



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

May 25, 2023

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

MAY 25 2023
BY: GLORIE TIME: 2:54 PM

Gentlemen/Mesdames:

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree 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, 2022 and 2021.

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 2022 and 2021 in view of the following:

1. The faithful representation of the account Property, Plant and Equipment (PPE) with a total acquisition cost of P88.798 million and a carrying amount of P17.235 million as of December 31, 2022, was not established due to: a) variance of P3.003 million between the balance per books and per Report on the Physical Count of PPE; b) non-derecognition of the damaged and unserviceable properties of P5.957 million caused by the absence of the Inventory and Inspection Report of Unserviceable Property (IIRUP); and c) non-maintenance of complete and updated PPE Ledger Cards (PPELCs) contrary to Paragraph 27 of International Public Sector Accounting Standard (IPSAS) 1 and COA Circular No. 2020-006 dated January 21, 2020.

Moreover, the late preparation of the IIRUP has caused a delay in the disposal of the unserviceable properties, consequently diminishing its disposal value.

2. The balance of the Cash in bank and Cash equivalents account amounting to P285.564 million as of December 31, 2022, was understated by P2.387 million due to the non-recording of various book reconciling items as of year-end, contrary to Paragraph 27 of the IPSAS 1.
3. The accuracy of the Accounts Receivable (AR) with a net book value of P19.429 million as of December 31, 2022, cannot be ascertained due to non-provision/insufficient allowance for impairment of two receivable accounts with a

net book value amounting to P11.343 million, contrary to Paragraphs 67 and 72 of IPSAS 29 and Item 3.10 of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities.

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

- 1.1 Direct the Controllership Division (CD) and the General Services Division (GSD) to:
 - (i) exert effort to fully reconcile their PPE records, locate the documents/reports on the disposed unserviceable PPE of P6.591 million and effect the necessary adjustments or corrections; and
 - (ii) regularly reconcile the General Ledger records and Property records (PPE);
- 1.2 Instruct the GSD to submit to the CD the IIRUP and other related documents of the unserviceable PPE costing P5.957 million for its derecognition in the books;
- 1.3 Instruct the CD to maintain complete and updated PPELCs in accordance with Section 42, Chapter 10, Government Accounting Manual, Volume I;
- 2.1 Direct the CD to:
 - a. Record the credit memos of the payments/deposits from unidentified CITEM clients by debiting the Cash in Bank account and crediting undistributed collection;
 - b. Prepare the necessary adjustments to record the bank debits, interest income, and book errors; and
 - c. Coordinate with the clients regarding their online payments, and/or require them to promptly submit or notify the concerned CITEM office for every payment/deposit made; and
- 3.1 Direct the CD to provide sufficient provision for impairment for the AR-Others and AR-Participation Fee international accounts.

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

4. The recording/accrual of the expenses for the Energy Conservation Savings Incentives for CY 2021 amounting to P2.586 million is questionable as it lacks the approval from proper authorities as required in Section II of the Compensation and Position Classification System (CPCS) Implementing Guidelines No. 2021-01 dated January 12, 2022.
 - 4.1 We recommended that Management make a representation with the Department of Budget and Management for a more authoritative disposition on the matter otherwise, revert the accrued amount of P2.586 million to the Accumulated Surplus account.

5. The propriety and validity of the payments of postpaid plan subscriptions and reimbursements for Extraordinary and Miscellaneous Expenses amounting to P223,492 and P0.613 million, respectively, is doubtful due to the actual rates of the postpaid plans which exceeded the rates provided in the CPCS Circular No. 2021-10 and non-conformity with the nature or purpose as prescribed in Section 4.3 of CPCS Circular No. 2021-13 and inadequate documentation as per Item No. 7 of COA Circular No. 2012-001.

5.1 We recommended that Management:

- a. Adhere to the prescribed rate provided in CPCS Circular No. 2021-10 relative to postpaid subscription plans;
- b. Refrain from paying expenses that are not in accordance with the nature and purposes set forth in the CPCS Circular No. 2021-13;
- c. Direct the concerned officials to submit the supporting documents to assess the propriety of the reimbursements as per COA Circular No. 2012-001; and
- d. Henceforth, strictly follow the payment thru a non-commutable or reimbursement basis.

