



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

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

June 23, 2021

**CITEM LEGAL**  
Received by Debbie P. Reyes  
Date June 23, 2021

**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

**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, 2020 and 2019.

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 the Calendar Years (CYs) 2020 and 2019 in view of the following:

1. The Inter-agency Payables sub-account-Due to National Government Agencies (NGAs) included P12.934 million unutilized funds which were transferred by the Source Agencies (SAs) under agency-to-agency procurement and without provision in the Memoranda of Agreements (MOAs) that the excess funds shall be returned to the SAs, hence the transferred funds should have been recognized as revenue and not as a liability upon transfer thereof, thereby resulting in the overstatement of Inter-agency Payables account of P12.934 million and misstating the Service and Business Income account and other affected accounts.
2. The faithful representation in the financial statements of the Receivables account with net book value of P13.457 million as of December 31, 2020 could not be ascertained due to: (a) incomplete/not updated Subsidiary Ledgers (SLs) to support the receivables totaling P4.809 million; (b) presence of negative/abnormal balances amounting to P3.374 million; and (c) absence of Aging Schedule precluding the determination of the adequacy of the Allowance



for Impairment of P6.790 million provided for Receivables account, contrary to Items 3.10, 3.12 and 3.26 of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities.

3. The faithful representation in the financial statements of the balance of the Property, Plant and Equipment (PPE) account with carrying amount of P22.997 million as of December 31, 2020 was not established due to: (a) variance of P7.679 million between the cost of PPEs per Accounting records and the Report on the Physical Count of PPE (RPCPPE); and (b) non-maintenance of complete and updated PPE Ledger Cards (PPELCs) by the Controllership Division, thus reconciliation with Property records could not be facilitated, contrary to the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities and Paragraph 27 of International Public Sector Accounting Standard (IPSAS) 1.

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

- 1.1 Direct the Controllership Division to: (a) review and analyze the MOAs between the SA-NGAs and CITEM particularly on the unexpended/excess funds totaling P12.934 million; and (b) prepare the necessary adjustments to recognize revenue for funds transferred under procurement contract, and those covered by MOAs without a provision on the return of excess funds to SA-NGAs.
- 2.1 Require the Controllership Division to:
  - a. Maintain SLs for Accounts Receivable (AR) – Participation Fees (PF) Local, AR – Extension Charges and AR – Others;
  - b. Determine the nature of the negative balances and prepare the necessary adjustments;
  - c. Prepare and submit to the Audit Team the Aging Schedule of the Receivables account on or before the deadline set in accordance with Section 3 of COA Circular No. 2015-004 dated July 16, 2015, to facilitate verification; and
  - d. Determine the nature and the concerned debtors/clients for AR –Extension Charges account of P443,447 and take appropriate action thereon.
- 3.1 Direct the Controllership Division and the General Services Division to: (a) determine the causes of the variances between their records; (b) regularly reconcile the PPE account balances; and (c) effect necessary adjustments or corrections on the affected records in order to fairly present the PPE account in the financial statements.
- 3.2 Instruct the Controllership Division to maintain complete and updated PPELCs in accordance with Section 42, Chapter 10, Government Accounting Manual (GAM), Volume I.



- 3.3 Henceforth, require the Inventory Committee to conduct complete inventory count of all the CITEM's properties to establish existence thereof.

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

4. Unutilized/Excess Inter-Agency Transferred Funds totaling P6.376 million were not returned/refunded to the concerned SA-NGAs upon completion of the projects, while transferred funds of P1.739 million were not supported with MOAs, contrary to COA Circular No. 94-013 and Section 63, Chapter 6 of GAM, Volume I.
- 4.1 We recommended and Management agreed to direct the Controllershship Division to: (a) initiate the immediate return/refund to concerned SAs of excess funds covered by MOA with specific condition that any excess shall be returned to the SA; and (b) exert all efforts to locate the MOAs for excess/unutilized transferred fund balances totaling P1.739 million.
5. The CITEM was only able to implement eight trade fairs/projects in CY 2020 due to the postponements/cancellations of events because of the Coronavirus Disease 2019 (COVID-19) pandemic. Noteworthy to mention though that its export sales from these projects exceeded by USD273.741 million or 81.47 per cent from its targeted export sales and the cost directly attributable to the project was lower by P5.554 million of the budgeted amounts. However, based on the Statement of Financial Performance for the year ended December 31, 2020, the Center incurred a deficit (net loss) of P80.003 million, a decline of 351.62 per cent from its reported net income of P31.795 million for the year ended December 31, 2019.
- 5.1 We recommended and Management agreed to continue implementing strategies and innovations that will adapt to the challenges and changes in trade industry due to COVID-19 and other pandemics that might happen in the future, with the end view of optimizing revenue and minimizing cost to improve CITEM's financial performance.

The 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 April 23, 2021 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:

  
**MAY LINDA M. VEGAFRIA**  
Director III  
Officer-in-Charge

**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





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

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

June 23, 2021

**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

**CITEM LEGAL**  
Received by [Signature]  
Date June 23, 2021

**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, 2020 and 2019.

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 the Calendar Years (CYs) 2020 and 2019 in view of the following:

1. The Inter-agency Payables sub-account-Due to National Government Agencies (NGAs) included P12.934 million unutilized funds which were transferred by the Source Agencies (SAs) under agency-to-agency procurement and without provision in the Memoranda of Agreements (MOAs) that the excess funds shall be returned to the SAs, hence the transferred funds should have been recognized as revenue and not as a liability upon transfer thereof, thereby resulting in the overstatement of Inter-agency Payables account of P12.934 million and misstating the Service and Business Income account and other affected accounts.
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for Impairment of P6.790 million provided for Receivables account, contrary to Items 3.10, 3.12 and 3.26 of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities.

3. The faithful representation in the financial statements of the balance of the Property, Plant and Equipment (PPE) account with carrying amount of P22.997 million as of December 31, 2020 was not established due to: (a) variance of P7.679 million between the cost of PPEs per Accounting records and the Report on the Physical Count of PPE (RPCPPE); and (b) non-maintenance of complete and updated PPE Ledger Cards (PPELCs) by the Controllership Division, thus reconciliation with Property records could not be facilitated, contrary to the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities and Paragraph 27 of International Public Sector Accounting Standard (IPSAS) 1.

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

- 1.1 Direct the Controllership Division to: (a) review and analyze the MOAs between the SA-NGAs and CITEM particularly on the unexpended/excess funds totaling P12.934 million; and (b) prepare the necessary adjustments to recognize revenue for funds transferred under procurement contract, and those covered by MOAs without a provision on the return of excess funds to SA-NGAs.
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  - a. Maintain SLs for Accounts Receivable (AR) – Participation Fees (PF) Local, AR – Extension Charges and AR – Others;
  - b. Determine the nature of the negative balances and prepare the necessary adjustments;
  - c. Prepare and submit to the Audit Team the Aging Schedule of the Receivables account on or before the deadline set in accordance with Section 3 of COA Circular No. 2015-004 dated July 16, 2015, to facilitate verification; and
  - d. Determine the nature and the concerned debtors/clients for AR –Extension Charges account of P443,447 and take appropriate action thereon.
- 3.1 Direct the Controllership Division and the General Services Division to: (a) determine the causes of the variances between their records; (b) regularly reconcile the PPE account balances; and (c) effect necessary adjustments or corrections on the affected records in order to fairly present the PPE account in the financial statements.
- 3.2 Instruct the Controllership Division to maintain complete and updated PPELCs in accordance with Section 42, Chapter 10, Government Accounting Manual (GAM), Volume I.



- 3.3 Henceforth, require the Inventory Committee to conduct complete inventory count of all the CITEM's properties to establish existence thereof.

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

4. Unutilized/Excess Inter-Agency Transferred Funds totaling P6.376 million were not returned/refunded to the concerned SA-NGAs upon completion of the projects, while transferred funds of P1.739 million were not supported with MOAs, contrary to COA Circular No. 94-013 and Section 63, Chapter 6 of GAM, Volume I.
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- 5.1 We recommended and Management agreed to continue implementing strategies and innovations that will adapt to the challenges and changes in trade industry due to COVID-19 and other pandemics that might happen in the future, with the end view of optimizing revenue and minimizing cost to improve CITEM's financial performance.

The 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 April 23, 2021 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:

  
**MAY LINDA M. VEGAFRIA**  
Director IV  
Officer-in-Charge

**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



(Name of the Agency and Address)

**AGENCY ACTION PLAN and  
STATUS OF IMPLEMENTATION**  
**Audit Observations and Recommendations**  
**For the Calendar Year 20XX**  
As of \_\_\_\_\_

Ref.	Audit Observations	Audit Recommendations	Agency Action Plan					Status of Implementation	Reason for Partial/Delay/ Non- Implementation, if applicable	Action Taken/Action to be Taken
			Action Plan	Persons/Dept. Responsible	Target Implementation Date					
					From	To				

Agency sig-off:

\_\_\_\_\_  
Name and Position of Agency Officer

\_\_\_\_\_  
Date

Note: Status of Implementation may either be (a) Fully Implemented, (b) Ongoing, (c) Not Implemented, (d) Partially Implemented, or (e) Delayed



*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, 2020 and 2019**



## 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 enable Philippine companies to become global champions through sustainable export promotion programs and activities, and be globally recognized export promotion agency that brings Philippine products and services to 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, 2020, CITEM had a total work force of 86 regular personnel and 46 service providers.

### FINANCIAL HIGHLIGHTS (In Philippine Peso)

#### I. Comparative Financial Position

	2020	2019 (As Restated)	Increase/ (Decrease)
Assets	795,092,491	713,263,124	81,829,367
Liabilities	243,801,256	86,942,365	156,858,891
Net Assets/Equity	551,291,235	626,320,759	(75,029,524)

## II. Comparative Financial Performance

	2020	2019 (As Restated)	Increase (Decrease)
Revenue	21,097,449	100,970,283	(79,872,834)
Expenses	342,741,584	342,488,150	253,434
Surplus/(Deficit) from current operations	(321,644,135)	(241,517,867)	(80,126,268)
Gain/(Loss) - net	(8,989,703)	(5,915,168)	(3,074,535)
Subsidy from the national government	250,631,000	279,228,000	(28,597,000)
<b>Net surplus for the period</b>	<b>(80,002,838)</b>	<b>31,794,965</b>	<b>(111,797,803)</b>

## III. Comparison of 2020 Budget and Actual Amounts

Particulars	Per COB	Actual	Variance
Personnel services	86,501,000	71,794,680	14,706,320
Maintenance and other operating expenses	279,301,000	265,860,998	13,440,002
Financial expenses	240,000	188,659	51,341
Capital outlay	4,084,000	4,015,761	68,239
Others-prepayments	-	1,445,660	(1,445,660)
Input VAT	-	2,696,733	(2,696,733)
	<b>370,126,000</b>	<b>346,002,491</b>	<b>24,123,509</b>

## SCOPE OF AUDIT

The audit covered the examination, on a test basis, of transactions and accounts of CITEM, for Calendar Year (CY) 2020 to enable us to express an opinion on the financial statements for the years ended December 31, 2020 and 2019 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 2020 and 2019 in view of the following:

1. The Inter-agency Payables sub-account-Due to National Government Agencies (NGAs) included P12.934 million unutilized funds which were transferred by the Source Agencies (SAs) under agency-to-agency procurement and without provision in the Memoranda of Agreements (MOAs) that the excess funds shall be returned to the SAs, hence the transferred funds should have been recognized as revenue and not as a liability upon transfer thereof, thereby resulting in the overstatement of Inter-agency Payables account of P12.934 million and misstating the Service and Business Income account and other affected accounts.



2. The faithful representation in the financial statements of the Receivables account with net book value of P13.457 million as of December 31, 2020 could not be ascertained due to: (a) incomplete/not updated Subsidiary Ledgers (SLs) to support the receivables totaling P4.809 million; (b) presence of negative/abnormal balances amounting to P3.374 million; and (c) absence of Aging Schedule precluding the determination of the adequacy of the Allowance for Impairment of P6.790 million provided for Receivables account, contrary to Items 3.10, 3.12 and 3.26 of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities.
3. The faithful representation in the financial statements of the balance of the Property, Plant and Equipment (PPE) account with carrying amount of P22.997 million as of December 31, 2020 was not established due to: (a) variance of P7.679 million between the cost of PPEs per Accounting records and the Report on the Physical Count of PPE (RPCPPE); and (b) non-maintenance of complete and updated PPE Ledger Cards (PPELCs) by the Controllership Division, thus reconciliation with Property records could not be facilitated, contrary to the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities and Paragraph 27 of International Public Sector Accounting Standard (IPSAS) 1.

## **SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS**

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

- 1.1 Direct the Controllership Division to: (a) review and analyze the MOAs between the SA-NGAs and CITEM particularly on the unexpended/excess funds totaling P12.934 million; and (b) prepare the necessary adjustments to recognize revenue for funds transferred under procurement contract, and those covered by MOAs without a provision on the return of excess funds to SA-NGAs.
- 2.1 Require the Controllership Division to:
  - a. Maintain SLs for Accounts Receivable (AR) – Participation Fees (PF) Local, AR – Extension Charges and AR – Others;
  - b. Determine the nature of the negative balances and prepare the necessary adjustments;
  - c. Prepare and submit to the Audit Team the Aging Schedule of the Receivables account on or before the deadline set in accordance with Section 3 of COA Circular No. 2015-004 dated July 16, 2015, to facilitate verification; and
  - d. Determine the nature and the concerned debtors/clients for AR –Extension Charges account of P443,447 and take appropriate action thereon.

- 3.1 Direct the Controllership Division and the General Services Division to: (a) determine the causes of the variances between their records; (b) regularly reconcile the PPE account balances; and (c) effect necessary adjustments or corrections on the affected records in order to fairly present the PPE account in the financial statements.
- 3.2 Instruct the Controllership Division to maintain complete and updated PPELCs in accordance with Section 42, Chapter 10, Government Accounting Manual (GAM), Volume I.
- 3.3 Henceforth, require the Inventory Committee to conduct complete inventory count of all the CITEM's properties to establish existence thereof.

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

4. Unutilized/Excess Inter-Agency Transferred Funds totaling P6.376 million were not returned/refunded to the concerned SA-NGAs upon completion of the projects, while transferred funds of P1.739 million were not supported with MOAs, contrary to COA Circular No. 94-013 and Section 63, Chapter 6 of GAM, Volume I.
  - 4.1 We recommended and Management agreed to direct the Controllership Division to: (a) initiate the immediate return/refund to concerned SAs of excess funds covered by MOA with specific condition that any excess shall be returned to the SA; and (b) exert all efforts to locate the MOAs for excess/unutilized transferred fund balances totaling P1.739 million.
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  - 5.1 We recommended and Management agreed to continue implementing strategies and innovations that will adapt to the challenges and changes in trade industry due to COVID-19 and other pandemics that might happen in the future, with the end view of optimizing revenue and minimizing cost to improve CITEM's financial performance.

