



Republic of the Philippines
COMMISSION ON AUDIT
 Commonwealth Avenue, Quezon City, Philippines

CORPORATE GOVERNMENT SECTOR
Cluster 6 – Social, Cultural, Trading, Promotional and Other Services

August 7, 2020

Ms. PAULINA SUACO-JUAN
 Executive Director
 Center for International Trade Expositions and Missions
 Golden Shell Pavilion, ITC Complex
 Roxas Boulevard cor. Sen. Gil Puyat Avenue, Pasay City



Dear Executive Director Suaco-Juan:

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree (PD) No. 1445, otherwise known as the Government Auditing Code of the Philippines, we transmit herewith our report on the results of the audit of the accounts and transactions of the **Center for International Trade Expositions and Missions (CITEM)**, for the years ended December 31, 2019 and 2018.

The report consists of the Independent Auditor's Report, the Audited Financial Statements, the Observations and Recommendations, and the Status of Implementation of Prior Year's Audit Recommendations.

The Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements of the CITEM for CYs 2019 and 2018 since the faithful representation of the balance of the Cash in Bank account as of December 31, 2019 in the amount of P324.102 million was not established due to the variance of P21.290 million between the balance per books and confirmed bank balances and unrecorded/unadjusted bank credit/debit memos and book errors totaling P10.096 million, on four depository accounts, contrary to Paragraph 27 of International Public Sector Accounting Standard (IPSAS) 1.

For the afore-cited observation, which caused the issuance of a qualified opinion, we recommended that Management:

- 1.1 Determine the cause(s) of the variances between the book balances and the confirmed bank balances on the four depository accounts and effect the necessary adjustments to arrive at reconciled balances;
- 1.2 Send confirmation letters regularly to creditors/exhibitors with outstanding balance to inquire if payments have been made via online facility of the CITEM's depository banks and require them to submit proofs of payment to facilitate recording of the unidentified bank credits;

- 1.3 Provide a system of check and balance to ensure that all payments made by exhibitors are recorded in the books; and
- 1.4 Make representation with the concerned CITEM's depository bank Management on ways to resolve the issue on the banks' inability to provide bank credit and debit memos.

The other significant audit observations and recommendations that need immediate action are as follows:

2. The existence, reliability and accuracy of the balance of Inventories account in the aggregate amount of P2.029 million as of December 31, 2019 could not be ascertained due to: (a) the Report on the Physical Count of Inventories (RPCI) submitted was incomplete and lacked significant data, i.e. unit value, quantity or balance and shortage/overage; (b) non-maintenance by the Accounting Division of the Supplies Ledger Cards (SLCs) to substantiate the General Ledger balance of Inventories; (c) non-maintenance by the Property Custodian of Stock Cards (SCs) as required under Section 17, Chapter 8 of the Government Accounting Manual (GAM), Volume I; and (d) non-adoption of the weighted average method for costing Inventory as required by Philippine Application Guidance (PAG) 2 of IPSAS 12.
- 2.1 We recommended that Management:
 - a. Henceforth, create an Inventory Committee to be responsible for the complete physical count of Inventories and preparation of the RPCI, following the prescribed form in the GAM.
 - b. Require the Chief, Accounting Division to: (i) assign personnel who will maintain the SLCs for each kind of supply, material or inventory, and (ii) adopt the weighted average method in costing the Inventories in compliance with PAG 2 of IPSAS 12.
 - c. Direct the Property Custodian to: (i) maintain SCs for each inventory item in stock following the prescribed form under the GAM to facilitate reconciliation of the Inventories account with the Accounting records, and (ii) prepare the RSMI monthly to serve as basis of the Accounting Division in preparing the Journal Entry Voucher (JEV) to record the supplies and materials issued.
3. CITEM was able to fully accomplish and implement its targeted number of projects on trade fairs. Export sales from these projects exceeded by USD271.976 million or 181 per cent of the Center's targeted export sales and the cost directly attributable to these projects was lower by P2.107 million than the budgeted amount. However, based on the Statements of Financial Performance for the years ended December 31, 2019 and 2018, the Center's net surplus of P33.627 million in CY 2019 was lower by P24.674 million or 42.32 per cent than its net surplus of P58.301 million in CY 2018.

- 3.1 We recommended and Management agreed to review their expenditures on projects with significant increases vis-à-vis the impact on target accomplishments so as to minimize cost in the implementation of these projects.

The other observations together with the recommended courses of action which were discussed by the Audit Team with concerned Management officials and staff during the exit conference conducted on July 22, 2020 are discussed in detail in Part II of the report. We also invite your attention to the prior year's partially implemented and unimplemented audit recommendations embodied in Part III of the report.

We request that appropriate actions be taken on the observations and recommendations contained in the report and that we be informed of the action(s) taken thereon by submitting the duly accomplished Agency Action Plan and Status of Implementation form (copy attached) within 60 days upon receipt hereof.

We acknowledge the support and cooperation that you and your staff extended to the Audit Team, thus facilitating the submission of the report.

Very truly yours,

COMMISSION ON AUDIT

By:


CLEOTILDE M. TUAZON
Director IV
Cluster Director

Copy furnished:

The President of the Republic of the Philippines
The Vice President
The President of the Senate
The Speaker of the House of Representatives
The Chairperson – Senate Finance Committee
The Chairperson – Appropriations Committee
The Secretary of the Department of Budget and Management
The Governance Commission for Government-Owned or Controlled Corporations
The Presidential Management Staff, Office of the President
The UP Law Center
The National Library
The COA Central Library

Status of Implementation may either be (a) Fully Implemented, (b) Ongoing, (c) Not Implemented, (d) Partially Implemented, or (e) Delayed.
This template shall be used for Current Year's audit recommendations and Prior Years' recommendations as contained in the Parts II and III, respectively, of the Annual Audit Report.



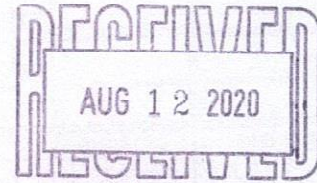
Republic of the Philippines
COMMISSION ON AUDIT
 Commonwealth Avenue, Quezon City, Philippines

CORPORATE GOVERNMENT SECTOR
Cluster 6 – Social, Cultural, Trading, Promotional and Other Services

August 7, 2020

THE BOARD OF GOVERNORS

Center for International Trade Expositions and Missions
 Golden Shell Pavilion, ITC Complex
 Roxas Boulevard cor. Sen. Gil Puyat Avenue, Pasay City



Pauline Rose Gagala
[Signature]

Gentlemen/Mesdames:

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree (PD) No. 1445, otherwise known as the Government Auditing Code of the Philippines, we transmit herewith our report on the results of the audit of the accounts and transactions of the **Center for International Trade Expositions and Missions (CITEM)**, for the years ended December 31, 2019 and 2018.

The report consists of the Independent Auditor's Report, the Audited Financial Statements, the Observations and Recommendations, and the Status of Implementation of Prior Year's Audit Recommendations.

The Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements of the CITEM for CYs 2019 and 2018 since the faithful representation of the balance of the Cash in Bank account as of December 31, 2019 in the amount of P324.102 million was not established due to the variance of P21.290 million between the balance per books and confirmed bank balances and unrecorded/unadjusted bank credit/debit memos and book errors totaling P10.096 million, on four depository accounts, contrary to Paragraph 27 of International Public Sector Accounting Standard (IPSAS) 1.

For the afore-cited observation, which caused the issuance of a qualified opinion, we recommended that Management:

- 1.1 Determine the cause(s) of the variances between the book balances and the confirmed bank balances on the four depository accounts and effect the necessary adjustments to arrive at reconciled balances;
- 1.2 Send confirmation letters regularly to creditors/exhibitors with outstanding balance to inquire if payments have been made via online facility of the CITEM's depository banks and require them to submit proofs of payment to facilitate recording of the unidentified bank credits;

- 1.3 Provide a system of check and balance to ensure that all payments made by exhibitors are recorded in the books; and
- 1.4 Make representation with the concerned CITEM's depository bank Management on ways to resolve the issue on the banks' inability to provide bank credit and debit memos.

The other significant audit observations and recommendations that need immediate action are as follows:

- 2. The existence, reliability and accuracy of the balance of Inventories account in the aggregate amount of P2.029 million as of December 31, 2019 could not be ascertained due to: (a) the Report on the Physical Count of Inventories (RPCI) submitted was incomplete and lacked significant data, i.e. unit value, quantity or balance and shortage/overage; (b) non-maintenance by the Accounting Division of the Supplies Ledger Cards (SLCs) to substantiate the General Ledger balance of Inventories; (c) non-maintenance by the Property Custodian of Stock Cards (SCs) as required under Section 17, Chapter 8 of the Government Accounting Manual (GAM), Volume I; and (d) non-adoption of the weighted average method for costing Inventory as required by Philippine Application Guidance (PAG) 2 of IPSAS 12.
 - 2.1 We recommended that Management:
 - a. Henceforth, create an Inventory Committee to be responsible for the complete physical count of Inventories and preparation of the RPCI, following the prescribed form in the GAM.
 - b. Require the Chief, Accounting Division to: (i) assign personnel who will maintain the SLCs for each kind of supply, material or inventory, and (ii) adopt the weighted average method in costing the Inventories in compliance with PAG 2 of IPSAS 12.
 - c. Direct the Property Custodian to: (i) maintain SCs for each inventory item in stock following the prescribed form under the GAM to facilitate reconciliation of the Inventories account with the Accounting records, and (ii) prepare the RSMI monthly to serve as basis of the Accounting Division in preparing the Journal Entry Voucher (JEV) to record the supplies and materials issued.
- 3. CITEM was able to fully accomplish and implement its targeted number of projects on trade fairs. Export sales from these projects exceeded by USD271.976 million or 181 per cent of the Center's targeted export sales and the cost directly attributable to these projects was lower by P2.107 million than the budgeted amount. However, based on the Statements of Financial Performance for the years ended December 31, 2019 and 2018, the Center's net surplus of P33.627 million in CY 2019 was lower by P24.674 million or 42.32 per cent than its net surplus of P58.301 million in CY 2018.

- 3.1 We recommended and Management agreed to review their expenditures on projects with significant increases vis-à-vis the impact on target accomplishments so as to minimize cost in the implementation of these projects.

The other observations together with the recommended courses of action which were discussed by the Audit Team with concerned Management officials and staff during the exit conference conducted on July 22, 2020 are discussed in detail in Part II of the report. We also invite your attention to the prior year's partially implemented and unimplemented audit recommendations embodied in Part III of the report.

In our transmittal letter of even date, we request the Executive Director of CITEM to implement the recommendations contained in the report and to inform this Commission of the actions taken thereon within 60 days from receipt of the report.

We acknowledge the support and cooperation that Management extended to the Audit Team, thus facilitating the completion of this report.

Very truly yours,

COMMISSION ON AUDIT

By:


CLEOTILDE M. TUAZON
Director IV
Cluster Director

Copy furnished:

The President of the Republic of the Philippines
The Vice President
The President of the Senate
The Speaker of the House of Representatives
The Chairperson – Senate Finance Committee
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Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

ANNUAL AUDIT REPORT

on the

**CENTER FOR INTERNATIONAL TRADE
EXPOSITIONS AND MISSIONS**

For the Years Ended December 31, 2019 and 2018

EXECUTIVE SUMMARY

INTRODUCTION

The Center for International Trade Expositions and Missions (CITEM), a government-owned and controlled corporation (GOCC), is an attached agency to the Department of Trade and Industry (DTI). It was created by virtue of Executive Order (EO) Nos. 989 and 133 dated October 10, 1984 and February 17, 1987, respectively, as amended by EO No. 242 and EO No. 242-A, dated July 24, 1987 and July 26, 1987, respectively, to institutionalize the holding of international trade exhibits for the promotion of locally manufactured products and implement projects designed to upgrade the quality of such products to international standards, coordinate raw material sourcing, develop markets and provide assistance to Philippine manufacturers in general.

The goals and objectives of CITEM are to: (a) professionally manage an export promotion organization; (b) plan, develop and implement trade fairs, special exhibits, trade missions and other promotional activities, both on domestic and international trade; and (c) respond to the needs of exporters and the requirements of priority markets.

CITEM's core function is the promotion of Philippine products and services in the world market. This includes export expansion and branding the Philippines as an exporting nation. Its message is that the Philippines is a reliable source of quality products and services that are at par with global standards. CITEM works closely with other DTI agencies in the performance of its mandate. To attain the aforementioned objectives, CITEM is vested with the following powers and functions: (a) careful selection of international trade fairs and missions; (b) sustained presence in traditional markets while opening up new markets; (c) regular provision of market updates and merchandise design trends; (d) sourcing and coordination of technical and merchandise consultancies; (e) development and promotion of new export industries; (f) organization of incoming trade missions timed exhibitions; and (g) participation in overseas special exhibitions.

The Center is governed by a Board of Governors composed of a Chairman and four members. Its Management is headed by an Executive Director who is assisted by a Deputy Executive Director. As of December 31, 2019, CITEM had a total work force of 87 regular personnel and 44 service providers.

FINANCIAL HIGHLIGHTS (In Philippine Peso)

I. Comparative Financial Position

	2019	2018	Increase/ (Decrease)
Assets	713,150,286	669,893,848	43,256,438
Liabilities	87,260,924	107,007,264	(19,746,340)
Net Assets/Equity	625,889,362	562,886,584	63,002,778

II. Comparative Financial Performance

	2019	2018	Increase (Decrease)
Revenue	102,647,885	83,959,380	18,688,505
Expenses	342,333,930	263,233,838	79,100,092
Surplus/(Deficit) from current operations	(239,686,045)	(179,274,458)	(60,411,587)
Gain/(Loss) - net	(5,915,168)	5,699,852	(11,615,020)
Subsidy from the national government	279,228,000	231,876,000	47,352,000
Net surplus for the period	33,626,787	58,301,394	(24,674,607)

III. Comparison of 2019 Budget and Actual Amounts

Particulars	Per COB	Actual	Variance
Personnel services	85,501,085	77,135,969	8,365,116
Maintenance and other operating expenses	271,739,000	258,508,141	13,230,859
Financial expenses	489,000	480,075	8,925
Capital outlay	4,725,000	622,829	4,102,171
Others-prepayments	16,787,000	16,665,031	121,969
Input VAT	-	11,700,680	(11,700,680)
	379,241,085	365,112,725	14,128,360

SCOPE OF AUDIT

The audit covered the examination, on a test basis, of transactions and accounts of CITEM, for calendar year (CY) 2019 to enable us to express an opinion on the financial statements for the years ended December 31, 2019 and 2018 in accordance with International Standards of Supreme Audit Institutions (ISSAIs). It was also conducted at determining the Center's compliance with pertinent laws, rules and regulations and adherence to prescribed policies and procedures.