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 18, 2023 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.

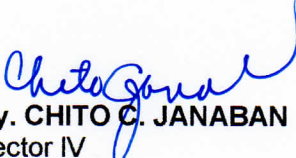
In our transmittal letter of even date, we requested the Executive Director of CITEM to implement the recommendations contained in the report and to inform this Commission of the actions taken thereon within 60 days from receipt of the report.

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

May 25, 2023

DR. EDWARD L. FERREIRA

Executive Director

Center for International Trade Expositions and Missions

Golden Shell Pavilion, ITC Complex

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

MAY 25 2023
BY: GUERRA TIME: 2:59 pm

Dear Executive Director Ferreira:

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree 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, 2022 and 2021.

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 2022 and 2021 in view of the following:

1. The faithful representation of the account Property, Plant and Equipment (PPE) with a total acquisition cost of P88.798 million and a carrying amount of P17.235 million as of December 31, 2022, was not established due to: a) variance of P3.003 million between the balance per books and per Report on the Physical Count of PPE; b) non-derecognition of the damaged and unserviceable properties of P5.957 million caused by the absence of the Inventory and Inspection Report of Unserviceable Property (IIRUP); and c) non-maintenance of complete and updated PPE Ledger Cards (PPELCs) contrary to Paragraph 27 of International Public Sector Accounting Standard (IPSAS) 1 and COA Circular No. 2020-006 dated January 21, 2020.

Moreover, the late preparation of the IIRUP has caused a delay in the disposal of the unserviceable properties, consequently diminishing its disposal value.

2. The balance of the Cash in bank and Cash equivalents account amounting to P285.564 million as of December 31, 2022, was understated by P2.387 million due to the non-recording of various book reconciling items as of year-end, contrary to Paragraph 27 of the IPSAS 1.

3. The accuracy of the Accounts Receivable (AR) with a net book value of P19.429 million as of December 31, 2022, cannot be ascertained due to non-provision/insufficient allowance for impairment of two receivable accounts with a net book value amounting to P11.343 million, contrary to Paragraphs 67 and 72 of IPSAS 29 and Item 3.10 of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities.

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

- 1.1 Direct the Controllership Division (CD) and the General Services Division (GSD) to:
 - (i) exert effort to fully reconcile their PPE records, locate the documents/reports on the disposed unserviceable PPE of P6.591 million and effect the necessary adjustments or corrections; and
 - (ii) regularly reconcile the General Ledger records and Property records (PPE);
- 1.2 Instruct the GSD to submit to the CD the IIRUP and other related documents of the unserviceable PPE costing P5.957 million for its derecognition in the books;
- 1.3 Instruct the CD to maintain complete and updated PPELCs in accordance with Section 42, Chapter 10, Government Accounting Manual, Volume I;
- 2.1 Direct the CD to:
 - a. Record the credit memos of the payments/deposits from unidentified CITEM clients by debiting the Cash in Bank account and crediting undistributed collection;
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 - c. Coordinate with the clients regarding their online payments, and/or require them to promptly submit or notify the concerned CITEM office for every payment/deposit made; and
- 3.1 Direct the CD to provide sufficient provision for impairment for the AR-Others and AR-Participation Fee international accounts.

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

4. The recording/accrual of the expenses for the Energy Conservation Savings Incentives for CY 2021 amounting to P2.586 million is questionable as it lacks the approval from proper authorities as required in Section II of the Compensation and Position Classification System (CPCS) Implementing Guidelines No. 2021-01 dated January 12, 2022.