## **SUMMARY OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES**

As of December 31, 2020, 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 19, Part II of this Report.

## **STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS**

Of the 14 audit recommendations embodied in the prior year's Annual Audit Report (AAR), two (2) were fully implemented and 12 were partially 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, ITC Complex  
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, 2020 and 2019, 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, 2020, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects and possible effects of the matters 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, 2020 and 2019, 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 Inter-agency Payables sub-account-Due to National Government Agencies included P12.934 million unutilized funds which were transferred by the Source Agencies under agency-to-agency procurement and without provision in the Memoranda of Agreements that the excess funds shall be returned to the SAs, hence the transferred funds should have been recognized as revenue and not as a liability upon transfer thereof, thereby resulting in the overstatement of Inter-agency Payables account of P12.934 million and misstating the Service and Business Income account and other affected accounts.

Likewise, the faithful representation in the financial statements of the Receivables account with net book value of P13.457 million as of December 31, 2020 could not be ascertained due to: (a) incomplete/not updated Subsidiary Ledgers to support the receivables totaling P4.809 million; (b) presence of negative/abnormal balances amounting to P3.374 million; and (c) absence of Aging Schedule precluding the determination of the adequacy of the Allowance for Impairment of P6.790 million

provided for Receivables account, contrary to Items 3.10, 3.12 and 3.26 of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities.

Moreover, the faithful representation in the financial statements of the balance of the Property, Plant and Equipment (PPE) account with carrying amount of P22.997 million as of December 31, 2020 was not established due to: (a) variance of P7.679 million between the cost of PPEs per Accounting records and the Report on the Physical Count of PPE; and (b) non-maintenance of complete and updated PPE Ledger Cards by the Controllership Division, thus reconciliation with Property records could not be facilitated, contrary to the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities and Paragraph 27 of IPSAS 1.

We were unable to perform alternative audit procedures to determine if any adjustments to the Receivables and PPE accounts are necessary due to incomplete and not updated records maintained by the CITEM's Controllership Division.

We conducted our audits in accordance with the 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.

### ***Other Matter***

In our report dated July 22, 2020, we expressed a qualified opinion on the Calendar Years (CYs) 2019 and 2018 financial statements because 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 balances 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.

The variance of P21.290 million between the balances per books and confirmed bank balances noted in CY 2019 audit decreased to only P1.767 million or 91.70 per cent in CY 2020 due to several adjustments made on prior years' unrecorded/unadjusted bank credit/debit memos. Accordingly, our present opinion on the restated 2019 financial statements, as presented herein is no longer qualified concerning this matter.

### **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 misstatements, 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 a part of an audit in accordance with ISSAIs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risk of material misstatements 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 misstatements 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 presentations, 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, 2020, 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**



**CORAZON D. TENORIO**

Supervising Auditor  
Audit Group E – Trading and Promotions Group  
Cluster 6, Corporate Government Sector

April 23, 2021



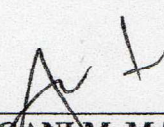


## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

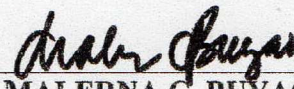
The Management of the **CENTER FOR INTERNATIONAL TRADE EXPOSITIONS AND MISSIONS (CITEM)** is responsible for the preparation of the financial statements as at **DECEMBER 31, 2020 and 2019**, including the additional components attached thereto in accordance with the prescribed financial reporting framework 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.

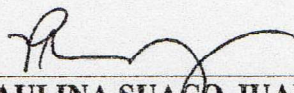
The Commission on Audit has audited the financial statements of the **CENTER FOR INTERNATIONAL TRADE EXPOSITIONS AND MISSIONS (CITEM)** in accordance with the International Standards of Supreme Audit Institutions and has expressed its opinion on the fairness of presentation upon completion of such audit,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

  
**ABDULGANIM 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, 2020 and 2019  
*(In Philippine Peso)*

			<b>2019</b>
	<b>Note</b>	<b>2020 (As Restated)</b>	
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	436,265,933	324,420,597
Receivables - net	7	13,457,437	20,975,460
Inventories	8	1,231,390	2,028,733
Other assets-(current)	10	15,591,604	23,604,092
<b>Total current assets</b>		<b>466,546,364</b>	<b>371,028,882</b>
<b>Non-current assets</b>			
Receivables - net	7	-	860,471
Property, plant and equipment - net	9	22,996,972	23,838,311
Other assets-(non-current)	10	305,549,155	317,535,460
<b>Total non-current assets</b>		<b>328,546,127</b>	<b>342,234,242</b>
<b>TOTAL ASSETS</b>		<b>795,092,491</b>	<b>713,263,124</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Financial liabilities	11	201,327,935	49,135,585
Inter-agency payables	12	23,426,686	19,993,541
Trust liabilities	13	6,097,122	1,425,553
Deferred credits/Unearned income	14	2,748,071	7,359,194
Deferred tax liabilities	15	2,830,302	2,144,772
Other payables	16	1,122,490	635,070
<b>Total current liabilities</b>		<b>237,552,606</b>	<b>80,693,715</b>
<b>Non-current liabilities</b>			
Financial liabilities	11	-	-
Trust liabilities	13	1,274,877	1,274,877
Other payables	16	4,973,773	4,973,773
<b>Total non-current liabilities</b>		<b>6,248,650</b>	<b>6,248,650</b>
<b>TOTAL LIABILITIES</b>		<b>243,801,256</b>	<b>86,942,365</b>
<b>NET ASSETS (TOTAL ASSETS LESS TOTAL LIABILITIES)</b>		<b>551,291,235</b>	<b>626,320,759</b>
<b>NET ASSETS/EQUITY</b>			
Government equity	25	41,221,808	41,221,808
Revaluation surplus	26	5,054,354	5,054,354
Accumulated surplus/(deficit)	27	505,015,073	580,044,597
<b>TOTAL NET ASSETS/EQUITY</b>		<b>551,291,235</b>	<b>626,320,759</b>

The Notes on pages 11 to 43 form part of these Financial Statements.

**CENTER FOR INTERNATIONAL TRADE EXPOSITIONS AND MISSIONS**  
**STATEMENTS OF FINANCIAL PERFORMANCE**  
For the Years Ended December 31, 2020 and 2019  
*(in Philippine Peso)*

	Note	2020	2019 (As Restated)
<b>REVENUE</b>			
Service and business income	17	21,097,449	100,970,283
<b>TOTAL REVENUE</b>		<b>21,097,449</b>	<b>100,970,283</b>
<b>CURRENT OPERATING EXPENSES</b>			
Personnel services	18	71,794,680	77,110,344
Maintenance and other operating expenses	19	265,860,998	257,464,270
Financial expenses	20	188,659	480,728
Non-cash expenses	21	4,897,247	7,432,808
<b>TOTAL CURRENT OPERATING EXPENSES</b>		<b>342,741,584</b>	<b>342,488,150</b>
<b>SURPLUS/(DEFICIT) FROM CURRENT OPERATIONS</b>		<b>(321,644,135)</b>	<b>(241,517,867)</b>
Gains (Loss) on foreign exchange (FOREX), net	22	(8,989,703)	(5,843,454)
Gains (Loss) on sale of disposed assets, net	22	-	(71,714)
Subsidy from national government	23	250,631,000	279,228,000
<b>NET SURPLUS (DEFICIT) FOR THE PERIOD</b>		<b>(80,002,838)</b>	<b>31,794,965</b>

The Notes on pages 11 to 43 form part of these Financial Statements.

**CENTER FOR INTERNATIONAL TRADE EXPOSITIONS AND MISSIONS**  
**STATEMENTS OF CHANGES IN NET ASSETS/EQUITY**  
For the Years Ended December 31, 2020 and 2019  
*(In Philippine Peso)*

	Government equity Note 25	Revaluation surplus Note 26	Accumulated surplus/(deficit) Note 27	Total
<b>BALANCE AT JANUARY 1, 2019</b>	<b>41,221,808</b>	<b>5,054,354</b>	<b>516,610,422</b>	<b>562,886,584</b>
<b>ADJUSTMENTS:</b>				
Add/(Deduct):				
Prior period errors	-	-	2,263,218	2,263,218
<b>RESTATED BALANCE AT JANUARY 1, 2019</b>	<b>41,221,808</b>	<b>5,054,354</b>	<b>518,873,640</b>	<b>565,149,802</b>
<b>Changes in Net Assets/Equity for CY 2019</b>				
Add/(Deduct):				
Surplus for the period, as previously stated	-	-	33,626,787	33,626,787
Prior year's adjustments	-	-	(1,831,822)	(1,831,822)
Surplus for the period, as restated	-	-	31,794,965	31,794,965
Other adjustments	-	-	29,375,992	29,375,992
<b>RESTATED BALANCE AT DECEMBER 31, 2019</b>	<b>41,221,808</b>	<b>5,054,354</b>	<b>580,044,597</b>	<b>626,320,759</b>
<b>Changes in Net Assets/Equity for CY 2020</b>				
Add/(Deduct):				
Surplus for the period	-	-	(80,002,838)	(80,002,838)
Other adjustments	-	-	4,973,314	4,973,314
<b>BALANCE AT DECEMBER 31, 2020</b>	<b>41,221,808</b>	<b>5,054,354</b>	<b>505,015,073</b>	<b>551,291,235</b>

The Notes on pages 11 to 43 form part of these Financial Statements.



**CENTER FOR INTERNATIONAL TRADE EXPOSITIONS AND MISSIONS**

**STATEMENTS OF CASH FLOWS**

For the Years Ended December 31, 2020 and 2019

(In Philippine Peso)

	Note	2020	2019 (As Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash Inflows</b>			
Proceeds from sale of goods and services		103,435	1,624,443
Collection of present and prior year's revenue		19,204,186	78,837,770
Receipt of assistance/subsidy		250,631,000	279,228,000
Collection of receivables		12,948	83,949
Receipt of Inter-agency fund transfers		12,628,961	25,132,406
Trust receipts		6,355,353	11,263,751
Other receipts		1,103,300	-
<b>Total Cash Inflows</b>		<b>290,039,183</b>	<b>396,170,319</b>
Adjustments: Cash drawdown from restricted funds		14,000,000	-
		<b>304,039,183</b>	<b>396,170,319</b>
<b>Cash Outflows</b>			
Payment of expenses		(140,049,477)	(275,270,454)
Purchase of inventories		-	(53,275)
Grant of cash advances		(4,528,606)	(21,326,715)
Prepayments		(3,970,689)	(22,530,632)
Refund of deposits		(49,500)	(726,628)
Payment of accounts payable		(23,292,376)	(24,531,377)
Remittance of personnel benefit contributions and mandatory deductions		(10,854,165)	(4,834,770)
Other disbursements		(1,207,921)	(9,547,601)
Reclassification of indemnification fee from demolition of Hall One		-	(14,779,161)
<b>Total Cash Outflows</b>		<b>(183,952,734)</b>	<b>(373,600,613)</b>
<b>Net Cash Provided by/(Used in) Operating Activities</b>		<b>120,086,449</b>	<b>22,569,706</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Cash Inflows</b>			
Proceeds from sale/disposal of property, plant and equipment		-	-
Receipts of interest earned		748,590	792,249
<b>Total Cash Inflows</b>		<b>748,590</b>	<b>792,249</b>
<b>Cash Outflows</b>			
Purchase/Construction of property, plant and equipment		-	(746,313)
<b>Total Cash Outflows</b>		<b>-</b>	<b>(746,313)</b>
<b>Net Cash Provided by/(Used in) Investing Activities</b>		<b>748,590</b>	<b>45,936</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>		<b>120,835,039</b>	<b>22,615,642</b>
Effects of exchange rate changes on cash and cash equivalents		(8,989,703)	(5,843,454)
<b>Cash and Cash Equivalents, January 1</b>		<b>324,420,597</b>	<b>307,648,409</b>
<b>Cash and Cash Equivalents, December 31</b>	6	<b>436,265,933</b>	<b>324,420,597</b>

The Notes on pages 11 to 43 form part of these Financial Statements.

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

For the Year Ended December 31, 2020

(In Philippine Peso)

	Budgeted Amount Note 28		Actual Amounts on Comparable Basis	Difference Final Budget and Actual
	Original	Final		
RECEIPTS				
Services and business income	17,200,000	17,200,000	21,097,449	(3,897,449)
Assistance and subsidy	278,479,000	250,631,000	250,631,000	-
Losses, net	-	-	(8,989,703)	8,989,703
Others	-	-	-	-
Total receipts	295,679,000	267,831,000	262,738,746	5,092,254
PAYMENTS				
Personnel services	89,160,000	86,501,000	71,794,680	14,706,320
Maintenance and other operating expenses	304,279,604	279,301,000	265,860,998	13,440,002
Capital outlay	4,084,000	4,084,000	4,015,761	68,239
Financial expenses	450,396	240,000	188,659	51,341
Others-prepayments	-	-	1,445,660	(1,445,660)
Input VAT	-	-	2,696,733	(2,696,733)
Total payments	397,974,000	370,126,000	346,002,491	24,123,509
NET RECEIPTS/PAYMENTS	(102,295,000)	(102,295,000)	(83,263,745)	(19,031,255)

The Notes on pages 11 to 43 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, 2021, 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.

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; and

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.

CITEM uses the following percentages to estimate the allowance for doubtful accounts of the receivables:

<u>Period outstanding</u>	<u>Percentage</u>
More than 5 years	100%
4 to 5 years	75%
3 to 4 years	50%

**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 is 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 include 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 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 expenses 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 and overstatement 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's 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 International Organization for Standardization (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	2020	2019 (As Restated)
<b>Financial assets</b>			
Cash and cash equivalents	6	436,265,933	324,420,597
Receivables - net	7	13,457,437	21,835,931
		<b>449,723,370</b>	<b>346,256,528</b>
<b>Financial liabilities</b>			
Financial liabilities	11	201,327,935	49,135,585
Inter-agency payables	12	23,426,686	19,993,541
Trust liabilities	13	7,371,999	2,700,430
		<b>232,126,620</b>	<b>71,829,556</b>

## 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, 2020 and 2019, without considering the effects of credit risk mitigation techniques.