AUDITOR'S OPINION

We rendered a qualified opinion on the fairness of the presentation of the financial statements of the CITEM for CYs 2019 and 2018 since the faithful representation of the balance of the Cash in Bank account as of December 31, 2019 in the amount of P324.102 million was not established due to the variance of P21.290 million between the balance per books and confirmed bank balances and unrecorded/unadjusted bank credit/debit memos and book errors totaling P10.096 million, on four depository accounts, contrary to Paragraph 27 of International Public Sector Accounting Standard (IPSAS) 1.

SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

For the afore-cited observation, which caused the issuance of a qualified opinion, we recommended that Management:

- 1.1 Determine the cause(s) of the variances between the book balances and the confirmed bank balances on the four depository accounts and effect the necessary adjustments to arrive at reconciled balances;
- 1.2 Send confirmation letters regularly to creditors/exhibitors with outstanding balance to inquire if payments have been made via online facility of the CITEM's depository banks and require them to submit proofs of payment to facilitate recording of the unidentified bank credits;
- 1.3 Provide a system of check and balance to ensure that all payments made by exhibitors are recorded in the books; and
- 1.4 Make representation with the concerned CITEM's depository bank Management on ways to resolve the issue on the bank's inability to provide bank credit and debit memos.

The other significant audit observations and recommendations that need immediate action are as follows:

2. The existence, reliability and accuracy of the balance of Inventories account in the aggregate amount of P2.029 million as of December 31, 2019 could not be ascertained due to: (a) the Report on the Physical Count of Inventories (RPCI) submitted was incomplete and lacked significant data, i.e. unit value, quantity or balance and shortage/overage; (b) non-maintenance by the Accounting Division of the Supplies Ledger Cards (SLCs) to substantiate the General Ledger balance of Inventories; (c) non-maintenance by the Property Custodian of Stock Cards (SCs) as required under Section 17, Chapter 8 of the Government Accounting Manual (GAM), Volume I; and (d) non-adoption of the weighted average method for costing Inventory as required by Philippine Application Guidance (PAG) 2 of IPSAS 12.

2.1 We recommended that Management:

- a. Henceforth, create an Inventory Committee to be responsible for the complete physical count of Inventories and preparation of the RPCI, following the prescribed form in the GAM.
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- c. Direct the Property Custodian to: (i) maintain SCs for each inventory item in stock following the prescribed form under the GAM to facilitate reconciliation of the Inventories account with the Accounting records, and

(ii) prepare the RSMI monthly to serve as basis of the Accounting Division in preparing the Journal Entry Voucher (JEV) to record the supplies and materials issued.

3. CITEM was able to fully accomplish and implement its targeted number of projects on trade fairs. Export sales from these projects exceeded by USD271.976 million or 181 per cent of the Center's targeted export sales and the cost directly attributable to these projects was lower by P2.107 million than the budgeted amount. However, based on the Statements of Financial Performance for the years ended December 31, 2019 and 2018, the Center's net surplus of P33.627 million in CY 2019 was lower by P24.674 million or 42.32 per cent than its net surplus of P58.301 million in CY 2018.
- 3.1 We recommended and Management agreed to review their expenditures on projects with significant increases vis-à-vis the impact on target accomplishments so as to minimize cost in the implementation of these projects.

SUMMARY OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

As of December 31, 2019, there were no unsettled audit suspensions and charges, while the unsettled audit disallowances amounted to P4.915 million, the details and status are shown in Table 8, Part II of this Report.

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the 21 audit recommendations embodied in the prior year's Annual Audit Report (AAR), 11 were fully implemented, nine were partially implemented and one was not implemented. Details are discussed in Part III of this Report.

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Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City, Philippines

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF GOVERNORS

Center for International Trade Expositions and Missions
Golden Shell Pavilion, Roxas Boulevard cor. Sen. Gil Puyat Avenue
Pasay City

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of the **Center for International Trade Expositions and Missions (CITEM)**, which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of financial performance, statements of changes in net assets/equity, and statements of cash flows for the years then ended, statement of comparison of budget and actual amounts for the year ended December 31, 2019, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effect of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the CITEM, as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Basis for Qualified Opinion

The faithful representation of the balance of the Cash in Bank account as of December 31, 2019 in the amount of P324.102 million was not established due to the variance of P21.290 million between the balance per books and confirmed bank balances and unrecorded/unadjusted bank credit/debit memos and book errors totaling P10.096 million, on four depository accounts, contrary to Paragraph 27 of IPSAS 1.

We were not able to perform alternative audit procedures to determine if any adjustments to the Cash in Bank account are necessary due to the status of records of the CITEM's Accounting Division.

We conducted our audits in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the CITEM in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have

fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IPSASs, 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.

In preparing the financial statements, management is responsible for assessing the CITEM's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate CITEM or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the CITEM's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 CITEM's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the CITEM's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the CITEM to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2019, required by the Bureau of Internal Revenue as disclosed in Note 29 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with IPSASs. Such supplementary information is the responsibility of management.

COMMISSION ON AUDIT



ATTY. REYNALDO C. DARANG

Supervising Auditor

Audit Group E - Trading and Promotions Group

Cluster 6, Corporate Government Sector


July 22, 2020

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

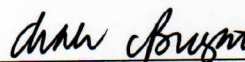
The Management of the **CENTER FOR INTERNATIONAL TRADE EXPOSITIONS AND MISSIONS (CITEM)** is responsible for the preparation of the financial statements as at **DECEMBER 31, 2019 and 2018**, including the additional components attached thereto in accordance with the prescribed financial reporting framework indicated therein. The responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The Board of Governors reviews and approves the financial statements before such statements are issued to the regulators, creditors and other users.


The Commission on Audit has audited the financial statements of the **CENTER FOR INTERNATIONAL TRADE EXPOSITIONS AND MISSIONS (CITEM)** in accordance with the International Standards of Supreme Audit Institutions and has expressed its opinion on the fairness of presentation upon completion of such audit, in its report to the Board of Governors.


ABDULCANI M. MACATOMAN
 DTI Undersecretary – Trade Promotions Group
 Alternate Chairman of the Board

Date Signed


MALERNA C. BUYAO
 Chief Accountant

Date Signed


PAULINA SUACO-JUAN
 Executive Director

Date Signed

CENTER FOR INTERNATIONAL TRADE EXPOSITIONS AND MISSIONS
STATEMENTS OF FINANCIAL POSITION

As at December 31, 2019 and 2018
(In Philippine Peso)

	Note	2019	2018
ASSETS			
Current assets			
Cash and cash equivalents	6	324,421,250	307,648,409
Receivables - net	7	20,558,226	11,974,412
Inventories	8	2,028,733	694,487
Other assets-(current)	10	23,604,092	20,527,010
Total current assets		370,612,301	340,844,318
Non-current assets			
Receivables - net	7	860,471	1,208,867
Property, plant and equipment - net	9	24,142,054	28,868,810
Other assets-(non-current)	10	317,535,460	298,971,853
Total non-current assets		342,537,985	329,049,530
TOTAL ASSETS		713,150,286	669,893,848
LIABILITIES			
Current liabilities			
Financial liabilities	11	50,260,607	42,316,850
Inter-agency payables	12	19,993,541	26,407,809
Trust liabilities	13	1,367,964	5,146,918
Deferred credits/Unearned income	14	6,486,808	13,086,865
Deferred tax liabilities	15	2,268,284	1,136,952
Other payables	16	635,070	656,810
Total current liabilities		81,012,274	88,752,204
Non-current liabilities			
Financial liabilities	11	-	12,006,410
Trust liabilities	13	1,274,877	1,274,877
Other payables	16	4,973,773	4,973,773
Total non-current liabilities		6,248,650	18,255,060
TOTAL LIABILITIES		87,260,924	107,007,264
NET ASSETS (TOTAL ASSETS LESS TOTAL LIABILITIES)		625,889,362	562,886,584
NET ASSETS/EQUITY			
Government equity	25	41,221,808	41,221,808
Revaluation surplus	26	5,054,354	5,054,354
Accumulated surplus/(deficit)	27	579,613,200	516,610,422
TOTAL NET ASSETS/EQUITY		625,889,362	562,886,584

The Notes on pages 10 to 41 form part of these Financial Statements.

CENTER FOR INTERNATIONAL TRADE EXPOSITIONS AND MISSIONS
STATEMENTS OF FINANCIAL PERFORMANCE
For the Years Ended December 31, 2019 and 2018
(in Philippine Peso)

	Note	2019	2018
REVENUE			
Service and business income	17	102,647,885	83,959,380
TOTAL REVENUE		102,647,885	83,959,380
CURRENT OPERATING EXPENSES			
Personnel services	18	77,135,969	64,476,478
Maintenance and other operating expenses	19	258,508,141	189,854,789
Financial expenses	20	480,075	485,968
Non-cash expenses	21	6,209,745	8,416,603
TOTAL CURRENT OPERATING EXPENSES		342,333,930	263,233,838
SURPLUS/(DEFICIT) FROM CURRENT OPERATIONS		(239,686,045)	(179,274,458)
Gains (Loss) on foreign exchange (FOREX), net	22	(5,843,454)	5,699,852
Gains (Loss) on sale of disposed assets, net	22	(71,714)	-
Subsidy from national government	23	279,228,000	231,876,000
NET SURPLUS FOR THE PERIOD		33,626,787	58,301,394

The Notes on pages 10 to 41 form part of these Financial Statements.

CENTER FOR INTERNATIONAL TRADE EXPOSITIONS AND MISSIONS
STATEMENT OF CHANGES IN NET ASSETS/EQUITY
For the Years Ended December 31, 2019 and 2018
(In Philippine Peso)

	Government equity Note 25	Revaluation surplus Note 26	Accumulated surplus/(deficit) Note 27	Total
BALANCE AT DECEMBER 31, 2017	41,221,808	5,054,354	419,853,075	466,129,237
ADJUSTMENTS:				
Add/(Deduct):				
Prior period errors	-	-	-	-
Change in accounting policy	-	-	953,340	953,340
BALANCE AT DECEMBER 31, 2017, AS RESTATED	41,221,808	5,054,354	420,806,415	467,082,577
Changes in Net Assets/Equity for CY 2018				
Add/(Deduct):				
Surplus for the period	-	-	58,301,394	58,301,394
Other adjustments	-	-	37,502,613	37,502,613
BALANCE AT DECEMBER 31, 2018	41,221,808	5,054,354	516,610,422	562,886,584
Changes in Net Assets/Equity for CY 2019				
Add/(Deduct):				
Surplus for the period	-	-	33,626,787	33,626,787
Other adjustments	-	-	29,375,991	29,375,991
BALANCE AT DECEMBER 31, 2019	41,221,808	5,054,354	579,613,200	625,889,362

The Notes on pages 10 to 41 form part of these Financial Statements.

CENTER FOR INTERNATIONAL TRADE EXPOSITIONS AND MISSIONS
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2019 and 2018
(In Philippine Peso)

	Note	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Inflows			
Proceeds from sale of goods and services		1,624,443	7,897,640
Collection of present and prior year's revenue		78,837,770	88,321,861
Receipt of assistance/subsidy		279,228,000	231,876,000
Collection of receivables		83,949	980,204
Receipt of Inter-agency fund transfers		25,132,406	47,737,946
Trust receipts		11,263,751	21,082,063
Other receipts		-	6,782,784
Total Cash Inflows		396,170,319	404,678,498
Cash Outflows			
Payment of expenses		(275,270,454)	(202,276,163)
Purchase of inventories		(53,275)	(192,958)
Grant of cash advances		(21,326,715)	(16,609,273)
Prepayments		(22,530,632)	(17,003,962)
Refund of deposits		(726,628)	(559,545)
Payment of accounts payable		(24,531,377)	(33,524,974)
Remittance of personnel benefit contributions and mandatory deductions		(4,834,770)	(2,851,913)
Grant of financial assistance/subsidy/contribution		-	(5,000)
Other disbursements		(9,546,948)	(27,452,993)
Reclassification of indemnification fee from demolition of HallOne		(14,779,161)	
Total Cash Outflows		(373,599,960)	(300,476,781)
Net Cash Provided by/(Used in) Operating Activities		22,570,359	104,201,717
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Inflows			
Proceeds from sale/disposal of property, plant and equipment		-	142,646
Receipts of interest earned		792,249	642,002
Total Cash Inflows		792,249	784,648
Cash Outflows			
Purchase/Construction of property, plant and equipment		(746,313)	-
Total Cash Outflows		(746,313)	-
Net Cash Provided by/(Used in) Investing Activities		45,936	784,648
Net Increase/(Decrease) in Cash and Cash Equivalents		22,616,295	104,986,365
Effects of exchange rate changes on cash and cash equivalents		(5,843,454)	5,699,852
Cash and Cash Equivalents, January 1		307,648,409	196,962,192
Cash and Cash Equivalents, December 31	6	324,421,250	307,648,409

The Notes on pages 10 to 41 form part of these Financial Statements.

CENTER FOR INTERNATIONAL TRADE EXPOSITIONS & MISSIONS
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

For the Year Ended December 31, 2019

(In Philippine Peso)

	Budgeted Amount Note 28		Actual Amounts on Comparable	Difference Final Budget and Actual
	Original	Final		
RECEIPTS				
Services and business income	89,526,000	89,526,000	102,647,885	(13,121,885)
Assistance and subsidy	279,228,000	279,228,000	279,228,000	-
Losses, net	-	-	(5,915,168)	5,915,168
Others	700,000	700,000	-	700,000
Total receipts	369,454,000	369,454,000	375,960,717	(6,506,717)
PAYMENTS				
Personnel services	85,501,085	85,501,085	77,135,969	8,365,116
Maintenance and other operating expenses	293,777,704	271,739,000	258,508,141	13,230,859
Capital outlay	4,725,000	4,725,000	622,829	4,102,171
Financial expenses	450,296	489,000	480,075	8,925
Others-prepayments	-	16,787,000	16,665,031	121,969
Input VAT	-	-	11,700,680	(11,700,680)
Total payments	384,454,085	379,241,085	365,112,725	14,128,360
NET RECEIPTS/PAYMENTS	(15,000,085)	(9,787,085)	10,847,992	(20,635,077)

The Notes on pages 10 to 41 form part of these Financial Statements.

