



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

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

June 3, 2022

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

CITEM LEGAL

Received by Rubric D. Arnel
Date June 03, 2022

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, 2021 and 2020.

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

The Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements of the CITEM for CYs 2021 and 2020 in view of the following:

1. The faithful representation of the account balance of Property, Plant and Equipment (PPE) costing P104.413 million with a carrying amount of P20.497 million as of December 31, 2021 was not established due to: (a) variance of P13.337 million between the amount of PPE per books and per Report on the Physical Count of PPE; and (b) non-maintenance of complete and updated PPE Ledger Cards (PPELC) by the Controllership (Accounting) Division (CD) thus reconciliation with General Services Division (GSD) 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.

Moreover, the failure of Management to promptly prepare and monitor the required Inventory and Inspection Report of Unserviceable Property (IIRUP) for the damaged/obsolete PPE had caused delay of its disposal and/or derecognition or dropping from the books.

2. The faithful representation of the Receivables account totaling P27.625 million and net book value of P20.836 million as of December 31, 2021 is doubtful and could not be ascertained due to: (a) incomplete Subsidiary Ledgers of accounts totaling P12.455 million; (b) amount of P2.603 million were confirmed settled and/or subsidized accounts; (c) presence of negative balances amounting to P2.207 million; and (d) incomplete aging schedule which precludes the determination of the adequacy of the corresponding Allowance for Impairment of

P6.790 million, 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 balance of the Accounts payable of P97.083 million as of December 31, 2021, is overstated by P1.363 million, hence the account is not fairly presented in the Financial Statements contrary to paragraph 27 of IPSAS 1. The overstatement covers the cost of the procured motor vehicle accepted on January 10, 2022 but was recognized in the books as payable in December 2021, contrary to the Department of Budget and Management (DBM) Circular No. 2013 dated December 23, 2013.

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

1.1. Direct the CD and the GSD to:

- (i) reconcile their records, exert effort to locate/identify the documents/records and IIRUP (if any), covering the disposed unserviceable properties that are still outstanding in the books, and effect the necessary adjustments or corrections;
- (ii) regularly reconcile the General Ledger records and Property records (PPE); and
- (iii) prepare the IIRUP for PPE amounting P6.258 million identified as damaged/unserviceable and facilitate the disposal thereof through public auction, destruction or other appropriate mode of disposal;

1.2. Instruct the CD to maintain complete and updated PPELCs in accordance with Section 42, Chapter 10, Government Accounting Manual (GAM), Volume I;

2.1 Direct the CD to:

- (a) Maintain Subsidiary Ledgers for Accounts Receivable (AR) – Professional Fees Local, AR – Extension Charges and AR – Others;
- (b) Analyze the individual accounts of the exhibitors particularly the balances which were subsidized by National Government Agencies and prepare the necessary adjustments;
- (c) Send confirmation letters regularly to exhibitors with outstanding balance to inquire if payments have been made and require them to submit proof of payment to facilitate recording in the books;
- (d) Prepare the necessary adjusting entries to correct and/or record the following:
 - (d.1) erroneous recording of transactions which resulted to the negative balances totaling P1.042 million;
 - (d.2) recognize income for the P0.708 million for collections not yet billed or invoices cancelled; and
 - (d.3) recognize foreign exchange gain of P9,292;

- (e) Determine the nature of the negative balances of P446,988 and prepare the necessary adjustments; and
- (f) Prepare and submit a complete Aging of AR on or before the deadline set in accordance with Section 3 of COA Circular No. 2015-004 dated July 16, 2015;

3.1 Direct the CD to:

- (a) Prepare the necessary adjusting entries on the recorded motor vehicles to correct the Accounts Payable balance as of December 31, 2021; and
- (b) Refrain from recording or recognizing a payable account on purchases that has not been delivered and officially accepted by CITEM, as evidenced by an Inspection and Acceptance Report.

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

- 4. Validity and propriety of the accrual of Collective Negotiation Agreement (CNA) FY 2021 incentives amounting to P2.189 million as of December 31, 2021 is doubtful due to the lack of requirements and proper approval contrary to DBM Budget Circular (BC) No. 2021-3 dated November 17, 2021.

4.1 We recommended that Management:

- (a) Submit the documents required as per DBM BC No. 2021-3 dated November 17, 2021 to substantiate the grant of CNA FY 2021;
- (b) Reverse the entries made for the accrual of the incentive in case of failure to comply with the submission of valid documentation to reflect the correct balance of the affected account; and/or
- (c) Upon compliance with the requirements, charge the incentive to "Other Benefits" account pursuant to the DBM BC No. 2021-3.

- 5. Payment of salaries to janitorial personnel under Institutional Contract of Service despite being on an on-call or work-from-home basis wherein no actual services were rendered, resulted in overpayment amounting to P0.810 million, contrary to the provisions of the Contract of Service and Section 2 of COA-DBM Joint Circular No. 1 Series of 2020 dated March 19, 2020.

- 5.1 We recommended that Management facilitate the refund of the overpayment of salaries from the Agency of the janitorial services and henceforth, always observe the rules and regulations on government resources expenditures.

- 5.2 We further recommended that Management make a representation with the DBM for a more authoritative disposition on the matter.

The other observations together with the recommended courses of action which were discussed by the Audit Team with concerned Management officials and staff during the exit conference conducted on April 11, 2022 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.

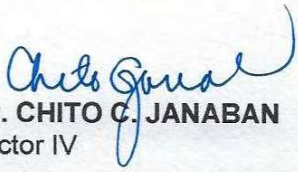
In our transmittal letter of even date, we request the Executive Director of CITEM to implement the recommendations contained in the report and to inform this Commission of the actions taken thereon within 60 days from receipt of the report.

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

Very truly yours,

COMMISSION ON AUDIT

By:


Atty. CHITO C. JANABAN
Director IV

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

June 3, 2022

Ms. PAULINA SUACO-JUAN

Executive Director

Center for International Trade Expositions and Missions

Golden Shell Pavilion, ITC Complex

Roxas Boulevard cor. Sen. Gil Puyat Avenue, Pasay City



Dear Executive Director Suaco-Juan:

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree (PD) No. 1445, otherwise known as the Government Auditing Code of the Philippines, we transmit herewith our report on the results of the audit of the accounts and transactions of the Center for International Trade Expositions and Missions (CITEM), for the years ended December 31, 2021 and 2020.

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

The Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements of the CITEM for CYs 2021 and 2020 in view of the following:

1. The faithful representation of the account balance of Property, Plant and Equipment (PPE) costing P104.413 million with a carrying amount of P20.497 million as of December 31, 2021 was not established due to: (a) variance of P13.337 million between the amount of PPE per books and per Report on the Physical Count of PPE; and (b) non-maintenance of complete and updated PPE Ledger Cards (PPELC) by the Controllershship (Accounting) Division (CD) thus reconciliation with General Services Division (GSD) 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.

Moreover, the failure of Management to promptly prepare and monitor the required Inventory and Inspection Report of Unserviceable Property (IIRUP) for the damaged/obsolete PPE had caused delay of its disposal and/or derecognition or dropping from the books.

2. The faithful representation of the Receivables account totaling P27.625 million and net book value of P20.836 million as of December 31, 2021 is doubtful and could not be ascertained due to: (a) incomplete Subsidiary Ledgers of accounts totaling

determination of the adequacy of the corresponding Allowance for Impairment of P6.790 million, 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 balance of the Accounts payable of P97.083 million as of December 31, 2021, is overstated by P1.363 million, hence the account is not fairly presented in the Financial Statements contrary to paragraph 27 of IPSAS 1. The overstatement covers the cost of the procured motor vehicle accepted on January 10, 2022 but was recognized in the books as payable in December 2021, contrary to the Department of Budget and Management (DBM) Circular No. 2013 dated December 23, 2013.

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

1.1. Direct the CD and the GSD to:

- (i) reconcile their records, exert effort to locate/identify the documents/records and IIRUP (if any), covering the disposed unserviceable properties that are still outstanding in the books, and effect the necessary adjustments or corrections;
- (ii) regularly reconcile the General Ledger records and Property records (PPE); and
- (iii) prepare the IIRUP for PPE amounting P6.258 million identified as damaged/unserviceable and facilitate the disposal thereof through public auction, destruction or other appropriate mode of disposal;

1.2. Instruct the CD to maintain complete and updated PPELCs in accordance with Section 42, Chapter 10, Government Accounting Manual (GAM), Volume I;

2.1 Direct the CD to:

- (a) Maintain Subsidiary Ledgers for Accounts Receivable (AR) – Professional Fees Local, AR – Extension Charges and AR – Others;
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- (c) Send confirmation letters regularly to exhibitors with outstanding balance to inquire if payments have been made and require them to submit proof of payment to facilitate recording in the books;
- (d) Prepare the necessary adjusting entries to correct and/or record the following:
 - (d.1) erroneous recording of transactions which resulted to the negative balances totaling P1.042 million;
 - (d.2) recognize income for the P0.708 million for collections not yet billed or invoices cancelled; and
 - (d.3) recognize foreign exchange gain of P9,292;

- (e) Determine the nature of the negative balances of P446,988 and prepare the necessary adjustments; and
- (f) Prepare and submit a complete Aging of AR on or before the deadline set in accordance with Section 3 of COA Circular No. 2015-004 dated July 16, 2015;

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- (b) Refrain from recording or recognizing a payable account on purchases that has not been delivered and officially accepted by CITEM, as evidenced by an Inspection and Acceptance Report.

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

4. Validity and propriety of the accrual of Collective Negotiation Agreement (CNA) FY 2021 incentives amounting to P2.189 million as of December 31, 2021 is doubtful due to the lack of requirements and proper approval contrary to DBM Budget Circular (BC) No. 2021-3 dated November 17, 2021.

4.1 We recommended that Management:

- (a) Submit the documents required as per DBM BC No. 2021-3 dated November 17, 2021 to substantiate the grant of CNA FY 2021;
- (b) Reverse the entries made for the accrual of the incentive in case of failure to comply with the submission of valid documentation to reflect the correct balance of the affected account; and/or
- (c) Upon compliance with the requirements, charge the incentive to "Other Benefits" account pursuant to the DBM BC No. 2021-3.

5. Payment of salaries to janitorial personnel under Institutional Contract of Service despite being on an on-call or work-from-home basis wherein no actual services were rendered, resulted in overpayment amounting to P0.810 million, contrary to the provisions of the Contract of Service and Section 2 of COA-DBM Joint Circular No. 1 Series of 2020 dated March 19, 2020.

5.1 We recommended that Management facilitate the refund of the overpayment of salaries from the Agency of the janitorial services and henceforth, always observe the rules and regulations on government resources expenditures.

5.2 We further recommended that Management make a representation with the DBM for a more authoritative disposition on the matter.

The other observations together with the recommended courses of action which were discussed by the Audit Team with concerned Management officials and staff during the exit conference conducted on April 11, 2022 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.

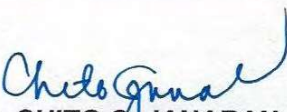
We request that appropriate actions be taken on the observations and recommendations contained in the report and that we be informed of the action(s) taken thereon by submitting the duly accomplished Agency Action Plan and Status of Implementation form (copy attached) within 60 days upon receipt hereof.

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:


Atty. CHITO C. JANABAN
Director IV

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, 2021 and 2020

EXECUTIVE SUMMARY

INTRODUCTION

The Center for International Trade Expositions and Missions (CITEM), a government-owned and/or controlled corporation, 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 the 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.

The 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. The CITEM works closely with other DTI agencies in the performance of its mandate. To attain the aforementioned objectives, the 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 CITEM 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, 2021, the CITEM had a total work force of 83 regular personnel and 43 service providers.

FINANCIAL HIGHLIGHTS (In Philippine Peso)

I. Comparative Financial Position

	2021	2020	Increase/ (Decrease)
Assets	718,540,076	795,092,491	(76,552,415)
Liabilities	145,003,753	243,801,256	(98,797,503)
Net Assets/Equity	573,536,323	551,291,235	22,245,088

II. Comparative Financial Performance

	2021	2020	Increase (Decrease)
Revenue	19,119,990	21,097,449	(1,977,459)
Expenses	178,395,420	342,741,584	(164,346,164)
Surplus/(Deficit) from current operations	(159,275,430)	(321,644,135)	162,368,705
Gain/(Loss) - net	5,356,515	(8,989,703)	14,346,218
Subsidy from the national government	141,885,000	250,631,000	(108,746,000)
Net surplus for the period	(12,033,915)	(80,002,838)	67,968,923

III. Comparison of 2021 Budget and Actual Amounts

Particulars	Per COB	Actual	Variance
Personnel services	91,518,000	77,752,698	13,765,302
Maintenance and other operating expenses	144,206,000	95,638,898	48,567,102
Capital Outlay	6,880,000	2,255,316	4,624,684
Financial expenses	161,000	106,577	54,423
Others-prepayments			
Input VAT	-	3,476,675	(3,476,675)
	242,765,000	179,230,164	63,534,836

SCOPE OF AUDIT

The audit covered the examination, on a test basis, of transactions and accounts of the CITEM, for calendar year (CY) 2021 to enable us to express an opinion on the financial statements for the years ended December 31, 2021 and 2020 in accordance with International Standards of Supreme Audit Institutions. It was also conducted at determining the CITEM'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 2021 and 2020 in view of the following:

1. The faithful representation of the account balance of Property, Plant and Equipment (PPE) costing P104.413 million with a carrying amount of P20.497 million as of December 31, 2021 was not established due to: (a) variance of P13.337 million between the amount of PPE per books and per Report on the Physical Count of PPE; and (b) non-maintenance of complete and updated PPE Ledger Cards (PPELC) by the Controllorship (Accounting) Division (CD) thus reconciliation with General Services Division (GSD) 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.