	Note	2020	2019 (As Restated)
<b>Financial assets</b>			
Cash and cash equivalents	6	436,265,933	324,420,597
Receivables	7	20,247,278	31,545,245
		<b>456,513,211</b>	<b>355,965,842</b>

*\* Receivables at gross of allowance for impairment amounting to P9,709,314 and P6,789,841 for the years ended December 31, 2019 and 2020, respectively.*

**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, 2020 and 2019 are as follows:

	2020	2019 (As Restated)
Outstanding receivables: *		
Current accounts	13,457,437	20,975,460
Past due accounts:		
over 5 years	6,789,841	10,569,785
	<b>20,247,278</b>	<b>31,545,245</b>

*\* Receivables at gross of allowance for impairment amounting to P9,709,314 and P6,789,841 for the years ended December 31, 2019 and 2020, respectively.*

**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 favourable or unfavourable 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 2020.

### **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, 2020.

<b>As at December 31, 2020</b>	<b>Within 1 Year</b>	<b>1 – 5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
Financial liabilities	189,100,840	12,227,095	-	201,327,935
Inter-agency payables	-	21,687,733	1,738,953	23,426,686
Trust liabilities	6,097,122	1,274,877	-	7,371,999
	<b>195,197,962</b>	<b>35,189,705</b>	<b>1,738,953</b>	<b>232,126,620</b>

#### **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.

## 6. CASH AND CASH EQUIVALENTS

This account consists of the following:

	2020	2019 (As Restated)
Cash on hand	254,087	318,920
Cash in bank		
Local currency	305,147,621	153,719,135
Foreign currency	130,864,225	170,382,542
	436,011,846	324,101,677
	<b>436,265,933</b>	<b>324,420,597</b>

## 7. RECEIVABLES

This account consists of the following:

	2020			2019 (As Restated)		
	Current	Non-current	Total	Current	Non-current	Total
Loans & receivable-						
Accounts receivables	13,324,689	-	13,324,689	11,388,869	860,471	12,249,340
Inter-agency						
receivables	-	-	-	9,409,230	-	9,409,230
Other Receivables	132,748	-	132,748	177,361	-	177,361
	<b>13,457,437</b>	<b>-</b>	<b>13,457,437</b>	<b>20,975,460</b>	<b>860,471</b>	<b>21,835,931</b>

### 7.1 Loans and Receivable

	2020			2019 (As Restated)		
	Current	Non-current	Total	Current	Non-current	Total
Accounts receivable-						
Participation fees-local						
show	-	3,136,955	3,136,955	1,766,590	6,916,899	8,683,489
Accounts receivable-						
Participation fees-						
international show	11,977,568	547,536	12,525,104	8,392,926	547,536	8,940,462
Accounts receivable-						
extension charges	-	443,447	443,447	-	443,447	443,447
Accounts receivable-						
others	1,229,353	-	1,229,353	1,229,353	-	1,229,353
Interest receivable	117,768	-	117,768	-	-	-
<b>Sub-total</b>	<b>13,324,689</b>	<b>4,127,938</b>	<b>17,452,627</b>	<b>11,388,869</b>	<b>7,907,882</b>	<b>19,296,751</b>
Allowance for doubtful						
accounts	-	(4,127,938)	(4,127,938)	-	(7,047,411)	(7,047,411)
	<b>13,324,689</b>	<b>-</b>	<b>13,324,689</b>	<b>11,388,869</b>	<b>860,471</b>	<b>12,249,340</b>

Accounts Receivable account 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

	2020			2019 (As Restated)		
	Current	Non-current	Total	Current	Non-current	Total
Due from national government agencies (NGAs)	-	-	-	9,409,230	-	9,409,230
	-	-	-	<b>9,409,230</b>	-	<b>9,409,230</b>

Due from NGAs account consists of expenses incurred by CITEM in the implementation of various local and international projects which are covered by Memoranda of Agreement (MOAs) and chargeable against funds from other government agencies that committed to shoulder cost and/or subsidize participation fees of exhibitors under the MOAs. In view of the global pandemic caused by the Coronavirus 2019 Disease (COVID-19), there were no recorded Due from NGAs for CY 2020.

## 7.3 Other Receivables

	2020			2019 (As Restated)		
	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	37,263	249,637	286,900	-	249,637	249,637
Other receivables - others	65,099	-	65,099	146,975	-	146,975
<b>Sub-total</b>	<b>132,748</b>	<b>2,661,903</b>	<b>2,794,651</b>	<b>177,361</b>	<b>2,661,903</b>	<b>2,839,264</b>
Allowance for doubtful accounts	-	(2,661,903)	(2,661,903)	-	(2,661,903)	(2,661,903)
	<b>132,748</b>	<b>-</b>	<b>132,748</b>	<b>177,361</b>	<b>-</b>	<b>177,361</b>

Due from Officers and Employees account 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:

	2020		2019	
	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
<b>INVENTORIES HELD FOR CONSUMPTION:</b>				
<b>Office supplies inventory</b>				
Carrying amount, January 1	619,107	-	593,990	-
Additions/Acquisitions during the year	40,580	-	619,107	-
Expensed during the year except write-down	(619,107)	-	(593,990)	-
<b>Carrying amount, December 31</b>	<b>40,580</b>	<b>-</b>	<b>619,107</b>	<b>-</b>
<b>Drugs and medicines inventory</b>				
Carrying amount, January 1	40,019	-	40,019	-
Additions/Acquisitions during the year	-	-	-	-
Expensed during the year except write-down	(40,019)	-	-	-
<b>Carrying amount, December 31</b>	<b>-</b>	<b>-</b>	<b>40,019</b>	<b>-</b>
<b>Textbooks and instructional materials inventory</b>				
Carrying amount, January 1	1,950	-	1,950	-
Additions/Acquisitions during the year	-	-	-	-
Expensed during the year except write-down	(1,950)	-	-	-
<b>Carrying amount, December 31</b>	<b>-</b>	<b>-</b>	<b>1,950</b>	<b>-</b>
<b>Other supplies and materials inventory</b>				
Carrying amount, January 1	176,847	-	58,528	-
Additions/Acquisitions during the year	-	-	118,319	-
Expensed during the year except write-down	(176,847)	-	-	-
<b>Carrying amount, December 31</b>	<b>-</b>	<b>-</b>	<b>176,847</b>	<b>-</b>
<b>Semi-expendable machinery and equipment</b>				
Carrying amount, January 1	328,196	-	-	-
Additions/Acquisitions during the year	-	-	328,196	-
Expensed during the year except write-down	-	-	-	-
<b>Carrying amount, December 31</b>	<b>328,196</b>	<b>-</b>	<b>328,196</b>	<b>-</b>
<b>Semi-expendable furniture and fixture</b>				
Carrying amount, January 1	862,614	-	-	-
Additions/Acquisitions during the year	-	-	862,614	-
Expensed during the year except write-down	-	-	-	-
<b>Carrying amount, December 31</b>	<b>862,614</b>	<b>-</b>	<b>862,614</b>	<b>-</b>
	<b>1,231,390</b>	<b>-</b>	<b>2,028,733</b>	<b>-</b>

## 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
<b>Net book value, December 31, 2019, As Restated</b>	-	6,681,768	2,806,508	14,350,035	23,838,311
<b>Opening net book value, January 1, 2020, As Restated</b>	-	6,681,768	2,806,508	14,350,035	23,838,311
Additions/Acquisitions	-	-	-	4,015,761	4,015,761
Disposal/Removal:					
Cost	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
Adjustments:					
Cost	-	-	-	40,147	40,147
Accumulated depreciation	-	-	-	-	-
Depreciation for the year	-	-	(368,229)	(4,529,018)	(4,897,247)
<b>Closing net book value, December 31, 2020</b>	-	6,681,768	2,438,279	13,876,925	22,996,972
<b>As at December 31, 2020</b>					
Cost	-	34,358,586	10,730,700	49,338,565	94,427,851
Accumulated depreciation	-	27,676,818	8,292,421	35,461,640	71,430,879
<b>Net book value, December 31, 2020</b>	-	6,681,768	2,438,279	13,876,925	22,996,972

## 10. OTHER ASSETS

This account comprises the following:

	2020			2019		
	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)	4,952,797	-	4,952,797	16,665,031	-	16,665,031
Prepayments (Creditable input tax)	8,405,331	-	8,405,331	4,875,432	-	4,875,432
Prepayments (Other prepayments)	43,566	-	43,566	43,566	-	43,566
Deposits (Guaranty deposits)	810,985	2,273,081	3,084,066	610,985	2,273,081	2,884,066
Restricted fund	-	302,432,351	302,432,351	-	314,418,656	314,418,656
Other assets-net of accumulated impairment loss	-	843,723	843,723	-	843,723	843,723
	<b>15,591,604</b>	<b>305,549,155</b>	<b>321,140,759</b>	<b>23,604,092</b>	<b>317,535,460</b>	<b>341,139,552</b>



Prepaid Rent and Other Prepayments represent reservations for space/venue rental and advance payments to the booth contractors for various international trade fairs in 2021. A portion of the Prepaid Rent in the amount of P1.445 million was intended for FHA 2020 which was cancelled.

Creditable Input VAT in the amount of P8.405 million is the excess of Input VAT over Output VAT of which P4.161 million can be credited for the next three years (CYs 2021 to 2023) while P4.244 million can be credited from CYs 2020 to 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 Savings Account, (in portion) Foreign Currency Time Deposits amounting to P1.984 million and (in portion) Cash in Bank Local Currency Savings Account amounting to P0.779 million. The decrease can be attributed to the Board-approved cash drawdown for the year 2020.

## 11. FINANCIAL LIABILITIES

This is composed of the following:

	2020			2019 (As Restated)		
	Current	Non-current	Total	Current	Non-current	Total
Accounts payable	177,841,743	-	177,841,743	35,415,675	-	35,415,675
Due to officers & employees	23,486,192	-	23,486,192	13,719,910	-	13,719,910
	<b>201,327,935</b>	<b>-</b>	<b>201,327,935</b>	<b>49,135,585</b>	<b>-</b>	<b>49,135,585</b>

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. The huge increase in the Accounts Payable is attributed to the Continuing Appropriation Act for CY 2020 Budget.

## 12. INTER-AGENCY PAYABLES

This account consists of the following:

	2020			2019		
	Current	Non-current	Total	Current	Non-current	Total
Due to BIR	1,980,393	-	1,980,393	2,070,905	-	2,070,905
Due to GSIS	152,808	-	152,808	158,087	-	158,087
Due to Pag-IBIG	43,911	-	43,911	111,268	-	111,268
Due to PhilHealth	53,917	-	53,917	47,604	-	47,604
Due to NGAs	21,049,503	-	21,049,503	17,458,128	-	17,458,128
Due to Government Corporations	146,154	-	146,154	147,549	-	147,549
	<b>23,426,686</b>	<b>-</b>	<b>23,426,686</b>	<b>19,993,541</b>	<b>-</b>	<b>19,993,541</b>

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, i.e. DTI, its attached bureaus and agencies and other government agencies such as Department of Tourism (DOT), 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:

	2020			2019 (As Restated)		
	Current	Non-current	Total	Current	Non-current	Total
Trust miscellaneous	4,395,346	296,046	4,691,392	612,359	296,046	908,405
Trust (ACE)	163,438	-	163,438	92,160	-	92,160
Trust (CITEM Coop)	959,174	-	959,174	404,090	-	404,090
Trust (SSS)	-	-	-	18,480	-	18,480
Bail bonds payable	579,164	944,631	1,523,795	298,464	944,631	1,243,095
Guaranty/Security deposits payable	-	34,200	34,200	-	34,200	34,200
	<b>6,097,122</b>	<b>1,274,877</b>	<b>7,371,999</b>	<b>1,425,553</b>	<b>1,274,877</b>	<b>2,700,430</b>

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

#### 14. DEFERRED CREDITS/ UNEARNED INCOME

	2020			2019 (As Restated)		
	Current	Non-current	Total	Current	Non-current	Total
Unearned revenue/income	2,748,071	-	2,748,071	7,359,194	-	7,359,194
Other deferred credits	-	-	-	-	-	-
	<b>2,748,071</b>	<b>-</b>	<b>2,748,071</b>	<b>7,359,194</b>	<b>-</b>	<b>7,359,194</b>

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

#### 15. DEFERRED TAX LIABILITIES

	2020			2019 (As Restated)		
	Current	Non-current	Total	Current	Non-current	Total
Deferred tax liabilities	2,830,302	-	2,830,302	2,144,772	-	2,144,772
	<b>2,830,302</b>	<b>-</b>	<b>2,830,302</b>	<b>2,144,772</b>	<b>-</b>	<b>2,144,772</b>

The Deferred Tax Liability 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:

	2020			2019		
	Current	Non-current	Total	Current	Non-current	Total
Other payables - resigned employees	397,210	732,866	1,130,076	397,210	732,866	1,130,076
Other payables-exhibitors' refund	725,280	3,884,852	4,610,132	237,860	3,884,852	4,122,712
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
	<b>1,122,490</b>	<b>4,973,773</b>	<b>6,096,263</b>	<b>635,070</b>	<b>4,973,773</b>	<b>5,608,843</b>

## 17. SERVICE AND BUSINESS INCOME

This line item consists of the following:

	2020	2019 (As Restated)
<b>Service Income:</b>		
Other service income	20,127,643	97,029,222
<b>Business Income:</b>		
Interest income	820,641	792,249
Other business income	149,165	3,148,812
	<b>21,097,449</b>	<b>100,970,283</b>

Other Service Income account consists of trade fair participation fees collected from exhibitors participating in various trade fairs and signature events. The decrease in Service and Business Income can be attributed to the global pandemic which necessitated the declaration of a national health emergency, ultimately resulting in community quarantines that affected businesses, industries and the economy, in general.

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

## 18. PERSONNEL SERVICES

This account is composed of the following:

	2020	2019 (As Restated)
Salaries and wages	46,914,686	48,373,216
Other compensation	16,822,590	19,138,638
Personnel benefit contributions	6,448,772	6,529,224
Other personnel benefits	1,608,632	3,069,266
	<b>71,794,680</b>	<b>77,110,344</b>

### 18.1 Salaries and Wages

	2020	2019
Salaries and wages-regular	46,914,686	48,373,216
	<b>46,914,686</b>	<b>48,373,216</b>

## 18.2 Other Compensation

	2020	2019 (As Restated)
Personnel economic relief allowance (PERA)	2,027,890	2,111,055
Representation allowance (RA)	1,195,125	1,300,125
Transportation allowance (TA)	926,250	951,250
Clothing/Uniform allowance	510,000	546,000
Hazard pay	58,000	-
Honoraria	39,000	30,000
Overtime pay	210,095	3,300,410
Year-end bonus	7,889,583	8,144,368
Cash gift	424,500	439,500
Productivity incentive allowance	398,000	-
Other bonuses and allowances	3,144,147	2,315,930
	<b>16,822,590</b>	<b>19,138,638</b>

## 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 P9.856 million broken down as follows: employees' share – P4.214 million and government share – P5.642 million.