CENTER FOR INTERNATIONAL TRADE EXPOSITIONS AND MISSIONS
NOTES TO FINANCIAL STATEMENTS

(All amounts in Philippine Peso, unless otherwise stated)

1. GENERAL INFORMATION

The Center for International Trade Expositions and Missions (CITEM), a government-owned and controlled corporation (GOCC), is an agency attached to the Department of Trade and Industry (DTI). It was created by virtue of Executive Order (EO) Nos. 989 and 133 dated October 10, 1984 and February 17, 1987, respectively, as amended by EO No. 242 and EO No. 242-A, dated July 24, 1987 and July 26, 1987, respectively, to institutionalize the holding of international trade exhibits for the promotion of locally manufactured products and implement projects designed to upgrade the quality of such products to international standards, coordinate raw material sourcing, develop markets and provide assistance to Philippine manufacturers in general.

The goals and objectives of CITEM are to: (a) professionally manage an export promotion organization; (b) plan, develop and implement trade fairs, special exhibits, trade missions and other promotional activities, both on domestic and international trade; and (c) respond to the needs of exporters and the requirements of priority markets.

CITEM's core function is the promotion of Philippine products and services in the world market. This includes export expansion and branding the Philippines as an exporting nation. Its message is that the Philippines is a reliable source of quality products and services that are at par with global standards. CITEM works closely with other DTI agencies in the performance of its mandate. To attain the aforementioned objectives, CITEM is vested with the following powers and functions: (a) careful selection of international trade fairs and missions; (b) sustained presence in traditional markets while opening up new markets; (c) regular provision of market updates and merchandise design trends; (d) sourcing and coordination of technical and merchandise consultancies; (e) development and promotion of new export industries; (f) organization of incoming trade missions timed exhibitions; and (g) participation in overseas special exhibitions.

The Center is governed by a Board of Governors composed of a Chairman and four members. Its management is being headed by an Executive Director and assisted by a Deputy Executive Director. CITEM's registered office is located at Golden Shell Pavilion, ITC Complex, Roxas Boulevard corner Sen. Gil Puyat Avenue, Pasay City.

The financial statements of the CITEM were authorized for issue on February 15, 2019, as shown in the Statement of Management's Responsibility for Financial Statements signed by DTI Undersecretary . Trade Promotions Group, Abdulgani M. Macatoman, Alternate Chairman, CITEM Board of Governors.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in compliance with the International Public Sector Accounting Standards (IPSASs), formerly Philippine Public Sector Accounting Standards (PPSASs), prescribed for adoption by the Commission on Audit (COA) in

COA Resolution No. 2014-003 dated January 24, 2014. The PPSASs were renamed to IPSASs per COA Resolution No. 2020-01 dated January 9, 2020.

This is CITEM's second financial statements prepared in accordance with IPSASs. The accounting policies have been consistently applied throughout the year presented.

The financial statements have been prepared under the historical cost, unless stated otherwise. The Statement of Cash Flows is prepared using the direct method.

The financial statements are presented in Philippine Peso (P), which is also the country's functional currency. The amounts are rounded off to the nearest peso, unless otherwise stated.

The preparation of financial statements in compliance with the adopted IPSASs requires the use of certain accounting estimates. It also requires the entity to exercise judgment in applying the entity's accounting policies.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 *Basis of Accounting*

The CITEM's financial statements are prepared on an accrual basis in accordance with the IPSASs.

3.2 *Financial Instruments*

a. Financial assets

i. Initial recognition and measurement

Financial assets within the scope of IPSAS 29 *Financial Instruments: Recognition and Measurement* are classified as financial assets at fair value through surplus or deficit, held-to-maturity investments, loans and receivables or available-for-sale financial assets, as appropriate. CITEM determines the classification of its financial assets at initial recognition.

CITEM's financial assets include: cash and cash equivalents and receivables.

ii. Subsequent measurement

The subsequent measurement of financial assets depends on their classification.

1. Financial assets at fair value through surplus or deficit

Financial assets at fair value through surplus or deficit include financial assets held for trading and financial assets designated upon initial recognition at fair value through surplus or deficit. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

2. Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

iii. Derecognition

CITEM derecognizes a financial asset or where applicable, a part of a financial asset or part of similar financial assets when:

1. the contractual rights to the cash flows from the financial asset expired or waived; and
2. CITEM has transferred its contractual rights to receive the cash flows of the financial assets, or retains the contractual rights to receive the cash flows of the financial assets but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement that meets the conditions set forth in IPSAS 29 *Financial Instruments: Recognition and Measurement*; and either the entity has:
 - transferred substantially all the risks and rewards of ownership of the financial asset; or
 - neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but has transferred the control of the asset.

iv. Impairment of financial assets

CITEM assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include the following indicators:

1. The debtors or a group of debtors are experiencing significant financial difficulty
2. Default or delinquency in interest or principal payments

3. The probability that debtors will enter bankruptcy or other financial reorganization
4. Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

v. Financial assets carried at amortized cost

For financial assets carried at amortized cost, CITEM first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If CITEM determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in surplus or deficit. Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collaterals have been realized or transferred to CITEM. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. The request for write-off of accounts is based on the guidelines prescribed in COA Circular No. 2016-005 dated December 19, 2016. If a future write-off is later recovered, the recovery is credited in surplus and deficit.

b. Financial liabilities

i. Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit, or loans and borrowings, as appropriate. The entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

CITEM determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value. CITEM's financial liabilities include accounts payables, due to officers and employees, inter-agency payables and trust liabilities.

ii. Subsequent measurement

The measurement of financial liabilities depends on their classification.

1. Financial liabilities at fair value through surplus or deficit.

Financial liabilities at fair value through surplus or deficit include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through surplus or deficit.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

This category includes derivative financial instruments that are not designated as hedging instruments in hedge relationships as defined by IPSAS 29.

iii. Derecognition

A financial liability is derecognized when the obligation under the liability expires or is discharged or cancelled.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in surplus or deficit.

c. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

d. Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

3.3 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash in bank, deposits on call and highly liquid investments with an original maturity of three months or less, which are readily

convertible to known amounts of cash and are subject to insignificant risk of changes in value.

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and short-term deposits as defined above, including the bank guarantee for the corporate credit card.

3.4 *Inventories*

Inventory is measured at cost upon initial recognition. To the extent that inventory are received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of CITEM.

3.5 *Property, Plant and Equipment*

a. *Recognition*

An item is recognized as PPE if it meets the characteristics and recognition criteria as a PPE.

The characteristics of PPE are as follows:

- i. tangible items;
- ii. are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- iii. are expected to be used during more than one reporting period.

An item of PPE is recognized as an asset if:

- i. it is probable that future economic benefits or service potential associated with the item will flow to the entity;
- ii. the cost or fair value of the item can be measured reliably; and
- iii. the cost is at least P15,000.

b. Measurement at recognition

An item recognized as PPE is measured at cost.

A PPE acquired through non-exchange transaction is measured at its fair value as at the date of acquisition.

The cost of the PPE is the cash price equivalent or, for PPE acquired through non-exchange transaction, its cost is its fair value as at recognition date.

Cost includes the following:

- i. Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- ii. Expenditure that is directly attributable to the acquisition of the items; and
- iii. Initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired, or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

c. Measurement after recognition

After recognition, all PPE are stated at cost less accumulated depreciation and impairment losses.

When significant parts of PPE are required to be replaced at intervals, CITEM recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major repair/replacement is done, its cost is recognized in the carrying amount of the PPE as a replacement if the recognition criteria are satisfied.

All other repair and maintenance costs are recognized as expense in surplus or deficit as incurred.

d. Depreciation

Each part of an item of PPE with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognized as expense unless it is included in the cost of another asset.

- i. Initial recognition of depreciation

Depreciation of an asset begins when it is available for use such as when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

For simplicity and to avoid proportionate computation, the depreciation is for one month if the PPE is available for use on or before the 15th of the month. However, if the PPE is available for use after the 15th of the month, depreciation is for the succeeding month.

ii. Depreciation method

The straight line method of depreciation is adopted unless another method is more appropriate for CITEM's operation.

iii. Estimated useful life

CITEM uses the life span of PPE prescribed by COA in determining the specific estimated useful life for each asset based on its experience, as follows:

Buildings and structures	-	20 years
Motor vehicles	-	7 years
Furniture and fixtures	-	5 years
Office equipment	-	5 years

iv. Residual value

CITEM uses a residual value equivalent to ten per cent (10%) of the cost of the PPE.

e. Impairment

An asset's carrying amount is written down to its recoverable amount, or recoverable service amount, if the asset's carrying amount is greater than its estimated recoverable amount or recoverable service amount.

f. Derecognition

CITEM derecognizes items of PPE and/or any significant part of an asset upon disposal or when no future economic benefits or service potential is expected from its continuing use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the surplus or deficit when the asset is derecognized.

3.6 Leases

a. CITEM as a lessee

i. Operating Lease

Operating leases are leases that do not transfer substantially all the risks and rewards incidental to ownership of the leased item to CITEM. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term. Contracts in which CITEM is a lessee includes the lease of venue for its signature events held locally.

3.7 *Changes in Accounting Policies and Estimates*

CITEM recognizes the effects of changes in accounting policy/treatment retrospectively. However, the effects of changes in accounting policy/treatment are applied prospectively, if retrospective application is impractical.

CITEM adopts the new policy of issuing Statement of Accounts rather than Invoices for the Requests to Bill from approved application contracts in the current year but pertaining to shows and projects of the following year and are unpaid at the close of the reporting period. Unearned revenue is recognized if and only when advance payments from exhibitors are received.

Necessary adjustments and corrections were made in the books, hence, no significant impact on the financial statements.

CITEM recognizes the effects of changes in accounting estimates prospectively through surplus or deficit.

CITEM corrects material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by:

- a. Restating the comparative amounts for prior period(s) presented in which the error occurred; or
- b. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

3.8 *Foreign Currency Transactions*

Transactions in foreign currencies are initially recognized by applying the spot exchange rate between the functional currency and the foreign currency at the transaction date.

At each reporting date:

- a. Foreign currency monetary items are translated using the closing rate;
- b. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- c. Nonmonetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Exchange differences arising: (a) on the settlement of monetary items, or (b) on translating monetary items at rates different from those at which they are translated on initial recognition during the period or in previous financial statements, are recognized in surplus or deficit in the period in which they arise, except as those arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation.

3.9 Revenue from Exchange Transactions

a. Measurement of revenue

Revenue is measured at the fair value of the consideration received or receivable.

b. Rendering of services

CITEM recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably.

c. Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

3.10 Budget Information

The annual budget is prepared on a cash basis and is published in the government website.

A separate Statement of Comparison of Budget and Actual Amounts (SCBAA) is prepared since the budget and the financial statements are not prepared on comparable basis. The SCBAA is presented showing the original and final budget and the actual amounts on comparable basis to the budget. Explanatory comments are provided in Note 28.

3.11 Related Parties

CITEM regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the CITEM, or vice versa.

Members of key management are regarded as related parties and comprise of the Chairman and Members of the Governing Board, and the Principal Officers.

3.12 Employee Benefits

The employees of CITEM are members of the Government Service Insurance System (GSIS), which provides life and retirement insurance coverage.

CITEM recognizes the undiscounted amount of short term employee benefits, like salaries, wages, bonuses, allowances, etc., as expense unless capitalized, and as a liability after deducting the amount paid.

3.13 Measurement Uncertainty

The preparation of financial statements in conformity with IPSASs requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial

statements and the reported amounts of the revenue and expenses during the period. Items requiring the use of significant estimates include the useful life of a capital asset, estimated employee benefits, impairment of assets, etc.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

4. PRIOR PERIOD ERRORS

Prior period errors include recognition of income from prior years, over/under setup of payables due to variance in actual payment of expenses and other correction of errors in the financial statements that were reported for a prior period in Note 27.

5. RISK MANAGEMENT OBJECTIVES AND POLICIES

The CITEM is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Interest/Market risks
- Operational risk

This note presents information about the CITEM's exposure to each of the above risks, the CITEM objectives, policies and processes for measuring and managing risk, and the Corporation's management of capital.

5.1 Risk Management Framework

The Management Committee of the CITEM has overall responsibility for the establishment and oversight of CITEM's risk management framework.

The management committees have executive and non-executive members and report regularly to the Executive Director of the CITEM on their activities.

The CITEM's risk management policies are established to identify and analyze the risks faced by the CITEM, to set appropriate risk limits and control, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes to market conditions, products and services offered. The CITEM, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The CITEM's inventory committee is responsible for ensuring the Center's assets are properly safeguarded. CITEM has also an audit committee responsible for compliance with established policies, laws and regulations especially with regard to compliance with the requirements of ISO Certification, and to recommend improvements relating to efficiency, economy and effectiveness in the use of the CITEM's assets or resources.

Generally, the maximum risk exposure of financial assets and financial liabilities is the carrying amount of the financial assets and financial liabilities as shown in the Statements of Financial Position, as summarized below:

	Note	2019	2018
Financial assets			
Cash and cash equivalents	6	324,421,250	307,648,409
Receivables - net	7	21,418,697	13,183,279
		345,839,947	320,831,688
Financial liabilities			
Financial liabilities	11	50,260,607	54,323,260
Inter-agency payables	12	19,993,541	26,407,809
Trust liabilities	13	2,642,841	6,421,795
		72,896,989	87,152,864

5.2 Credit Risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the CITEM. The CITEM has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The CITEM defines counterparties as having similar characteristics if they are related entities.

On-going credit evaluation is performed on the financial condition of loans and other receivable.

Also, the CITEM manages its credit risk by depositing its cash with authorized government depository banks, e.g. Land Bank of the Philippines (LBP) and Development Bank of the Philippines (DBP).

The carrying amount of financial assets recognized in the financial statements represents the CITEM's maximum exposure to credit risk.

a. Credit risk exposure

The table below shows the gross maximum exposure to credit risk of the CITEM as of the years ended December 31, 2019 and 2018, without considering the effects of credit risk mitigation techniques.

	Note	2019	2018
Financial assets			
Cash and cash equivalents	6	324,421,250	307,648,409
Receivables	7	31,128,011	22,892,593
		355,549,261	330,541,002

* Receivables at gross of allowance for impairment amounting to P9,709,314 for the years ended December 31, 2019 and 2018.

b. Management of credit risk

For the management of credit risk, it is CITEM's policy that as soon as the client or exhibitor executes with the Center an application contract, the Accounting Division will make an invoice, indicating the amount due for payment by the said exhibitor, and as to

their outstanding balance from previous shows or exhibits, a Statement of Account (SOA) is issued.