Moreover, the failure of Management to promptly prepare and monitor the required Inventory and Inspection Report of Unserviceable Property (IIRUP) for the damaged/obsolete PPE had caused delay of its disposal and/or derecognition or dropping from the books.

2. The faithful representation of the Receivables account totaling P27.625 million and net book value of P20.836 million as of December 31, 2021 is doubtful and could not be ascertained due to: (a) incomplete Subsidiary Ledgers of accounts totaling P12.455 million; (b) amount of P2.603 million were confirmed settled and/or subsidized accounts; (c) presence of negative balances amounting to P2.207 million; and (d) incomplete aging schedule which precludes the determination of the adequacy of the corresponding Allowance for Impairment of P6.790 million, 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 balance of the Accounts Payable of P97.083 million as of December 31, 2021, is overstated by P1.363 million, hence the account is not fairly presented in the Financial Statements contrary to paragraph 27 of IPSAS 1. The overstatement covers the cost of the procured motor vehicle accepted on January 10, 2022 but was recognized in the books as payable in December 2021, contrary to the Department of Budget and Management (DBM) Circular No. 2013 dated December 23, 2013.

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 CD and the GSD to:
 - (i) reconcile their records, exert effort to locate/identify the documents/records and IIRUP (if any), covering the disposed unserviceable properties that are still outstanding in the books, and effect the necessary adjustments or corrections;
 - (ii) regularly reconcile the General Ledger records and Property records (PPE); and
 - (iii) prepare the IIRUP for PPE amounting P6.258 million identified as damaged/unserviceable and facilitate the disposal thereof through public auction, destruction or other appropriate mode of disposal;
- 1.2. Instruct the CD to maintain complete and updated PPELCs in accordance with Section 42, Chapter 10, Government Accounting Manual (GAM), Volume I;
- 2.1 Direct the CD to:
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The other significant audit observations and recommendations that need immediate action are as follows:

- 4. Validity and propriety of the accrual of Collective Negotiation Agreement (CNA) FY 2021 incentives amounting to P2.189 million as of December 31, 2021 is doubtful due to the lack of requirements and proper approval contrary to DBM Budget Circular (BC) No. 2021-3 dated November 17, 2021.

4.1 We recommended that Management:

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- 5.1 We recommended that Management facilitate the refund of the overpayment of salaries from the Agency of the janitorial services and henceforth, always observe the rules and regulations on government resources expenditures.
- 5.2 We further recommended that Management make a representation with the DBM for a more authoritative disposition on the matter.

SUMMARY OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

As of December 31, 2021, 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 14, Part II of this Report.

STATUS OF IMPLEMENTATION OF PRIOR YEAR’S AUDIT RECOMMENDATIONS

Of the 30 audit recommendations embodied in the prior year’s Annual Audit Report, eight were fully implemented and 22 were partially implemented. Details are discussed in Part III of this Report.

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Republic of the Philippines
COMMISSION ON AUDIT
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INDEPENDENT AUDITOR'S REPORT

THE BOARD OF GOVERNORS

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

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, 2021 and 2020, and the statements of financial performance, statement 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, 2021, 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, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Basis for Qualified Opinion

The faithful representation of the account balance of Property, Plant and Equipment (PPE) costing P104.413 million with a carrying amount of P20.497 million as of December 31, 2021 was not established due to: (a) variance of P13.337 million between the amount of PPE per books and per Report on the Physical Count of PPE; and (b) non-maintenance of complete and updated PPE Ledger Cards by the Controllershship (Accounting) Division (CD), thus reconciliation with General Services Division (GSD) 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.

Moreover, the failure of Management to promptly prepare and monitor the required Inventory and Inspection Report of Unserviceable Property for the damaged/obsolete PPE had caused delay of its disposal and/or derecognition or dropping from the books.

Likewise, the faithful representation of the Receivables account totaling P27.625 million and net book value of P20.836 million as of December 31, 2021 is doubtful and could not be ascertained due to: (a) incomplete Subsidiary Ledgers of accounts totaling P12.455 million; (b) amount of P2.603 million were confirmed settled and/or subsidized accounts; (c) presence of negative balances amounting to P2.207 million; and (d) incomplete aging schedule which precludes the determination of the adequacy of the corresponding Allowance for Impairment of P6.790 million, contrary to Items 3.10, 3.12 and 3.26 of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities.

Further, the balance of the Accounts Payable of P97.083 million as of December 31, 2021, is overstated by P1.363 million, hence the account is not fairly presented in the Financial Statements contrary to paragraph 27 of IPSAS 1. The overstatement covers the cost of the procured motor vehicle accepted on January 10, 2022 but was recognized in the books as payable in December 2021, contrary to the Department of Budget and Management Circular No. 2013 dated December 23, 2013.

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 June 22, 2021, we expressed a qualified opinion on the Calendar Years 2020 and 2019 financial statements because 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 should be returned to the SAs, hence the transferred funds should have been recognized as revenue and not a liability upon transfer thereof, resulting in the overstatement of Inter-agency Payables account and misstating the Service and Business Income account and other affected accounts.

The Controllership Division made several adjustments to recognize revenue amounting P12.815 million out of the P12.934 million inter-agency payable. Accordingly, our present opinion on the restated 2020 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 the CITEM or to cease operations, or has no realistic alternative but 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 through 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, 2021, required by the Bureau of Internal Revenue as disclosed in Note 28 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

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

April 11, 2022

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

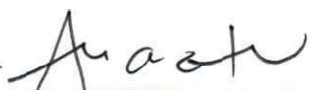
The Management of the **CENTER FOR INTERNATIONAL TRADE EXPOSITIONS AND MISSIONS (CITEM)** is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended **DECEMBER 31, 2021 and 2020** in accordance with the prescribed financial reporting framework indicated therein, 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 the CITEM or to cease operations, or has no realistic alternative but to do so.

The Board of Governors is responsible for overseeing the CITEM's financial reporting process.

The Board of Governors reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stake holders and other uses.

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



ABDULGANIM. 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, 2021 and 2020
(In Philippine Peso)

	Note	2021	2020
ASSETS			
Current assets			
Cash and cash equivalents	6	341,759,296	436,265,933
Receivables - net	7	20,835,552	13,457,437
Inventories	8	1,436,284	1,231,390
Other assets-(current)	10	30,845,466	15,591,604
Total current assets		394,876,598	466,546,364
Non-current assets			
Receivables - net	7	-	-
Property, plant and equipment - net	9	20,496,629	22,996,972
Other assets-(non-current)	10	303,166,849	305,549,155
Total non-current assets		323,663,478	328,546,127
TOTAL ASSETS		718,540,076	795,092,491
LIABILITIES			
Current liabilities			
Financial liabilities	11	125,173,537	201,327,935
Inter-agency payables	12	8,237,065	23,426,686
Trust liabilities	13	5,240,970	6,097,122
Deferred credits/Unearned income	14	4,506,913	5,578,373
Other payables	15	722,147	1,122,490
Total current liabilities		143,880,632	237,552,606
Non-current liabilities			
Trust liabilities	13	34,200	1,274,877
Other payables	15	1,088,921	4,973,773
Total non-current liabilities		1,123,121	6,248,650
TOTAL LIABILITIES		145,003,753	243,801,256
NET ASSETS (TOTAL ASSETS LESS TOTAL LIABILITIES)		573,536,323	551,291,235
NET ASSETS/EQUITY			
Government equity	24	41,221,808	41,221,808
Revaluation surplus	25	5,054,354	5,054,354
Accumulated surplus/(deficit)	26	527,260,161	505,015,073
TOTAL NET ASSETS/EQUITY		573,536,323	551,291,235

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, 2021 and 2020
(in Philippine Peso)

	Note	2021	2020
REVENUE			
Service and business income	16	19,119,990	21,097,449
TOTAL REVENUE		19,119,990	21,097,449
CURRENT OPERATING EXPENSES			
Personnel services	17	77,752,698	71,794,680
Maintenance and other operating expenses	18	95,638,898	265,860,998
Financial expenses	19	106,577	188,659
Non-cash expenses	20	4,897,247	4,897,247
TOTAL CURRENT OPERATING EXPENSES		178,395,420	342,741,584
SURPLUS/(DEFICIT) FROM CURRENT OPERATIONS		(159,275,430)	(321,644,135)
Gains (Loss) on foreign exchange (FOREX), net	21	5,356,515	(8,989,703)
Gains (Loss) on sale of disposed assets, net	21	-	-
Subsidy from national government	22	141,885,000	250,631,000
NET SURPLUS (DEFICIT) FOR THE PERIOD		(12,033,915)	(80,002,838)

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, 2021 and 2020
(In Philippine Peso)

	Government equity Note 24	Revaluation surplus Note 25	Accumulated surplus/(deficit) Note 26	Total
BALANCE AT JANUARY 1, 2020	41,221,808	5,054,354	580,044,597	626,320,759
ADJUSTMENTS:				
Add/(Deduct):				
Prior period errors	-	-	-	-
RESTATED BALANCE AT JANUARY 1, 2020	41,221,808	5,054,354	580,044,597	626,320,759
Changes in Net Assets/Equity for CY 2020				
Add/(Deduct):				
Surplus for the period, as previously stated	-	-	(80,002,838)	(80,002,838)
Prior year's adjustments	-	-	4,973,314	4,973,314
RESTATED BALANCE AT DECEMBER 31, 2020	41,221,808	5,054,354	505,015,073	551,291,235
Changes in Net Assets/Equity for CY 2021				
Add/(Deduct):				
Surplus for the period	-	-	(12,033,915)	(12,033,915)
Prior year's adjustments			33,554,731	33,554,731
Other adjustments	-	-	724,272	724,272
BALANCE AT DECEMBER 31, 2021	41,221,808	5,054,354	527,260,161	573,536,323

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, 2021 and 2020

(In Philippine Peso)

	Note	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Inflows			
Proceeds from sale of goods and services		9,066,813	103,435
Collection of present and prior year's revenue		4,512,609	19,204,186
Receipt of assistance/subsidy		141,885,000	250,631,000
Collection of receivables		9,168	12,948
Receipt of Inter-agency fund transfers		2,100,000	12,628,961
Trust receipts		657,454	6,355,353
Other receipts		1,313,526	1,103,300
Total Cash Inflows		159,544,570	290,039,183
Adjustments: Cash drawdown from restricted funds		2,762,854	14,000,000
		162,307,424	304,039,183
Cash Outflows			
Payment of expenses		(141,147,504)	(140,049,477)
Purchase of inventories		(117,907)	-
Grant of cash advances		(1,571,696)	(4,528,606)
Prepayments		-	(3,970,689)
Refund of deposits		(245,200)	(49,500)
Payment of accounts payable		(98,730,160)	(23,292,376)
Remittance of personnel benefit contributions and mandatory deductions		(14,641,245)	(10,854,165)
Other disbursements		(5,887,623)	(1,207,921)
Total Cash Outflows		(262,341,335)	(183,952,734)
Net Cash Provided by/(Used in) Operating Activities		(100,033,911)	120,086,449
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Inflows			
Proceeds from sale/disposal of property, plant and equipment		-	-
Receipts of interest earned		170,759	748,590
Total Cash Inflows		170,759	748,590
Cash Outflows			
Purchase/Construction of property, plant and equipment		-	-
Total Cash Outflows		-	-
Net Cash Provided by/(Used in) Investing Activities		170,759	748,590
Net Increase/(Decrease) in Cash and Cash Equivalents		(99,863,152)	120,835,039
Effects of exchange rate changes on cash and cash equivalents		5,356,515	(8,989,703)
Cash and Cash Equivalents, January 1		436,265,933	324,420,597
Cash and Cash Equivalents, December 31	6	341,759,296	436,265,933

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

CENTER FOR INTERNATIONAL TRADE EXPOSITIONS & MISSIONS
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
For the Year Ended December 31, 2021
(In Philippine Peso)

	Budgeted Amount Note 27		Actual Amounts on Comparable Basis	Difference Final Budget and Actual
	Original	Final		
RECEIPTS				
Services and business income	18,802,000	18,802,000	19,119,990	(317,990)
Assistance and subsidy	141,885,000	141,885,000	141,885,000	-
Gains, net	-	-	5,356,515	(5,356,515)
Total receipts	160,687,000	160,687,000	166,361,505	(5,674,505)
PAYMENTS				
Personnel services	97,795,000	91,518,000	77,752,698	13,765,302
Maintenance and other operating expenses	145,825,000	144,206,000	95,638,898	48,567,102
Capital outlay	6,880,000	6,880,000	2,255,316	4,624,684
Financial expenses	60,000	161,000	106,577	54,423
Input VAT	-	-	3,476,675	(3,476,675)
Total payments	250,560,000	242,765,000	179,230,164	63,534,836
NET RECEIPTS/PAYMENTS	(89,873,000)	(82,078,000)	(12,868,659)	(69,209,341)

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 the 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.

The 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. The CITEM works closely with other DTI agencies in the performance of its mandate. To attain the aforementioned objectives, the 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 CITEM 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. Its 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, 2022, as shown in the Statement of Management's Responsibility for Financial Statements signed by DTI Undersecretary – Trade Promotions Group, Abdulgani 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. The CITEM determines the classification of its financial assets at initial recognition.

The 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

The 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. The 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

The 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, the 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 the 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 the 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.

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

Period outstanding	Percentage
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.

The CITEM determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value. The 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 the CITEM.

3.5 Property, Plant and Equipment

a. Recognition

An item is recognized as Property, Plant and Equipment (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, the 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 the CITEM's operation.

iii. Estimated useful life

The 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

The 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

The 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 the 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 the CITEM is a lessee includes the lease of venue for its signature events held locally.

3.7 Changes in Accounting Policies and Estimates

The 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.

The 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.

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

The 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 Bangko Sentral ng Pilipinas (BSP) closing rate at year-end;

- 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 27.