- 4.1 We recommended that Management make a representation with the Department of Budget and Management for a more authoritative disposition on the matter otherwise, revert the accrued amount of P2.586 million to the Accumulated Surplus account.
5. The propriety and validity of the payments of postpaid plan subscriptions and reimbursements for Extraordinary and Miscellaneous Expenses amounting to P223,492 and P0.613 million, respectively, is doubtful due to the actual rates of the postpaid plans which exceeded the rates provided in the CPCS Circular No. 2021-10 and non-conformity with the nature or purpose as prescribed in Section 4.3 of CPCS Circular No. 2021-13 and inadequate documentation as per Item No. 7 of COA Circular No. 2012-001.
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 - b. Refrain from paying expenses that are not in accordance with the nature and purposes set forth in the CPCS Circular No. 2021-13;
 - c. Direct the concerned officials to submit the supporting documents to assess the propriety of the reimbursements as per COA Circular No. 2012-001; and
 - d. Henceforth, strictly follow the payment thru a non-commutable or reimbursement basis.

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 18, 2023 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.

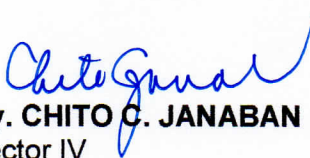
We request that appropriate actions be taken on the observations and recommendations contained in the report and that we be informed of the action(s) taken thereon by submitting the duly accomplished Agency Action Plan and Status of Implementation form (copy attached) within 60 days upon receipt hereof.

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	Person/Dept. Responsible	Target Implementation Date				
					From	To			

Agency sign-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, 2022 and 2021

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, 2022, the CITEM had a total work force of 86 regular personnel and 41 service providers.

FINANCIAL HIGHLIGHTS (In Philippine Peso)

I. Comparative Financial Position

	2022	2021 Restated	Increase/ (Decrease)
Assets	680,689,067	710,020,675	(29,331,608)
Liabilities	92,937,670	133,887,929	(40,950,259)
Net Assets/Equity	587,751,397	576,132,746	11,618,651

II. Comparative Financial Performance

	2022	2021 restated	Increase (Decrease)
Revenue	41,808,084	19,119,990	22,688,094
Expenses	206,618,280	181,359,834	25,258,446
Surplus/(Deficit) from current operations	(164,810,196)	(162,239,844)	(2,570,352)
Other Non-Operating Income	36,511	-	36,511
Gain/(Loss) - net	7,074,699	5,356,515	1,718,184
Subsidy from the national government	152,612,000	141,885,000	10,727,000
Net surplus for the period	(5,086,986)	(14,998,329)	9,911,343

III. Comparison of 2022 Budget and Actual Amounts

Particulars	Per COB	Actual	Variance
Personnel services	91,409,000	79,480,520	11,928,480
Maintenance and other operating expenses	176,850,680	119,499,621	57,351,059
Capital Outlay	7,384,000	4,127,087	3,256,913
Financial expenses	200,000	172,582	27,418
Others-prepayments	8,672,320	7,256,527	1,415,793
Input VAT	-	5,811,742	(5,811,742)
	284,516,000	216,348,079	68,167,921

SCOPE OF AUDIT

The audit covered the examination, on a test basis, of transactions and accounts of the CITEM, for calendar year (CY) 2022 to enable us to express an opinion on the financial statements for the years ended December 31, 2022 and 2021 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 2022 and 2021 in view of the following:

1. The faithful representation of the account Property, Plant and Equipment (PPE) with a total acquisition cost of P88.798 million and a carrying amount of P17.235 million as of December 31, 2022, was not established due to: a) variance of P3.003 million between the balance per books and per Report on the Physical Count of PPE; b) non-derecognition of the damaged and unserviceable properties of P5.957 million caused by the absence of the Inventory and Inspection Report of Unserviceable Property (IIRUP); and c) non-maintenance of complete and updated PPE Ledger Cards (PPELCs) contrary to Paragraph 27 of International Public Sector Accounting Standard (IPSAS) 1 and COA Circular No. 2020-006 dated January 21, 2020.

Moreover, the late preparation of the IIRUP has caused a delay in the disposal of the unserviceable properties, consequently diminishing its disposal value.