Receivables from employees consist of salary deductions and are collected through payroll deductions. Status of outstanding receivables is summarized in a schedule and is submitted together with the financial reports to the COA.

c. Aging analysis

An aging analysis of the CITEM's receivables as of the years ended December 31, 2019 and 2018 are as follows:

	2019	2018
Outstanding receivables:*		
Current accounts	20,558,226	11,974,412
Past due accounts:		
over 5 years	10,569,785	10,918,181
	31,128,011	22,892,593

** Receivables at gross of allowance for impairment amounting to P9,709,314 for the years ended December 31, 2019 and 2018.*

d. Impairment assessment

The Center recognizes impairment losses based on the results of the specific/individual and collective assessment of its credit exposures. Impairment has taken place when there is a presence of known difficulties in the servicing of cash flows by counterparties, infringement of the original terms of the contract has happened, or when there is an inability to pay principal or interest overdue beyond a certain threshold. These and the other factors constitute observable events and/or data that meet the definition of an objective evidence of impairment.

The two methodologies that may be applied in assessing and measuring impairment include: (1) specific/individual assessment; and (2) collective assessment. Under specific/individual assessment, what is being assessed is the individual significant credit exposure for any objective evidence of impairment, and where such evidence exists, accordingly calculates the required impairment.

Among the items and factors that may be considered when assessing and measuring specific impairment allowances are: (a) the timing of the expected cash flows; (b) the projected receipts or expected cash flows; (c) the going concern of the counterparty's business; (d) the ability of the counterparty to repay its obligations during financial crises; (e) the availability of other sources of financial support; and (f) the existing realizable value of collateral. The impairment allowances, if any, are evaluated as the need arises, in view of favorable or unfavorable developments.

With regard to the collective assessment of impairment, allowances are assessed collectively for losses on receivables that are not individually significant and for individually significant receivables when there is no apparent or objective evidence of individual impairment.

The collective assessment evaluates and estimates the impairment of the portfolio in its entirety even though there is no objective evidence of impairment on an individual assessment.

Impairment losses are estimated by taking into consideration the following deterministic information: (a) historical losses/write offs; (b) losses which are likely to occur but has not yet occurred; and (c) the expected receipts and recoveries once impaired.

Upon assessment, it is determined that there is no impairment loss that needs to be recognized for CITEM's cash-generating assets for CY 2019.

5.3 Liquidity Risk

Liquidity risk is the risk that the CITEM might encounter difficulty in meeting obligations from its financial liabilities.

a. Management of liquidity risk

The CITEM's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the CITEM's reputation.

The CITEM maintains a portfolio of short-term liquid assets, largely made up of cash in banks that are sufficient to maintain the liquidity within the CITEM as a whole.

b. Exposure to liquidity risk

The liquidity risk is the adverse situation when the CITEM encounters difficulty in meeting unconditionally the settlement of its obligations at maturity. Prudent liquidity management requires that liquidity risks are identified, measured, monitored and controlled in a comprehensive and timely manner. Liquidity management is a major component of the corporate-wide risk management system. Liquidity planning takes into consideration various possible changes in economic, market, political, regulatory and other external factors that may affect the liquidity position of CITEM.

The liquidity management policy of the CITEM is conservative in maintaining optimal liquid cash funds to ensure capability to adequately finance its mandated activities and other operational requirements at all times. The CITEM's funding requirements are generally met through any or a combination of financial modes allowed by law that would give the most advantageous results.

The table below summarizes the maturity profile of the CITEM's financial liabilities as at December 31, 2019.

As at December 31, 2019	Within 1 Year	1 – 5 Years	Over 5 Years	Total
Financial liabilities	49,185,905	1,074,702		50,260,607
Inter-agency payables	19,993,541	-	-	19,993,541
Trust liabilities	1,367,964	1,220,705	54,172	2,642,841
	70,547,410	2,295,407	54,172	72,896,989

5.4 *Market Risks*

Market risk is the risk that changes in the market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's issuer's credit standing) will affect the CITEM's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Management of market risk

The management of interest rate risk against interest gap limits is supplemented by monitoring the sensitivity of the CITEM's financial assets and liabilities to various standard and non-standard interest rate scenarios.

5.5 *Operational Risks*

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the CITEM's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the CITEM's operations and are faced by all business entities.

The CITEM's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the CITEM's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of control to address operational risk is assigned to Senior Management within each business unit. This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

- Requirement for appropriate segregation of duties, including the independent authorization of transaction
- Requirement for the reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- Requirements for the periodic assessment of operational risk faced, and the adequacy of control and procedures to address the risk identified
- Requirements for the reporting of operational losses and proposed remedial action
- Development of contingency plans
- Training and professional development
- Ethical and business standards
- Risk mitigation, including insurance where this is effective

CITEM has instituted the following measures to mitigate identified operational risks:

1. **Performance Review:** Periodic performance review of operations and activities to determine actual accomplishment vis-à-vis targets/objectives. Management requires all operating units to submit weekly accomplishment reports and top three priorities for the coming week to ensure that projects are monitored according to the expectations of stakeholders.
2. **Compliance Review:** Periodic review of internal business processes to ensure compliance with current regulations, policies and procedures and other requirements. Expenses are monitored accordingly. This is done during Regular Management Committee meetings with the different functional groups.
3. **Perception and Value Assessment:** Stakeholders/Satisfaction Survey for each of the project is undertaken by a third party to check if the performance standards set by the Agency for its stakeholders are met. This feedback mechanism strengthens stakeholder's participation in the Agency's service related processes and ensures transparency and public accountability. It likewise identifies areas that need improvement.
4. **Financial Management and Control:** Systems are in place for accounting and budget control. Every functional unit in the organization is responsible to manage the budget allocated to them, as authorized in the Corporate Operating Budget. Regular reports on actual vs. planned objectives are provided to adequately monitor and control project and budget impossible.

6. CASH AND CASH EQUIVALENTS

This account consists of the following:

	2019	2018
Cash on hand	318,920	287,767
Cash in bank		
Local currency	153,719,788	161,162,205
Foreign currency	170,382,542	146,198,437
	324,102,330	307,360,642
	324,421,250	307,648,409

7. RECEIVABLES

This account consists of the following:

	2019			2018		
	Current	Non-current	Total	Current	Non-current	Total
Loans & Receivable (Accounts receivable)	12,094,320	860,471	12,954,791	9,296,809	860,471	10,157,280
Inter-agency receivables	8,312,170	-	8,312,170	1,250,149	348,396	1,598,545
Other receivables	151,736	-	151,736	1,427,454	-	1,427,454
	20,558,226	860,471	21,418,697	11,974,412	1,208,867	13,183,279

7.1 *Loans and Receivable*

	2019			2018		
	Current	Non-Current	Total	Current	Non-Current	Total
Accounts receivable- Participation fees-local show	1,766,590	6,916,899	8,683,489	475,900	6,916,899	7,392,799
Accounts receivable- Participation fees-international show	9,098,378	547,536	9,645,914	7,591,557	547,536	8,139,093
Accounts receivable-extension charges	-	443,447	443,447	-	443,447	443,447
Accounts receivable-others	1,229,352	-	1,229,352	1,229,352	-	1,229,352
Sub-total	12,094,320	7,907,882	20,002,202	9,296,809	7,907,882	17,204,691
Allowance for doubtful accounts	-	(7,047,411)	(7,047,411)	-	(7,047,411)	(7,047,411)
	12,094,320	860,471	12,954,791	9,296,809	860,471	10,157,280

Accounts Receivable includes participation fees, creative and design services, web and communication services, and extension charges billed to the exhibitors and other clients in connection with their participation in local and international trade exhibits.

7.2 *Inter-Agency Receivables*

	2019			2018		
	Current	Non-Current	Total	Current	Non-Current	Total
Due from national government agencies (NGAs)	8,312,170	-	8,312,170	1,250,149	348,396	1,598,545
	8,312,170	-	8,312,170	1,250,149	348,396	1,598,545

Due from NGAs consists of expenses incurred by CITEM in the implementation of various local and international projects which are covered by Memorandum of Agreement (MOA) and chargeable against funds from other government agencies that committed to shoulder cost and/or subsidized participation fees of exhibitors under the MOA.

7.3 Other Receivables

	2019			2018		
	Current	Non-Current	Total	Current	Non-Current	Total
Due from officers and employees	30,386	-	30,386	30,386	-	30,386
Other receivables-supplier	-	8,160	8,160	-	8,160	8,160
Other receivables-operational charges	-	2,265,018	2,265,018	-	2,265,018	2,265,018
Other receivables-bank	-	270	270	-	270	270
Other receivables-rental	-	138,818	138,818	-	138,818	138,818
Other receivables-resigned employees	-	249,637	249,637	-	249,637	249,637
Other receivables - others	121,350	-	121,350	1,397,068	-	1,397,068
Sub-total	151,736	2,661,903	2,813,639	1,427,454	2,661,903	4,089,357
<i>Allowance for doubtful accounts</i>	-	2,661,903	2,661,903	-	2,661,903	2,661,903
	151,736	-	151,736	1,427,454	-	1,427,454

Due from Officers and Employees represents personal receivables from employees, year-end tax adjustments and other obligations due to CITEM which are regularly deducted from salaries.

Other receivables include long outstanding other personal accounts from resigned employees, rental and operational charges billed to tenants.

8. INVENTORIES

This account is composed of the following:

	2019		2018	
	Inventories carried at lower of cost and net realizable value	Inventories carried at fair value less cost to sell	Inventories carried at lower of cost and net realizable value	Inventories carried at fair value less cost to sell
INVENTORIES HELD FOR CONSUMPTION:				
Office supplies inventory				
Carrying amount, January 1	593,990	-	937,323	-
Additions/Acquisitions during the year	619,107	-	593,990	-
Expensed during the year except write-down	(593,990)	-	(937,323)	-
Carrying amount, December 31	619,107	-	593,990	-

	2019		2018	
	Inventories carried at lower of cost and net realizable value	Inventories carried at fair value less cost to sell	Inventories carried at lower of cost and net realizable value	Inventories carried at fair value less cost to sell
Drugs and medicines inventory				
Carrying amount, January 1	40,019	-	32,110	-
Additions/Acquisitions during the year	-	-	40,019	-
Expensed during the year except write-down	-	-	(32,110)	-
Carrying amount, December 31	40,019	-	40,019	-
Textbooks and instructional materials inventory				
Carrying amount, January 1	1,950	-	1,950	-
Additions/Acquisitions during the year	-	-	-	-
Expensed during the year except write-down	-	-	-	-
Carrying amount, December 31	1,950	-	1,950	-
Other Supplies and Materials Inventory				
Carrying amount, January 1	58,528	-	261,424	-
Additions/Acquisitions during the year	118,319	-	58,528	-
Expensed during the year except write-down	(261,424)	-	(261,424)	-
Carrying amount, December 31	176,847	-	58,528	-
Semi-expendable Machinery and equipment				
Carrying amount, January 1	-	-	-	-
Additions/Acquisitions during the year	328,196	-	-	-
Expensed during the year except write-down	-	-	-	-
Carrying amount, December 31	328,196	-	-	-
Semi-expendable furniture and fixtures				
Carrying amount, January 1	-	-	-	-
Additions/Acquisitions during the year	862,614	-	-	-
Expensed during the year except write-down	-	-	-	-
Carrying amount, December 31	862,614	-	-	-
	2,028,733	-	694,487	-

9. PROPERTY, PLANT AND EQUIPMENT

This account consists of the following:

	Land and land improvements	Building and structures	Transportation equipment	Furniture and other equipment	Total
Net book value, December 31, 2018	-	8,082,532	1,918,754	18,867,524	28,868,810
Opening net book value, January 1, 2019	-	8,082,532	1,918,754	18,867,524	28,868,810
Additions/Acquisitions	-	-	-	2,674,323	2,674,323
Disposal/Removal:					
Cost	-	-	(717,141)	(3,118,890)	(3,836,031)
Accumulated depreciation	-	-	645,427	2,404,665	3,050,092
Adjustments:					
Cost	-	-	-	(1,330,063)	(1,330,063)
Accumulated depreciation	-	-	-	924,668	924,668
Depreciation for the year	-	(1,400,764)	-	(4,808,981)	(6,209,745)
Closing net book value, December 31, 2019	-	6,681,768	1,847,040	15,613,246	24,142,054
As at December 31, 2019					
Cost	-	34,358,586	10,795,200	45,309,035	90,462,821
Accumulated depreciation	-	27,676,818	8,948,160	29,695,789	66,320,767
Net book value, December 31, 2019	-	6,681,768	1,847,040	15,613,246	24,142,054

10. OTHER ASSETS

This account comprises the following:

	2019			2018		
	Current	Non-Current	Total	Current	Non-Current	Total
Advances to special disbursing officer	30,153	-	30,153	-	-	-
Advances to officers and employees	1,378,925	-	1,378,925	1,378,925	-	1,378,925
Prepayments (prepaid rent)	16,665,031	-	16,665,031	16,793,419	-	16,793,419
Prepayments (creditable input tax)	4,875,432	-	4,875,432	1,689,572	-	1,689,572
Prepayments (other prepayments)	43,566	-	43,566	54,109	-	54,109
Deposits (guaranty deposits)	610,985	2,273,081	2,884,066	610,985	2,273,081	2,884,066
Restricted fund	-	314,418,656	314,418,656	-	295,855,049	295,855,049
Other assets-net of accumulated impairment loss	-	843,723	843,723	-	843,723	843,723
	23,604,092	317,535,460	341,139,552	20,527,010	298,971,853	319,498,863

Prepaid Rent and Other Prepayments represent reservations for space/venue rental and advance payments to the booth contractors for various international trade fairs in CY 2020.

Creditable Input VAT in the amount of P4.875 million is the excess of Input VAT over Output VAT which can be credited for the next three years (CYs 2020 - 2022).

Guaranty Deposits are payments to different companies for relocation of electric meter and additional electric load, telephone sets, cash/guaranty deposits for fuel credit line, building protection bond for venue exhibits and performance security bond for projects.

Included in the Other Assets-(Non-current) are Non-Current Guaranty Deposits, Other Deposits-Restricted Fund and Other Assets, net of Accumulated Impairment Losses, which are already unserviceable and for disposal but in the custody of other government agencies.

Restricted Fund represents the Building Fund allocated by the Governing Board for the construction and/or purchase of CITEM's office building in the future and is temporarily invested in High-Yield Saving Account, (in portion) Foreign Currency Time Deposits and (in portion) Cash in Bank Local Currency Savings Account.