3.11 *Related Parties*

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

The 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 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.

5. RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

5.1 Risk Management Framework

The Management Committee of the CITEM has overall responsibility for the establishment and oversight of the 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. The CITEM has also an audit committee responsible for compliance with established policies, laws, and regulations especially with regard to compliance with the requirements of ISO Certification, and to recommend improvements relating to efficiency, economy, and effectiveness in the use of the CITEM's assets or resources.

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

	Note	2021	2020
Financial assets			
Cash and cash equivalents	6	341,759,296	436,265,933
Receivables - net	7	20,835,552	13,457,437
		362,594,848	449,723,370
Financial liabilities			
Financial liabilities	11	125,173,537	201,327,935
Inter-agency payables	12	8,237,065	23,426,686
Trust liabilities	13	5,275,170	7,371,999
		138,685,772	232,126,620

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, 2021, and 2020, without considering the effects of credit risk mitigation techniques.

	Note	2021	2020
Financial assets			
Cash and cash equivalents	6	341,759,296	436,265,933
Receivables	7	27,625,393	20,247,278
		369,384,689	456,513,211

** Receivables at gross of allowance for impairment amounting to P6,789,841 for the years ended December 31, 2020 and 2021.*

b. Management of credit risk

For the management of credit risk, it is the 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, 2021 and 2020 are as follows:

	2021	2020
Outstanding receivables: *		
Current accounts	20,835,552	13,457,437
Past due accounts:		
over 5years	6,789,841	6,789,841
	27,625,393	20,247,278

** Receivables at gross of allowance for impairment amounting to P6,789,841 for the years ended December 31, 2020 and 2021, 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 the CITEM's cash-generating assets for CY 2021.

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 the 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, 2021.

As at December 31, 2021	Within 1 Year	1 – 5 Years	Over 5 Years	Total
Financial liabilities	57,524,007	67,649,530	-	125,173,537
Inter-agency payables	3,163,215	3,334,897	1,738,953	8,237,065
Trust liabilities	525,477	3,442,015	1,307,678	5,275,170
	61,212,699	74,426,442	3,046,631	138,685,772

5.4 Market Risks

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

Management of market risk

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

5.5 Operational Risks

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

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

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

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

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

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

6. CASH AND CASH EQUIVALENTS

This account consists of the following:

	2021	2020
Cash on hand	75,307	254,087
Cash in bank		
Local currency	263,510,816	305,147,621
Foreign currency	78,173,173	130,864,225
	341,683,989	436,011,846
	341,759,296	436,265,933

7. RECEIVABLES

This account consists of the following:

	2021			2020		
	Current	Non-current	Total	Current	Non-current	Total
Loans & receivable-						
Accounts receivables	17,848,100	-	17,848,100	13,324,689	-	13,324,689
Inter-agency receivables	2,793,952	-	2,793,952	-	-	-
Other receivables	193,500	-	193,500	132,748	-	132,748
	20,835,552	-	20,835,552	13,457,437	-	13,457,437

7.1 Loans and Receivable

	2021			2020		
	Current	Non-Current	Total	Current	Non-Current	Total
Accounts receivable- Participation fees- local show	7,275,592	3,136,955	10,412,547	-	3,136,955	3,136,955
Accounts Receivable- Participation fees- international show	9,251,322	547,536	9,798,858	11,977,568	547,536	12,525,104
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	91,833	-	91,833	117,768	-	117,768
Sub-total	17,848,100	4,127,938	21,976,038	13,324,689	4,127,938	17,452,627
Allowance for doubtful accounts	-	(4,127,938)	(4,127,938)	-	(4,127,938)	(4,127,938)
	17,848,100	-	17,848,100	13,324,689	-	13,324,689

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

7.2 *Inter-Agency Receivables*

	2021			2020		
	Current	Non-Current	Total	Current	Non-Current	Total
Due from National Government Agencies(NGAs)	2,793,952	-	2,793,952	-	-	-
	2,793,952	-	2,793,952	-	-	-

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

7.3 *Other Receivables*

	2021			2020		
	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	37,263	249,637	286,900
Other receivables - others	125,851	-	125,851	65,099	-	65,099
Sub-total	193,500	2,661,903	2,855,403	132,748	2,661,903	2,794,651
<i>Allowance for doubtful accounts</i>	-	(2,661,903)	(2,661,903)	-	(2,661,903)	(2,661,903)
	193,500	-	193,500	132,748	-	132,748

Due from Officers and Employees represents personal receivables from employees, year-end tax adjustments and other obligations due to the 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:

	2021		2020	
	Inventories carried at lower of cost and net realizable value	Inventories carried at fair value less cost to sell	Inventories carried at lower of cost and net realizable value	Inventories carried at fair value less cost to sell
INVENTORIES HELD FOR CONSUMPTION:				
Office Supplies Inventory				
Carrying amount, January 1	40,580	-	619,107	-
Additions/Acquisitions during the year	156,414	-	40,580	-
Expensed during the year except write-down	-	-	(619,107)	-
Carrying amount, December 31	196,994	-	40,580	-
Drugs and Medicines Inventory				
Carrying amount, January 1	-	-	40,019	-
Additions/Acquisitions during the year	48,480	-	-	-
Expensed during the year except write-down	-	-	(40,019)	-
Carrying amount, December 31	48,480	-	-	-
Textbooks and Instructional Materials Inventory				
Carrying amount, January 1	-	-	1,950	-
Additions/Acquisitions during the year	-	-	-	-
Expensed during the year except write-down	-	-	(1,950)	-
Carrying amount, December 31	-	-	-	-
Other Supplies and Materials Inventory				
Carrying amount, January 1	-	-	176,847	-
Additions/Acquisitions during the year	-	-	-	-
Expensed during the year except write-down	-	-	(176,847)	-
Carrying amount, December 31	-	-	-	-
Semi-expendable Machinery and Equipment				
Carrying amount, January 1	328,196	-	328,196	-
Additions/Acquisitions during the year	-	-	-	-
Expensed during the year except write-down	-	-	-	-
Carrying amount, December 31	328,196	-	328,196	-
Semi-expendable Furniture and Fixture				
Carrying amount, January 1	862,614	-	862,614	-
Additions/Acquisitions during the year	-	-	-	-
Expensed during the year except write-down	-	-	-	-
Carrying amount, December 31	862,614	-	862,614	-
	1,436,284	-	1,231,390	-

9. PROPERTY, PLANT AND EQUIPMENT

This account consists of the following:

	Land and land improvements	Building and structures	Transportation equipment	Furniture and other equipment	Total
Net book value, December 31, 2020	-	6,681,768	2,438,279	13,876,925	22,996,972
Opening net book value, January 1, 2021,	-	6,681,768	2,438,279	13,876,925	22,996,972
Additions/Acquisitions	-	14,000	1,362,528	878,788	2,255,316
Disposal/Removal:					
Cost	-	-	-	-	-
Accumulated depreciation	-	-	(1,002, 505)	(6,585,749)	(7,588,254)
Adjustments:					
Cost	-	-	1,113,895	6,615,947	7,729,842
Accumulated depreciation	-	-	-	-	-
Depreciation for the year	-	-	(368,229)	(4,529,018)	(4,897,247)
Closing net book value, December 31, 2021	-	6,695,768	3,543,968	10,256,893	20,496,629
As at December 31, 2021					
Cost	-	34,372,586	13,207,123	56,833,300	104,413,009
Accumulated depreciation	-	27,676,818	9,663,155	46,576,407	83,916,380
Net book value, December 31, 2021	-	6,695,768	3,543,968	10,256,893	20,496,629

10. OTHER ASSETS

This account comprises the following:

	2021			2020		
	Current	Non-Current	Total	Current	Non-Current	Total
Advances to special disbursing officer	-	-	-	-	-	-
Advances to officers and employees	1,378,925	-	1,378,925	1,378,925	-	1,378,925
Prepayments (prepaid rent)	9,453,480	-	9,453,480	4,952,797	-	4,952,797
Prepayments (insurance)	21,561	-	21,561	-	-	-
Prepayments (creditable input tax)	18,825,699	-	18,825,699	8,405,331	-	8,405,331
Prepayments (other prepayments)	354,816	-	354,816	43,566	-	43,566
Deposits (guaranty deposits)	810,985	2,273,081	3,084,066	810,985	2,273,081	3,084,066
Restricted fund	-	300,893,768	300,893,768	-	302,432,351	302,432,351
Other assets-net of accumulated impairment loss	-	-	-	-	843,723	843,723
	30,845,466	303,166,849	334,012,315	15,591,604	305,549,155	321,140,759

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 Food and Hotel Asia (FHA) 2020 which was cancelled.

Creditable Input Value Added Tax (VAT) in the amount of P18.825 million is the excess of Input VAT over Output VAT of which P2.979 million can be credited until CY 2022, P4.133 million until CY 2023 while P11.714 million can be credited from CY 2022 to CY 2024.

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. The Other Assets – net of Accumulated Impairment Losses account has no balance in view of the recommendation in the prior year of reclassification of properties recorded under this account which are already unserviceable and for disposal to appropriate PPE sub-accounts while waiting disposal thereof.

Restricted Fund represents the Building Fund allocated by the Governing Board for the construction and/or purchase of the CITEM's office building in the future and is temporarily invested in High-Yield Savings Account.

11. FINANCIAL LIABILITIES

This is composed of the following:

	2021			2020		
	Current	Non-Current	Total	Current	Non-Current	Total
Accounts payable	97,082,654	-	97,082,654	177,841,743	-	177,841,743
Due to officers & employees	28,090,883	-	28,090,883	23,486,192	-	23,486,192
	125,173,537	-	125,173,537	201,327,935	-	201,327,935

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 and/or settlement is without unconditional right to be deferred.

12. INTER-AGENCY PAYABLES

This account consists of the following:

	2021			2020		
	Current	Non-Current	Total	Current	Non-Current	Total
Due to BIR	2,862,864	-	2,862,864	1,980,393	-	1,980,393
Due to GSIS	152,808	-	152,808	152,808	-	152,808
Due to Pag-IBIG	(3,393)	-	(3,393)	43,911	-	43,911
Due to PhilHealth	4,782	-	4,782	53,917	-	53,917
Due to NGAs	5,073,850	-	5,073,850	21,049,503	-	21,049,503
Due to Government Corporations	146,154	-	146,154	146,154	-	146,154
	8,237,065	-	8,237,065	23,426,686	-	23,426,686

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.

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:

	2021			2020		
	Current	Non-Current	Total	Current	Non-Current	Total
Trust miscellaneous	3,716,539	-	3,716,539	4,395,346	296,046	4,691,392
Trust (ACE)	3,750	-	3,750	163,438	-	163,438
Trust (CITEM Coop)	137,259	-	137,259	959,174	-	959,174
Trust (SSS)	-	-	-	-	-	-
Bail bonds payable	1,383,422	-	1,383,422	579,164	944,631	1,523,795
Guaranty/security Deposits payable	-	34,200	34,200	-	34,200	34,200
	5,240,970	34,200	5,275,170	6,097,122	1,274,877	7,371,999

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

14. DEFERRED CREDITS/UNEARNED INCOME

		2021			2020		
		Current	Non-Current	Total	Current	Non-Current	Total
Unearned Revenue/							
Income							
Other	Deferred	3,584,122	-	3,584,122	2,748,071	-	2,748,071
Credits		922,791	-	922,791	2,830,302	-	2,830,302
		4,506,913	-	4,506,913	5,578,373	-	5,578,373

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

The Other Deferred Credits 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.

15. OTHER PAYABLES

This account is composed of the following:

		2021			2020		
		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		324,937	-	324,937	725,280	3,884,852	4,610,132
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
		722,147	1,088,921	1,811,068	1,122,490	4,973,773	6,096,263

16. SERVICE AND BUSINESS INCOME

This line item consists of the following:

	2021	2020
Service Income:		
Participation fees	11,097,891	20,127,643
Other service income	7,764,215	-
Business Income:		
Interest income	257,684	820,641
Other business income	200	149,165
	19,119,990	21,097,449

Service Income includes both physical and digital trade fair participation fees collected from exhibitors joining various trade fairs and signature events. It also includes other services performed by the CITEM to various stakeholders such as creative and design service fee, content creation, advertising and promotion, sponsorships, among others.

Other Business Income represents interest earned from the CITEM deposit accounts and other income that are miscellaneous in nature.

17. PERSONNEL SERVICES

This account is composed of the following:

	2021	2020
Salaries and wages	49,074,245	46,914,686
Other compensation	14,590,850	16,822,590
Personnel benefit contributions	6,714,036	6,448,772
Other personnel benefits	7,373,567	1,608,632
	77,752,698	71,794,680

17.1 *Salaries and Wages*

	2021	2020
Salaries and wages-regular	49,074,245	46,914,686
	49,074,245	46,914,686

17.2 Other Compensation

	2021	2020
Personnel economic relief allowance (PERA)	2,005,517	2,027,890
Representation allowance (RA)	1,207,375	1,195,125
Transportation allowance (TA)	1,197,500	926,250
Clothing/Uniform allowance	510,000	510,000
Hazard pay	154,000	58,000
Honoraria	40,000	39,000
Overtime pay	-	210,095
Year-end bonus	8,621,458	7,889,583
Cash gift	428,000	424,500
Productivity incentive allowance	407,000	398,000
Other bonuses and allowances	20,000	3,144,147
	14,590,850	16,822,590

17.3 Employees Future Benefits

The permanent employees of the CITEM contribute to the GSIS in accordance with the RA No. 8291. The GSIS administers the plan, including payment of pension benefits to employees to whom the act applies. Social insurance (life and retirement) benefits are mandatory defined contribution plans fixed at nine per cent of the basic salaries of regular government employees. Total contributions to GSIS amounted to P10.004 million broken down as follows: employees' share – P4.303 million and government share – P5.701 million.