2. The balance of the Cash in bank and Cash equivalents account amounting to P285.564 million as of December 31, 2022, was understated by P2.387 million due to the non-recording of various book reconciling items as of year-end, contrary to Paragraph 27 of the IPSAS 1.
3. The accuracy of the Accounts Receivable (AR) with a net book value of P19.429 million as of December 31, 2022, cannot be ascertained due to non-provision/insufficient allowance for impairment of two receivable accounts with a net book value amounting to P11.343 million, contrary to Paragraphs 67 and 72 of IPSAS 29 and Item 3.10 of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities.

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

- 1.1 Direct the Controllership Division (CD) and the General Services Division (GSD) to:
 - (i) exert effort to fully reconcile their PPE records, locate the documents/reports on the disposed unserviceable PPE of P6.591 million and effect the necessary adjustments or corrections; and
 - (ii) regularly reconcile the General Ledger records and Property records (PPE);
- 1.2 Instruct the GSD to submit to the CD the IIRUP and other related documents of the unserviceable PPE costing P5.957 million for its derecognition in the books;
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- 2.1 Direct the CD to:
 - a. Record the credit memos of the payments/deposits from unidentified CITEM clients by debiting the Cash in Bank account and crediting undistributed collection;
 - b. Prepare the necessary adjustments to record the bank debits, interest income, and book errors; and
 - c. Coordinate with the clients regarding their online payments, and/or require them to promptly submit or notify the concerned CITEM office for every payment/deposit made; and

- 3.1 Direct the CD to provide sufficient provision for impairment for the AR-Others and AR-Participation Fee international accounts.

OTHER SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

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

4. The recording/accrual of the expenses for the Energy Conservation Savings Incentives for CY 2021 amounting to P2.586 million is questionable as it lacks the approval from proper authorities as required in Section II of the Compensation and Position Classification System (CPCS) Implementing Guidelines No. 2021-01 dated January 12, 2022.
 - 4.1 We recommended that Management make a representation with the Department of Budget and Management for a more authoritative disposition on the matter otherwise, revert the accrued amount of P2.586 million to the Accumulated Surplus account.
5. The propriety and validity of the payments of postpaid plan subscriptions and reimbursements for Extraordinary and Miscellaneous Expenses amounting to P223,492 and P0.613 million, respectively, is doubtful due to the actual rates of the postpaid plans which exceeded the rates provided in the CPCS Circular No. 2021-10 and non-conformity with the nature or purpose as prescribed in Section 4.3 of CPCS Circular No. 2021-13 and inadequate documentation as per Item No. 7 of COA Circular No. 2012-001.
 - 5.1 We recommended that Management:
 - a. Adhere to the prescribed rate provided in CPCS Circular No. 2021-10 relative to postpaid subscription plans;
 - b. Refrain from paying expenses that are not in accordance with the nature and purposes set forth in the CPCS Circular No. 2021-13;
 - c. Direct the concerned officials to submit the supporting documents to assess the propriety of the reimbursements as per COA Circular No. 2012-001; and
 - d. Henceforth, strictly follow the payment thru a non-commutable or reimbursement basis.

SUMMARY OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

As of December 31, 2022, there were no unsettled audit suspensions and charges. The details and status of the unsettled audit disallowances amounting to P4.915 million are shown in Table 14, Part II of this Report.

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the 25 audit recommendations embodied in the prior year's Annual Audit Report, 14 were fully implemented, nine were partially implemented, and two were not yet implemented. Details are discussed in Part III of this Report.

TABLE OF CONTENTS

PART I	- AUDITED FINANCIAL STATEMENTS	Page
	Independent Auditor's Report	1
	Statement of Management's Responsibility for Financial Statements	5
	Statements of Financial Position	6
	Statements of Financial Performance	7
	Statements of Changes in Net Assets/Equity	8
	Statements of Cash Flows	9
	Statement of Comparison of Budget and Actual Amounts	10
	Notes to the Financial Statements	11
PART II	- OBSERVATIONS AND RECOMMENDATIONS	
	A - FINANCIAL	46
	B - OTHER OBSERVATIONS	56
PART III	- STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS	70

PART I - AUDITED FINANCIAL STATEMENTS

**PART II - OBSERVATIONS AND
RECOMMENDATIONS**

**PART III - STATUS OF IMPLEMENTATION
OF PRIOR YEARS' AUDIT
RECOMMENDATIONS**



**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, 2022 and 2021**, 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.