## 18.4 Personnel Benefit Contributions

	2020	2019
Retirement and life insurance premiums	5,642,378	5,833,256
Pag-IBIG contributions	101,700	105,900
PhilHealth contributions	602,994	483,668
Employee compensation insurance premiums	101,700	106,400
	<b>6,448,772</b>	<b>6,529,224</b>

## 18.5 Other Personnel Benefits

	2020	2019
Retirement gratuity	-	40,000
Terminal leave benefits	165,626	413,650
Other personnel benefits	1,443,006	2,615,616
	<b>1,608,632</b>	<b>3,069,266</b>

## 19. MAINTENANCE AND OTHER OPERATING EXPENSES

This line item consists of the following:

	2020	2019 (As Restated)
Traveling expenses	2,192,290	8,107,404
Training and scholarship expenses	114,855	1,860,390
Supplies and materials expenses	4,874,364	6,963,289
Utility expenses	1,642,286	3,433,010
Communication expenses	4,045,878	4,240,282
Confidential, intelligence and extraordinary expenses	120,000	93,910
Professional services	88,878,542	25,587,194
General services	23,971,119	23,804,177
Repairs and maintenance	928,380	874,758
Taxes, insurance premiums and other fees	1,411,043	1,368,523
Other maintenance and operating expenses	137,682,241	181,131,333
	<b>265,860,998</b>	<b>257,464,270</b>

### 19.1 Traveling Expenses

	2020	2019 (As Restated)
Traveling expenses-local	405,322	1,895,118
Traveling expenses-foreign	1,786,968	6,212,286
	<b>2,192,290</b>	<b>8,107,404</b>

### 19.2 Training and Scholarship Expenses

	2020	2019
Training expenses	114,855	1,860,390
	<b>114,855</b>	<b>1,860,390</b>

### 19.3 Supplies and Materials Expenses

	2020	2019 (As Restated)
Office supplies expenses	712,800	639,824
Accountable forms expenses	-	30,000
Drugs and medicines expenses	45,725	63,764
Fuel, oil and lubricants expenses	428,979	575,726
Textbooks and instructional materials expenses	1,950	-
Other supplies and materials expenses	3,684,910	5,653,975
	<b>4,874,364</b>	<b>6,963,289</b>

### 19.4 Utility Expenses

	2020	2019 (As Restated)
Water expenses	86,633	322,261
Electricity expenses	1,555,653	3,110,749
	<b>1,642,286</b>	<b>3,433,010</b>



## **19.5 Communication Expenses**

	2020	2019 (As Restated)
Postage and courier services	-	85,715
Telephone expenses – landline	1,654,289	1,829,515
Telephone expenses – mobile	751,087	942,380
Internet subscription expenses	1,640,502	1,382,672
	<b>4,045,878</b>	<b>4,240,282</b>

## **19.6 Confidential, Intelligence and Extraordinary Expenses**

	2020	2019
Extraordinary and miscellaneous expenses	120,000	93,910
	<b>120,000</b>	<b>93,910</b>

## **19.7 Professional Services**

	2020	2019 (As Restated)
Legal services	20,250	27,600
Auditing services	4,457,228	4,501,516
Other professional services	84,401,064	21,058,078
	<b>88,878,542</b>	<b>25,587,194</b>

## **19.8 General Services**

	2020	2019 (As Restated)
Janitorial services	1,386,545	1,876,447
Security services	4,413,672	4,607,468
Other general services	18,170,902	17,320,262
	<b>23,971,119</b>	<b>23,804,177</b>

## **19.9 Repairs and Maintenance**

	2020	2019 (As Restated)
Repairs and maintenance-buildings and other structures	791,587	308,083
Repairs and maintenance-office equipment	-	141,432
Repairs and maintenance-IT Equipment	-	16,343
Repairs and maintenance-other machinery and equipment	90,393	71,429
Repairs and maintenance-motor vehicles	46,400	337,471
	<b>928,380</b>	<b>874,758</b>

## **19.10 Taxes, Insurance Premiums and Other Fees**

	2020	2019
Taxes, duties and licenses	8,987	25,482
Fidelity bond premiums	601,354	688,383
Insurance expenses	800,702	654,658
	<b>1,411,043</b>	<b>1,368,523</b>

## 19.11 Other Maintenance and Operating Expenses

	2020	2019 (As Restated)
Advertising expenses	45,118,958	39,445,798
Printing and publication expenses	670,573	4,439,090
Representation expenses	1,120,831	5,407,029
Rent/Lease expenses	38,926,333	73,422,380
Transportation and delivery expenses	1,717,660	554,867
Membership dues and contributions to organizations	48,025	27,708
Subscription expenses	23,801,939	5,164,926
Donations	698,000	670,743
Other maintenance and operating expenses	25,579,922	51,998,792
	<b>137,682,241</b>	<b>181,131,333</b>

## 20. FINANCIAL EXPENSES

This account comprises the following:

	2020	2019 (As Restated)
Bank charges	188,659	480,728
	<b>188,659</b>	<b>480,728</b>

## 21. NON-CASH EXPENSES

This account is composed of the following:

	2020	2019 (As Restated)
Depreciation-buildings and other structures	-	1,400,765
Depreciation-office equipment	302,360	1,692,867
Depreciation-furniture, fixtures and books	179,795	126,560
Depreciation-information and communication technology equipment	3,722,116	3,722,116
Depreciation-communication equipment	173,774	339,527
Depreciation-transportation equipment	368,229	-
Depreciation-Other PPE	150,973	150,973
	<b>4,897,247</b>	<b>7,432,808</b>

## 22. GAINS/LOSSES

This comprises net of the following accounts:

### 22.1. Gains

	2020	2019
Gain on foreign exchange (FOREX)	5,742	35,641
	<b>5,742</b>	<b>35,641</b>

## 22.2. Losses

	2020	2019
Loss on foreign exchange (FOREX)	(8,995,445)	(5,879,095)
Loss on sale of disposed assets	-	(71,714)
	<b>(8,995,445)</b>	<b>(5,950,809)</b>

## 23. SUBSIDY FROM NATIONAL GOVERNMENT

	2020	2019
Subsidy from national government	250,631,000	279,228,000
	<b>250,631,000</b>	<b>279,228,000</b>

For CY 2020, the Program Subsidy received by CITEM from the Department of Budget and Management (DBM) to support the implementation of its export promotion programs was P250.631 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 Body 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	5,989,955
Other compensation and benefits	3,006,653
Personnel benefit contributions	754,795
	<b>9,751,403</b>

## 25. GOVERNMENT EQUITY

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

	2020	2019
National Food Authority	14,745,735	14,745,735
National Government-Bureau of the Treasury (BTr)	10,396,662	10,396,662
Central Bank of the Philippines	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
Land Bank of the Philippines (LBP)	1,000,000	1,000,000
Philippine International Trading Corporation	625,000	625,000
	<b>41,221,808</b>	<b>41,221,808</b>

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- BTr	10,396,662	12,653,662	(2,257,000)
Bangko Sentral ng Pilipinas (BSP)	10,000,000	-	10,000,000
LBP	1,000,000	2,000,000	(1,000,000)
<b>TOTAL</b>	<b>21,396,662</b>	<b>14,653,662</b>	<b>6,743,000</b>

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 building upon appraisal in year 1996.

## 27. ACCUMULATED SURPLUS

<b>Accumulated surplus, January 01, 2019</b>		<b>516,610,422</b>
Adjustments due to Prior Period Errors:		2,263,218
Overstated depreciation (2018)	1,000,471	
Unrecorded revenue (2018)	1,262,747	
<b>Accumulated surplus, January 01, 2019, As Restated</b>		<b>518,873,640</b>
Surplus for 2019, as previously stated		33,626,787
Adjustments due to Prior period errors:		(1,831,822)
Overstated personnel services	25,625	
Overstated maintenance and other operating expenses	1,043,871	
Unrecorded financial expense	(653)	
Understated depreciation	(1,223,063)	
Overstated revenue	(1,677,602)	
Surplus for 2019, As Restated		31,794,965
Other adjustments		29,375,992
<b>Accumulated surplus, December 31, 2019, As Restated</b>		<b>580,044,597</b>
Deficit for 2020		(80,002,838)
Various adjustments as follows:		4,973,314
Interest on the Restricted fund	2,013,694	
Adjustment on Doubtful account	2,919,473	
Erroneous recording of overstated IT equipment	40,147	
<b>Accumulated surplus, December 31, 2020</b>		<b>505,015,073</b>

The overstatement of IT equipment was erroneously recorded in Accumulated Surplus/(Deficit), hence correcting entry will be recorded in the succeeding year.

The breakdown of the account is as follows:

<b>Particulars</b>	<b>2020</b>
Accumulated Surplus - Unappropriated, December 31	277,236,078
Prior years' adjustments	5,349,483
Restated Balance	282,585,561
Accumulated Surplus - Appropriated, December 31	300,418,656
Interest from Restricted fund	2,013,694
Total	302,432,350
Total	585,017,911
Surplus (Deficit) for 2020	(80,002,838)
<b>Accumulated Surplus, NET</b>	<b>505,015,073</b>

The breakdown of Accumulated Surplus – Appropriated or Restricted Fund is as follows:

<b>Particulars</b>	<b>2020</b>
<u>High Yield Savings Account (formerly T-Bills):</u>	
Land Bank of the Philippines (LBP)	299,669,496
<u>Dollar Time Deposit:</u>	
LBP Dollar Time Deposit (Portion)	1,983,693
<u>Peso Savings Account</u>	
LBP Income Account	779,161
<b>Total</b>	<b>302,432,350</b>

## 28. BUDGET INFORMATION IN FINANCIAL STATEMENTS

The original budget reflected in the SCBAA for the year ended December 31, 2020 is the proposed Corporate Operating Budget (COB) for the year 2020 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 03, 2020. The proposed/original COB is prepared considering: (a) the Agency's various programs, projects and activities in 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. Although the total subsidy of P278.479 million was approved, DBM released the amount of P250.631 million only with ten per cent (10%) discontinuance from the total amount per DBM National Budget Circular (NBC) No. 580, re: Adoption of Economy measures in the government due to the emergency health situation.

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 P6.536 million.

- The Personnel Services variance of P2.659 million represents over provision of Salaries, Year-End Bonus, RATA, Monetization, Loyalty Pay, RLIP and PHIC as evaluated by the DBM.
- The Final MOOE was computed based on the highest amount between the Fiscal Year (FY) 2018 audited financial statements and FY 2019 actual unaudited financial statements and reduced by ten per cent (10%) equivalent to P27.848 million as mandated under NBC No. 580.

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, 2020, only 86 positions are filled including one (1) item seconded at DTI office.
- Cancellation of some overseas/local trade fairs due to COVID-19 pandemic.
- Approved COB was released only in November 2020, thus purchases of PPE were delayed.

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

CITEM is compliant with 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.

	<b>Amount</b>
Due to BIR – Withholding tax on compensation	1,031,529
Due to BIR – Withholding tax on compensation-resigned employees	33,253
Due to BIR – Expanded withholding tax	326,277
Due to BIR – Branch registration fees	39,536
Due to BIR – VAT withheld	430,649
Due to BIR – VAT withheld CITEM	7,350
Due to BIR – Contractors fax	60,636
Due to BIR – Final tax	-
Due to BIR – Gross money payments	51,163
	<b>1,980,393</b>

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.

- a. CITEM is a VAT registered company with VAT output tax declaration of P0.985 million for the year 2020.



- b. The amount of VAT input and output taxes claimed are broken down as follows:

	<b>Amount</b>
Balance, beginning of the year	4,875,432
Tax on goods for resale/purchases - current	2,696,733
Tax on goods for resale/purchases - payables	1,464,100
<b>Sub-total</b>	<b>9,036,265</b>
Less: Output tax	985,045
Add: Adjustments	354,112
<b>Balance, end of the year</b>	<b>8,405,332</b>

- c. Other Taxes and Licenses

	<b>Amount</b>
Local	-
National (BIR Registration Fee)-for Current Year	500
<b>Total</b>	<b>500</b>

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

	<b>Amount</b>
Tax on compensation and benefits	6,173,459
Creditable withholding taxes	3,719,937
Final withholding taxes	30,320
<b>Total</b>	<b>9,923,716</b>

### 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 2020:

	<b>Premiums</b>	<b>Remitted</b>
Life and retirement premiums, employees share	4,208,688	3,850,466
Government share	5,642,378	5,642,378
<b>Total</b>	<b>9,851,066</b>	<b>9,492,844</b>

## PART II - OBSERVATIONS AND RECOMMENDATIONS

### A. FINANCIAL

1. The faithful representation in the financial statements of the balance of the Property, Plant and Equipment (PPE) account with carrying amount of P22.997 million as of December 31, 2020 was not established due to: (a) variance of P7.679 million between the cost of PPEs per Accounting records and the Report on the Physical Count of PPE (RPCPPE); and (b) non-maintenance of complete and updated PPE Ledger Cards (PPELCs) by the Controllership Division, thus reconciliation with Property records could not be facilitated, contrary to the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities and Paragraph 27 of International Public Sector Accounting Standard (IPSAS) 1.

1.1. Paragraph 27, 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, Items 3.10 and 3.11 of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities requires, 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 material error as possible.*

- 1.3. The details of the PPE account as of December 31, 2020, are presented in Table 1.

**Table 1 – Details of the PPE account**

<b>PPE Sub-accounts</b>	<b>Acquisition Cost</b>	<b>Accumulated Depreciation</b>	<b>Carrying Amount</b>
Buildings	P30,417,335	P26,889,934	P3,527,401
Other structures	3,941,251	786,884	3,154,367
Office equipment	7,136,623	5,859,146	1,277,477
Information and communication technology (ICT) equipment	32,412,081	24,113,529	8,298,552
Communication equipment	1,405,344	1,274,064	131,280
Motor vehicles	10,730,700	8,292,421	2,438,279
Furniture and fixtures	2,048,039	1,116,823	931,216
Library books	18,340	16,506	1,834
Other property, plant and equipment	6,318,138	3,081,572	3,236,566
<b>Total</b>	<b>P94,427,851</b>	<b>P71,430,879</b>	<b>P22,996,972</b>

*Variance amounting to P7.679 million between the RPCPPE and books of accounts*

- 1.4. Section 38, Chapter 10 of the Government Accounting Manual (GAM), Volume I, requires that, *“The entity shall have a periodic physical count of PPE, which shall be done annually and presented on the Report on the Physical Count of Property, Plant and Equipment (RPCPPE) (Appendix 71) as at December 31 of each year. This shall be submitted to the Auditor concerned not later than January 31 of the following year. Equipment found at station and losses discovered during the physical count shall be reported to the Accounting Division/Unit for proper accounting/recording.”*
- 1.5. Comparison between the balances of PPE General Ledgers (GLs) maintained by the Controllership Division with the RPCPPE submitted by the General Services Division, disclosed total variance of P7.679 million, as summarized in Table 2.