17.4 Personnel Benefit Contributions

	2021	2020
Retirement and life insurance premiums	5,892,047	5,642,378
Pag-IBIG contributions	100,900	101,700
PhilHealth contributions	620,089	602,994
Employee compensation insurance premiums	101,000	101,700
	6,714,036	6,448,772

17.5 Other Personnel Benefits

	2021	2020
Retirement gratuity	138,000	-
Terminal leave benefits	1,359,225	165,626
Other personnel benefits	5,876,342	1,443,006
	7,373,567	1,608,632

18. MAINTENANCE AND OTHER OPERATING EXPENSES

This line item consists of the following:

	2021	2020
Traveling expenses	361,658	2,192,290
Training expenses	863,776	114,855
Supplies and materials expenses	3,465,696	4,874,364
Utility expenses	1,426,542	1,642,286
Communication expenses	4,330,655	4,045,878
Confidential, intelligence and extraordinary expenses	120,189	120,000
Professional services	31,344,572	88,878,542
General services	24,353,674	23,971,119
Repairs and maintenance	1,065,544	928,380
Taxes, insurance premiums and other fees	1,271,353	1,411,043
Other maintenance and operating expenses	27,035,239	137,682,241
	95,638,898	265,860,998

18.1 Traveling Expenses

	2021	2020
Traveling expenses-local	361,658	405,322
Traveling expenses-foreign	-	1,786,968
	361,658	2,192,290

18.2 Training and Scholarship Expenses

	2021	2020
Training expenses	863,776	114,855
	863,776	114,855

18.3 Supplies and Materials Expenses

	2021	2020
Office supplies expenses	83,208	712,800
Accountable forms expenses	-	-
Drugs and medicines expenses	-	45,725
Fuel, oil and lubricants expenses	661,705	428,979
Textbooks and instructional materials expenses	-	1,950
Other supplies and materials expenses	2,720,783	3,684,910
	3,465,696	4,874,364

18.4 Utility Expenses

	2021	2020
Water expenses	75,200	86,633
Electricity expenses	1,351,342	1,555,653
	1,426,542	1,642,286

18.5 Communication Expenses

	2021	2020
Postage and courier services	-	-
Telephone expenses – landline	1,732,599	1,654,289
Telephone expenses – mobile	353,946	751,087
Internet subscription expenses	2,244,110	1,640,502
	4,330,655	4,045,878

18.6 Confidential, Intelligence and Extraordinary Expenses

	2021	2020
Extraordinary and miscellaneous expenses	120,189	120,000
	120,189	120,000

18.7 Professional Services

	2021	2020
Legal services	28,400	20,250
Auditing services	4,548,531	4,457,228
Other professional services	26,767,641	84,401,064
	31,344,572	88,878,542

Professional services include the following accounts:

- a. Legal services for notarization of official documents.
- b. Auditing services performed by the Commission on Audit.
- c. Other professional services which consist of the payments to CITEM Occupational Health Physician, Office of the Executive Director consultants, production designers and coordinators, market and design specialists, telemarketers, interpreters, content producers and developers, and photographers.

18.8 General Services

	2021	2020
Janitorial services	1,062,344	1,386,545
Security services	4,163,471	4,413,672
Other general services	19,127,859	18,170,902
	24,353,674	23,971,119

General Services includes the janitorial services, security services, and other general services which pertain to professional fees of CITEM service providers.

18.9 Repairs and Maintenance

	2021	2020
Repairs and maintenance-buildings and other structures	702,472	791,587
Repairs and maintenance-office equipment	131,764	-
Repairs and maintenance-IT equipment	-	-
Repairs and maintenance-medical equipment	-	-
Repairs and maintenance-other machinery and equipment	5,710	90,393
Repairs and maintenance-motor vehicles	225,598	46,400
	1,065,544	928,380

18.10 Taxes, Insurance Premiums and Other Fees

	2021	2020
Taxes, duties and licenses	56,744	8,987
Fidelity bond premiums	639,711	601,354
Insurance expenses	574,898	800,702
	1,271,353	1,411,043

18.11 Other Maintenance and Operating Expenses

	2021	2020
Advertising expenses	7,852,540	45,118,958
Printing and publication expenses	58,102	670,573
Representation expenses	1,023,806	1,120,831
Rent/Lease expenses	620,043	38,926,333
Transportation and delivery expenses	310,001	1,717,660
Membership dues and contributions to organizations	25,000	48,025
Subscription expenses	11,901,681	23,801,939
Donations	25,000	698,000
Other maintenance and operating expenses	5,219,066	25,579,922
	27,035,239	137,682,241

Subscription expenses include payments for Microsoft 365 accounts, web security, domain renewals, Zoom Pro account, newspaper subscription, software and online platforms (Social Media Marketing Tool and Automation System, ProofHub, HopIn, Survey Monkey, Adobe), NY NOW digital market subscription and exposure fees, and web hosting server.

19. FINANCIAL EXPENSES

This account comprises the following:

	2021	2020
Bank charges	106,577	188,659
	106,577	188,659

20. NON-CASH EXPENSES

This account is composed of the following:

	2021	2020
Depreciation-buildings and other structures	-	-
Depreciation-office equipment	302,360	302,360
Depreciation-furniture, fixtures and books	179,795	179,795
Depreciation-information and communication technology equipment	3,722,116	3,722,116
Depreciation-communication equipment	173,774	173,774
Depreciation-transportation equipment	368,229	368,229
Depreciation-other PPE	150,973	150,973
	4,897,247	4,897,247

**The additions/acquisitions for CY 2021 were delivered on December 2021, thus no additional depreciation expense were computed for this year.*

21. GAINS/LOSSES

This comprises net of the following accounts:

21.1. Gains

	2021	2020
Gain on foreign exchange (FOREX)	5,416,344	5,742
	5,416,344	5,742

21.2. Losses

	2021	2020
Loss on FOREX	(59,829)	(8,995,445)
	(59,829)	(8,995,445)

22. SUBSIDY FROM NATIONAL GOVERNMENT

	2021	2020
Subsidy from National Government	141,885,000	250,631,000
	141,885,000	250,631,000

For CY 2021, the Program Subsidy received by the CITEM from the Department of Budget and Management (DBM) to support the implementation of its export promotion programs was P141.885 million.

23. RELATED PARTY TRANSACTIONS

There were no related party transactions during the year.

23.1 *Key Management Personnel*

The key management personnel of the 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.

23.2 *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 CITEM determined on a fulltime equivalent basis receiving remuneration within this category, are:

	Total Remuneration
Salaries and wages	5,724,463
Other compensation and benefits	3,006,653
Personnel benefit contributions	754,795
	9,485,911

24. GOVERNMENT EQUITY

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

	2021	2020
National Food Authority	14,745,735	14,745,735
National Government-Bureau of the Treasury	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
Landbank of the Philippines	1,000,000	1,000,000
Philippine International Trading Corporation	625,000	625,000
	41,221,808	41,221,808

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

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

The variances shown above remain unresolved because of insufficient documentation. These variances cannot be reconciled, and the discrepancy noted cannot be recorded in the books as equity because proof of remittances or fund receipts by the CITEM from the BTr, BSP and LBP cannot be established.

25. REVALUATION SURPLUS

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

26. ACCUMULATED SURPLUS

Accumulated surplus, January 1, 2021	505,015,073
Deficit for 2021	(12,033,915)
Various Adjustments as follows:	34,279,003
Interest on the restricted fund	1,224,272
Adjustments - prior period	33,054,731
Accumulated surplus, December 31, 2021	527,260,161

The breakdown of the account is as follows:

Particulars	2021
Accumulated surplus - unappropriated, January 1	202,582,723
Add: Reclassification from appropriated	2,762,854
Accumulated surplus - unappropriated, December 31	205,345,577
Prior years' adjustments	33,054,731
Restated Balance	238,400,308
Accumulated surplus - appropriated, January 1	302,432,350
Less: Reclassification to unappropriated	2,762,854
Accumulated surplus - appropriated, December 31	299,669,496
Interest from restricted fund	1,224,272
Total	300,893,768
Total	539,294,076
Surplus (Deficit) for 2021	(12,033,915)
Accumulated Surplus, NET	527,260,161

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

Particulars	2021
High Yield Savings Account:	
Land Bank of the Philippines (LBP)	300,893,768
Total	300,893,768

27. BUDGET INFORMATION IN FINANCIAL STATEMENTS

The original budget reflected in the SCBAA for December 31, 2021, is the proposed Corporate Operating Budget (COB) for the year 2021 and was submitted to the DBM for review/evaluation while the final budget is the amount as approved by DBM on September 14, 2021. The proposed/original COB is prepared considering: (a) the agency's various programs, projects and activities in the pursuance of its mandate; (b) the projected revenues and other sources of income to finance and support these programs; (c) actual expenses for previous years; and (d) effects of inflation.

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 P5.946 million.
- The Personnel Services (PS) variance of P6.277 million represents over provision of Salaries, Midyear & Year-End Bonus, RATA, Monetization, Loyalty Pay, Retirement and Life Insurance Premium (RLIP) and PhilHealth as evaluated by the DBM.
- The Final MOOE was computed based on the highest amount between the Fiscal Year (FY) 2019 audited Financial Statement (FS) and FY 2020 actual FS plus inflation rate.

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

- Requested PS budget for the CITEM Employees is based on 100 plantilla positions. As of December 31, 2021, only 83 positions are filled up.

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

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

	Amount
Due to BIR – Withholding tax on compensation	1,053,041
Due to BIR – Withholding tax on compensation-resigned employees	33,253
Due to BIR – Expanded withholding tax	497,632
Due to BIR – Branch registration fees	39,536
Due to BIR – VAT withheld	1,151,648
Due to BIR – VAT withheld CITEM	7,350
Due to BIR – Contractors tax	60,636
Due to BIR – Final tax	0
Due to BIR – Gross money payments	19,768
	2,862,864

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. The CITEM is a VAT registered company with VAT output tax declaration of P1.293 million for the year 2021.
- b. The amount of VAT input and output taxes claimed are broken down as follows:

	Amount
Balance, beginning of the year	8,405,332
Tax on goods for resale/purchases - current	3,476,675
Tax on goods for resale/purchases - payables	8,237,051
Sub-total	20,119,058
Less: Output tax	1,293,359
Balance, end of the year	18,825,699

- c. Other Taxes and Licenses

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

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

	Amount
Tax on compensation and benefits	5,757,719
Creditable withholding taxes	6,529,187
Total	12,286,906

29. COMPLIANCE WITH GSIS LAW

The 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 2021:

	Premiums	Remitted
Life and retirement premiums, employees share	4,254,848	4,171,110
Government share	5,700,671	5,700,671
Total	9,955,519	9,871,781

PART II - OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL

1. The faithful representation of the account balance of Property, Plant and Equipment (PPE) costing P104.413 million with a carrying amount of P20.497 million as of December 31, 2021 was not established due to: (a) variance of P13.337 million between the amount of PPE per books and per Report on the Physical Count of PPE; and (b) non-maintenance of complete and updated PPE Ledger Cards by the Controllership (Accounting) Division thus reconciliation with General Services Division 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 1.

Moreover, the failure of Management to promptly prepare and monitor the required Inventory and Inspection Report of Unserviceable Property for the damaged/obsolete PPE had caused delay of its disposal and/or derecognition or dropping from the books.

- 1.1. Paragraph 27, International Public Sector Accounting Standard (IPSAS) 1, Presentation of Financial Statements, provides that, "*Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue, and expenses set out in IPSASs.*"
- 1.2. Likewise, Items 3.10 and 3.11 of the Conceptual Framework for General Purpose Financial Reporting (GPFR) 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, 2021, are presented in Table 1.

Table 1 – Details of the PPE account

PPE Sub-accounts	Acquisition Cost	Accumulated Depreciation	Carrying Amount
Buildings	30,431,335.23	26,889,934.42	3,541,400.81
Other structures	3,941,250.56	786,883.78	3,154,366.78
Office equipment	7,917,280.65	6,864,098.29	1,053,182.36
ICT equipment	34,255,039.47	29,335,320.27	4,919,719.20
Communication equipment	1,405,343.70	1,447,837.49	(42,493.79)
Motor vehicles	13,207,123.00	9,663,155.14	3,543,967.86
Books	18,340.35	16,506.32	1,834.03
Furniture and fixtures	2,097,025.000	1,340,705.68	756,319.06
Other property, plant and equipment	11,140,271.36	7,571,938.52	3,568,332.84
Total	104,413,008.71	83,916,379.91	20,496,628.80

Variance amounting P13.337 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 CD with the RPCPPE submitted by the General Services Division (GSD) disclosed a total variance of P13.337 million, as summarized in Table 2.

Table 2 – Comparison of the GLs and RPCPPE

PPE Sub-accounts	Per GL	Per RPCPPE	Variance
Buildings*	30,431,335.23	-	-
Other structures*	3,941,250.56	-	-
Office equipment	7,917,280.65	8,055,622.72	(138,342.07)
ICT equipment	34,255,039.47	30,354,014.67	3,901,024.80
Communication equipment	1,405,343.70	745,294.77	660,048.93
Motor vehicles	13,207,123.00	10,859,700.00	2,347,423.00
Books	18,340.35	0	18,340.35
Furniture and fixtures	2,097,025.000	1,168,380.45	928,644.55
Other property, plant and equipment	11,140,271.36	5,520,748.56	5,619,522.80
Total	104,413,008.71	56,703,761.17	13,336,662.36

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

- 1.6. Presented in Table 3 is the summary of the variance.