GLENN G. PEÑARANDA

DTI Assistant Secretary

Officer-in-Charge, Trade Promotions Group
Alternate Chairman of the Board

Date Signed

MALERNA C. BUYAO
Chief Accountant

Date Signed

DR. EDWARD L. FERREIRA Ph.D
Executive Director

Date Signed



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

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF GOVERNORS

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

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of the **Center for International Trade Expositions and Missions (CITEM)**, which comprise the statements of financial position as at December 31, 2022 and 2021, 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, 2022, 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, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Bases for Qualified Opinion

The faithful representation of the account Property, Plant and Equipment (PPE) with a total acquisition cost of P88.798 million and a carrying amount of P17.235 million as of December 31, 2022, was not established due to: a) variance of P3.003 million between the balance per books and per Report on the Physical Count of PPE; b) non-derecognition of the damaged and unserviceable properties of P5.957 million caused by the absence of the Inventory and Inspection Report of Unserviceable Property (IIRUP); and c) non-maintenance of complete and updated PPE Ledger Cards contrary to Paragraph 27 of IPSAS 1 and COA Circular No. 2020-006 dated January 21, 2020.

Moreover, the late preparation of the IIRUP has caused a delay in the disposal of the unserviceable properties, consequently diminishing its disposal value.

Meanwhile, the balance of the Cash in bank and Cash equivalents account amounting to P285.564 million as of December 31, 2022, was understated by P2.387 million due to the non-recording of various book reconciling items as of year-end, contrary to Paragraph 27 of the IPSAS 1.

Further, the accuracy of the Accounts Receivable with a net book value of P19.429 million as of December 31, 2022, cannot be ascertained due to non-provision/insufficient allowance for impairment of two receivable accounts with a net book value amounting to P11.343 million, contrary to Paragraphs 67 and 72 of IPSAS 29 and Item 3.10 of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities.

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 April 11, 2022, we expressed a qualified opinion on the Calendar Years 2021 and 2020 financial statements because of the variance of P13.337 million between the amount of PPE per books and per Report on the Physical Count of PPE wherein P12.909 million pertained to the unserviceable PPE items in prior years which are claimed to have been disposed already but have not been derecognized in the books. Moreover, said qualified opinion was also due to the presence of the negative balances amounting to P2.207 million Receivables account.

The Controllership Division made several adjustments to derecognize disposed properties amounting to P5.905 million upon retrieval of corresponding disposal reports and likewise, adjustments were also made to decrease the negative balance in the Receivables account to P0.614 million. Accordingly, our present opinion on the restated 2021 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, 2022, required by the Bureau of Internal Revenue as disclosed in Note 31 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

CD Tenorio

CORAZON D. TENORIO

Supervising Auditor

Audit Group E – Trading and Promotions Group

Cluster 6, Corporate Government Audit Sector

April 18, 2023

CENTER FOR INTERNATIONAL TRADE EXPOSITIONS AND MISSIONS
STATEMENTS OF FINANCIAL POSITION

As at December 31, 2022 and 2021

(In Philippine Peso)