**Table 2 – Comparison of the GLs and RPCPPE**

<b>PPE Sub-accounts</b>	<b>Per GL</b>	<b>Per RPCPPE</b>	<b>Variance</b>
Buildings*	P30,417,335	P -	P -
Other structures*	3,941,251	-	-
Office equipment	7,136,623	7,927,623	(791,000)
ICT equipment	32,412,081	26,168,966	6,243,115
Communication equipment	1,405,344	745,295	660,049
Motor vehicles	10,730,700	10,859,700	(129,000)
Furniture and fixtures	2,048,039	1,168,380	879,659
Library books	18,340	-	18,340
Other property, plant & equipment	6,318,138	5,520,748	797,390
	<b>P94,427,851</b>	<b>P52,390,712</b>	<b>P7,678,553</b>

*\*although not included in the RPCPPE, existence is already established considering the nature of the PPE; hence, no actual discrepancy*

- 1.6. As summarized in Table 2, the GLs balances of five (5) PPE sub-accounts were higher than those in the RPCPPE, while two (2) PPE sub-accounts in the RPCPPE were higher than their GLs balances. Inquiry from the General Services Division personnel disclosed that there were several attempts for the reconciliation of the PPE account between the Property records and Accounting records, but the same was not fully undertaken, hence, the total variance of P7.679 million remained unreconciled.
- 1.7. One of the causes of the variances could be attributed to the incomplete inventory taking conducted by the Inventory Committee as the count was conducted only for motor vehicles, and part of the Office Equipment and ICT Equipment.
- 1.8. The non-reconciliation of the balances of the PPE account between the Accounting records and Property records is not in accordance with Section V.4, COA Circular No. 80-124 which states that:

*Sec. V.4, Inventory Reports*

*All inventory reports shall be prepared on the prescribed form xxx and certified correct by the committee in charge thereof, noted by the Auditor and approved by the head of the agency. The reports shall be properly reconciled with accounting and inventory records.*

*Non-maintenance of complete and updated PPELCs*

- 1.9. Section 42, Chapter 10, GAM, Volume I requires that:

*Sec. 42. Accounting and Property Records to be maintained for PPE. The Chief Accountant shall maintain the PPELC for each category of PPE including work and other animals, livestock, etc. The PPELC shall be kept to record promptly the acquisition, description, custody, estimated useful life, depreciation, impairment loss, disposal and other information about the asset. For check and balance, the Property and Supply Office/Unit shall likewise maintain PC for PPE in their custody to account for the receipt and disposition of the same. The balance per PC shall be reconciled with PPELC maintained by the Accounting Division/Unit. They shall also be reconciled with other property records like PAR.*

*The following are the forms/reports necessary to account for PPE:*

*Xxxx*

- d. Property Card (Appendix 70) – this card shall be used by the Supply and/or Property Division/Unit to record*

*the description, acquisition, transfer, disposal, and other information about the PPE. It shall be kept for each class of PPE.*

- e. *Property, Plant and Equipment Ledger Card (Appendix 71) – this card shall be used for each class of PPE to record the acquisition, description, custody, estimated life, depreciation, impairment, disposal, transfer/adjustment, repair history and other information about the property. It shall be kept and maintained by the Accounting Office/Unit.*

1.10. The Audit Team noted that while the General Services Division is maintaining the Property Cards (PCs), the Controllership Division did not maintain complete and updated PPELCs for each class or category of PPE to support the GLs balances of the PPE sub-accounts. Only PPELCs for ICT Equipment, Furniture and Fixtures, and Library Books were maintained. Thus, reconciliation between the Accounting records and Property records could not be readily facilitated.

1.11. In view of the variance of P7.679 million between the Accounting records and the RPCPPE and the non-maintenance of complete and updated PPELCs by the Controllership Division, the faithful representation in the financial statements of the balance of the PPE account with carrying amount of P22.997 million as of December 31, 2020 was not established.

1.12. **We recommended and Management agreed to:**

- a. **Direct the Controllership Division and the General Services Division to: (i) determine the causes of the variances between their records, (ii) regularly reconcile the PPE account balances and (iii) effect necessary adjustments or corrections on the affected records in order to fairly present the PPE account in the financial statements;**
- b. **Instruct the Controllership Division to maintain complete and updated PPELCs in accordance with Section 42, Chapter 10, GAM, Volume I; and**
- c. **Henceforth, require the Inventory Committee to conduct complete inventory count of all the CITEM's properties to establish existence thereof.**

2. **The reliability of the balance of the Cash in Bank account in the amount of P436.012 million as of December 31, 2020 could not be ascertained due to the variance of P1.767 million (in absolute amount) between the balances per books and confirmed bank balances on four depository accounts in view of the unrecorded/unadjusted bank credit/debit memos and long outstanding deposits in transit, contrary to Paragraph 27 of IPSAS 1.**

- 2.1. This is a reiteration with updates of the prior year's audit observation as Management was not able to fully implement the recommendations. It is noteworthy to mention though that the variance in the Cash in Bank account between the balance per books and the confirmed bank balances decreased by P19.523 million or 91.70 per cent from P21.290 million as of December 31, 2019 to P1.767 million as of December 31, 2020.
- 2.2. Paragraph 27, 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."*
- 2.3. Also, 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.*
- 2.4. Confirmation of balances of depository accounts maintained with the Land Bank of the Philippines (LBP) and the Development Bank of the Philippines (DBP) as of December 31, 2020 disclosed a total variance of P1.767 million (in absolute amount) between the confirmed bank balances and Subsidiary Ledgers (SLs) on four out of six depository accounts as presented in Table 3.

**Table 3 - Confirmed Bank Balances vis-à-vis SLs Balances**

Bank Account No.	Description	Balance per SL (a)	Confirmed Balance per Bank (b)	Variance (in absolute amount) (c=a-b)	Remarks
0405-017071-160	DBP-LCTD	P 1,803,996	P 1,803,996	P -	
0405-017871-030	DBP-LCCA	10,051,520	9,997,980	53,540	Long outstanding deposit in transit
1772-1021-82	LBP-LCCA (Subsidy)	266,712,191	266,912,644	200,453	Unrecorded deposits & bank debits
1772-1038-63	LBP-LCCA (Income)	27,359,074	27,647,187	288,113	Unrecorded deposits & bank debits
1774-0065-04	LBP-FCCA	79,793,602	81,018,386	1,224,784	Unrecorded deposits
1779-0212-42	LBP-FCTD	53,054,317	53,054,317	-	
<b>TOTAL</b>		<b>P438,774,700</b>	<b>P440,434,510</b>	<b>P1,766,890</b>	

\*Foreign Currency accounts converted to Peso using Exchange rate on 12/29/2020 @Php48.036.

LCTD – Local Currency Time Deposit; LCCA – Local Currency Current Account; FCCA – Foreign Currency Current Account;

FCTD – Foreign Currency Time Deposit



- 2.5. The difference of P2.763 million between the Cash in Bank account of P436.012 million as reflected in Note 6 to Notes to Financial Statements and the total of the SLs of P438.775 million pertains to the amounts of P0.779 million and P1.984 million included in the bank accounts under LBP-LCCA (Income) and LBP-FCTD (Dollar), respectively, but are classified under Others Assets - Restricted Fund account. The Restricted Fund is allocated for the Building Fund set up by the Governing Board for future construction and/or purchase of building for CITEM; however, the Board Resolution for the setting up thereof has not been submitted yet to the Audit Team. Inquiry disclosed that the portion of the Building Fund of P0.779 million pertains to the indemnification fee received from PhilExport when the HallOne building was demolished.
- 2.6. Review of the Bank Reconciliation Statements (BRSs) for LBP and DBP accounts disclosed the existence of various reconciling items totaling P1.728 million which remained unrecorded/unadjusted in the books as of December 31, 2020. These reconciling items included unidentified bank credit and debit memos of P1.721 million and P1,781, respectively; and bank debit memo of P5,500 erroneously posted in the Check Disbursement Journal under LBP-LCCA (Subsidy) account instead of LBP-LCCA (Income) account, as summarized in Table 4.

**Table 4- Unrecorded Book Reconciling items**

Bank Name	Period	Bank Credits	Bank Debits	TOTAL
LBP -LCCA (Subsidy)	2020	P 202,234	P1,781	P 204,015
LBP- LCCA (Income)	2020	293,612	5,500	299,112
LBP- FCCA	2020	1,224,784	-	1,224,784
<b>TOTAL</b>		<b>P1,720,630</b>	<b>P7,281</b>	<b>P1,727,911</b>

- 2.7. Inquiry revealed that Management had exerted efforts to identify these reconciling items as they sent emails and made representation with the concerned bank. However, the credit and debit memos were still not provided by the bank, thus remained unrecorded in the books.
- 2.8. Moreover, the difficulty of CITEM in determining or identifying the depositor/s of the unrecorded bank credits affected the accuracy of the Accounts Receivable account since most of the bank credits represent payments from creditors/exhibitors joining the Center's trade fairs/events.
- 2.9. It is noteworthy to mention that unidentified bank credits from Calendar Years (CYs) 2013 to 2019 totaling P4.375 million were already recorded in the books. However, the concerned depositors have not yet been identified in the absence of pertinent documents; accordingly, the Official Receipts have not yet been issued to the payors which is not in accordance with Section 68 of PD No. 1445, viz.:

*Issuance of Official Receipt. No payment of any nature shall be received by a collecting officer without immediately issuing an official receipt in acknowledgment thereof. The receipt may be in the form of postage, internal revenue or*

*documentary stamps and the like, or officially numbered receipts, subject to proper custody, accountability, and audit.*

- 2.10. Likewise, the unidentified bank debits totaling P272,132 in CYs 2017 to 2019 in two depository accounts were also recorded in the books despite the absence of debit memos from the bank.
- 2.11. Bank reconciling item of P53,540 identified as deposit in transit in the BRS as of December 31, 2020 of DBP-LCCA has been long outstanding for five years. This has been an audit observation since CY 2018. Inquiry with the Controllershship Division revealed that this is still for verification by the Cash Department with the concerned bank.
- 2.12. In view of the foregoing deficiencies, the reliability of the balance of the Cash in Bank account in the amount of P436.012 million as of December 31, 2020 could not be ascertained.
- 2.13. **We reiterated our previous year's recommendations that Management instruct the Chief, Controllershship 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 debtors/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. **Continue to coordinate with the concerned banks to resolve the issue on their inability to provide bank credit and debit memos.**
- 2.14. **We further recommended that Management:**
  - e. **Require the Cash Department to immediately verify the long outstanding deposit in transit amounting to P53,540 and if found to be a valid deposit, make the necessary representation with the concerned depository bank for proper credit to the account of CITEM; and**
  - f. **Furnish the Audit Team with a copy of the Board Resolution authorizing the setting up of Restricted Fund for the Building Fund and basis for the reclassification of the Cash in Bank account amounting to P2.763 million to Other Asset – Restricted Fund.**

2.15. Management commented that:

- a. They would continue to exert all efforts to reconcile the variances with the concerned banks;
- b. CITEM had sent confirmation letters to various exhibitors with outstanding balances per book records and committed to continue to do so;
- c. Online platforms currently being developed for exhibitor application, approval, invoicing, and payment will address the check and balance to ensure all payments made are recorded. The billing process will be enhanced and communicated to units accordingly. The bank credits from third parties will now be closely monitored; and
- d. CITEM commits to provide a copy to the Audit Team of a letter sent to DBP regarding the long outstanding deposit in transit and the Board Resolution authorizing the restrictions on the deposits for Building Fund.

**3. The faithful representation in the financial statements of the Receivables account with net book value of P13.457 million as of December 31, 2020 could not be ascertained due to: (a) incomplete/not updated Subsidiary Ledgers (SLs) to support the receivables totaling P4.809 million; (b) presence of negative/abnormal balances amounting to P3.374 million; and (c) absence of Aging Schedule precluding the determination of the adequacy of the Allowance for Impairment of P6.790 million provided for Receivables account, contrary to Items 3.10, 3.12 and 3.26 of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities.**

3.1. The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities defines faithful representation and verifiability, to wit:

*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 attained when the depiction of the phenomenon is complete, neutral, and free from material error xxx.*

*3.12 An omission of some information can cause the representation of an economic or other phenomenon to be false or misleading, and thus not useful to users of [General Purpose Financial Reports [GPFRs]. Xxx.*

*3.26 Verifiability is the quality of information that helps assure users that information in GPFRs faithfully represents the economic and other phenomena that it purports to*

*represent. Supportability is sometimes used to describe this quality xxx Whether referred to as verifiability or supportability, the characteristic implies that different knowledgeable and independent observers could reach general consensus, although not necessarily complete agreement xxx.*

*Incomplete/not updated SLs to substantiate the receivables totaling P4.809 million*

3.2. Sections 111(1) and 114(2) of PD No. 1445 state that:

*Section 111. Keeping of accounts*

*(1) The accounts of an agency shall be kept in such detail as is necessary to meet the needs of the agency and at the same time be adequate to furnish the information needed by fiscal or control agencies of the government xxx.*

*Section 114. The general ledger*

*Xxxx*

*(2) Subsidiary records shall be kept where necessary.*

- 3.3. Inquiry and review of the pertinent documents revealed that CITEM has not maintained complete SLs for three (3) Receivables sub-accounts, namely, Accounts Receivable (AR) – Participation Fees (PF) Local of P3.137 million; AR – Extension Charges of P443,447; and AR – Others of P1.229 million, or totaling P4.809 million, which are necessary to substantiate the veracity of these receivables.
- 3.4. A case in point is, there were two (2) SLs for AR – PF Local where only transactions from CYs 2015 to 2018 have been recorded. It is emphasized that maintenance of complete and updated SLs would facilitate the tracking of the accounts of the exhibitors at any given point in time and the timely sending of Statement of Accounts to require payment.
- 3.5. It was also noted that amounts totaling P3.970 million were credited to the GL of AR–PF Local account representing payments deposited online. However, since depositors were not identified due to lack of information/credit memos, payments were not matched to the individual SL of the exhibitors.
- 3.6. The AR – Extension Charges account of P443,447 has no movement since CY 2012. Inquiry with the concerned personnel of the Controllorship Division revealed that the nature of this account is uncertain since this balance already existed when she took over and there was no proper

turnover of documents; thus, there were no pertinent documents presented to the Audit Team to support the veracity of the balance.