11. FINANCIAL LIABILITIES

This is composed of the following:

	2019			2018		
	Current	Non-Current	Total	Current	Non-Current	Total
Accounts payable	36,540,246	-	36,540,246	33,046,836	12,006,410	45,053,246
Due to officers & employees	13,720,361	-	13,720,361	9,270,014	-	9,270,014
	50,260,607		50,260,607	42,316,850	12,006,410	54,323,260

Financial liabilities-current, consist of payables to various suppliers, contractors and other creditors and due to officers and employees which are expected to be settled within one year.

Financial liabilities-non-current, consist of payables to various suppliers, contractors and other creditors and due to officers and employees which are not expected to be paid within one year.

12. INTER-AGENCY PAYABLES

This account consists of the following:

	2019			2018		
	Current	Non-Current	Total	Current	Non-Current	Total
Due to BIR	2,070,905	-	2,070,905	1,865,059	-	1,865,059
Due to GSIS	158,087	-	158,087	841,758	-	841,758

	2019			2018		
	Current	Non-Current	Total	Current	Non-Current	Total
Due to Pag-IBIG	111,268	-	111,268	93,766	-	93,766
Due to PhilHealth	47,604	-	47,604	45,617	-	45,617
Due to NGAs	17,458,128	-	17,458,128	23,411,468	-	23,411,468
Due to government corporations	147,549	-	147,549	150,141	-	150,141
	19,993,541	-	19,993,541	26,407,809	-	26,407,809

Due to Bureau of Internal Revenue (BIR), Government Service Insurance System (GSIS), Home Development Mutual Fund (Pag-IBIG) and Philippine Health Insurance Corporation (PhilHealth) are the mandatory deductions from employees salaries to be remitted to the concerned government agencies.

Due to National Government Agencies (NGAs) represents advances/fund transfers received from various funding agencies (Department of Trade and Industry (DTI), its attached bureaus and agencies and other government agencies such as Department of Agriculture) for the implementation of various trade missions and promotional projects.

Due to Government Corporations account represents deductions from employees salary for housing loans to be remitted to the National Home Mortgage Finance Corporation (NHMFC).

13. TRUST LIABILITIES

The composition of this account is as follows:

	2019			2018		
	Current	Non-Current	Total	Current	Non-Current	Total
Trust miscellaneous	554,770	296,046	850,816	3,859,813	296,046	4,155,859
Trust (ACE)	92,160	-	92,160	114,842	-	114,842
Trust (CITEM Coop)	404,090	-	404,090	555,189	-	555,189
Trust (SSS)	18,480	-	18,480			
Bail bonds payable	298,464	944,631	1,243,095	617,074	944,631	1,561,705
Guaranty/security deposits payable	-	34,200	34,200	-	34,200	34,200
	1,367,964	1,274,877	2,642,841	5,146,918	1,274,877	6,421,795

Trust Liabilities include amounts received by CITEM which are held in trust such as commitment, retention, bonds payable and deposit fees from various companies/exhibitors.

14. DEFERRED CREDITS/ UNEARNED INCOME

	2019			2018		
	Current	Non-Current	Total	Current	Non-Current	Total
Unearned revenue/income	6,486,808	-	6,486,808	13,086,865	-	13,086,865
Other deferred credits	-	-	-	-	-	-
	6,486,808	-	6,486,808	13,086,865	-	13,086,865

This account represents advance payments made by exhibitors in connection with their participation in the following yearsq trade shows, events and exhibits organized by CITEM.

15. DEFERRED TAX LIABILITIES

	2019			2018		
	Current	Non-Current	Total	Current	Non-Current	Total
Deferred tax liabilities	2,268,284	-	2,268,284	1,136,952	-	1,136,952
	2,268,284	-	2,268,284	1,136,952	-	1,136,952

The Deferred Tax Liabilities account represents the future tax liability of the Center from the output VAT of invoices issued but are not yet paid. Upon collection, this account is closed to output tax account and reported and/or remitted accordingly together with the input tax for the period.

16. OTHER PAYABLES

This account is composed of the following:

	2019			2018		
	Current	Non-Current	Total	Current	Non-Current	Total
Other payables - resigned employees	397,210	732,866	1,130,076	424,200	732,866	1,157,066
Other payables-exhibitors' refund	237,860	3,884,852	4,122,712	232,610	3,884,852	4,117,462
Other payables-accrued liabilities	-	(7,338)	(7,338)	-	(7,338)	(7,338)
Other payables-Fortune Care	-	122,922	122,922	-	122,922	122,922
Other payables-Medicard	-	8,320	8,320	-	8,320	8,320
Other payables-Philam Health	-	5,222	5,222	-	5,222	5,222
Other payables-miscellaneous	-	223,269	223,269	-	223,269	223,269
Other Payables-SP Care	-	3,660	3,660	-	3,660	3,660
	635,070	4,973,773	5,608,843	656,810	4,973,773	5,630,583

17. SERVICE AND BUSINESS INCOME

This line item consists of the following:

	2019	2018
Service income:		
Other service income	98,706,824	77,722,518
Business income:		
Interest income	792,249	642,002
Other business income	3,148,812	5,594,860
	102,647,885	83,959,380

Other Service Income includes trade fair participation fees and other related fees (e.g. enrollment fee in Design for Export Coaching Programs, booth construction fee, advertising fee) collected from exhibitors participating in various trade fairs and signature events. It is worthy to note that IFEX Philippines, one of the signature events of CITEM, is now held annually.

Other Business Income represents miscellaneous in nature such as entrance tickets to events, management fees, creative and design services fee, among others.

18. PERSONNEL SERVICES

This account is composed of the following:

	2019	2018
Salaries and wages	48,373,216	40,417,935
Other compensation	19,164,263	14,511,871
Personnel benefit contributions	6,529,224	5,529,727
Other personnel benefits	3,069,266	4,016,945
	77,135,969	64,476,478

18.1 *Salaries and Wages*

	2019	2018
Salaries and wages-regular	48,373,216	40,417,935
	48,373,216	40,417,935

18.2 *Other Compensation*

	2019	2018
Personnel economic relief allowance (PERA)	2,111,055	2,033,523
Representation allowance (RA)	1,317,000	1,225,125
Transportation allowance (TA)	960,000	953,125
Clothing/Uniform allowance	546,000	498,000
Honoraria	30,000	-
Overtime pay	3,300,410	2,864,635
Year-end bonus	8,144,368	6,416,463
Cash gift	439,500	431,000
Productivity incentive allowance	2,315,930	90,000
	19,164,263	14,511,871

18.3 Employees Future Benefits

The permanent employees of the CITEM contribute to the GSIS in accordance with the RA No. 8291. The GSIS administers the plan, including payment of pension benefits to employees to whom the act applies. Social insurance (life and retirement) benefits are mandatory defined contribution plans fixed at nine per cent of the basic salaries of regular government employees. Total contributions to GSIS amounted to P10.205 million broken down as follows: employees share . P4.372 million and government share . P5.833 million.

18.4 Personnel Benefit Contributions

	2019	2018
Retirement and life insurance premiums	5,833,256	4,878,332
Pag-IBIG contributions	105,900	102,900
PhilHealth contributions	483,668	445,395
Employee compensation insurance premiums	106,400	103,100
	6,529,224	5,529,727

18.5 Other Personnel Benefits

	2019	2018
Retirement gratuity	40,000	-
Terminal leave benefits	413,650	254,039
Other personnel benefits	2,615,616	3,762,906
	3,069,266	4,016,945

19. MAINTENANCE AND OTHER OPERATING EXPENSES

This line item consists of the following:

	2019	2018
Traveling expenses	8,108,081	9,059,735
Training expenses	1,860,390	533,206
Supplies and materials expenses	7,107,907	5,231,447
Utility expenses	3,466,193	4,095,443
Communication expenses	4,279,511	5,634,925
Confidential, intelligence and extraordinary expenses	93,910	27,863
Professional services	25,776,367	15,713,106
General services	24,153,086	21,296,238
Repairs and maintenance	849,975	828,137
Taxes, insurance premiums and other fees	1,368,523	1,574,820
Other maintenance and operating expenses	181,444,198	125,859,869
	258,508,141	189,854,789

19.1 Traveling Expenses

	2019	2018
Traveling expenses-local	1,895,118	2,480,554
Traveling expenses-foreign	6,212,963	6,579,181
	8,108,081	9,059,735

19.2 Training Expenses

	2019	2018
Training Expenses	1,860,390	533,206
	1,860,390	533,206

19.3 Supplies and Materials Expenses

	2019	2018
Office supplies expenses	666,648	1,253,387
Accountable forms expenses	30,000	7,510
Drugs and medicines expenses	63,764	64,355
Fuel, oil and lubricants expenses	583,719	487,898
Textbooks and instructional materials expenses	-	231
Other supplies and materials expenses	5,763,776	3,418,066
	7,107,907	5,231,447

19.4 Utility Expenses

	2019	2018
Water expenses	323,766	455,492
Electricity expenses	3,142,427	3,639,951
	3,466,193	4,095,443

19.5 Communication Expenses

	2019	2018
Postage and courier services	85,715	42,725
Telephone expenses – landline	1,846,726	1,909,897
Telephone expenses – mobile	954,363	899,042
Internet subscription expenses	1,392,707	2,783,261
	4,279,511	5,634,925

19.6 Confidential, Intelligence and Extraordinary Expenses

	2019	2018
Extraordinary and miscellaneous expenses	93,910	27,863
	93,910	27,863

19.7 Professional Services

	2019	2018
Legal services	27,600	23,500
Auditing services	4,501,516	3,753,537
Other professional services	21,247,251	11,936,069
	25,776,367	15,713,106

19.8 General Services

	2019	2018
Janitorial services	1,981,648	1,985,261
Security services	4,699,346	4,679,092
Other general services	17,472,092	14,631,885
	24,153,086	21,296,238

19.9 Repairs and Maintenance

	2019	2018
Repairs and maintenance-buildings and other structures	320,313	139,007
Repairs and maintenance-office equipment	141,432	347,948
Repairs and maintenance-IT equipment	17,950	54,851
Repairs and maintenance-medical equipment	-	-
Repairs and maintenance-other machinery and equipment	71,429	24,784
Repairs and maintenance-motor vehicles	298,851	261,547
	849,975	828,137

19.10 Taxes, Insurance Premiums and Other Fees

	2019	2018
Taxes, duties and licenses	25,482	25,582
Fidelity bond premiums	688,383	695,099
Insurance expenses	654,658	854,139
	1,368,523	1,574,820

19.11 Other Maintenance and Operating Expenses

	2019	2018
Advertising expenses	39,507,842	17,010,217
Printing and publication expenses	4,490,720	3,353,244
Representation expenses	5,408,636	5,336,937
Rent/Lease expenses	73,468,993	53,368,969
Transportation and delivery expenses	558,881	195,347
Membership dues and contributions to organizations	27,708	22,500
Subscription expenses	5,249,176	3,359,004
Donations	670,743	7,000
Other maintenance and operating expenses	52,061,499	43,206,651
	181,444,198	125,859,869

20. FINANCIAL EXPENSES

This account comprises the following:

	2019	2018
Bank charges	480,075	485,968
	480,075	485,968

21. NON-CASH EXPENSES

This account is composed of the following:

	2019	2018
Depreciation-buildings and other structures	1,400,765	1,400,765
Depreciation-office equipment	223,714	223,714
Depreciation-furniture, fixtures and books	127,937	127,937
Depreciation-information and communication technology equipment	3,722,116	3,722,116
Depreciation-communication equipment	584,240	584,240
Depreciation-transportation equipment	-	2,206,858
Depreciation-other PPE	150,973	150,973
	6,209,745	8,416,603

22. GAINS/LOSSES

This comprises net of the following accounts:

22.1. Gains

	2019	2018
Gain on foreign exchange (FOREX)	35,641	5,889,538
Gain on sale of disposed assets	-	-
	35,641	5,889,538

22.2. Losses

	2019	2018
Loss on foreign exchange (FOREX)	(5,879,095)	(189,686)
Loss on sale of disposed assets	(71,714)	-
	(5,950,809)	(189,686)

23. SUBSIDY FROM NATIONAL GOVERNMENT

	2019	2018
Subsidy from national government	279,228,000	231,876,000
	279,228,000	231,876,000

For CY 2019, the Program Subsidy received by CITEM from the Department of Budget and Management (DBM) to support the implementation of its export promotion programs was P279.228 million, including the CICA Fund in the amount of P35.070 million.

24. RELATED PARTY TRANSACTIONS

There were no related party transactions during the year.

24.1 Key Management Personnel

The key management personnel of CITEM are the Chairman, the Members of the Governing Board, and the Principal Officers. The Governing Board consists of members appointed by the President of the Philippines. The Principal Officers consist of the Executive Director, the Deputy Executive Directors and the Department Managers.

24.2 Key Management Personnel Compensation

The members of the Governing Board, being in ex-officio capacity, do not receive any compensation from the Center.

However, the aggregate remuneration of the Principal Officers of the Center determined on a fulltime equivalent basis receiving remuneration within this category, follows:

	Total Remuneration
Salaries and wages	5,974,732
Other compensation and benefits	1,699,263
Personnel benefit contributions	753,426
	8,427,421

25. GOVERNMENT EQUITY

This consists of capital contributions in the form of either cash or property from the following government agencies:

	2019	2018
National Food Authority	14,745,735	14,745,735
National Government-Bureau of the Treasury	10,396,662	10,396,662
Bangko Sentral ng Pilipinas	10,000,000	10,000,000
Donation from China	2,454,411	2,454,411
Government Service Insurance System	2,000,000	2,000,000
Landbank of the Philippines	1,000,000	1,000,000
Philippine International Trading Corporation	625,000	625,000
	41,221,808	41,221,808

The equity balances in the books of CITEM as against the confirmed account balances of the contributors are as follows:

Government Agency(Contributor)	Per Books	Per Confirmation	Variance
National Government- Bureau of the Treasury (BTr)	10,396,662	12,653,662	(2,257,000)
Bangko Sentral ng Pilipinas (BSP)	10,000,000	-	10,000,000
Landbank of the Philippines (LBP)	1,000,000	2,000,000	(1,000,000)
TOTAL	21,396,662	14,653,662	6,743,000

The variances shown above remain unresolved because of insufficient documentation. These variances cannot be reconciled and the discrepancy noted cannot be recorded in

the books as equity because proofs of remittances or fund receipts by CITEM from the BTr, BSP and LBP cannot be established.

26. REVALUATION SURPLUS

The Revaluation Surplus in the amount of P5,054,354 represents the increase in book value of CITEM's building upon appraisal in year 1996.