Table 3 - Breakdown of variance

Particulars	Amount
PPE items recorded in the books but not included in the RPCPPE	(12,909,441.45)
Obligating purchase of Motor Vehicle not yet delivered	(1,362,528.00)
PPE items included in the RPCPPE but not recorded in the books	2,805,340.93
Variances in ICT Accounts	(1,870,033.84)
Total	13,336,662.36

- 1.7. Further review and evaluation of the RPCPPE and GL balances of the respective PPE accounts disclosed the causes of the variance:

- a) *Items amounting to P12.909 million appearing in the books but not in RPCPPE.*

Per inquiry made, this amount primary pertains to the unserviceable PPE items in prior years, some way back in 2010, which are claimed to have been disposed already. Some of these items were recorded under Other Asset account in previous years but were later restored back to its respective PPE account in July 31, 2021 due to lack of Inventory and Inspection Report of Unserviceable Property (IIRUP) to support the disposal. The GSD personnel claimed that he provided CD with the required IIRUP for the disposals made, of which CD remarked that they are still in the process of retrieving/locating the disposal reports due to lack of manpower, hence the disposed items have not been derecognized in the books.

The account also included the cost of books amounting P18,340 with carrying value of P1,834. Inquiry with GSD revealed that these books were under the accountability of a retired employee who was unable to present the books upon securing clearance from CITEM. The GSD personnel claimed that he provided the CD with a Report of Lost, Stolen, Damaged, and Destroyed Property (RLSDDP) for the said property. However, the CD remarked that the carrying amount of the books will be deducted from the remaining receivable of the former employee from CITEM once they retrieve their copy of the RLSDDP.

- b) *Undelivered Motor Vehicle costing P1.363 million recorded in the books.*

Section 8 of Chapter 10 of GAM Volume 1 provides that property are recognized in the books of accounts as PPE after inspection and acceptance of delivery.

Further, Item 6.1.2 of the Department of Budget and Management (DBM) Circular No. 2013-16, dated December 23, 2013 provides:

“Obligations, for which good/services projects have not yet been delivered/rendered/completed by the Creditor and Accepted by the NGA/Operating Unit, shall not be

recorded as Accounts Payable (AP) at the end of the year. These obligations shall only be recognized as AP on the date of delivery/rendition/completion and acceptance of the goods/services/projects, regardless of the year of incurrence of such obligation.”

During the year CITEM procured a motor vehicle costing P1.363 million which was delivered and accepted on January 10, 2022 based on the Inspection and Acceptance Report (IAR). However, the CD recognized the liability on the vehicle in December 2021 based on the obligated amount, and recorded the same in the PPE account, which is not proper. The GSD did not include said vehicle in the RPCPPE, hence the discrepancy with the CD records.

- c) *PPE amounting to P2.805 million included in the RCPPE but not recorded in the books.*

Some office equipment, communication equipment, and other PPE items included in the RPCPPE but were not recorded in the books. CD reasoned that the lack of enough manpower hinders them from reconciling their records with the GSD. Accordingly, several attempts were made to reconcile their supplies records but the same has not been fully undertaken.

- d) *ICT Equipment GL balances higher than the RPCPPE balances resulted to a variance of P1.870 million.*

According to the GSD and CD personnel, one of the causes of the variances could be attributed to the disposal of these PPEs that were not dropped from the books.

Non-maintenance of complete and updated PPELCs

- 1.8. 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.*

- 1.9. Audit further disclosed that although the GL balances were supported by schedules showing their breakdown, the CD has yet to complete the PPE Ledger Cards (PPELCs) for each item of property. Thus, reconciliation between CD and GSD could not be facilitated.

Late preparation and non monitoring of IIRUP for the obsolete/damaged items

- 1.10. Further review of the RPCPPE disclosed that 126 PPE items with cost amounting to P6.258 million were identified as “Damaged for Disposal” (or deemed unserviceable properties) as shown in Table 4.

Table 4 – Damaged/Unserviceable PPE for Disposal

Particulars	No. Items	Amount
Office equipment	8	606,327.82
IT equipment and software	37	1,698,845.13
Furniture & Fixtures	2	295,188.48
Motor Vehicle	1	797,200.00
Other PPE	78	2,860,511.61
Total	126	6,258,073.04

- 1.11. Section 79 of Presidential Decree (PD) No. 1445 states that: *When government property has become unserviceable for any cause, or is no longer needed, it shall, upon application of the officer accountable therefore be inspected by the head of the agency or his duly authorized representative in the presence of the auditor concerned and if found valueless, or unsalable, it may be destroyed in their presence. If found valuable, it may be sold at public auction to the highest bidder upon the*

supervision of the proper committee on award or similar body in the presence of Auditor xxx.”

- 1.12. Likewise, Section 40 (d) of Chapter 10 of GAM, Volume I, requires that:

“All unserviceable property shall be reported in the Inventory and Inspection Report of Unserviceable Property (IIRUP) (Appendix 74). PPE reported in the IIRUP shall be dropped from the books by debiting Impairment Loss-Property, Plant and Equipment (cost of PPE less Accumulated Depreciation.”

- 1.13. Considering that the properties in Table 4 are identified as unserviceable, these should have been reported in the IIRUP as required in the cited provision, to facilitate its disposal and derecognition. As discussed in paragraph 1.7 (a) the variance of the PPE balances between the CD and GSD is primarily due to the unrecorded disposals as the IIRUP has yet to be located/retrieved. Considering the number of years that had elapsed from the time the said properties were declared unserviceable, the non-recognition of the properties implied late preparation and/or non-monitoring of the IIRUP.

- 1.14. In view of the variance of P13.337 million between the GL and the RPCPPE and the non-maintenance of complete and updated PPELCs and Property Cards, the faithful representation in the financial statements of the balance of the PPE account with cost of P104.413 million and a carrying value of P20.497 million as of December 31, 2021 was not established.

- 1.15. **We recommended and Management agreed to:**

a. Direct the CD and the GSD to:

- (i) reconcile their records, exert effort to locate/identify the documents/records and IIRUP (if any), covering the disposed unserviceable properties that are still outstanding in the books, and effect the necessary adjustments or corrections;**
- (ii) regularly reconcile the GL records and Property records (PPE); and**
- (iii) prepare the IIRUP for PPE amounting P6.258 million identified as damaged/unserviceable and facilitate the disposal thereof through public auction, destruction or other appropriate mode of disposal.**

- b. Instruct the CD to maintain complete and updated PPELCs in accordance with Section 42, Chapter 10, GAM, Volume I.**

2. The faithful representation of the Receivables account totaling P27.625 million and net book value of P20.836 million as of December 31, 2021 is doubtful and could not be ascertained due to: (a) incomplete Subsidiary Ledgers of accounts totaling P12.455 million; (b) amount of P2.603 million were confirmed settled and/or subsidized accounts; (c) presence of negative balances amounting to P2.207 million; and (d) incomplete aging schedule which precludes the determination of the adequacy of the corresponding Allowance for Impairment of P6.790 million, contrary to Items 3.10, 3.12 and 3.26 of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities.

- 2.1. The Conceptual Framework for GPFR 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.

- 2.2. As of December 31, 2021, the receivables of CITEM was P27.625 million with net book value of P20.836 million, composed of the following:

Table 5: Schedule of Receivables

Account Code	Gross Amount	Allowance for Doubtful Accounts	Net Book Value
Loans & receivable			
Participation fees-local show	10,412,457	3,136,955	7,275,502
Participation fees-international show	9,798,858	547,536	9,251,322
extension charges	443,447	443,447	-
Other receivable	1,229,353		1,229,353
Interest Receivables	91,833		91,833
Sub- Total	21,976,038	4,127,938	17,848,010

Account Code	Gross Amount	Allowance for Doubtful Accounts	Net Book Value
Inter-agency receivables			
Due from NGAs	2,793,952	-	2,793,952
Other Receivables (OR)			
Due from employees and others	2,855,403	2,661,903	193,500
Grand Total	27,625,393	6,789,841	20,835,552

- 2.3. As gleaned from the Table, the balance pertains mostly to Accounts Receivables (AR) covering the participation fees local and international, extension charges, including interest thereof, billed to exhibitors in connection with their participation in trade exhibits organized by CITEM held either here in the Philippines or internationally. Hence, an analysis was made on these accounts.

Incomplete/un-updated Subsidiary Ledgers (SLs) to substantiate the receivables totaling P12.085 million

- 2.4. 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.*

- 2.5. As previously noted in the past year's audit observation, CITEM has not maintained complete SLs for AR – Participation Fee (PF) Local, AR – Extension Charges, and AR-Others totaling P12.085 million. For AR – PF Local account, a Schedule of receivables per project is maintained however, the same does not provide information on the individual exhibitor's consolidated balances, unlike when SLs are maintained, where the outstanding balances per exhibitor may be fast-tracked for timely sending of Statement of Accounts. The SLs are necessary to substantiate the veracity of these receivables.

*Confirmed settled/subsidized balances
of P2.603 million on AR-PF International*

- 2.6. Confirmation letters were sent to 25 exhibitors with outstanding balance of P50,000 and above for a total of P9.908 million representing 84 per cent of the total AR-PF International account balance. Sample was limited due to the lack of contact information provided in the SL.
- 2.7. Only 11 of the 25 exhibitors responded, or a 44 per cent response rate. Results of the confirmation disclosed that P2.179 million were already paid by the exhibitors, while P423,660 were claimed subsidized by the Department of Trade and Industry. Hence out of P9.908 million receivables subjected for confirmation, a total of P2.603 million should no longer be outstanding in the books. However, since CD was not able to trace the corresponding official receipts for these exhibitors, hence these remained outstanding as of December 31, 2021.
- 2.8. The concerned personnel of the CD claimed that they still need to trace the previous posted transactions before the adjusting entry is prepared to reconcile the balances of the exhibitors.

*Negative/abnormal balances totaling P2.207
million in AR-PF Local and International accounts*

- 2.9. Analysis of the Schedule of AR – PF disclosed the presence of negative/abnormal balances in the individual account of 31 exhibitors amounting to P2.207 million resulting from a) various erroneous recording of transactions; b) unbilled receivables; and c) and unrecorded forex gain.

a.) Various Erroneous recording of transactions

Review of pertinent documents revealed that negative balances totaling P1.042 million relates to various errors in recording. Tracing of the prior year's transactions showed that there were instances that credits to the account had unmatched debits wherein an adjustment was made to the account for recognizing cancellation of unbilled invoices, or posting of payment for retention fee which should be posted instead to the Trust Miscellaneous account. Other forms of errors committed were double or triple recording of cancelled invoices and posting of foreign exchange (forex) gain as debit expressed in negative value since the amount was copied as is from the breakdown attached in the Journal Entry Voucher (JEV), hence it only increased the negative balance of the account instead of closing it.

b.) Unbilled receivables

Moreover, the payments of the exhibitors amounting to P0.708 million were credited to their account although invoices were not yet billed nor accrued beforehand or the invoice was cancelled. Thus, there is a possibility of unrecognized income in the same amount.

c.) Unrecorded forex gain

Since this account is for International projects, invoices are usually in its dollar value and therefore, forex gain/loss is to be recognized due to the fluctuating exchange rates from the date of billing to the date of settlement. This forex gain remained unrecorded resulting to the negative balance of P9,292 in the receivables account and understated the Gain from Forex account.

d.) Undetermined cause

A negative balance of P446,988 is still for verification as the cause/s of which remain undetermined. It was also noted that five exhibitor's account balances amounting to P0.601 million in the SL did not tally with the submitted schedule due to non-posting of the JEV in the SL.

Incomplete aging schedule precluded the Audit Team to determine the adequacy of the Allowance for Impairment of P6.790 million

- 2.10. 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 AR be submitted on or before February 14 of each year. Although the CITEM had submitted the Aging Schedule for AR – PF International account and Other Receivables – others account, information pertaining to receivables amounting to P27.625 million was insufficient to conduct thorough analysis and ascertain whether the Allowance for Impairment totaling P6.790 million provided thereon was adequate.
- 2.11. In view of the foregoing deficiencies, the accuracy, existence, and valuation of the Receivables account with net balance of P20.836 million as of December 31, 2021 cannot be ascertained.
- 2.12. **We recommended that Management direct the CD to:**
 - a. **Maintain SLs for AR- PF Local, AR – Extension Charges and AR – Others;**
 - b. **Analyze the individual accounts of the exhibitors particularly the balances which were subsidized by National Government Agencies and prepare the necessary adjustments;**
 - c. **Send confirmation letters regularly to exhibitors with outstanding balance to inquire if payments have been made and require them to submit proof of payment to facilitate recording in the books;**
 - d. **Prepare the necessary adjusting entries to correct and/or record the following:**

- d.1 erroneous recording of transactions which resulted to the negative balances totaling P1.042 million;
- d.2 recognize income for the P0.708 million for collections not yet billed or invoices cancelled; and
- d.3 recognize forex gain of P9,292;
- e. Determine the nature of the negative balances of P446,988 and prepare the necessary adjustments; and
- f. Prepare and submit a complete Aging of AR on or before the deadline set in accordance with Section 3 of COA Circular No. 2015-004 dated July 16, 2015.

2.13. Management commented that:

- a. With the implementation of Electronic New Government Accounting System on CY 2022, SLs and Aging Schedules will be maintained while manual consolidation of SLs will continue to facilitate the complete and accurate set-up of beginning balances in the system; and
- b. They will reiterate to their exhibitors and other partner agencies and organizations the importance of securing an official receipt from CITEM Cashier which would require proof of payments/deposits.

3.14 The Audit Team took note of Management's commitment to implement the recommendation and will monitor the same in the CY 2022 audit.

3. The balance of the Accounts Payable of P97.083 million as of December 31, 2021, is overstated by P1.363 million, hence the account is not fairly presented in the Financial Statements contrary to paragraph 27 of International Public Sector Accounting Standard 1. The overstatement covers the cost of the procured motor vehicle accepted on January 10, 2022 but was recognized in the books as payable in December 2021, contrary to the DBM Circular No. 2013 dated December 23, 2013.