- 3.7. Further verification disclosed that the AR – Others account represents November 2017 invoices billed to exhibitors as venue rental of the previously owned HallOne building of CITEM.

*Negative/abnormal balances totaling P3.374 million in AR-PF Local and International accounts*

- 3.8. Analysis of the Schedule of 2019 Local Events and the Schedule of AR – PF International as of December 31, 2020 revealed the presence of negative/abnormal balances in the individual account of exhibitors of P0.806 million for AR-PF Local account and P2.568 million for AR–PF International account or totaling P3.374 million due to overpayments, unrecorded dishonored checks and non-recording of bills in the Journal of Bills Rendered (JBR). Details are shown in Table 5.

**Table 5 – Schedule of Negative/Abnormal Balances in AR - PF Local and International accounts**

<b>Exhibitor #</b>	<b>Amount</b>	<b>Remarks</b>
<u><i>A/R - PF Local</i></u>		
Exhibitor 1	P 5,000	Overpayment
Exhibitor 2	10,000	Overpayment
Exhibitor 3	250	Overpayment
Exhibitor 4	5,850	Overpayment
Exhibitor 5	10,000	Overpayment
Exhibitor 6	10,000	Overpayment
Exhibitor 7	10,000	Overpayment
Exhibitor 8	10,000	Overpayment
Exhibitor 9	14,000	Overpayment
Exhibitor 10	13,680	Overpayment
Exhibitor 11 (Foreign Exhibitor)	471	Overpayment
Exhibitor 12	20,000	Dishonored check
Exhibitor 13	28,250	Dishonored check
Exhibitor 14	84,500	Dishonored check
Exhibitor 15	10,000	Dishonored check
Exhibitor 16	8,929	No corresponding bill
Exhibitor 17	64,800	No corresponding bill
Exhibitor 18	200,000	No corresponding bill
Exhibitor 19	300,000	No corresponding bill
<b>Sub-total</b>	<b>805,730</b>	
<u><i>A/R - PF International</i></u>		
Exhibitor 20	156,120	-
Exhibitor 21	52,902	-
Exhibitor 22	300	-
Exhibitor 23	471	-
Exhibitor 24	1,740	-
Exhibitor 25	197,344	-
Exhibitor 26	6	-

<b>Exhibitor #</b>	<b>Amount</b>	<b>Remarks</b>
Exhibitor 27	29,430	-
Exhibitor 28	116,265	-
Exhibitor 29	0.01	-
Exhibitor 30	157,296	-
Exhibitor 31	10,000	-
Exhibitor 32	25,199	-
Exhibitor 33	1,338	-
Exhibitor 34	284,360	-
Exhibitor 35	4	-
Exhibitor 36	25,373	-
Exhibitor 37	72,624	-
Exhibitor 38	233,601	-
Exhibitor 39	539	-
Exhibitor 40	61	-
Exhibitor 41	505	-
Exhibitor 42	2,900	-
Exhibitor 43	51,346	-
Exhibitor 44	1,590	-
Exhibitor 45	50	-
Exhibitor 46	106,942	-
Exhibitor 47	311,763	-
Exhibitor 48	110,844	-
Exhibitor 49	72,682	-
Exhibitor 50	715	-
Exhibitor 51	1,112	-
Exhibitor 52	25,278	-
Exhibitor 53	202,534	-
Exhibitor 54	384	-
Exhibitor 55	80,848	-
Exhibitor 56	72,682	-
Exhibitor 57	0.70	-
Exhibitor 58	157,437	-
Exhibitor 59	3,560	-
<b>Sub-total</b>	<b>2,568,146</b>	
<b>TOTAL</b>	<b>P3,373,876</b>	

- 3.9. Inquiry from the concerned personnel of Controllershship Division revealed that analysis and verification to determine the cause(s) of the negative balance of P2.568 million in the AR – PF International are still ongoing.

*Absence of aging schedule which precluded the Audit Team to determine the adequacy of the Allowance for Impairment of P6.790 million provided for Receivables account*

- 3.10. Section 3 of COA Circular No. 2015-004 dated July 16, 2015 requires that the year-end financial statements and reports such as the Statement/Aging of Accounts Receivable be submitted on or before February 14 of each year. As at audit date, the CITEM was unable to submit the Aging Schedule of its Receivables account.

- 3.11. As a result, the Audit Team was precluded from conducting thorough analysis of the Receivables account in the gross amount of P20.247 million to ascertain whether the Allowance for Impairment totaling P6.790 million provided thereon was adequate.
- 3.12. In view of the foregoing deficiencies, the faithful representation in the financial statements of the Receivables account with net book value of P13.457 million as of December 31, 2020 could not be ascertained.
- 3.13. **We recommended that Management require the Controllership Division to:**
- a. **Maintain SLs for AR- PF Local, AR – Extension Charges and AR – Others;**
  - b. **Determine the nature of the negative balances and prepare the necessary adjustments;**
  - c. **Prepare and submit to the Audit Team the Aging Schedule of the Receivables account on or before the deadline set in accordance with Section 3 of COA Circular No. 2015-004 dated July 16, 2015, to facilitate verification; and**
  - d. **Determine the nature and the concerned debtors/clients for AR –Extension Charges account of P443,447 and take appropriate action thereon.**
- 3.14. Management commented that:
- a. Controllership Division shall exert all efforts to submit the required reports before the deadline, and optimistic that once an accounting system is in place such as BTMS, it will take lesser time to prepare the required reports;
  - b. A replacement for the personnel who used to handle the local signature events together with other personnel of the Division shall prepare the necessary adjusting entries and reconcile the negative balances. Also, the contact details will be encoded to the spreadsheet file of the SL extracted from the records kept by the Controllership Division which was maintained for the automation of the accounting process; and
  - c. The AR- Extension Charges account traced to year 2009, and though it would be very difficult, CITEM commits to retrieve the documents relative to determine its nature and be adjusted accordingly.



4. The recording of the unserviceable PPEs with total cost of P8.432 million and accumulated depreciation of P7.588 million or carrying amount of P0.844 million under Other Assets-Others account is not in accordance with Annex C-Description of Updated Accounts of COA Circular No. 2020-002 dated January 28, 2020. Likewise, the non-disposal of these unserviceable PPEs recorded under Other Assets-Others account delayed the derecognition thereof in the books of accounts, contrary to Paragraph 82 of IPSAS 17.

- 4.1. Review of the Other Assets – Others account with a balance of P0.844 million as of December 31, 2020 disclosed that this represents unserviceable properties which were previously recorded under PPE account but were reclassified in CY 2011 to Other Assets-Others account, as itemized in Table 6.

**Table 6 – Unserviceable PPEs Reclassified to Other Assets-Others account in CY 2011**

Item of PPE	Reference (SL/JEV No)	Acquisition Cost	Accumulated Depreciation	Net Book Value/Carrying Amount
<b><u>Office Equipment</u></b>				
Reclassified items for disposal in year 2010.	JEV #11-12-042	P 780,657	P 702,066	P 78,591
<b><u>IT Equipment and Software</u></b>				
Reclassified items for disposal in years 2009 and 2010.	JEV #11-12-042	1,666,306	1,499,675	166,631
<b><u>Motor Vehicle</u></b>				
Toyota GLI, 4 Door 1600, 1995 Model 4AT	JEV #11-12-042	559,895	503,905	55,990
Mitsubishi L300 FB, De Luxe 1995 Prod.	JEV #11-12-042	554,000	498,600	55,400
Sub-total		3,560,858	3,204,246	356,612
<b><u>Furniture and Fixtures</u></b>				
Reclassified items for disposal in 2010.	JEV #11-12-042	48,986	44,088	4,898
<b><u>Other Property, Plant and Equipment</u></b>				
Reclassified items for disposal in years 2009 and 2010.	JEV #11-12-042	4,822,133	4,339,920	482,213
<b>Total</b>		<b>P8,431,977</b>	<b>P7,588,254</b>	<b>P843,723</b>

- 4.2. Under Section 143, Volume III of the Manual on the New Government Accounting System (MNGAS), it was then prescribed the reclassification of unserviceable properties/assets awaiting final disposition to Other Assets account. However, CITEM has not conducted any disposal of these unserviceable properties since 2011 as required under Section 79 of PD No. 1445.

- 4.3. It was also noted that the entry made to reclassify the unserviceable PPE items to Other Assets was not in accordance with Section 143 of MNGAS, Volume III as CITEM recognized the unserviceable properties for disposal at acquisition cost of P8.432 million instead of the net book value (NBV) amounting to P0.844 million.
- 4.4. Upon the adoption and conversion of accounts from the Philippine Government Chart of Accounts under the New Government Accounting System (NGAS) to the Revised Chart of Accounts (RCA) in 2017, Management did not reclassify the unserviceable properties to appropriate PPE sub-accounts, instead the same remained recorded in the Other Assets-Others account but the Accumulated Impairment Loss-Other Assets in the amount P7.588 million was provided to present the account in its carrying amount of P0.844 million.
- 4.5. In page 133 of Annex C-Description of Updated Accounts of COA Circular No. 2020-002 dated January 28, 2020, the descriptions of Other Assets and Accumulated Impairment Losses-Other Assets, are as follows:

*Other Assets*  
*19999990*

*Debit*

*This account is debited to recognize assets not falling under any of the specific assets accounts. This account is credited for disposal, reclassification to specific asset accounts, and/or adjustments.*

*Accumulated Impairment Losses-Other Assets*  
*19999992*

*Credit*

*This account is credited for the amount recognized to reduce asset not falling under any of the specific asset accounts to its recoverable amount due to impairment. This account is debited upon derecognition of the asset, reversal of impairment loss, and/or adjustments.*

- 4.6. As the unserviceable PPE items remained recorded under Other Assets-Others account, the PPE account and the corresponding Accumulated Depreciation account were understated by P8.432 million and P7.588 million, respectively; while the Other Assets-Others account and the corresponding Accumulated Impairment Loss-Other Assets account were overstated by P8.432 million and P7.588 million, respectively, as of December 31, 2020.
- 4.7. Further, Paragraph 82 of IPSAS 17 states that the carrying amount of an item of PPE shall be derecognized on disposal or when no future

economic benefits or service potential is expected from its use or disposal.

4.8. The non-disposal of these unserviceable PPEs recorded under Other Assets-Others account delayed the derecognition thereof in the books of accounts, contrary to Paragraph 82 of IPSAS 17.

4.9. **We recommended and Management agreed to:**

- a. **Instruct the Chief, Controllership Division to: (i) properly classify the accounts following Annex C-Description of Updated Accounts of COA Circular No. 2020-002 dated January 28, 2020; (ii) reclassify the unserviceable properties recorded under Other Assets-Others account to appropriate PPE sub-accounts while waiting disposal thereof; and (iii) derecognize in the books the PPE items, where no future economic benefits or service potential is expected from their use or disposal and provide a copy of the Journal Entry Voucher (JEV) to the Audit Team, for verification.**
- b. **Require the General Services Division and the Disposal Committee to facilitate disposal of the unserviceable properties.**

5. **The existence, reliability and accuracy of the Inventories account amounting to P1.231 million as of December 31, 2020 were doubtful due to: (a) incomplete conduct of physical count; (b) non-preparation/submission of the Report on the Physical Count of Inventories (RPCI); (c) non-maintenance of Supplies Ledger Cards (SLCs) to substantiate the GLs balances of Inventories sub-accounts; (d) non-maintenance of complete Stock Cards (SCs), contrary to Section 17, Chapter 8 of the GAM, Volume I; and (e) non-adoption of the weighted average method for costing of inventories as required under Philippine Application Guidance (PAG) 2 of IPSAS 12.**

5.1. This is a reiteration with updates of the prior year's audit observation as Management was not able to fully implement the corresponding recommendations.

5.2. The breakdown of the Inventories account as of December 31, 2020 is presented in Table 7.

**Table 7 – Composition of Inventories account**

<b>Sub-Accounts</b>	<b>Amount</b>
Office supplies inventory	P 40,580
Semi-expendable office equipment	328,196
Semi-expendable furniture and fixtures	862,614
<b>Total</b>	<b>P1,231,390</b>

*Incomplete conduct of physical count and non-preparation/submission of the RPCI*

- 5.3. Paragraph 3 of Section 13, Chapter 8, GAM, Volume I, states:

*Par. 3, Sec. 13. Inventory Accounting System. x xx*

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

- 5.4. In addition, Section 17.i., Chapter 8, GAM, Volume I, requires that:

*Sec. 17.i. Report on the Physical Count of Inventories (RPCI) (Appendix 66) – shall be used to report the physical count of supplies by type of inventory as at a given date. It shows the balance of inventory items per card and per count and shortage/overage, if any. These include the semi-expendable property wherein the issue is covered by ICS.*

- 5.5. Inquiry disclosed that the Office Supplies Custodian was able to conduct the physical count and prepare the RPCI for the Office Supplies Inventory. However, no physical count for Semi-Expendable Office Equipment and Semi-Expendable Furniture and Fixtures was undertaken due to time and manpower constraints; thus, the corresponding RPCI was not prepared and submitted to the Audit Team, thereby the existence of these Inventories was not established.

*Non-maintenance of SLCs to substantiate the GLs balances of Inventories sub-accounts and incomplete SCs contrary to Section 17, Chapter 8 of the GAM, Volume I*

- 5.6. Section 17, Chapter 8 of the GAM, Volume I prescribed 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, RSML, PO and DR serve as the original sources of information for making entries on the card. Xxx.*

- 5.7. Verification revealed that the Controllershship Division still did not maintain SLCs to substantiate the balance of the Inventories account recorded in the GLs.
- 5.8. Further inquiry from the General Services Division revealed that only SCs for Office Supplies were accomplished, while no SCs were maintained by the Supply Officer for the Semi-Expendable Office Equipment and Semi-Expendable Furniture and Fixtures, contrary to the above-stated provision of GAM, Volume I.
- 5.9. The non-maintenance of the SLCs and incomplete SCs resulted in difficulty of reconciling the balances of the Inventories account between the Accounting and the Property records.