27. ACCUMULATED SURPLUS

Accumulated surplus, December 31, 2018	516,610,422
Surplus for 2019	33,626,787
Various Adjustments as follows:	29,375,991
Interest on the Restricted Fund	3,784,447
Adjustment on Accounts Payable	18,320,296
Unrecorded Service Income net of Refunds/Cancellations	6,076,296
Various Prior Period Error	(65,655)
Adjustment on Prior Period Expenses	1,260,607
Accumulated surplus, December 31, 2019	579,613,200

28. BUDGET INFORMATION IN FINANCIAL STATEMENTS

The original budget reflected in the SCBAA for December 31, 2019 is the proposed Corporate Operating Budget (COB) for the year 2019 and was submitted to the Department of Budget and Management (DBM) for review/evaluation while the final budget is the amount as approved by DBM on November 15, 2019. The proposed/original COB is prepared considering: (a) the agency's various programs, projects and activities in the pursuance of its mandate; (b) the projected revenues and other sources of income to finance and support these programs; (c) actual expenses for previous years; and (d) effects of inflation. Aside from the COB, the Agency has received subsidy appropriated for the implementation of its programs.

Changes between the proposed and approved budget are due to the following:

- The proposed Maintenance and Other Operating Expenses (MOOE) is net of non-cash items of P8.849 million.
- The MOOE variance of P5.213 million refers to the excess of computation based on the highest amount between the CY 2017 audited financial statements and CY 2018 actual unaudited financial statements, and the 3 per cent inflation rate, except for those covered by contracts which are recommended as proposed.

Material differences between the actual expenses as against the budget pertain to the following :

- Requested budget for CITEM employees is based on 100 plantilla positions. As of December 31, 2019, only 87 positions are filled.

- Cancellation of some overseas trade fairs, cost-savings from alternative materials used in international shows and sponsorship sourced from other government agencies for signature event such as CREATE Philippines.
- Approved COB was released only in November 2019, thus purchases of PPE were delayed.

29. SUPPLEMENTARY INFORMATION REQUIRED BY BIR UNDER REVENUE REGULATION NO. 15-2010

CITEM is compliant to the requirements under BIR Revenue Regulation (RR) No. 15-2010 dated November 25, 2010, pertinent to taxes, duties and license fees paid or accrued during the taxable year through submission of documentary requirements based on the prescribed process.

	Amount
Due to BIR . Withholding tax on compensation	1,092,612
Due to BIR . Withholding tax on compensation-resigned employees	33,253
Due to BIR . Expanded withholding tax	310,641
Due to BIR . Branch registration fees	39,536
Due to BIR . VAT withheld	437,217
Due to BIR . VAT withheld CITEM	7,350
Due to BIR . Contractors tax	60,636
Due to BIR . Final tax	-
Due to BIR . Gross money payments	89,660
	2,070,905

In compliance with the requirements set forth by RR No. 15-2010, hereunder are the information on taxes, duties and license fees paid during the taxable year.

- CITEM is a VAT registered company with VAT output tax declaration of P8.400 million for the year 2019.
- The amount of VAT input and output taxes claimed are broken down as follows:

	Amount
Balance, beginning of the year	1,689,572
Tax on goods for resale/purchases - current	9,441,117
Tax on goods for resale/purchases - payables	2,259,563
Sub-total	13,390,252
Less: Output tax	8,399,997
Adjustments	114,823
Balance, end of the year	4,875,432

- Other Taxes and Licenses

	Amount
Local	-
National (BIR Registration Fee)-for Current Year	500
Total	500

- d. The amount of withholding taxes paid/accrued for the year amounted to:

	Amount
Tax on compensation and benefits	1,092,612
Creditable withholding taxes	787,843
Final withholding taxes	-
Total	1,880,455

30. COMPLIANCE WITH GSIS LAW

CITEM complied with Section 14.1 of RA No. 8291 which provides that each government agency shall remit directly to the GSIS the employees' and government agency's contributions within the first 10 days of the calendar month following the month to which the contributions apply. Below is the summary of remittances of employees' premium contributions and employer's share for CY 2019:

	Premiums	Remitted
Life and retirement premiums, employees share	4,371,514	4,362,025
Government share	5,833,256	5,833,256
Total	10,204,770	10,195,281

PART II - OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL

1. The faithful representation of the balance of the CashinBank account as of December 31, 2019 in the amount of P324.102 million was not established due to the variance of P21.290 million between the balance per books and confirmed bank balances and unrecorded/unadjusted bank credit/debit memos and book errors totaling P10.096 million, on four depository accounts, contrary to Paragraph 27 of the International Public Sector Accounting Standard (IPSAS) 1.

1.1 Paragraph 27, International Public Sector Accounting Standard (IPSAS) 1, Presentation of Financial Statements, provides that, *financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue, and expenses set out in IPSASs.*

- 1.2 Likewise, the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities includes, among others, the following qualitative characteristics of useful information:

Faithful Representation

3.10. *To be useful in financial reporting, information must be a faithful representation of the economic and other phenomena that it purports to represent. Faithful representation is aimed when the depiction of the phenomenon is complete, neutral, and free from material error. Information that faithfully represents an economic or other phenomenon depicts the substance of the underlying transactions, other event, activity or circumstance – which is not necessarily always the same as its legal form.*

3.11 *In practice, it may be possible to know or confirm whether information presented in [General Purpose Financial Reports] GPFRs is complete, neutral, and free from material error. However, information should be as complete, neutral, and free from error as is possible.*

- 1.3 Further, Section 74 of Presidential Decree (PD) No. 1445 states that:

Monthly reports of depositories to agency head. At the close of each month, depositories shall report to the agency head, in such form as he may direct, the condition of the agency account standing on their books. The head of the agency shall

see to it that a reconciliation is made between the balance shown in the reports and the balance found in the books of the agency.

- 1.4 Audit of the CashinBank account in the amount of P324.102 million as of December 31, 2019 revealed deficiencies as discussed hereunder.

Variance of P21.290 million between the balance per books and confirmed bank balances on four depository accounts

- 1.5 Confirmation of balances of depository accounts maintained with the Land Bank of the Philippines (LBP) and Development Bank of the Philippines (DBP) as of November 30, 2019, and review of CITEM's subsequent transactions using the bank statements/bank books to establish the accuracy of the Cash-in-Bank balance as of December 31, 2019 disclosed total variance of P21.290million between the confirmed bank balances and Subsidiary Ledgers (SLs) on four out of six depository accounts as presented in Table 1.

Table 1 – ConfirmedBank Balances vis-a-vis SLs Balances

Bank Acct. No.	Description	Balance per SL (a)	Balance per Bank (b)	Variance (c = a- b)	Remarks
0405-017871-030	DBP LCCA	P 9,609,650	P 9,936,566	P (326,916)	Unrecorded deposits and the deposits not reflected in the bank
0405-017071-160	DBP LCTD	1,792,122	1,792,122	-	
1774-0065-04	LBP FCCA	116,741,795	118,340,256	(1,598,461)	Unrecorded deposits
1772-1021-82	LBP LCCA (Subsidy)	119,825,081	134,970,322	(15,145,241)	Outstanding checks, unrecorded deposits & bank debits
1772-1038-63	LBP LCCA* (Income)	37,272,096	41,491,785	(4,219,689)	Outstanding checks, unrecorded deposits & bank debits
1779-0212-42	LBP FCCTD*	55,624,440	55,624,440	-	
Total		P340,865,184*	P362,155,491	P(21,290,307)	

*Total amount per SLs of P340,865,184 included the portions of Restricted Fund Account amounting to P14,779,161(LBP income) and P1,983,693 (LBP FCCTD), which are recorded under Other Assets account, thus CashInBank account as of December 31, 2019 is P324,102,330 [P340,865,184 – (P14,779,161 + P1,983,693)].

Unrecorded/unadjusted bank credit/debit memos and book errors totaling P10.096 million on four depository accounts

- 1.6 Review of the Bank Reconciliation Statements (BRSS) for LBP and DBP accounts disclosed the existence of various reconciling items totaling P10.096million which remained unadjusted in the books as of December 31, 2019. These reconciling items included unidentified bank credits and

debits amounting to P9.576 million and P0.520 million, respectively, as summarized in Table 2.

Table 2 – Unrecorded Book Reconciling Items

Bank Name	Period	Bank Credits	Bank Debits	TOTAL
DBP LCCA	2013-2019	P 380,457	P -	P 380,457
LBP FCCA	2019	1,598,461	-	1,598,461
LBP LCCA (Subsidy)	2016-2019	4,569,433	9,882	4,579,315
LBP LCCA (Income)	2017-2019	3,027,742	510,250	3,537,992
Total		P9,576,093	P520,132	P10,096,225

- 1.7 Management explained that the deficiency was attributed to the inability of the depository banks to provide credit and debit memos to support the bank credits/debits reflected in the bank statements.
- 1.8 Moreover, the difficulty of CITEM in determining or identifying the depositor/s of the unrecorded bank credits affected the accuracy of the Accounts Receivable accounts since most of the bank credits represent payments from creditors/exhibitors joining the Center's trade fairs/events.
- 1.9 In view of the foregoing deficiencies, the faithful representation of the balance of the Cash in Bank account as of December 31, 2019 in the amount of P324.102 million was not established.
- 1.10 This is a reiteration with updates of the prior year's audit observation as Management was not able to fully implement the corresponding recommendations.
- 1.11 **We recommended that Management instruct the Chief, Accounting Division to:**
 - a. **Determine the cause(s) of the variances between the book balances and the confirmed bank balances on the four depository accounts and effect the necessary adjustments to arrive at reconciled balances;**
 - b. **Send confirmation letters regularly to creditors/exhibitors with outstanding balance to inquire if payments have been made via online facility of the CITEM's depository banks and require them to submit proofs of payment to facilitate recording of the unidentified bank credits;**
 - c. **Provide a system of check and balance to ensure that all payments made by exhibitors are recorded in the books; and**
 - d. **Make representation with the concerned CITEM's depository bank Management on ways to resolve the issue on the banks' inability to provide bank credit and debit memos.**

1.12 Management commented that:

- a. They took note of the audit observations and would effect the necessary adjustments beginning of CY 2020;
- b. They will assign accounting personnel to look into the banks deposit slips to identify the reconciling items floating in CITEM accounts and, henceforth, send letter request to the banks to provide them bank credit and debit memos on a monthly basis.
- c. They appreciated the Audit Team's observation and assured that they will direct the Divisions concerned to exert all efforts and use all available resources to adhere with the recommendations.

1.13 As a rejoinder, the Audit Team acknowledged the commitment of Management to exert all efforts to adhere with the recommendations. Their full compliance, however, will be monitored in the CY 2020 audit.

2. The Inter-agency Payables sub-accounts, Due to Government Service Insurance System (GSIS) and Due to Home Development Mutual Fund (Pag-IBIG), disclosed negative (abnormal) balances in the aggregate amount of P42,965 due to erroneous posting/recording of adjustments in the books, contrary to Paragraph 3.11 of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities that requires financial reports should be free from error, as possible.

2.1 The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities includes, among others, the following qualitative characteristics of useful information:

Faithful Representation

Xxxx

3.11 In practice, it may be possible to know or confirm whether information presented in [General Purpose Financial Reports] GPFRs is complete, neutral, and free from material error. However, information should be as complete, neutral, and free from error as is possible.

2.2 Review of the Inter-agency Payables account disclosed negative balances in the aggregate amount of P42,965, comprising sub-accounts Due to GSIS and Due to Pag-IBIG totaling P32,504 and P10,461, respectively.

2.3 Review of the Subsidiary Ledgers (SLs) and related documents revealed that the causes of the negative balances were errors in posting to the SLs and erroneous recording of prior years adjustments, which remained uncorrected in the books as some of these errors existed many years ago.

- 2.4 This is a reiteration of previous years' audit observation as Management was unable to totally resolve the negative balances. However, it is worthy to mention that the Accounting Division was able to trace some of the mispostings and/or erroneous recording in prior years and made the necessary adjustments; thus, the P74,408 negative (abnormal) balances noted in CY 2018 was reduced to P42,965 in CY 2019 or a decrease of 42.25 per cent or P31,443, as shown in the Table 3.

Table 3 – List of Accounts with Negative Balances

Particulars	Negative Balances		Increase/ (Decrease)
	2019	2018	
GSIS			
GSIS - Calamity Loan	P14,589	P14,589	P -
GSIS - Conso Loan	16,453	44,404	(27,951)
GSIS - Policy Loan	1,200	1,200	-
GSIS - Summary	262	262	-
One-Month Salary			
	32,504	60,455	(27,951)
Pag-IBIG			
Pag-IBIG-Multi Purpose Loan	10,461	13,953	(3,492)
Total	P42,965	P74,408	P(31,443)

- 2.5 **We recommended and Management agreed to direct the Chief, Accounting Division to:**
- Exert all efforts in tracing/analyzing prior years' erroneous posting/recording of adjustments in the books to totally resolve the negative balances; and**
 - Henceforth, exercise due care and diligence in the recording of transactions in the books of accounts to ensure accuracy and avoid errors/mispostings.**
3. **The existence, reliability and accuracy of the balance of Inventories account in the aggregate amount of P2.029 million as of December 31, 2019 could not be ascertained due to: (a) the Report on the Physical Count of Inventories (RPCI) submitted was incomplete and lacked significant data, i.e. unit value, quantity or balance and shortage/overage; (b) non-maintenance by the Accounting Division of the Supplies Ledger Cards (SLCs) to substantiate the General Ledger balance of Inventories; (c) non-maintenance by the Property Custodian of Stock Cards (SCs) as required under Section 17, Chapter 8 of the Government Accounting Manual (GAM), Volume I; and (d) non-adoption of the weighted average method for costing Inventory as required by Philippine Application Guidance (PAG) 2 of IPSAS 12.**
- 3.1 The Inventories account of CITEM comprised of the following sub-accounts, namely: Office Supplies, Drugs and Medicines, Textbooks and

Instructional Materials, Other Supplies and Materials, Semi-expendable Machinery and Equipment and Semi-expendable Furniture and Fixtures.

- 3.2 Audit of the Inventories account in the aggregate amount of P2.029 million as of December 31, 2019 revealed several deficiencies as discussed hereunder.

RPCI submitted was incomplete and lacked significant data

- 3.3 The General Services Division (GSD) conducted a physical count of Inventories for the year ended December 31, 2019 and submitted the RPCI accordingly. However, it was noted that the RPCI submitted was only for the Office Supplies which is not in accordance with Section 13, Chapter 8 of the GAM, Volume I, which states that:

xxx Physical count/inventory, which is required semi-annually, is an indispensable procedure for checking the integrity of property custodianship.

