) of the PTNI exceeded the approved budget in the amount of P47,434,158 as shown below:

Proposed Budget	Approved Budget	Actual MOOE	Excess
P187,715,000	P160,081,000	P207,515,158	P(47,434,158)

15.5 The excess amount of P47,434,158 on actual MOOE showed that PTNI did not comply with the conditions of the approved COB that all expenditures shall be made within the limits of available funds realized from corporate receipts and National Government budgetary support in the of subsidy.

- 15.6 Further, public funds were applied other than for which such funds were appropriated by law contrary to the Art. 220, Chapter Four of the Revised Penal Code.
- 15.7 Due to non-compliance of the above regulations, the payments made without the approved COB shall be disallowed in audit unless the excess expenditures had been confirmed by the Department of Budget and Management (DBM) to make the said disbursements deemed authorized and regular.
- 15.8 ***We recommended that Management:***
- a. Secure confirmation on the excess expenditures from the DBM;***
 - b. Justify and/or explain the unauthorized/unapproved budget for CY 2017 without prejudice to any liability of the concerned official/s on the timely submission of the CY 2017 COB; and***
 - c. File appropriate charges against all persons responsible in the incurrence of overdraft pursuant to Art. 220, Chapter Four, of the Revised Penal Code of the Philippines.***

C. GENDER AND DEVELOPMENT

16. **The Gender and Development (GAD) Plan and budget for CY 2017 in the amount of P2.5M was below the required five percent of the corporate operating budget (COB) pursuant to Section 30 of the 2017 General Appropriation Act (GAA).**
- 16.1 Paragraph 2, Section 30 of the 2017 GAA provides that: "The GAD Plan shall be integrated in the regular activities of the agencies, which shall be at least five percent of their budgets. xxx."
- 16.2 Audit of GAD showed that PTNI had no approved COB for CY 2017, thus, the basis used for audit purposes was the COB of CY 2016. The PTNI approved budget for CY 2016 amounted to P1,064,489,000.00 which pegged the GAD five percent requirement in the amount of P53,224,450 to fund GAD Programs, Activities and Projects (PAPs). However, the budget prepared for the GAD Plan for CY 2017 duly approved by PTNI General Manager was only P2,500,000.00 contrary to the above provision.
- 16.3 The GAD accomplishment report for CY 2017 showed total expenditures in the amount of P10,003,452.42, which is higher by P7.5 million compared to the approved budget of P2,500,000.00. The activities funded therefrom included the following:
- a. Conduct of GAD Strategic Planning, Budgeting and accomplishment report
 - b. GAD orientation seminar of PTNI employees
 - c. GAD outreach program
 - d. Women's month plugs aired on PTNI's various programs
- 16.4 It was also noted that some GAD activities per GAD plan for CY 2017 were not undertaken by PTNI.

- 16.5 ***We recommended that Management strictly comply with the requirements of the law and PCW-NEDA-DBM Joint Circular No. 2012-01 on the implementation of GAD related PAPs that are also supportive of the mandate of the agency.***

D. Compliance with Tax Laws

17. **PTNI failed to remit the Bureau of Internal Revenue (BIR) taxes withheld prior to CY 2017 amounting to P210.833 million contrary to BIR Regulation.**
- 17.1 PTNI had consistently withheld the corresponding taxes on the salaries/wages and other benefits paid to its officers and employees as well as on payment of goods and services and consistently remitted said withholding taxes to the BIR for the year under audit.
- 17.2 However, the tax withheld prior to CY 2017 amounting to P210,833,050.50 were not remitted to BIR.
- 17.3 Management informed that they plan to enter into a compromise agreement with BIR to remit/settle previous years withholding taxes without surcharges and interest.
- 17.4 ***We recommended that Management remit to BIR all taxes withheld within the prescribed period.***

E. Compliance with Government Service Insurance System (GSIS), Philippine Health Insurance Corporation (Philhealth) and Pag-ibig Laws.