*Non-adoption of the weighted average method for costing inventories as required under PAG 2 of IPSAS 12*

- 5.10. 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, hence, 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.*

- 5.11. 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).*

- 5.12. In view of the foregoing deficiencies, the existence, reliability and accuracy of the Inventories account amounting to P1.231 million as of December 31, 2020 were doubtful.
- 5.13. **We reiterated our previous year's recommendations and Management agreed to:**
- 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.**

6. **The Inter-agency Payables sub-account-Due to National Government Agencies (NGAs) included P12.934 million unutilized funds which were transferred by the Source Agencies (SAs) under agency-to-agency procurement and without provision in the Memoranda of Agreements (MOAs) that the excess funds shall be returned to the SAs, hence the transferred funds should have been recognized as revenue and not as a liability upon transfer thereof, thereby resulting in the overstatement of Inter-agency Payables account of P12.934 million and misstating the Service and Business Income account and other affected accounts.**

- 6.1. Section 63, Chapter 6 of GAM, Volume I prescribes the guidelines for the disbursement of Inter-Agency Transferred Funds, viz.:

- a. *A Memorandum of Agreement (MOA) shall be entered into by the SA and the IA for the undertaking by the latter of the project of the former. The MOA shall provide for the requirements for project implementation and reporting.*

Xxxx

- d. *Depending on the MOA, the fund transfers may be treated as: (a) If the MOA provides a condition that the fund shall be spent as specified and any excess shall be returned to the SA, the IA shall recognize the receipt of the fund as asset at its fair value with a corresponding liability, while the SA shall recognize a receivable corresponding to the fund transfer; or (b) If the MOA provides stipulations or no condition, the IA shall recognize the receipt of the fund as asset at its fair value with a corresponding revenue, while the SA shall recognize an expense corresponding to the fund transfer.*

- 6.2. Analysis of the Inter-agency Payables sub-account-Due to National Government Agencies (NGAs) disclosed excess/unutilized transferred funds amounting to P2.866 million, details are shown in Table 8.

However, the covering Memoranda of Agreement (MOAs) did not expressly provide for the refund of excess funds to the concerned SA-NGAs, hence the unutilized funds should have been recognized as revenue of CITEM.

**Table 8 – Unrecognized Revenue from Transferred Funds  
(In Million Pesos)**

Year of Transfer	Source Agency	Name of Project	Amount Transferred	Expenses	Excess/ Unutilized Balance
2017	DTI-Foreign Trade Services Corp	CAEXPO 2017	5.000	2.951	2.049
2018	DTI-Export Marketing Bureau	CAEXPO 2018	1.546	1.285	0.261
2018	Board of Investment	1 <sup>st</sup> Logistics Phils 2018	0.500	-	0.500
2019	Board of Investment	CAEXPO 2019	0.500	0.444	0.056
<b>Total</b>			<b>7.546</b>	<b>4.680</b>	<b>2.866</b>

- 6.3. Likewise, review of the MOAs of excess funds amounting P10.068 million (Table 9) revealed that the contracts between the SAs and CITEM were an agency-to-agency mode of procurement, where the SAs engaged the services of CITEM, as the professional trade participation organizer for the implementation the projects. Thus, the fund transferred should have been recognized as revenue rather than a trust liability.

**Table 9 – Transferred Funds under Agency- to- Agency Procurement  
(In Million Pesos)**

Year of Transfer	Source Agency	Name of Project	Amount Transferred	Expenses	Excess/ Unutilized Balance
2019	DTI-Export Marketing Bureau	China Intl Import Expo 2018	11.500	2.024	9.476
2019	DTI-Competitiveness Bureau	1 <sup>st</sup> Logistics Phils 2018	1.765	1.173	0.592
<b>Total</b>			<b>13.265</b>	<b>3.197</b>	<b>10.068</b>

- 6.4. The non-recognition of revenue totaling P12.934 million [P2.866 million + P10.068 million] resulted in the overstatement of Inter-agency Payables account – Due to NGAs and misstating the Service and Business Income account and other affected accounts.
- 6.5. **We recommended and Management agreed to direct the Controllership Division to: (a) review and analyze the MOAs between the SA-NGAs and CITEM particularly on the unexpended/excess funds totaling P12.934 million; and (b) prepare the necessary adjustments to recognize revenue for funds transferred under procurement contract, and those covered by MOAs without a provision on the return of excess funds to SA-NGAs.**

**B. NON- FINANCIAL**

**7. Other Receivables totaling P2.412 million remained uncollected and dormant for ten (10) years, contrary to Section 6.1 of COA Circular No. 2016-005 dated December 19, 2016 and depriving the CITEM of additional funds for its operations.**

7.1. Section 5.4 of COA Circular No. 2016-005 dated December 19, 2016 defines Dormant Receivable Accounts as:

*Dormant Receivable Accounts - accounts which balances remained inactive or non-moving in the books of accounts for ten (10) years or more and where settlement/collectability could no longer be ascertained.*

7.2. In addition, Section 6.1 of the same COA Circular provides that:

*6.1 All government entities shall conduct regular monitoring and analysis of receivable accounts to ensure that these are collected when these become due and demandable and that cash advances and fund transfers are liquidated within the prescribed period depending upon their nature and purpose.*

7.3. Review of the Aging Schedule of Other Receivables revealed that accounts totaling P2.412 million, summarized in Table 10, have remained uncollected and outstanding for ten (10) years, contrary to Section 6.1 of COA Circular No. 2016-005. The non-collection of these dormant Other Receivables deprived the CITEM of additional funds for its operation.

**Table 10 - Summary of Dormant Other Receivables**

<b>Particulars</b>	<b>Period</b>	<b>Amount</b>
Operational charges	1986-2009	P2,265,018
Suppliers	No data available	8,160
Rental	2006	138,818
Bank	2007	270
<b>Total</b>		<b>P2,412,266</b>

7.4. Relevant provisions of COA Circular No. 2016-005 on the write-off of dormant accounts, state, viz.:

*Item 7.4 The Accountant shall prepare aging of dormant receivables, xxx on a quarterly basis xxx to support the request for write-off, and indicate in the remarks column the existence of the applicable conditions, as follows:*

*a. Absence of records or documents to validate/support the claim and/or unreconciled reciprocal accounts;*



- b. Death of the accountable officer/employee/debtor;*
- c. Unknown whereabouts of the accountable officer/employee/debtor, and that he/she could not be located despite diligent efforts to find him/her;*
- d. Incapacity to pay or insolvency;*
- e. Exhaustion of all possible remedies by the Management to collect the receivables and to demand liquidation of cash advances and fund transfers; and*
- f. No pending case in court involving the subject dormant accounts.*

*Item 8.3 The request shall be supported by the following documents:*

- a. Schedule of dormant accounts by the accountable officer/debtor/government entity and by account, certified by the accountant and approved by the Head of the government entity;*
- b. Certified relevant documents validating the existence of the conditions, as applicable, such as:*
  - b.1 Death Certificate issued by the 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*

*b.10 Xxxx*

**7.5. We recommended and Management agreed to:**

- a. Submit the necessary documents to support the action taken to collect the dormant/long outstanding receivables; and**
- b. Comply with the documentary requirements for writing off of dormant accounts pursuant to COA Circular No. 2016-005 dated December 19, 2016.**

**8. Unutilized/Excess Inter-Agency Transferred Funds totaling P6.376 million were not returned/refunded to the concerned SA-NGAs upon completion of the projects, while transferred funds of P1.739 million were not supported with MOAs, contrary to COA Circular No. 94-013 and Section 63, Chapter 6 of the GAM, Volume I.**

- 8.1. COA Circular No. 94-013 dated December 13, 1994 provides the rules and regulations in the grant, utilization and liquidation of funds transferred to Implementing Agencies (IAs). Section 4.9 of the general guidelines of this Circular provides that:

*The Implementing Agency shall return to the SA any unused balance upon completion of the project.*

- 8.2. Moreover, Section 63, Chapter 6 of GAM, Volume I prescribes the guidelines for the disbursement of Inter-Agency Transferred Funds, viz.:

- a. A Memorandum of Agreement (MOA) shall be entered into by the SA and the IA for the undertaking by the latter of the project of the former. The MOA shall provide for the requirements for project implementation and reporting.*

*Xxxx*

- d. Depending on the MOA, the fund transfers may be treated as: (a) If the MOA provides a condition that the fund shall be spent as specified and any excess shall be returned to the SA, the IA shall recognize the receipt of the fund as asset at its fair value with a corresponding liability, while the SA shall recognize a receivable corresponding to the fund transfer; or (b) If the MOA provides stipulations or no condition, the IA shall recognize the receipt of the fund as asset at its fair value with a corresponding revenue, while the SA shall recognize an expense corresponding to the fund transfer.

- 8.3. Review of the MOAs between the SA-NGAs and the CITEM covering Inter-Agency Transferred Funds disclosed unexpended/excess funds amounting to P6.375 million for completed projects (Table 11); however, these were not returned/refunded to the concerned SAs despite a condition in the MOA that any excess shall be returned to the SAs.

**Table 11 – Excess/Unutilized Transferred Funds Not Returned to SA-NGAs  
(In Million Pesos)**

Year of Transfer	Source Agency	Name of Project	Amount Transferred	Expenses	Excess/Unutilized
2016	National Commission for Culture and the Arts	Design Week Philippines	0.300	0.257	0.043
2017	Department of Tourism	Manila Fame 2017	3.650	1.358	2.292
2017	Tourism Promotions Board (TPB)	CAEXPO 2017	1.200	1.000	0.200
2018	TPB	CAEXPO 2018	2.150	1.900	0.250
2019	TPB	CAEXPO 2019 & Influencer Marketing Program	5.530	1.939	3.591
<b>Total</b>			<b>12.830</b>	<b>6.454</b>	<b>6.376</b>

- 8.4. Further review disclosed that the MOAs/contracts for transferred funds with excess/unutilized balances totaling P1.739 million (Table 12) were no longer available. These remaining funds have been outstanding for several years, as presented in Table 12.

**Table 12 – Transferred Funds Without MOA/Contract  
(In Million Pesos)**

Period Covered	Source Agency	Name of Project	Amount Transferred	Expense	Excess/Unutilized
1998 – 2012	Bureau of the Treasury	PHIL SOLO EXHIBITION	9.773	8.270	1.503
2019	DTI – GTIDO	GTIDO Funded Projects	33.890	33.654	0.236
<b>Total</b>			<b>43.663</b>	<b>41.924</b>	<b>1.739</b>

- 8.5. The non-refund/return of the excess/unutilized transferred funds of P6.376 million deprived the concerned SA-NGAs of the use thereof for their other projects.
- 8.6. **We recommended and Management agreed to direct the Controllershship Division to: (a) initiate the immediate return/refund to concerned SAs of excess funds covered by MOA with specific condition that any excess shall be returned to the SA; and (b) exert all efforts to locate the MOAs for excess/unutilized transferred fund balances totaling P1.739 million.**
9. **The CITEM was only able to implement eight trade fairs/projects in CY 2020 due to the postponements/cancellations of events because of the Coronavirus Disease 2019 (COVID-19) pandemic. Noteworthy to mention though that its export sales from these projects exceeded by USD273.741 million or 81.47 per cent from its targeted export sales and the cost directly attributable to the project was lower by P5.554 million of the budgeted amounts. However, based on the Statement of Financial Performance for the year ended December 31, 2020, the Center incurred a deficit (net loss) of P80.003 million, a decline of 351.62 per cent from its reported net income of P31.795 million for the year ended December 31, 2019.**
- 9.1. The Audit Team reviewed the CY 2020 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, 2020; 2020 Work Program-Accomplishments Report; and the Statements of Financial Performance for the years ended December 31, 2020 and 2019 were the bases in the assessment whether Management improved their cost effectiveness in attaining the Center's objective.
- 9.2. 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.

#### *Accomplishment Reports on Trade Fairs*

- 9.3. For CY 2020, the exhibitions and trade shows declined due to COVID-19, as this pandemic also affected the exhibition industry worldwide. Due to the postponements and cancellations of trade fair events, there was a notable decrease in the number of projects implemented in CY 2020 of only eight (8) when compared to the 19 trade fairs conducted in CY 2019. Of the eight (8) trade fairs implemented in CY 2020, four (4) were physical trade fairs, two (2) were digital/online trade fairs, and two (2) hybrid events. Comparison of Accomplishments between CY 2019 (pre-pandemic) and CY 2020 is summarized in Table 13.

**Table 13 – Comparison of Accomplishments  
CY 2020 vis-à-vis CY 2019**

<b>Description</b>	<b>CY 2020</b>	<b>CY 2019</b>	<b>Difference (Amount)</b>	<b>Rate (Per cent)</b>
Number of Projects	8	19	(11)	(57.89)
Number of Exhibitors	334	1,676	(1,342)	(80.07)
Number of Trade Buyers	2,707	18,852	(16,145)	(85.64)
Export sales (In million USD)	609.741	607.976	1.765	0.0029

- 9.4. Inquiry with the Corporate Planning Division revealed that a total of 15 projects/events were cancelled or deferred in CY 2020. The cancellation/deferment of the overseas trade fairs was the decision of organizers, while cancellation of signature events in Manila was the decision of CITEM Management.
- 9.5. Nonetheless, the CITEM was able to adapt to the challenges and changes brought about by the pandemic by using digital media platforms and hybrid events in conducting trade fairs. In October 2020, it launched FAME+, Manila FAME's new digital trade community platform that connects Filipino artisans to a wider global audience. Likewise, CITEM was able to conduct hybrid trade fairs in China in the later part of CY 2020 where visitors attended in person and viewers from across the world were able to participate online.
- 9.6. The Center's CY 2020 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 vis-a-vis targets is shown in Table 14.

**Table 14 - Performance Rate**

<b>Description</b>	<b>CY 2020 Accomplishment</b>		<b>Difference (Amount)</b>	<b>Accomplishment Rate (Per cent)</b>
	<b>Actual</b>	<b>Target</b>	<b>Favorable (Unfavorable)</b>	
Number of Projects	8	8	-	-
Number of Exhibitors*	334*	1,330	(996)	(74.89)
Number of Trade Inquiries**	4,744	18,040	(13,296)	(73.70)
Number of Trade Buyers***	2,707	3,520	(813)	(23.09)
Export sales (In million USD)****	609.741	336.000	273.741	81.47

\* No. of local/Philippine SMEs/companies assisted through CITEM programs and projects.

\*\*No. of Trade Inquiries as reported by the Exhibitors across CITEM-organized projects or participations

\*\*\* No. of trade buyers based on the Visitors Profile System (VPS).

\*\*\*\*Export Sales refers to the amount of Potential Export Orders as reported by CITEM Exhibitor-companies

- 9.7. The data/information in Table 14 was taken from the CY 2020 Work Program-Accomplishment Report of CITEM. The number of exhibitors, trade inquiries, and trade buyers during the implementation of the projects fell short from the annual target participants and trade inquiries per

General Appropriations Act (GAA) by 74.89 per cent, 73.70 per cent, and 23.09 per cent, respectively.