- 3.4 Likewise, review of the RPCI disclosed that the report lacked significant data such as unit value, the quantity or balance per SC, and shortage or overage, which are essential to determine the accuracy of the balance of the Inventories account. Thus, comparison of the physical count with the records of the Accounting Division could not be facilitated.

Non-maintenance by the Accounting Division of the SLCs to substantiate the General Ledger balance of Inventories and non-maintenance by the Property Custodian of SCs as required under Section 17, Chapter 8 of GAM, Volume I

- 3.5 Section 17, Chapter 8 of the GAM, Volume I prescribes the records, forms and reports to be prepared and/or maintained, which states:

The following records, forms and reports are prescribed for use: xxx b. Stock Card (SC) (Appendix 58) – shall be used to record all receipts and issues of supplies and the balance in quantity at any time. It shall be maintained by the Property and/or Supply Division/Unit for each item in stock. The IAR, RIS, PO and DR serve as the original sources of information for making entries on the card xxx c. Supplies Ledger Card (SLC) (Appendix 57) – shall be used to record materials received, issued and the balance both in quantity and amount at any time. It shall be maintained by the Accounting Division/Unit for each kind of supplies and materials. The IAR, RIS, RSMI, PO and DR serve as the original sources of information for making entries on the card. Xxx g. Report of Supplies and Materials Issued (RSMI) (Appendix 64) – shall be prepared by the Property and/or Supply Custodian based

on the RIS and shall be used by the Accounting Division/Unit as basis in preparing the JEV to record the supplies and materials issued.

- 3.6 Verification revealed that the Accounting Division did not maintain SLCs to substantiate the balance of the Inventories account recorded in the General Ledger. Inquiry revealed that in prior years, the Accounting Division maintained SLCs, but when the personnel handling the Inventories account resigned in 2016, no proper turnover of documents was made. As at audit date, there was still no personnel in the Accounting Division assigned to monitor the movement of supplies and materials.
- 3.7 Moreover, the Property Custodian admitted that a Stock Card (SC) for each item of inventory is not maintained. Instead, a Report of Requisition and Issue Slip (RIS), which is a customized consolidated report which shows the unit, description of stock or item, RIS No., budget source, division concerned and the balances as to quantity (beginning balance, purchases and ending balance), and the Report of Supplies and Materials Issued (RSMI) are being prepared quarterly. However, the said customized consolidated report has deficiencies, e.g. no summary of issued supplies, and no column provided as to cost that should be filled out by the Accounting Division to serve as basis for preparing the Journal Entry Voucher (JEV), etc.
- 3.8 The non-maintenance of the SLCs and SCs resulted in difficulty to reconcile the balance of the Inventories account between Accounting and Property records.

Non-adoption of the weighted average method for costing Inventory as required by PAG 2 of IPSAS 12

- 3.9 It was further noted that CITEM did not adopt the weighted average method for costing of Inventories since the cost for every purchase is not being monitored, thereby, the Accountant could not re-calculate the average cost of all items in stock, which is not in accordance with PAG 2 of IPSAS 12, viz.:

Xxx for consistency and uniformity in costing inventories, the weighted average shall be adopted for items that are not specifically identifiable.

- 3.10 In addition, Section 6, Chapter 8 of the GAM, Volume I provides that:

The weighted average method shall be used for costing inventories. This method calls for the re-calculation of the average cost of all items in stock after every purchase. Therefore, the weighted average cost is the total cost of all units subsequent to the latest purchase, divided by their total number of units available. The Accounting Division/Unit shall

be responsible in computing the cost of inventory on a regular basis as recorded in the Supplies Ledger Card (SLC).

- 3.11 In view of the foregoing deficiencies, the existence, reliability and accuracy of the balance of Inventories account in the aggregate amount of P2.029 million as of December 31, 2019 could not be ascertained.
- 3.12 **We recommended that Management:**
- a. **Henceforth, create an Inventory Committee to be responsible for the complete physical count of Inventories and preparation of the RPCI, following the prescribed form in the GAM.**
 - b. **Require the Chief, Accounting Division to: (i) assign personnel who will maintain the SLCs for each kind of supply, material or inventory, and (ii) adopt the weighted average method in costing the Inventories in compliance with PAG 2 of IPSAS 12.**
 - c. **Direct the Property Custodian to: (i) maintain SCs for each inventory item in stock following the prescribed form under the GAM to facilitate reconciliation of the Inventories account with the Accounting records, and (ii) prepare the RSMI monthly to serve as basis of the Accounting Division in preparing the JEV to record the supplies and materials issued.**
- 3.13 Management commented that the GSD was tasked to create the Inventory Committee, maintain the SCs and prepare the RSMI. Likewise, they will consistently pursue available government-prescribed accounting systems, such as e-NGAS, to ensure proper recording of the Inventories account.
- 3.14 As a rejoinder, the Audit Team will monitor CITEM's full implementation of the recommendations in CY 2020 audit.

B. OTHER OBSERVATIONS

4. Cash advances totaling P1.379 million remained unliquidated and dormant for more than 17 years, contrary to COA Circular Nos. 97-007 dated February 10, 1997 and 2016-005 dated December 19, 2016.

- 4.1 As a rule, cash advances must be liquidated within the prescribed periods depending upon the nature and purpose of the particular cash advance as provided under COA Circular No. 97-002 dated February 10, 1997, restating with amendments, the rules and regulations on the granting, utilization and liquidation of cash advances.
- 4.2 COA Circular No. 2016-005 dated December 19, 2016 was issued to provide the guidelines/procedures on the write-off of Dormant Receivable Accounts, Unliquidated Cash Advances and Fund Transfers of National Government Agencies, Local Government Units, and Government-Owned and Controlled Corporations in order to fairly present accounts in the Financial Statements. Section 5.5 of the said COA Circular defines Dormant Unliquidated Cash Advances as *“advances granted to disbursing officers, agency officers and employees which remained non-moving for ten (10) years or more and where settlement/collectability could no longer be ascertained.”*
- 4.3 The Advances to Officers and Employees account with aggregate balance of P1,378,925 as of December 31, 2019 pertained to cash advances granted since 1983 up to 2002 which have remained unliquidated and dormant for 17 years to 36 years already. Due to some reasons like death, separation from the government service either by resignation or retirement, unknown addresses and untraceable transactions, these unliquidated cash advances remained dormant even after exhausting all possible means to facilitate collection. As such, settlement or collectability of these cash advances could no longer be ascertained.
- 4.4 Review of the Status Reports of Unliquidated Cash Advances, Fund Transfers and Other Receivables disclosed that on February 9, 2018, CITEM requested for the write-off of these dormant accounts. However, the request for write-off was returned to CITEM due to lack of supporting documents as prescribed in Section 8.3.b. of COA Circular No. 2016-005, which provides that:

b. Certified relevant documents validating the existence of the conditions, as applicable, such as:

b.1 Death Certificate issued by Philippine Statistics Authority (formerly National Statistics Office);

b.2 Proof of Insolvency;

b.3 Certification from the Department of Trade and Industry that the debtor has no registered business;

b.4 Certification from the Securities and Exchange Commission that the Corporation is no longer active;

b.5 Certificate of no residence in the barangay of the municipality/city of last known address;

b.6 Proof of exhaustion of all remedies to collect the receivables and demand to liquidate the cash advances and fund transfers, such as but not limited to copies of served or returned demand letters;

b.7 Certification by Legal Officer of the entity of no pending case relative to the account;

b.8 Certification by the responsible officials of the entity to the effect that there are no records/documents available to validate claim;

b.9 Other justifications, like in the case of request for write-off due to loss of documents, the circumstances of the loss should be stated in the letter-request; and

b.10 In case of fund transfer, the unliquidated amount after reconciliation shall be supported by certification by the Chief Accountants and approved by the Heads of the source and implementing entities that the fund was utilized for the purpose, and certification from the recipient that the project was partially or fully implemented, supported by pictures of the implemented projects.

4.5 As at audit date, CITEM has not refiled the request for write-off due to some conditions and requirements as stated above which they were unable to comply.

4.6 **We recommended and Management agreed to prepare all the required supporting documents prescribed in Section 8.3 of COA Circular No. 2016-005 and refile the request for write-off.**

5. **CITEM was able to fully accomplish and implement its targeted number of projects on trade fairs. Export sales from these projects exceeded by USD271.976 million or 181 per cent of the Center's targeted export sales and the cost directly attributable to these projects was lower by P2.107 million than the budgeted amount. However, based on the Statements of Financial Performance for the years ended December 31, 2019 and 2018, the Center's**

net surplus of P33.627 million in CY 2019 was lower by P24.674 million or 42.32 per cent than its net surplus of P58.301 million in CY 2018.

- 5.1 The Audit Team reviewed the CY 2019 Accomplishment Report of CITEM to determine whether the Center has met its targets. The Report on Budget Programmed vs. Costs for the period ending December 31, 2019; 2019 Work Program-Accomplishments Report and the Statements of Financial Performance for the years ended December 31, 2019 and 2018 were the bases in the assessment whether Management improved their cost effectiveness in attaining the Center's objective.
- 5.2 Effectiveness was measured by comparing the Center's implementation of target projects versus actual accomplishments; economy was measured by comparing the costs in the implementation of the projects with that of the budgeted amounts; and efficiency was measured by comparing the income generated with the actual cost incurred to carry out these projects. In the review, the Audit Team also considered the representations made by Management; however, such representations were not validated as to their accuracy.

Accomplishment Reports on Trade Fairs

- 5.3 The Center's 2019 Accomplishment Report on the actual number of projects and exhibitors attended as well as the export and domestic sales generated on the trade fairs conducted in 2019 as compared to targets is shown in Table 4.

Table 4 – Performance Rate

Description	CY 2019 Accomplishment		Difference (Amount)	Accomplishment Rate (Per cent)
	Actual	Target	Favorable (Unfavorable)	
Number of Projects	19	18	-	-
Number of Exhibitors	1,676*	1,330*	346	126.00
Number of Trade Buyers	18,852	16,363	2,489	115.00
Export sales (In million USD)**	607.976	336.000	271.976	181.00
Domestic (In million Pesos) ***	273.103		-	-

**Includes local exhibitors/SMEs and foreign exhibitors assisted through CITEM's Capability-building programs*

***Includes target sales for negotiated sales*

****No set approved target by DBM for domestic sale as the Center's mandate is to generate export sales*

- 5.4 The data/information in Table 4 was taken from the 2019 Work Program-Accomplishment Report of CITEM. As can be gleaned from Table 4, the Center reported that it exceeded its targets as to the number of projects held as well as the number of trade buyers. The number of exhibitors during the implementation of the project exceeded the annual target participants per General Appropriations Act (GAA) by 346 exhibitors.

- 5.5 The export sales from these projects exceeded by USD271.976million or 181 per cent of its GAA targeted export sales. Moreover, the Center has earned a total domestic sale of P273.103 million on its four signature events in Manila, namely: The Manila FAME in April and October, International Food Expo (IFEX) and The CREATE Philippines.
- 5.6 Based on the foregoing data/information, CITEM was able to fully accomplish and implement its targeted number of projects on trade fairs.

Budget and cost directly attributable to the Projects and income derived from the implementation thereof

- 5.7 The budget, cost and income derived from the implementation the projects are presented in Table 5.

**Table 5 – Projects' Budget vis-a-vis Cost
(In million Pesos)**

Particulars/Projects	Budget	Cost	Variance of Budget Over Cost	Income	Variance of Actual Cost OverIncome
	(a)	(b)	(b-a)	(c)	(c-b)
<i>I. Business to Business</i>					
A. Signature Events	112.436	112.179	0.257	58.986	(53.193)
<i>B. Overseas Promotional Events</i>					
1. Home and Fashion	24.300	24.001	0.299	8.127	(15.874)
2. Food	49.499	48.904	0.595	24.224	(24.680)
3. Creative Industry	0.260	0.009	0.251	-	(0.009)
4. Special Projects	2.670	2.621	0.049	3.959	1.338
5. International	5.000	4.789	0.211	1.862	(2.927)
OTHERS	5.600	5.326	0.274	-	(5.326)
China International	19.300	19.128	0.172	2.196	(16.932)
TOTAL- OPERATIONS	219.065	216.957	2.108	99.354	(117.603)

**Does not include amount for General and Administrative Services, Other MOOE, Salaries and Allowances of CITEM Employees and Personnel and Capital Outlay*

- 5.8 As shown in Table 5, the total operating cost directly attributable to the implementation of the projects was lower than the allotted budget by P2.108 million. Although there was an unfavorable loss in the aggregate amount P177.603 million from the implementation of these projects (cost vis-à-vis income), it is just normal as the mandate of the Center is not to earn profit but to promote, strengthen and expand capability building and development program for Small Medium Entrepreneurs (SMEs) and sustaining the global presence and expansion of industry sectors.
- 5.9 However, whether there would be profit or not in the implementation of the targeted projects, the Center must still observe proper cost-cutting

measures to minimize costs and losses and to economically spend its resources, so as not to exceed the budget or incur huge expenditures.

*CITEM's overall performance based on CYs
2019 and 2018 Statements of Financial
Performance*

- 5.10 Based on the Statements of Financial Performance for the years ended December 31, 2019 and 2018, CITEM incurred a net surplus of P33.627 million in CY 2019 which was lower by P24.674 million or 42.32 per cent than its CY 2018 net surplus of P58.301 million, as summarized in Table 6.

**Table 6 – Statement of Financial Performance
CYs 2018 and 2019
(In Million Pesos)**

Account	2019	2018	Variance	
			Amount	Per cent
Income+ Subsidy	381.876	315.835	66.041	20.91%
Expenses +losses-gains	(348.249)	(257.534)	(90.715)	35.22%
Net Surplus	33.627	58.301	(24.674)	(42.32%)

- 5.11 From the net deficit/loss in CYs 2013 to 2016, the Audit Team commended the Center for incurring net surplus from CYs 2017 to 2019. CITEM continued to reverse its financial performance from deficit/loss to surplus for three years already. Nevertheless, the decrease of P24.674 million or 42.32 per cent in its net surplus in CY 2019 should be taken into consideration in order for CITEM to continue and maintain a positive overall performance.
- 5.12 **We recommended and Management agreed to review their expenditures on projects with significant increases vis-à-vis the impact on target accomplishments so as to minimize cost in the implementation of these projects.**

GENDER AND DEVELOPMENT (GAD)

6. The CITEM's GAD Plan and Budget (GPB) for CY 2019 submitted to the Philippine Commission on Women (PCW) totaling P10.861 million was only 3.90 per cent of the total Corporate Operating Budget (COB) of P278.228 million, contrary to the five per cent minimum requirement under PCW-NEDA-DBM Joint Circular No. 2012-01. Likewise, the Center's implemented programs, activities and projects (PAPs) with total expenditures of P91.082 million as shown in the GAD Accomplishment Report (AR) could not be validated whether these really addressed the gender issues of the Center as the GPB and AR were not endorsed and reviewed by PCW. Further, the identified PAPs were not assessed using the Harmonized Gender and Development Guidelines (HGDG) since the GAD Focal Point System (GFPS) of the Center has not been trained on the HGDG.