18. **PTNI failed to remit to GSIS, Philhealth and Pag-ibig premiums/contributions/loan payments collected prior to CY 2017 amounting to P56.036 million, P6.547 million and P19,452.00, respectively, contrary to Section 6 of GSIS Act, Section 11 of Philhealth Act and Section E.4 of HDMF Circular No. 275.**

- a) Section 6 of the implementing Rules and Regulations on RA 8291 (GSIS Act of 1997) provides that:

1)“Collection and Remittance of Contributions. (a) The employer shall report to the GSIS the names of all its employees, their corresponding employment status, positions, salaries and such other pertinent information, including subsequent changes therein, if any, as may be required by the GSIS; the employer shall deduct each month from the monthly salary or compensation of each employee the contribution payable by him in accordance with the schedule prescribed in the rules and regulations implementing this Act.

2) Each employer shall remit directly to the GSIS the employees' and employers' contributions within the first ten (10) days of the calendar month following the month to which the contributions

apply. The remittance by the employer of the contributions to the GSIS shall take priority over and above the payment of any and all obligations, except salaries and wages of its employees.”

b) Section 11 of Philhealth Act provides that:

“Remittance of contribution shall be mandatory for all members. It shall be made to Philhealth offices or to any of the accredited collecting agents. Failure to timely remit the appropriate premium contribution shall be subject to interest and penalties as prescribed by the corporation without prejudice to other applicable penalties herein provided.”

c) Section E.4 of HDMF Circular No. 275 provides that:

“Employers shall remit the required monthly employer and employee contributions to the nearest Pag-IBIG branch or its authorized collecting banks, together with the duly accomplished Membership contribution Remittance Form (MCRF) from 10th to the end of the month following the period covered.”

18.1 PTNI had consistently collected from its officers and employees the GSIS Philhealth and Pagibig premiums, contributions and loan payments. However, only collections for current year premiums, contributions and loan payments were remitted to the concerned agencies. Collections of Philhealth and Pag-ibig premium contributions prior to CY 2017 amounting P6,546,616.25 and P19,451.09, respectively, were not remitted to the concerned agencies due to financial difficulties. For the GSIS unremitted collections, PTNI availed the condonation program of GSIS for unpaid obligation of P9,015,383.25 payable monthly up to February 2019 and the balance to be paid by way of media values as agreed by PTNI and GSIS per Memorandum of Agreement.

18.2 ***We recommended that Management remit all GSIS, Philhealth and Pag-ibig premium contributions collected pursuant to Section 6 of the GSIS Act, Section 11 of Philhealth Act and Section E.4 of HDMF Circular No. 275.***

F. Compliance with Property Insurance Law

19. **PTNI partially complied with the rules and regulations on the insurable assets as required under R.A. 656 otherwise known as “Property Insurance Law” as amended by the Presidential Decree (P.D.) No. 245 dated July 13, 1973.**

19.1 Verification of documents pertaining to PTNI insurable properties showed that only the motor vehicles were insured from the Government Service Insurance System with a total premiums of P238,552.84 paid for CY 2017.

19.2 ***We recommended that Management insure all PTNI insurable assets pursuant to R.A. 656 as amended by P.D. No. 245 dated July 13, 1973.***

G. Status of Unsettled Audit Disallowances, Charges and Suspensions

20. Per Statement of Audit Suspension, Disallowances and Charges (SASDC) issued as of December 31, 2017, the unsettled audit disallowances amounted to P1.104 million, of which P313,904 were already issued Notice of Finality (NFD), P.790 million are on appeal, and P500.00 was uncollected ND from a deceased employee, details are shown below:

ND No.	Particulars	Amount	Remarks/Status
2010-013-229(2009)	Purchase of Switcher	P313,904.00	With NFD
2009-001-713-720(2009)	Payment of RATA, services of OGCC lawyers, Liq of travel exp. – NS matured into ND	789,971.46	Under appeal
2011-001(10)	Liq of travel exp – NS matured in ND	500.00	Uncollected ND to a deceased employee
	Total	P1,104,375.46	