- 3.1. 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."*
- 3.2. Likewise, Paragraphs 3.10 and 3.26, Chapter 3 of the Conceptual Framework for GPFR 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

3.26 Verifiability is the quality of information that helps assure users that information in GPFRs faithfully represents the phenomena that it purports to represent. Supportability is sometimes used to describe this quality when applied in respect of explanatory information and prospective financial and non-financial quantitative information disclosed in GPFRs—that is, the quality of information that helps assure users that explanatory or prospective financial and non-financial quantitative information faithfully represents the phenomena that it purports to represent. Whether referred to as verifiability or supportability, the characteristic implies that different knowledgeable and independent observers could reach general consensus xxx.”

- 3.3. Item 6.1.2 of the DBM Circular No. 2013-16, dated December 23, 2013 provides that:

“Obligations, for which good/services projects have not yet been delivered/rendered/completed by the Creditor and Accepted by the NGA/Operating Unit, shall not be recorded as Accounts Payable (AP) at the end of the year. These obligations shall only be recognized as AP on the date of delivery/rendition/completion and acceptance of the goods/services/projects, regardless of the year of incurrence of such obligation.”

- 3.4. Records disclosed that during the year CITEM purchased a motor vehicle costing P1.363 million which was delivered and/or issued Inspection and Acceptance report (IAR) on January 10, 2022. However, review of the Accounts Payable SLs showed that a liability was already recognized by the CD on this vehicle as of December 31, 2021, based on the amount obligated for the transaction.
- 3.5. According to the Management, the supplier informed CITEM that the vehicle was already available for delivery as of December 23, 2021. However, since there were only few working days left for the year and the vehicle would not be used until next year, CITEM opted to defer the date of delivery and actual possession of the vehicle. This is also to safeguard the unit from any possible harmful effects of fireworks or other elements that may cause damage to the vehicle during the holiday season considering that the CITEM parking lot is an open space.

3.6. The recognition or recording of the liability on the motor vehicle before its delivery and acceptance and/or issuance of the IAR by the concerned CITEM officials is not in accordance with the cited DBM Circular, consequently overstating the Accounts Payable balance as of December 31, 2021.

3.7. **We recommended and Management agreed to direct the CD to:**

- a. **Prepare the necessary adjusting entries on the recorded motor vehicles to correct the Accounts Payable balance as of December 31, 2021; and**
- b. **Refrain from recording or recognizing a payable account on purchases that has not been delivered and officially accepted by CITEM, as evidenced by an IAR.**

4. **The existence, reliability, and accuracy of the Inventories account amounting to P1.436 million as of December 31, 2021 was not established due to: (a) incomplete Report on the Physical Count of Inventories amounting to P1.191 million; and (b) non-maintenance of Supplies Ledger Cards precluding verification of the Inventory balances, thereby affecting the fair presentation of the account in the financial statements.**

4.1. The Inventories account of CITEM as of December 31, 2021 comprises of various sub-accounts with balances shown in Table 6.

Table 6 - Composition of Inventories Account

Sub-accounts	Amount
Office Supplies	₱ 196,994
Drugs and Medicine	48,480
Semi-expendable Office Equipment	328,196
Semi-expendable Furniture and Fixtures	862,614
Total	1,436,284

*Incomplete Report on Physical Count
of Inventories (RPCI)*

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

“Inventory Accounting System. xxx

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

- 4.3. Furthermore, paragraph A and C of the Instructions in Appendix 66, Volume II of the same Manual provides:

A. The RPCI is the form used to report the physical count of inventory items by type such as Office Supplies Inventory; Accountable Forms Inventory; Medical, Dental and Laboratory Supplies Inventory; etc., which are owned by the agency/entity. It shall be prepared semi-annually by the Inventory Committee and by fund cluster.

B. Xxx

C. The report shall be reconciled with the Supplies ledger Cards (SLCs) and Stock Cards (SCs) maintained by the Accounting Division/unit and the Property and/or Supply Division/unit respectively. Any discrepancy shall be verified and/or adjusted accordingly.

- 4.4. The Supplies Custodian was able to conduct physical count as well as prepare the RPCI for the Office Supplies and Drugs and Medicine sub-accounts. However, physical count for Semi-Expendable Office Equipment and Semi-Expendable Furniture and Fixtures was not completed allegedly due to time and manpower constraints, consequently, the corresponding RPCI was not prepared and submitted. Hence, the Audit Team was precluded from ascertaining the existence and correctness of these balances. The Semi-Expendable items represents 82.86 per cent of the total inventories.

*Non-maintenance of Supplies
Ledger Card*

- 4.5. Paragraph C of Appendix 66 provides that the RPCI shall be reconciled with the Supplies ledger Cards (SLCs) and Stock Cards (SCs) maintained by the Controllership Division (CD) and the General Services Division (GSD), respectively. Any discrepancy shall be verified and/or adjusted accordingly.
- 4.6. To reiterate the previous year audit observation, the CD still has not maintained SLCs for the Inventories sub-accounts which are necessary to substantiate the General Ledger (GL) balances, and validate the SCs balances maintained by GSD.
- 4.7. These deficiencies had precluded the Audit Team from establishing the correctness of the inventory balance as of year-end.
- 4.8. **We recommended and Management agreed to direct the:**
- a. **Supplies Custodian to prepare and submit the RPCI for Semi-Expendable Office Equipment and Semi-Expendable Furniture and Fixture following the prescribed form in the GAM; and**

b. CD to likewise maintain the SLC and prepare the adjustments in the books, as necessary.

4.9. The Audit Team acknowledged Management's commitment and will monitor compliance thereof in the CY 2022 audit.

B. OTHER OBSERVATIONS

5. **CITEM was able to fully accomplish and implement its targeted number of projects on trade fairs through digital platforms and hybrid events. Export sales from these projects exceeded by USD 565.776 million or 950.92 per cent of the targeted export sales while the cost directly attributable to these projects decreased by P3.357 million more than its budgeted amount. Likewise, based on the Statements of Financial Performance for the years ended December 31, 2021 and 2020, CITEM was able to lower its net loss to P12.003 million in CY 2021 compared to CY 2020 of P80.003 million, or a decrease of P67.969 million or 84.96 per cent, despite the non-charging of participation fees to its exhibitors.**

- 5.1. The Audit Team reviewed the CY 2021 Accomplishment Report of CITEM to determine whether the CITEM has met its targets. The Report on Budget Programmed vs. Costs for the period ending December 31, 2021; 2021 Work Program-Accomplishments Report; and the Statements of Financial Performance for the years ended December 31, 2021 and 2020 were the bases in the assessment whether Management improved their cost effectiveness in attaining the CITEM's objective.
- 5.2. Effectiveness was measured by comparing the CITEM'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

- 5.3. The CITEM implemented a total of 23 projects in CY 2021 as compared to the nine projects implemented in CY 2020. Since most of the trade fairs that were cancelled/deferred in CY 2020 were conducted in CY 2021, this resulted to an increase of 155.55 per cent implementation rate. Details are shown in Table 7.

**Table 7 – Comparison of Implemented Projects
CY 2021 vis-à-vis CY 2020**

Platform	Implemented in CY 2020	Implemented in CY 2021	% of Increase/ (Decrease)
Digital/Online	2	18	800%
Hybrid Events	3	3	-
Physical Shows	4	2	(50%)
Total	9	23	155.55%

- 5.4. The CITEM's 2021 Work Program-Accomplishment Report showed the actual number of projects and exhibitors attended as well as the export sales generated on the trade fairs conducted as compared to targets. Details are shown in Table 8.

Table 8 - Performance Rate

Description	CY 2021 Accomplishment		Difference	Accomplishment Rate (Per cent)
	Actual	Target (per GAA)		
Number of projects	23	16	7	143.75
Number of Exhibitors	1,284	718	566	178.83
Number of Trade Inquiries*	12,273	5,691	6,582	215.65
Number of Trade Buyers**	3,741	2,684	1,057	139.38
Export sales (In million USD)	632.266	66.490	565.776	950.92

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

**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

- 5.5. As may be gleaned from Table 11, the CITEM reported that it exceeded its target as to the number of projects held, as well as the number of trade buyers and inquires. The number of exhibitors during the implementation of its project exceeded its annual target participants per GAA by 566 exhibitors.
- 5.6. The Export Sales declared/reported by exhibitor-companies from these projects exceeded by USD 565.776 million or 950.92 per cent of its GAA targeted export sales. Once again, this was a testament to the positive impact of CITEM's successful shift to digitalization of trade fairs and participation to 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

- 5.7. The budget, cost and income derived from the implementation of the projects are presented in Table 9.

**Table 9 – Projects' Budget vis-a-vis Cost
(In Million Pesos)**

Particulars/Projects	Budget	Cost	Variance of Budget Over Cost	Income	Variance of Actual Cost Over Income
	(a)	(b)	(b-a)	(c)	(c-b)
A. Signature Events	74.002	72.185	1.816	14.318	(57.868)
B. Overseas Promotional Events					
1. Home and Fashion	3.900	3.354	0.546	-	(3.354)
2. Food	5.430	5.092	0.338	-	(5.092)
3. International	2.700	2.514	0.186	-	(2.514)
C. China International	8.500	8.029	0.471	2.679	(5.351)
D. DTI Funded Projects	-	-	-	1.557	1.557
TOTAL	94.532	91.175	3.357	18.553	(72.622)

- 5.8. As may be seen from the preceding table, the current operating cost directly attributable to the project is favorably lower than the allotted budget by P3.357 million. However, it was noted that no income from participation fees were earned from the overseas promotional events. The CITEM continued to spearhead the participation of exhibitors of which financial conditions were hardly affected by the pandemic as they showcased their products for the first time on digital trade fairs.
- 5.9. Moreover, the unfavorable loss on operations amounting to P72.622 million is understandable considering the mandate of CITEM is not to earn profit but to promote, strengthen and expand capability building and development program for MSMEs and sustaining the global presence and expansion of industry sectors.

CITEM's overall performance per CY 2021
Statement of Financial Performance

- 5.10. With CITEM's continued effort to invest in digital and hybrid platforms to promote Filipino craftsmanship worldwide, the Statements of Financial Performance for the years ended December 31, 2021 and 2020 showed that CITEM incurred a deficit (loss) of P12.003 million in CY 2021 which is lower by P67.969 million or 84.96 per cent from CY 2020 net loss of P80.003 million as summarized in Table 10.

Table 10 – Statements of Financial Performance
For the Years Ended December 31, 2021 and 2020
(In Million Pesos)

Account	2021	2020	Variance	
			Amount	Per cent
Income+ Subsidy	161.005	271.728	(110.723)	(40.75%)
Expenses+losses-gains	(173.039)	(351.731)	178.692	(50.80%)
Net Income/(Loss)	(12.003)	(80.003)	67.969	(84.96%)

- 5.11. The decrease in net loss despite the non-charging of participation fees to its exhibitors, showed that CITEM had adapted to the challenges and changes by continually using digital media platforms and hybrid events in conducting export-driven programs including its signature events in the country and high-profile promotional activities in key markets abroad.
- 5.12. As the exhibition industry worldwide shifted to using the same platforms, CITEM was also able to spearhead the participation of its MSMEs, exporters, designers, and manufacturer exhibitors in overseas trade fairs.
- 5.13. **We recommended and Management agreed to continue implementing strategies that would adapt to the challenges and changes in trade industry due to COVID-19 pandemic and other similar situations that might occur in the future, with the end view of optimizing revenue and minimizing cost to improve CITEM's financial performance.**

6. Validity and propriety of the accrual of Collective Negotiation Agreement FY 2021 incentives amounting to P2.189 million as of December 31, 2021 is doubtful due to the lack of requirements and proper approval contrary to Department of Budget and Management Budget Circular No. 2021-3 dated November 17, 2021.

- 6.1. DBM Budget Circular (BC) No. 2021-3 dated November 17, 2021 provides for the guidelines on the grant of Collective Negotiation Agreement (CNA) Incentive FY 2021. Items 4.1.1 (a) and 4.1.2 (b) of subject BC stated the following conditions, to wit:

“4.1.1 Existence of a CNA - (a) There should be a valid and subsisting CNA executed between the representatives of the management and the employees' organization accredited by the CSC as the sole and exclusive negotiating agent for the purpose of collective negotiations with the management of a department, line bureau, attached agency. Constitutional Offices, sue, GOCC, LWD, or LGU. Xxx

4.1.2 Accomplishments of Targets – (b) GOCCs covered by RA No. 10149 should have accomplished, by September 30, 2021, at least an average of 70% of all the targets under their respective Performance Scorecard, as agreed upon between the Governance Commission for GOCCs (GCG) and the GOCC pursuant to GCG Memorandum Circular No. 2017-027 dated June 30, 2017.”

- 6.2. Likewise, Item 1.3(b) of the said Circular further quoted the rules provided in the General Provisions of the FY 2021 General Appropriations Act (GAA) relative to the grant of incentives to wit, *“(b) The one-time annual payment of CNA Incentive shall be made through a written resolution signed by agency representatives from both labor and management, and approved by the agency head;xxx”*
- 6.3. Moreover, the incentive shall be sourced solely from the following allowable Maintenance and Other Operating Expenses (MOOE) allotments identified in Item 4.3.4 of the same Circular, provided that the same have become available as a result of cost-cutting and systems improvement measures undertaken by the agency, to wit:

*“(a) Communication Expenses;
(b) Repairs and Maintenance;
(c) Supplies and Materials Expenses;
(d) Transportation and Delivery Expenses;
(e) Traveling Expenses; and
(f) Utility Expenses.”*

- 6.4. On December 31, 2021, CITEM accrued CNA incentive to its officers and employees for the year 2021 amounting to P2.189 million sourced from the generated savings of P2.244 million allowable MOOE items pursuant to Item 4.34 of the aforementioned Circular, as shown in Table 11.