- 9.8. The export sales from these projects exceeded by USD273.741 million or 81.47 per cent of its GAA targeted export sales. This is a testament to the positive impact of CITEM's successful shift to digitalization of trade fairs and conduct of quality hybrid events which brought stronger export sales to participating companies.

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

- 9.9. The budget, cost and income derived from the implementation of the projects are presented in Table 15.

**Table 15 – Projects' Budget vis-a-vis Cost  
(In Million Pesos)**

Particulars/Projects	Budget (a)	Cost (b)	Variance of Budget Over Cost (b-a)	Income (c)	Variance of Actual Cost Over Income (c-b)
<i>I. Business to Business</i>					
A. Signature Events	44.193	40.156	4.037	-	(40.156)
<i>B. Overseas Promotional Events</i>					
1. Home and Fashion	9.000	12.155	(3.155)	5.276	(6.879)
2. Food	10.999	18.700	(7.701)	8.691	(10.009)
3. Health & Wellness	2.355	2.994	(0.639)	0.943	(2.051)
4. International	7.800	4.202	3.598	2.092	(2.110)
OTHERS	74.069	64.654	9.415	-	(64.654)
China International	10.000	8.714	1.286	3.125	(5.589)
<b>TOTAL-OPERATIONS</b>	<b>158.416</b>	<b>151.575</b>	<b>6.841</b>	<b>20.127</b>	<b>(131.448)</b>

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

- 9.10. As shown in Table 15, the total operating cost directly attributable to the implementation of the projects was lower than the allotted budget by P6.841 million. Although there was an unfavorable loss in the aggregate amount P131.448 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.
- 9.11. 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 2020  
and 2019 Statements of Financial Performance*

- 9.12. Based on the Statements of Financial Performance for the years ended December 31, 2020 and 2019, CITEM incurred a deficit (loss) of P80.003 million in CY 2020 which was lower by P111.798 million or 351.62 per cent than its CY 2019 net surplus of P31.795 million, as summarized in Table 16.

**Table 16 – Statements of Financial Performance  
For the Years Ended December 31, 2020 and 2019  
(In Million Pesos)**

<b>Account</b>	<b>2020</b>	<b>2019</b>	<b>Variance</b>	
			<b>Amount</b>	<b>Per cent</b>
Income+ Subsidy	271.728	380.198	(108.470)	(28.53%)
Expenses +losses-gains	(351.731)	(348.403)	3.328	0.96%
<b>Net Surplus/(Deficit)</b>	<b>(80.003)</b>	<b>31.795</b>	<b>(111.798)</b>	<b>(351.62%)</b>

- 9.13. The Audit Team commended the Center for incurring net surplus from CYs 2017 to 2019, reversing its financial performance from deficit/loss to surplus for three consecutive years.
- 9.14. However, the economic crisis brought about by the COVID-19 pandemic resulted in a decrease of P108.470 million or 28.53 per cent of its income and subsidy when compared to CY 2019. Moreover, in CY 2020 the Center's implemented digital projects, hybrid participation in trade fair events to promote Filipino craftsmanship to a wider audience despite the threats of the pandemic to the exhibition industry which resulted in an increase of expenses by P3.328 million when compared to CY 2019. Hence, a deficit (loss) of P80.003 million in CY 2020 which is lower by 351.62 per cent from CY 2019 Net Surplus of P31.795 million.
- 9.15. The Center continued to explore adaptive practices for export promotions as an alternative for physical trade shows due to COVID-19 pandemic. Hence, it invested in digital marketing and aggressive online and digital presence for its programs and hybrid participation in trade fair events which resulted in significant increases of expenditures in CY 2020 when compared to CY 2019, as shown in Table 17.

**Table 17 – Comparison of Expenses  
CYs 2020 and 2019  
(In Million Pesos)**

<b>Nature of Expenses</b>	<b>2020</b>	<b>2019</b>	<b>Variance</b>	
			<b>Amount</b>	<b>Per cent</b>
Advertising, Promotional, and Marketing	45.118	39.507	5.611	14.20%
Subscription Expenses	23.801	5.249	18.552	353.44%
Other Professional Services	84.401	21.247	63.154	297.24%
<b>Total</b>	<b>153.32</b>	<b>66.003</b>	<b>87.317</b>	<b>132.29%</b>

- 9.16. Despite the increase in expenditures in CY 2020, the Center is projected to reap the rewards of its investments on establishing digital media platforms and hybrid events in the future.
  - 9.17. **We recommended and Management agreed to continue implementing strategies and innovations that will adapt to the challenges and changes in trade industry due to COVID-19 and other pandemics that might happen in the future, with the end view of optimizing revenue and minimizing cost to improve CITEM's financial performance.**
- 10. The Inter-agency Payables sub-account-Due to Bureau of Internal Revenue (BIR) included unremitted amount of P0.874 million pertaining to prior years, contrary to the Section 5 of BIR Revenue Regulation (RR) No. 17-2003.**
- 10.1. Section 5 of BIR RR No. 17-2003, amending pertinent provisions of RR No. 2-98, required that all taxes withheld and payable to BIR shall be remitted on or before the 10<sup>th</sup> day of the month following the month withholding was made, except for taxes withheld for the month of December which shall be filed on or before the 15<sup>th</sup> day of the succeeding year.
  - 10.2. Review of the Inter-agency Payable sub-account-Due to BIR revealed that there were unremitted deductions pertaining to prior years amounting to P0.874 million, contrary to the afore-mentioned regulation.
  - 10.3. Post-audit of the Disbursement Vouchers and Tax Return Receipt Confirmation revealed that CITEM paid a total of P10.413 million mandatory withheld taxes for CY 2020. The unremitted balances pertained to the beginning balances carried over from prior years without relevant documents.
  - 10.4. **We recommended that Management direct the Chief, Controllership Division to determine the nature of the unremitted amount by analyzing prior years' transactions and remit to the BIR the resulting amount after adjustments, if any.**
  - 10.5. Management requested that the outstanding balance of the Due to BIR be reverted to the Accumulated Surplus as there were no more available documents to verify the unremitted amount of P0.874 million and cited Section 203 of the National Internal Revenue Code (NIRC) which provides the three-year period limitation upon assessment and collection of taxes.
  - 10.6. As a rejoinder, the Audit Team emphasized that the reversion to Accumulated Surplus is not applicable to the case at hand inasmuch as the taxes have already been withheld from suppliers and employees; hence, the same should be remitted to BIR.



## GENDER AND DEVELOPMENT (GAD)

11. The CITEM's complied with Sections 2.3, 6 and 8 of the Philippine Commission on Women-National Economic and Development Authority-Department of Budget and Management (PCW-NEDA-DBM) Joint Circular No. 2012-01 as its GAD Plan and Budget (GPB) for CY 2020 with total allocation of P28.255 million or 10.47 per cent of the total Corporate Operating Budget (COB) of P269.781 million was duly endorsed by the PCW. However, the Center's GAD Accomplishment Report (AR) which indicated total expenditures of P15.210 million in the implementation of various GAD-related programs, activities and projects (PAPs) was not successfully uploaded to the PCW Gender Mainstreaming Monitoring System (GMMS) due to system's failure; thus, the Center's GAD AR was not reviewed by the PCW.

*GPB duly endorsed by the PCW*

- 11.1. The PCW-NEDA-DBM issued Joint Circular No. 2012-01 to provide the guidelines for the preparation of the annual GPB and GAD AR to implement the Magna Carta of Women (MCW). Pertinent portions of which state that:

*2.3 Pursuant to the MCW and the General Appropriations Act (GAA), all government departments, including their attached agencies, offices, bureaus, state universities and colleges (SUCs), government-owned and controlled corporations (GOCCs), local government units (LGUs) and other government instrumentalities shall formulate their annual GPBs within the context of their policies, programs and projects. GAD Planning shall be integrated in the regular activities of the agencies, the cost of implementation of which shall be at least five per cent (5%) of their total budgets. The computation and utilization shall be implemented in accordance with the specific guidelines provided therein.*

*Xxxx*

### **6.0 COSTING AND ALLOCATION OF THE GAD BUDGET**

- 6.1 *At least five per cent (5%) of the total agency budget appropriations authorized under the annual GAA shall correspond to activities supporting GAD plans and programs. The GAD budget shall be drawn from the agency's maintenance and other operating expenses (MOOE), capital outlay (CO), and personal services (PS). It is understood that the GAD budget does not constitute an additional budget over an agency's total budget appropriations.*

Xxxx

## 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 the context of their mandates.  
xxx

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.

11.2. For CY 2020, the CITEM allocated P28.255 million or 10.47 per cent of the total COB of P269.781 million for its GPB. The subject GPB was duly endorsed by the PCW thru its GMMS on October 9, 2020.

*GAD AR was not submitted to PCW through the GMMS due to system's failure*

11.3. Sections 1.0 and 8.0 of the PCW Memorandum Circular No. 2021-01 state that:

1.0 All line departments, constitutional bodies, judicial and legislative bodies, attached agencies/bureaus, other executive offices (OEOs) and government-owned and/or –controlled corporations (GOCCs) shall submit their consolidated FY 2020 GAD Accomplishment Reports (ARs) to PCW through the PCW Gender Mainstreaming Monitoring System (GMMS) on or before the following dates:

Xxxx

*March 09, 2021 – Deadline of encoding and submission to PCW of FY 2020 GAD AR government-*

owned and controlled corporations (GOCCs) through the GMMS.

Xxxx

8.0 PCW shall review and, as necessary, provide feedback and recommendations to improve implementation of GAD programs, activities, and projects. For clarification, as provided in PCW-NEDA-DBM Joint Circular No. 2012-01, the PCW does not endorse GAD ARs unlike GAD Plans and Budgets. Xxx.

- 11.4. Verification disclosed that the Center was able to implement GAD related PAPs in its trade promotion activities in the total amount of P15.210 million which is 53.83 per cent of the GPB, as shown in Table 18.

**Table 18 - Summary of GAD-related PAPs Implemented in CY 2020**

Activity	Targeted Women Participation	Actual Women Participation	% of Participation	Actual Expenditure
Trade Promotions	74	190	256.75%	P14,404,199
Export Coaching	80	183	228.75%	806,324
Organization-focused	30 (men & women)	-	-	-
<b>Total amount expended</b>				<b>P15,210,523</b>
<b>CY 2020 GPB</b>				<b>P28,255,292</b>
<b>Per cent of utilization</b>				<b>53.83</b>

- 11.5. Based on Table 18, it was noted that CITEM was unable to conduct an organization-focused GAD activity such as the Orientation on Anti-Sexual Harassment Act of 1995 due to the COVID-19 pandemic.
- 11.6. However, it was noted that the Center's GAD AR was not successfully uploaded to the PCW GMMS due to system's failure; thus, the Center's GAD AR for CY 2020 was not reviewed by the PCW.
- 11.7. It is worth to mention that the Center was able to implement the previous year's audit recommendation specifically on the attendance to training of the Gender Focal Point System (GFPS) on the use of the Harmonized Gender and Development Guidelines (HGDG) as a tool to assess the GAD implemented PAPs. Three members of the GFPS attended the PCW-organized webinar on the use of the HGDG tool which was held on October 13, 2020 via Facebook.
- 11.8. **We recommended that Management direct the GAD Focal Person to continue to coordinate with PCW for the uploading of the Center's CY 2020 GAD AR in the GMMS in order to receive feedback and comments thereon from PCW, for the improvement in the implementation of GAD PAPs within the Center.**

## COMPLIANCE WITH TAX LAWS

12. 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 BIR within the reglementary period. For CY 2020, total remittances to the BIR amounted to P10.413 million. However, there are unremitted taxes of P0.874 million from prior years as discussed in Observation No. 10 hereof.

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

13. 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. However, it was noted that there were unremitted balances of Due to GSIS and Due to Pag-IBIG representing prior years' premiums/contributions amounting to P185,312 and P7,709, respectively.

## SUMMARY OF UNSETTLED SUSPENSIONS, DISALLOWANCES AND CHARGES

14. As of December 31, 2020, 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 19.

**Table 19 - Summary of Unsettled Audit Disallowances**

ND No./Date	Particulars	Amount	Remarks/Status
ND 12-001-416/136/793-(11-12)/11-12-12	Consultancy Services	P1,613,390.00	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 Notice of Finality of Decision
<b>Total</b>		<b>P4,914,962.78</b>	

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

Of the 14 audit recommendations embodied in the prior year's Annual Audit Report (AAR), two (2) were fully implemented and 12 were partially implemented. Details as follows:

Reference	Observations	Recommendations	Actions Taken/ Comments
<b>Financial</b> AAR 2019 Audit Observation (AO) No. 1, page 42	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 the International Public Sector Accounting Standard (IPSAS) 1.	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	Partially Implemented.  Reiterated with updates under Part II – Observation and Recommendation No. 2 of this Report.  Partially Implemented.        Partially Implemented.    Partially Implemented.

Reference	Observations	Recommendations	Actions Taken/ Comments
		CITEM's depository bank Management on ways to resolve the issue on the banks' inability to provide bank credit and debit memos.	
AAR 2019 AO No. 2, page 45	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.	<p>We recommended and Management agreed to direct the Chief, Accounting Division to:</p> <p>a. Exert all efforts in tracing/analyzing prior years' erroneous posting/recording of adjustments in the books to totally resolve the negative balances; and</p> <p>b. Henceforth, exercise due care and diligence in the recording of transactions in the books of accounts to ensure accuracy and avoid errors/mispostings.</p>	<p>Partially Implemented.</p> <p>Fully Implemented.</p>
AAR 2019 AO No. 3, page 46	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	<p>We recommended that Management:</p> <p>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;</p> <p>b. Require the Chief, Accounting Division to: (i) assign personnel</p>	<p>Partially Implemented.</p> <p>Reiterated with updates under Part II – Observation and Recommendation No. 5 of this Report.</p> <p>Partially Implemented.</p>

Reference	Observations	Recommendations	Actions Taken/ Comments
	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.	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; and  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.	Partially Implemented.
<b><u>Other Observations</u></b> AAR 2019 AO No. 4, page 50	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.	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.	Partially Implemented.
AAR 2019 AO No. 5, page 51	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	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	Partially Implemented.

Reference	Observations	Recommendations	Actions Taken/ Comments
	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.	minimize cost in the implementation of these projects.	
AAR 2019 AO No. 6, page 54	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	<p>We recommended and Management agreed to:</p> <ul style="list-style-type: none"> <li>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;</li> <li>b. Coordinate with PCW for the training of the GFPS on the use of HGDG Tool; and</li> <li>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.</li> </ul>	<p>Fully Implemented.</p> <p>Partially Implemented.</p> <p>Partially Implemented.</p>



Reference	Observations	Recommendations	Actions Taken/ Comments
	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.		