- 6.1 Paragraph 8.0 of the PCW-NEDA-DBM Joint Circular No. 2012-01 states that:

8.0 SUBMISSION, REVIEW AND ENDORSEMENT OF AGENCY GAD PLANS AND BUDGETS

8.1 Pursuant to Section 37A of the MCW-IRR, all agencies, offices, bureaus and all government instrumentalities and others concerned shall formulate their annual GPBs within context of their mandates.

Xxxx

8.2 The GFPS of the agency shall review all submitted GPBs and as needed, provide comments or recommendations for revision. Agency review of GPBs shall focus on the alignment of the GAD plan with the GAD agenda and the correctness and alignment of the entries in each column of the GPB template, e.g. if the proposed activities respond to the identified gender issue or cause of the issue, the issues are correctly identified or formulated, if there are clear indicators and targets, if the proposed budget is realistic, if the number of proposed activities are doable within the year, among others. The GFPS shall then submit the final GPBs and the corresponding GAD ARs to PCW for review and endorsement xxx.

- 6.2 Likewise, Items 7.v and 7.vii of the same Joint Circular provide that:

7.v January (1 year before budget year) –Submission of reviewed GPBs and ARs to PCW.

7.vii March - Line departments or central offices submit revised GPBs to PCW. PCW approves and endorses all revised GPBs and returns them to the concerned offices for submission to DBM in time for the budget submission.

- 6.3 The said regulation enjoined government agencies to allocate at least five per cent (5%) of their total annual budget for the implementation of GAD PAPs. However, the Center was only able to allocate in its CY 2019 GPB the amount of P10.861 million or 3.90 per cent of the total COB of P278.228 million.
- 6.4 Further, inquiry revealed that the Center's CY 2019 GPB was submitted to PCW on January 31, 2018 thru Gender Mainstreaming Monitoring System (GMMS), while the 2019 GAD AR was submitted to PCW on January 31, 2020. However, these are still under review and pending endorsement by the PCW as of June 24, 2020.

- 6.5 Despite the absence of the duly endorsed CY 2019 GPB, the Center was able to implement GAD related PAPs in its trade promotion activities in the total amount of P91.082 million which exceeded the GPB by 838.62 per cent, as shown in Table 7.

Table 7 – Summary of GAD Related PAPs Implemented in CY 2019

Activity	Targeted Women Participation	Actual Women Participation	% of Participation	Actual Expenditure
Trade Promotions (Trade Fairs)	136	820	602.94%	P 91,077,106
Export Coaching	160	100	62.5%	-
Organization-focused	65 (men & women)	109 (men & women)	167.69%	5,000
Total amount expended				P91,082,106
CY 2019 GPB				P10,861,000
Per cent of utilization				838.62

- 6.6 However, the implemented PAPs with total expenditures of P91.082 million could not be validated whether these really addressed the gender issues of the Center as the GPB and AR were not endorsed and reviewed by the PCW.

- 6.7 Likewise, in reiteration of previous year's observation, CITEM was not able to comply with the recommendation of the PCW that the GAD PAPs should be assessed using the HGDG Tool as the Center's GFPS has not been trained on the use of the said Tool.

6.8 We recommended and Management agreed to:

- a. **Mainstream GAD on the operations and regular PAPs of the Center to be able to attribute at least five per cent of the total COB;**
- b. **Coordinate with PCW for the training of the GFPS on the use of HGDG Tool; and**
- c. **Henceforth, follow-up with PCW the endorsement of the GPB and GAD AR to ensure that the PAPs identified are fully carried out and really address the gender issues of the Center.**

COMPLIANCE WITH TAX LAWS

7. CITEM has been consistently withholding taxes on salaries and wages and other benefits accruing to its officers and employees as well as on goods and services, which were remitted to the Bureau of Internal Revenue (BIR) within the

reglementaryperiod. For CY 2019, total remittances to the BIR amounted to P16.732 million.

REMITTANCE OF MANDATORY CONTRIBUTIONS TO THE GOVERNMENT SERVICE INSURANCE SYSTEM (GSIS), PHILIPPINE HEALTH INSURANCE CORPORATION (PHILHEALTH) AND PAG-IBIG FUND

8. The CITEM is compliant with the timely remittances of contributions to the GSIS, PhilHealth and Home Development Mutual Fund (Pag-IBIG) pursuant to Section 14.1 of the Implementing Rules and Regulations (IRR) of GSIS Act of 1997; Circular No. 0001, series of 2014 of the National Health Insurance Act of 2013; and Section 3 of Rule 7 of the IRR of Pag-IBIG Law, respectively.

SUMMARY OF UNSETTLED SUSPENSIONS, CHARGES AND DISALLOWANCES

9. As of December 31, 2019, there were no unsettled audit suspensions and charges, while the unsettled audit disallowances amounted to P4.915 million, the details and status are shown in Table 8.

Table 8- Unsettled Audit Disallowances

ND No./Date	Particulars	Amount	Remarks/Status
ND 12-001-416/136/793-(11-12)/11-12-12	Consultancy Services	P 1,613,390.00	With Petition for Review to the Commission Proper
ND 14-01-(11-13)/02-07-14	Professional Fee	782,958.47	With Petition for Review to the Commission Proper
ND 14-002-101-(12)/02-10-14	Travel Expenses	201,108.12	With Petition for Review to the Commission Proper
ND 15-001-101-(11-12)/05-28-15	Payment of Signage	2,202,506.19	With Petition for Review to the Commission Proper
ND 15-001-795-(11-13)/08-19-15	Payment of Honorarium	115,000.00	With Petition for Review to the Commission Proper
Total		P 4,914,962.78	

PART III - STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the 21 prior years' audit recommendations in the prior years' Annual Audit Report (AAR), 11 were fully implemented, nine were partially implemented and one was not implemented. Details as follows:

Reference	Observations	Recommendations	Actions Taken/ Comments
<u>Financial</u>			
AAR 2018 Audit Observation (AO) No. 1, page 52	The faithful representation of the balance of Cash in Bank account amounting to P307.361 million as at December 31, 2018 was not established due to: (a) discrepancy of P1.115 million between the balance per books and confirmed bank balances on two depository account; (b) unrecorded bank credits/debits and unadjusted book errors in four depository accounts in an aggregate amount of P3.890 million; and (c) deposits recorded in the books but not taken up by the bank totaling P53.540	<p>a. Instruct the Accounting Division to:</p> <p>a.1 Determine the cause(s) of the variances between the book balances and the confirmed bank balances on the two accounts maintained with PNB and effect the necessary adjustments, if any, to arrive at reconciled balances;</p> <p>a.2 Send confirmation letters to exhibitors to inquire if payments have been made via online facility of the Banks and require them to submit proof of payment to facilitate recording of the unidentified bank credits;</p> <p>a.3 Provide a system of check and balance, ensure that all payments</p>	<p>Partially Implemented.</p> <p>Reiterated with updates under Part II . Observation and Recommendation No.1 of this Report.</p> <p>Partially Implemented.</p> <p>Partially Implemented.</p>

Reference	Observations	Recommendations	Actions Taken/ Comments
		are recorded in the books, and send confirmation letters regularly to exhibitors with outstanding balance with CITEM;	
		a.4 Exert all efforts to identify the nature of the unrecorded bank credits and debits so that necessary adjustments could be made in the books;	Fully Implemented.
		a.5. Make necessary adjustments in the books on the errors noted totaling P50,101; and	Fully Implemented.
		a.6 Substantiate the correctness of the recording in the books of the deposits totaling P53,540 and submit to the concerned Bank proofs of the deposit so that the amount could be credited by the latter to CITEM's account.	Partially Implemented.
		b. Direct the Chief, Finance Division to make representation with the Bank Management on ways	Fully Implemented.

Reference	Observations	Recommendations	Actions Taken/ Comments
		to resolve the issue on the delay in the issuance of the monthly bank statements and its inability to provide bank credit memos.	
AAR 2018 AO No. 2, page 55	The discrepancy of P3.792 million between the balance per books and Report on the Physical Count of Property, Plant and Equipment (RPCPPE) and the non-maintenance of complete PPE Ledger Cards (PPELCs) and Property Cards (PCs) by the Accounting Division and General Services Division, respectively, the faithful representation of the balance of PPE account costing P92.950 million and carrying amount of P28.869 million as of December 31, 2018 was not ascertained.	<p>a. Direct the Accounting Division and the General Services Division to reconcile the variances of P3.792 million between the books and the RPCPPE and furnish the Audit Team with the details of the reconciliation for audit purposes;</p> <p>b. Require the Property and Supply Officer to maintain Property Cards (PCs) for all items of PPE pursuant to Section 42 of GAM, Volume I and reconcile regularly the balances of each PC with the balance per PPELC maintained by the Accounting Division; and</p> <p>c. Instruct the Accountant to maintain complete and updated PPELC for each type/item of PPE and perform</p>	<p>Partially Implemented.</p> <p>Fully Implemented.</p> <p>Fully Implemented.</p>

Reference	Observations	Recommendations	Actions Taken/ Comments
		regular reconciliation of PPELCs with the PCs maintained by the Property and Supply Officer to ensure that records of Accounting Division are reconciled with the records of the General Services Division.	
AAR 2018 AO No. 3, page 57	The RPCPPE for CY 2018 included 644 PPE items identified as %damaged for disposal+ totaling P8.972 million, instead of reporting them separately in an Inventory and Inspection Report of Unserviceable Property (IIRUP) to conform with Section 40 (d) and Section 42 (h) of GAM, Volume I. Likewise, these unserviceable properties were still recorded in the books as part of PPE in view of the non-disposal thereof; thus overstating the PPE account which is not in accordance with Paragraph 82 of the Philippine Public Sector Accounting Standard (PPSAS) 17.	<p>a. Direct the General Services Division to prepare IIRUP for properties which were already identified as unserviceable to facilitate the disposal thereof through public auction, destruction in the presence of COA Auditor or COA representative or other appropriate mode of disposal;</p> <p>b. Require the Disposal Committee to appraise those unserviceable properties which have still value and determine the appropriate mode of disposal; and</p> <p>c. Instruct the Accountant to derecognize the carrying value of the unserviceable properties upon disposal.</p>	<p>Fully Implemented.</p> <p>Fully Implemented.</p> <p>Fully Implemented.</p>

Reference	Observations	Recommendations	Actions Taken/ Comments
AAR 2018 AO No. 4, page 59	The sub-accounts of Due to GSIS and Due to Pag-IBIG accounts disclosed negative (abnormal) balances in the aggregate amount of P74,408 due to misposting or erroneous recording of adjustments in the books, which is not in accordance with Paragraph 3.11 of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities that requires financial reports should be free from error as possible.	a. Exert all efforts in tracing/analyzing the errors in postings to the SLs to determine the causes thereof, and to make the necessary adjustments in the books; and b. Henceforth, exercise due care and diligence to ensure accuracy in the recording of transactions in the books of accounts to avoid errors/misstatements.	Partially Implemented. The negative (abnormal) balances was reduced to P42,964.92 in CY 2019. Fully Implemented.

Compliance

AAR 2018 AO No. 5, page 61	The CITEM still maintains three depository accounts with the Philippine National Bank (PNB) with aggregate balance of P5.780 million as of December 31, 2018, contrary to Department of Finance (DOF) Department Circular (DC) No. 001-2017 dated May 11, 2017; thus, depriving the government authorized depository banks (AGDBs) of the benefits that could be derived therefrom had these funds been deposited thereat.	Comply with DOF DC No. 001-2017 dated May 11, 2017 and to transfer all accounts maintained with PNB to the LBP or other AGDBs.	Fully Implemented.
AAR 2018 AO No. 6, page 62	The Report on the Physical Count of Property, Plant and equipment (RPCPPE) as of December 31, 2018 was not submitted within the reglementary period as required under Section 38, Chapter 10 of the GAM, Volume I. Likewise, the	Require the Inventory and Disposal Committee to: a. Conduct the physical count of PPE in a timely manner to facilitate prompt submission	Partially Implemented.

Reference	Observations	Recommendations	Actions Taken/ Comments
	RPCPPE did not conform with the prescribed format under Appendix 73 of GAM, Volume II, as the necessary information for each PPE class/item were not completely supplied, resulting in the difficulty in matching the Report with the accounting records.	of the RPCPPE on or before January 31 of the ensuing year; and b. Prepare the RPCPPE following the prescribed form under Appendix 73 of GAM, Volume II to facilitate reconciliation/ comparison thereof with the accounting and property records.	Fully Implemented.
AAR 2018 AO No. 7, page 64	The CITEM's GAD Plan and Budget (GPB) for CY 2018 submitted to the Philippine Commission on Women (PCW) totaling P11.594 million, which was five per cent of the total Corporate Operating Budget (COB) of P231.876 million, was only endorsed by PCW for P1.374 million, since one of the identified programs/projects/ activities (PAPs) with budget allocation of P10.220 million was recommended by the PCW for delisting from the CITEM's GPB for the reasons that the said PAP should have been assessed using the Harmonized Gender and Development Tool (HGDG); however, the GAD Focal Point System (GFPS) of the Center had not been trained on the HGDG and the deadline for Gender Mainstreaming Monitoring System (GMMS) access had already lapsed. Thus, the Center was not able to	a. Mainstream GAD on the operations and regular PAPs of the Center to be able to attribute at least five per cent of the total COB; b. Coordinate with the PCW for the training of the GFPS on the HGDG, to avoid delisting of the proposed GAD PAPs in the GPB and the timely endorsement of the GPB; and c. Ensure that the PAPs identified in the duly PCW-endorsed GPB are fully carried out.	Partially Implemented. Not Implemented. Partially Implemented.

Reference	Observations	Recommendations	Actions Taken/ Comments
	utilize/implement the minimum five per cent of its COB for GAD related PAPs as required under the PCW-NEDA-DBM Joint Circular No. 2012-01.		