Table 11 – Details of Savings for CNA

Account	Final budget	Actual Amount	Difference/ Savings
Communication Expenses			
Telephone – Mobile	400,000	353,946	46,054
Telephone – landline	1,750,000	1,732,599	17,401
Internet Subscription	2,700,000	2,244,110	455,890
Repair and Maintenance Expenses			
Office Buildings	710,000	702,472	7,528
Office equipment	150,000	131,764	18,236
Transportation equipment	255,000	253,598	1,402
Other Property and equipment	6,000	5,710	290
Supplies and materials Expenses			
Office Supplies	100,000	83,208	16,792
Fuel, oil and Lubricants	670,000	661,705	8,295
Other supplies	2,921,000	2,772,823	148,177
Utility Expenses			
Water expense	100,000	75,200	24,800
Electricity expense	2,100,000	1,351,342	748,658
Travelling Expenses	1,112,000	361,658	750,342
TOTAL	12,974,000	10,730,133	2,243,867

- 6.5. Verification of the supporting documents revealed that CITEM has already submitted the Performance Scorecard with a rating of 99.31 per cent to the Governance Commission for GOCCs (GCG). However, GCG still has to evaluate and validate this and until then, the accomplishments of targets provided in the scorecard may not be relied upon yet. It is noteworthy to mention that in the CY 2020 scorecard, the submitted rating of 85.19 per cent was decreased to 62.37 per cent after the evaluation and validation by GCG; hence the rating in the scorecard for CY 2021 is not final and may also decrease or increase.
- 6.6. Furthermore, there was no copy of a subsisting CNA duly signed and approved in a resolution by agency representatives and agency head, thus, showing no proof of compliance with the requirements/conditions provided for in Items 4.1.1 (a) and item 1.3. (b) of the said Circular.
- 6.7. Inquiry revealed that the accrual was made since management already has an allotted budget and there is a continuing appropriation for it. However, supporting documents were incomplete, hence, validity and propriety of the grant is doubtful.
- 6.8. It was further noted that the accrual was recognized under the account “Other MOOE” rather than in the Other Benefits account as prescribed in Item 4.4.4 of the BC to wit,:

“4.4.4 The amount paid as CNA Incentive shall be recorded in the agency books under the account code

"Collective Negotiation Agreement Incentive-Civilian," "Other Benefits," and "Collective Negotiation Agreement Incentive" for NGAs, LGUs, GOCCs, and LWDs, respectively." (emphasis supplied)

6.9. **We recommended that Management:**

- a. **Submit the documents required as per DBM BC No. 2021-3 dated November 17, 2021 to substantiate the grant of CNA FY 2021;**
- b. **Reverse the entries made for the accrual of the incentive in case of failure to comply with the submission of valid documentation to reflect the correct balance of the affected account; and/or**
- c. **Upon compliance with the requirements, charge the incentive to "Other Benefits" account pursuant to the DBM BC No. 2021-3.**

6.10. Management commented that the requirements for the grant of CNA have been complied with and duly submitted the Performance Scorecard for CY 2021 to GCG, citing that CITEM has attained the required 70 per cent rating while currently waiting for final approval for the actual release of the benefit. Thus, management believes that the accrual made complies with the accounting standards.

6.11. As a rejoinder, the Audit Team maintains its stand that the validity and propriety of the Accomplishments of Targets has to be supported by the Performance Scorecard as evaluated and validated by the GCG and submission of a copy of subsisting CNA that is duly signed and approved resolution by agency representatives and agency head.

7. Payment of salaries to janitorial personnel under Institutional Contract of Service despite being on an on-call or work-from-home basis wherein no actual services were rendered, resulted in overpayment amounting to P0.810 million, contrary to the provisions of the Contract of Service and Section 2 of Commission on Audit – Department of Budget and Management (COA-DBM) Joint Circular No. 1 Series of 2020 dated March 19, 2020.

7.1. Sections 3.4 and 3.5 of the COA-DBM Joint Circular (JC) No. 1 series of 2020 on the "Interim Guidelines Governing Contract of Service (COS) and Job Order (JO) Workers in Government for the Duration of the State of Calamity and Community Quarantine Due to the Corona Virus Disease (COVID-19)" provides that:

"3.4 COS and JO workers who will be required to work from home shall be paid their corresponding salaries/wages during community quarantine period.

3.5 COS and JO workers who will not be required to report for work due to work suspension and those who are not part of the agency skeletal workforce shall be paid their corresponding salaries/wages during community quarantine period as exception to the “no work, no pay” principle for this occasion only.”

- 7.2. However, Section 2 of the same Joint Circular states that:

“xxx

Institutional Contract of Service (COS) workers assigned in government agencies to provide services such as janitorial, security, consultancy and other support services are excluded from the coverage of this Joint Circular.”

- 7.3. Sections 6.1.1 and 6.1.2 of COA-DBM JC No. 2 series of 2020 dated October 20, 2020 defines Institutional COS as follows:

6.1.1 “Institutional COS covers lump sum work or services to perform janitorial, security, consultancy, and other support functions, subject to the provisions of Republic Act (RA) of 9184 and its Implementing Rules and Regulations, and pertinent budgeting, accounting, and auditing rules and regulations.”

6.1.2 “Workers hired through institutional COS shall remain to be employees of the contractor or service provider.”

- 7.4. Moreover, Item 1 of Article V of the Contract for Janitorial Services by and between CITEM and the janitorial services agency provides for the manner of payment/billing as follows:

“The Procuring Entity (PE) shall pay the Agency the consideration for actual services rendered subject to the provisions of Article IV (01), hereof within thirty (30) days from receipt of the bill/statement of account.”

- 7.5. Due to the COVID-19 pandemic and the threat of its outbreak to the health and safety of personnel, CITEM adopted an Alternative Work Arrangement (AWA) for all of its regular officials and employees, job orders and COS workers. The AWA included a combination of Skeleton Workforce (SWF) and Work-from-Home (WFH) schemes to limit the population of personnel reporting to the office. As a result, it was noted that the janitors and drivers under Institutional Contract of Service were placed under “on-call or work-from-home” basis.

- 7.6. Review of Disbursement Vouchers (DVs) together with its supporting payroll and daily time records revealed that salaries of drivers were based on the actual number of hours of services rendered and hours for the day

they were placed on-call. Consequently, the drivers may be reasonably placed on-call during office hours in order to provide immediate transport needs.

- 7.7. However, the same may not apply to janitors since they cannot possibly render actual janitorial services if and when they are not present in the office premises. Thus, payment of salaries to janitors under COS being on an on-call or work-from-home basis resulted to an overpayment of salaries amounting to P0.810 million as shown in Table 12.

Table 12 – Overpayment of Salaries of Janitors

Janitorial Services Contract	Period Covered	Total Amount Paid	Days paid for actual services (should be)	Days paid during on-call (Overpayment)
Contract No. 200054	Mar 2020 to Dec 2020	893,775.86	344,288.31	549,487.55
Contract No. 210004	Jan 2021 to May 2021	414,427.38	153,690.15	260,737.23
Total		1,308,203.24	497,978.47	810,224.78

- 7.8. The overpayment was computed by multiplying the total number of days on-call/work-from-home by the daily rate in which the personnel were paid.
- 7.9. The Audit Team issued Audit Query Memorandum (AQM) No. 2022-02-(21) dated February 23, 2022 requesting from Management for any comments/explanation on the said overpayment of salaries. In reply, Management submitted the following comments/justifications:
- a) RA No.11469 (Bayanihan to Heal as One Act) known as the Compassionate Law gives the President the power to direct financial institutions and executive departments to undertake cooperative measures to assist the general public.
 - b) In the same manner that CITEM provided support and subsidy to our micro, small and medium enterprises (MSME's) exporters, an equal support was likewise provided to our employees including our institutional contract workers, whose nature of work are necessary and indispensable to complement the operations of CITEM.
- 7.10. Subject explanation/justification, however, is not in accordance with the Contract for Janitorial Services between CITEM and janitorial services agency which provides the following.

“It is expressly understood and agreed that the employees assigned by Agency to the Procuring Entity (PE) are, for all legal intents and purposes, the employees of Agency and not the PE, hence the PE does not maintain any employee-employer relationship with said personnel of Agency.”

“Any stoppage of work caused by the employees of Agency for any reason whatsoever except due to fortuitous events or beyond human control shall be the responsibility of the Agency and it shall be liable for any damage that may be caused to the Procuring Entity by such stoppage of work.”

- 7.11. Although the Audit Team recognizes the initiative and compassion of Management to include the janitorial personnel in its AWA in order to provide them financial support during the community quarantine period, said responsibility rests with the janitorial services agency being their employer. Thus, Management’s action resulted in an overpayment of salaries amounting to P0.810 million.
- 7.12. **We recommended that Management facilitate the refund of the overpayment of salaries from the Agency of the janitorial services and henceforth, always observe the rules and regulations on government resources expenditures.**
- 7.13. Management then further commented that the RA No.11469 was the basis of the decision to include janitorial personnel in its AWA, refunding their salaries would negate CITEM’s inherent mandate to mitigate the impact of the pandemic to its staff including its janitorial personnel who indispensably complement the operations of CITEM.
- 7.14. As a rejoinder, the Audit Team maintains its stand on the exclusion of the Institutional COS workers assigned in government agencies such as janitorial services on the exception to the “no work, no pay” rule for the duration of the state of calamity and community quarantine due to the COVID-19 as provided for in the JC. **Hence, we further recommended that Management make a representation with the DBM for a more authoritative disposition on the matter.**
8. **The procurement of the 170 units Blood Pressure Monitor amounting to P238,263.39 issued to all CITEM personnel including job orders and contract workers, is considered unnecessary based on COA Circular No. 2012-003 dated October 29, 2012. The said medical gadget is neither included in the list of common-use supplies and equipment enumerated in Annex B of the Government Procurement Policy Board Resolution No. 03-2020 dated March 9, 2020, nor among the *intervention* prescribed in Annex A of the Department of Health Administrative Order No. 2020-0015 dated April 27, 2020.**
 - 8.1. Annex B of the Government Procurement Policy Board (GPPB) Resolution No. 03-2020 dated March 9, 2020 provides for the *list of items submitted by the Department of Health (DOH) that are needed to address the current State of Public Health Emergency for inclusion in the list of Common-Use Supplies and Equipment (CSE).*

- 8.2. On the other hand, Annex A of DOH Administrative Order (AO) No. 2020-0015 dated April 27, 2020 provides for the list of required public health standards across all settings, wherein item 1.3 states that:

Intervention

1.3 Reduce exposure of vulnerable individuals (e.g., senior citizens, individuals with underlying health conditions) to prevent infection

Office/Workplaces:

Elderly, individuals with underlying conditions, and pregnant women may be asked not to physically report to work

Administrative Control: Employers must provide alternative work arrangements to the elderly, individuals with underlying conditions, and pregnant women for the duration of COVID-19 health event

PPE: Cloth mask for general public or surgical mask for symptomatic individuals

- 8.3. Meanwhile, Section 4.1 of COA Circular No. 2012-003 dated October 29, 2012 defines unnecessary expenditures as:

“The term pertains to expenditures which could not pass the test of prudence or the diligence of a good father of a family, thereby denoting non-responsiveness to the exigencies of the service. Unnecessary expenditures are those not supportive of the implementation of the objectives and mission of the agency relative to the nature of its operation. This would also include incurrence of expenditure not dictated by the demands of good government, and those the utility of which cannot be ascertained at a specific time. An expenditure that is not essential or that which can be dispensed with without loss or damage to property is considered unnecessary. The mission and thrusts of the agency incurring the expenditures must be considered in determining whether or not expenditure is necessary.”

- 8.4. Audit of the Other Supplies account revealed that CITEM purchased 170 units of Automatic Arm Type BP Monitor amounting to P238,263.39. The said medical gadget is not included in the list of common-use supplies and equipment needed to address the current state of public health emergency as enumerated in Annex B of the GPPB Resolution No. 03-2020. Likewise, BP monitoring is not among the intervention prescribed in Annex A of DOH AO No. 2020-0015.

- 8.5. Subject purchase of the BP monitors was requested by the Human Resources and Management Division (HRMD) for distribution and use of all CITEM employees, including job orders, consultants, and institutional contract personnel. Out of the 170 units purchased, only one (1) unit was issued for the use in the Clinic.
- 8.6. The Audit Team issued AQM No. 2022-01-(21) dated February 23, 2022, requesting from Management comments/explanation on the said purchase. In reply, Management submitted the following comments/justifications:
- a) According to the DOH, hypertension is still among the top 10 leading causes of morbidity in the Philippines. Furthermore, it is listed as one of the COVID-19 high-risk comorbidities. It may not directly contribute to the prevention of COVID-19 spread but it is undoubtedly useful in ensuring that employees are in their best health conditions to fight and even survive COVID-19.
 - b) Management also considered the fact that a huge portion of CITEM employees is suffering from hypertension based on records of clinic consultations, the anxiety and stress caused by the pandemic only made it worse. For these reasons, hypertension control was included in the CITEM's Health and Wellness Program.
- 8.7. Although the Audit Team recognizes the initiative of Management to include hypertension control in its health program, except for the one unit used in the clinic, the subject explanation/justifications however, is not in accordance with the previously cited provisions, specifically on the following:
- a) DOH AO No. 2020-0015 prescribes that at minimum, the intervention to reduce exposure of vulnerable individuals with underlying health conditions such as hypertension is that employers must provide AWA to them for the duration of COVID-19 health event.
 - b) GPPB Resolution No. 03-2020 wherein BP monitors was not among the common-use supplies and equipment which are needed to address the current State of Public Health Emergency as endorsed by the DOH.
- 8.8. Furthermore, the procurement of the BP monitors is not supportive of the implementation of the objectives and mission of the CITEM relative to the nature of its operation and therefore, unnecessary as stressed in COA Circular No. 2012-003.
- 8.9. **We recommended that Management direct the HRMD to facilitate the refund of P236,687.41 pertaining to the 169 units of BP monitors and henceforth, observe prudence in determining whether or not an expenditure is necessary.**

- 8.10. Management reiterated their comment that hypertension control was included in the CITEM's Health and Wellness Program because it is undoubtedly useful in ensuring that employees are in their best health conditions to fight and even survive COVID-19.
- 8.11. As a rejoinder, the Audit Team emphasized that DOH had already prescribed that at minimum, the intervention to reduce exposure of vulnerable individuals with underlying health conditions such as hypertension is that employers must provide AWA to them for the duration of COVID-19 health event.

GENDER AND DEVELOPMENT (GAD)

9. **CITEM's GAD Plan and Budget for CY 2021 totaling P12.702 million or 5.07 per cent of the total Corporate Operating Budget of P250.560 million was not endorsed by Philippine Commission on Women (PCW) contrary to PCW-Memorandum Circular No. 2020-05, thus, could not be validated whether gender issues were addressed. Nonetheless, CITEM fully utilized its allocated GAD Budget with total expenditures amounting to P17.328 million for the implemented programs, activities and projects as shown in the Accomplishment Report submitted for review to the PCW thru the Gender Mainstreaming Monitoring System.**

GAD Plan and Budget (GPB) not duly endorsed by the PCW

- 9.1 Section 1.2.5 of the PCW-MC No. 2020-05 sets forth the required endorsement of the GPB by the PCW, to wit:

"PCW shall endorse the FY 2021 GPB if (1) the minimum five percent (5%) GAD Budget requirement has been met, and (2) the agency has complied with all the requested revisions (if any) in the GPB within the prescribed deadline.

For GPBs that have been returned by PCW for revision or enhancement, agencies may revise and resubmit their GPB twice to PCW to comply with the requirements requested for the plan's endorsement. On the third round of the submission of the GPB, PCW shall make the final decision as to the GPB's endorsement or non-endorsement.

PCW-endorsed GPBs shall be authenticated by the Gender Mainstreaming Monitoring System (GMMS) with a QR code. Agencies shall print the PCW-endorsed GPB for signature of their agency head, and disseminate the signed copy to their concerned units. Agencies shall also furnish their respective Commission

on Audit (COA) Audit Team a copy of their signed GPB within 5 working days from its endorsement.”

- 9.2 However, the GPB submitted to the Audit Team did not bear the QR code and certification that it has been reviewed and endorsed through the Gender Mainstreaming Monitoring System (GMMS). According to the GAD Focal Point System (GFPS), the GPB was still subject for revision but they were not provided with the link to access the GPB to enable them to see the comments on what is/are to be revised. Follow-up made by the GFPS with the PCW revealed that the PCW personnel tasked to review CITEM's GPB had already resigned and that they are still awaiting feedback from PCW regarding the link of the GPB to be revised.
- 9.3 For CY 2021, the CITEM identified programs, activities and projects (PAPs) to address client and organization-focused gender issues and attributed GAD-related programs on its trade promotion activities in the total amount of P12.702 million 5.07 per cent of the total COB of P250.560 million.
- 9.4 Budget attribution provides that agencies may assign a portion or the whole budget of the agency's major PAPs to the GAD budget using the Harmonized Gender and Development Guidelines (HGDG) tool. The HGDG tool enables the agency to identify strengths and areas for improvement to gradually increase the gender-responsiveness of the PAPs. Unlike the attributed programs, the client and organization-focused activity shall no longer be subjected to the HGDG assessment.
- 9.5 Although the GFPS utilized the HGDG tool in identifying the PAPs in the GPB, the lack of endorsement of the GPB from PCW casted doubt on the effectiveness and validity of the same.

GAD Accomplishment Report (AR)

- 9.6 Section 5 of COA Circular No. 2014-001 dated March 18, 2014 or the “Revised Guidelines in the Audit of Gender and Development (GAD) Funds and Activities in Government Agencies” states that:
- “xxx. Likewise, a copy of the corresponding Accomplishment Report shall be furnished the said Audit Team within five (5) working days from the end of January of the preceding year.”*
- 9.7 Meanwhile, Section 1.1 of the PCW-MC No. 2021-06 provides *for the deadline of preparation and submission of the FY 2021 GAD Accomplishment Report through the GMMS Version 2 or 3. Deadline of submission for GOOCs was set on March 18, 2022.*
- 9.8 Pursuant thereto, the CITEM GAD Accomplishment Report for FY 2021 was prepared and submitted by the Focal Person (FP) on March 18, 2022 through the GMMS for review of the PCW. The FP then provided the

Audit Team a copy of the GAD AR with its supporting documents on March 21, 2022.

- 9.9 Review of the GAD AR revealed that CITEM fully utilized its allocated GAD Budget with total expenditure amounting to P17.328 million or 136.42 per cent of the budget. Details are shown in Table 13.

Table 13 – Summary of GAD-related PAPs Implemented in CY2021

Activity	Target	Actual	% of Accomplishment	Actual Expenditure
Client-Focused	665 women	2,123 women	300.19%	3,690,175.60
Organization-Focused	6 activities	5 activities	83.33%	54,725.57
Attributed Program	175 employees	88 employees	50.30%	
	20 points	6.08 points	30.40%	13,582,725.78
Total Actual GAD Expenditure				17,327,626.95
Percentage of Utilization of GAD Budget				136.42%
Percentage of GAD Expenditure to COB				6.92%

- 9.10 As maybe gleaned from Table 14, CITEM was able to exceed by 300.19 per cent the targeted number of women participants in its client-focused activity. On the other hand, the GFPS was able to implement five of six targeted organization-focused activities of which 88 of 175 targeted numbers of employees were able to participate.
- 9.11 CITEM, in its efforts to further strengthen its GFPS, included as part of its GPB organization-focused activity the participation of GFPS members to GAD related trainings. However, due to the limited slots in the Zoom platform, only four Members of the GFPS were able to attend the “Webinar on Gender, Diversity and Social Inclusion” and received certificates of attendance. Hence, only these were included in the AR although the other members of the GFPS contented themselves with the Facebook (FB) livestreaming. Furthermore, the FP also disclosed that there were other GAD-related webinars that were attended by the GAD GFPS but only thru FB livestreaming, thus no certificate of attendance were given and therefore, were not part of the AR.
- 9.12 Moreover, CITEM attributed to GAD expenditure a total of P13.583 million or 30.40 per cent of the cost of implementation of CITEM’s signature events. The actual cost/expenditure attributed was based on the score in the HGDG Project Implementation and Management and Monitoring and Evaluation checklist (HGDG Boxes 16 & 17) which was accomplished by the GFPS.
- 9.13 PCW-NEDA-DBM Joint Circular No. 2012-01 provides that unlike the GPB, the GAD ARs does not require endorsement from PCW. Nonetheless, the PCW will review and return the GAD AR with comments and remarks to serve as reference in the preparation of their succeeding GPBs. The GAD AR with PCW’s final observations then shall be provided to the Audit Team.

9.14 We recommended that Management direct the GFPS Focal Person to:

- a. Coordinate with PCW for in-house trainings/webinar of its GFPS Secretariat to further strengthen its capacity in identifying GAD issues and concerns as well preparing PAPs relative thereto;**
- b. Follow-up with PCW the endorsement of the GPB to ensure that the PAPs identified fully address the gender issues of CITEM;**
- c. Monitor the return of final GAD AR from PCW and provide the same to the Audit Team; and**
- d. Henceforth, continue to mainstream GAD activities on the regular PAPs to be able to attribute at least five per cent of the total COB.**

9.15 Management commented that the GFPS:

- a. Coordinated the webinars with HRMD for reminders, concerning the webinars available at PCW for FY 2022 and noted the dates of the webinars via the PCW Webinar website listings;
- b. Coordinated with PCW regarding the required endorsement of the GPB to ensure that the PAPs identified fully address the gender issues of CITEM; and
- c. Will continue and strengthen the mainstreaming of GAD activities on CITEM's regular PAPs by maintaining an Exhibitor Profile System database that captures the gender attribute of trade fairs participants to facilitate the identification of women-led enterprises.

COMPLIANCE WITH TAX LAWS

- 10.** 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 2021, total remittances to the BIR amounted to P12.287 million. However, there are unremitted taxes of P0.874 million from prior years as discussed in Part III hereof.

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

11. The CITEM is compliant with the timely remittances of contributions to the GSIS, PhilHealth and Pag-IBIG pursuant to Section 14.1 of the Implementing Rules and Regulations (IRR) of GSIS Act of 1997; National Health Insurance Act of 2013 Circular No. 0001, series of 2014; 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 PhilHealth representing prior years' premiums/contributions amounting to P161,560 and P4,871, respectively.

SUMMARY OF UNSETTLED SUSPENSIONS, DISALLOWANCES AND CHARGES

12. As of December 31, 2021, 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 14.

Table 14 - 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
Total		P4,914,962.78	

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

Of the 30 audit recommendations embodied in the prior year's Annual Audit Report (AAR), eight were fully implemented and 22 were partially implemented. Details as follows:

Reference	Observations	Recommendations	Actions Taken/ Comments
Financial		We recommended and Management agreed to:	
AAR 2020 Audit Observation (AO) No. 1, page 44	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.	<p>a. Direct the Controllership Division and General Services Division to: (i) determine the causes of the variance between their records, (ii) regularly reconcile the PPE account balances and (iii) effect necessary adjustments or corrections on affected records in order to fairly present the PPE account in the financial statements;</p> <p>b. Instruct the Controllership Division to maintain complete and updated PPELCs in accordance with Section 42, Chapter 10, GAM, Volume I; and</p> <p>c. Henceforth, require the Inventory Committee to conduct complete inventory count of all the CITEM's properties to ensure existence thereof.</p>	<p>Partially Implemented.</p> <p>Reiterated with updates under Part II – Observation and Recommendation No. 1 of this Report.</p> <p>Partially Implemented.</p> <p>Partially Implemented.</p>

Reference	Observations	Recommendations	Actions Taken/ Comments
AAR 2020 AO No. 2, page 47	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.	<p>We reiterated our previous year's recommendations that Management instruct the Chief, Controllership Division to:</p> <p>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;</p> <p>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;</p> <p>c. Provide a system of check and balance to ensure that all payments made by exhibitors are recorded in the books; and</p>	<p>Partially Implemented.</p> <p>Update on the amount for CY 2021 as follows: Variance of P1.498 million due from unrecorded bank credit/debit memos of P1.459 million (absolute amount) and outstanding deposit in transit of P41,840.</p> <p>Partially Implemented.</p> <p>Partially Implemented.</p>

Reference	Observations	Recommendations	Actions Taken/ Comments
		d. Continue to coordinate with the concerned banks to resolve the issue on their inability to provide bank credit and debit memos.	Fully Implemented.
		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	Partially Implemented.
		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.	Fully Implemented.

Reference	Observations	Recommendations	Actions Taken/ Comments
AAR 2020 AO No. 3, page 51	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.	<p>We recommended that Management require the Controllership Division to:</p> <ul style="list-style-type: none"> 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 of 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. 	<p>Partially Implemented.</p> <p>Reiterated with updates under Part II – Observation and Recommendation No. 3 of this Report.</p> <p>Partially Implemented.</p> <p>Partially Implemented.</p> <p>Partially Implemented.</p>

Reference	Observations	Recommendations	Actions Taken/ Comments
AAR 2020 No. 4, page 56	AO 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.	<p>We recommended and Management agreed to:</p> <p>a. Instruct the Chief, Controllershship 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.</p> <p>b. Require the General Services Division and the Disposal Committee to facilitate disposal of the unserviceable properties</p>	<p>Fully Implemented.</p> <p>Partially Implemented.</p>
AAR 2020 No. 5, page 58	AO The existence, reliability and accuracy of the Inventories account amounting to P1.231 million as of	We reiterated our previous year's recommendations and Management agreed to:	

Reference	Observations	Recommendations	Actions Taken/ Comments
	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.	<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 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.</p> <p>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.</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> <p>Partially Implemented.</p>

Reference	Observations	Recommendations	Actions Taken/ Comments
AAR 2020 AO No. 6, page 61	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.	<p>We recommended and Management agreed to direct the Controllership Division to:</p> <p>a. Review and analyze the MOAs between the SA-NGAs and CITEM particularly on the unexpended/excess funds totaling P12.934 million; and</p> <p>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.</p>	<p>Fully Implemented.</p> <p>Fully Implemented.</p>
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</p>	<p>Partially Implemented.</p> <p>Fully Implemented.</p>

Reference	Observations	Recommendations	Actions Taken/ Comments
		books of accounts to ensure accuracy and avoid errors/mispostings.	
Other Observations			
AAR 2020 AO No. 7, page 63	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.	<p>We recommended and Management agreed to:</p> <p>a. Submit the necessary documents to support the action taken to collect the dormant/long outstanding receivables; and</p> <p>b. Comply with the documentary requirements for writing off of dormant accounts pursuant to COA Circular No. 2016-005 dated December 19, 2016.</p>	<p>Partially Implemented.</p> <p>Partially Implemented.</p>
AAR 2020 AO No. 8, page 65	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.	<p>We recommended and Management agreed to direct the Controllership Division to:</p> <p>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</p>	Partially Implemented.

Reference	Observations	Recommendations	Actions Taken/ Comments
		b. Exert all efforts to locate the MOAs for excess/unutilized transferred fund balances totaling P1.739 million.	Partially Implemented.
AAR 2020 AO No. 9, page 67	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.	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.	Fully Implemented.
AAR 2020 AO No. 10, page 71	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.	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.	Partially Implemented.

Reference	Observations	Recommendations	Actions Taken/ Comments
AAR 2020 AO No. 11, page 72	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.	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.	Fully Implemented.
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.