	Note	2022	2021 As Restated
ASSETS			
Current assets			
Cash and cash equivalents	7	285,752,042	341,759,296
Receivables - net	8	34,896,011	20,835,552
Inventories	9	493,774	1,436,284
Other assets	12	36,898,410	26,679,497
Total current assets		358,040,237	390,710,629
Non-current assets			
Property, plant and equipment - net	10	17,234,557	16,143,197
Intangible asset	11	1,028,217	-
Other assets	12	304,386,056	303,166,849
Total non-current assets		322,648,830	319,310,046
TOTAL ASSETS		680,689,067	710,020,675
LIABILITIES			
Current liabilities			
Financial liabilities	13	59,901,493	114,057,713
Inter-agency payables	14	4,968,837	8,237,065
Trust liabilities	15	14,880,395	5,240,970
Deferred credits/Unearned income	16,17	11,697,731	4,506,913
Other payables	18	722,147	722,147
Total current liabilities		92,170,603	132,764,808
Non-current liabilities			
Trust liabilities	15	34,200	34,200
Other payables	18	732,867	1,088,921
Total non-current liabilities		767,067	1,123,121
TOTAL LIABILITIES		92,937,670	133,887,929
NET ASSETS (TOTAL ASSETS LESS TOTAL LIABILITIES)		587,751,397	576,132,746
NET ASSETS/EQUITY			
Government equity	27	41,221,808	41,221,808
Revaluation surplus	28	5,054,354	5,054,354
Accumulated surplus/(deficit)	29	541,475,235	529,856,584
TOTAL NET ASSETS/EQUITY		587,751,397	576,132,746

The Notes on pages 11 to 45 form part of these Financial Statements.

CENTER FOR INTERNATIONAL TRADE EXPOSITIONS AND MISSIONS
STATEMENTS OF FINANCIAL PERFORMANCE
For the Years Ended December 31, 2022 and 2021
(in Philippine Peso)

	Note	2022	2021 As Restated
REVENUE			
Service and business income	19	41,808,084	19,119,990
TOTAL REVENUE		41,808,084	19,119,990
CURRENT OPERATING EXPENSES			
Personnel services	20	79,480,520	75,584,914
Maintenance and other operating expenses	21	124,333,115	99,489,868
Financial expenses	22	172,582	106,577
Non-cash expenses	23	2,632,063	6,178,475
TOTAL CURRENT OPERATING EXPENSES		206,618,280	181,359,834
SURPLUS/(DEFICIT) FROM CURRENT OPERATIONS		(164,810,196)	(162,239,844)
Other Non-Operating Income	24	36,511	-
Gains (Loss) on foreign exchange (FOREX), net	24	7,074,699	5,356,515
Subsidy from national government	25	152,612,000	141,885,000
NET SURPLUS (DEFICIT) FOR THE PERIOD		(5,086,986)	(14,998,329)

The Notes on pages 11 to 45 form part of these Financial Statements.

CENTER FOR INTERNATIONAL TRADE EXPOSITIONS AND MISSIONS
STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2022 and 2021
(In Philippine Peso)

	Note	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Inflows			
Proceeds from sale of goods and services		17,319,951	9,066,813
Collection of present and prior year's revenue		8,745,523	4,512,609
Receipt of assistance/subsidy		152,612,000	141,885,000
Collection of receivables		2,503	9,168
Receipt of Inter-agency fund transfers		6,747,906	2,100,000
Trust receipts		10,617,667	657,454
Other receipts		13,200,918	1,313,526
Total Cash Inflows		209,246,468	159,544,570
Adjustments: Cash drawdown from restricted funds		-	2,762,854
		209,246,468	162,307,424
Cash Outflows			
Payment of expenses		(161,360,806)	(141,147,504)
Purchase of inventories		(88,947)	(117,907)
Grant of cash advances		(5,203,086)	(1,571,696)
Prepayments		(7,256,527)	-
Refund of deposits		(1,620,441)	(245,200)
Payment of accounts payable		(57,321,924)	(98,730,160)
Remittance of personnel benefit contributions and mandatory deductions		(16,678,474)	(14,641,245)
Other disbursements		(18,793,966)	(5,887,623)
Total Cash Outflows		(268,324,171)	(262,341,335)
Net Cash Provided by/(Used in) Operating Activities		(59,077,703)	(100,033,911)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Inflows			
Proceeds from sale/disposal of property, plant and equipment		-	-
Receipts of interest earned		122,837	170,759
Total Cash Inflows		122,837	170,759
Cash Outflows			
Purchase/Construction of property, plant and equipment		(4,127,087)	-
Total Cash Outflows		(4,127,087)	-
Net Cash Provided by/(Used in) Investing Activities		(4,004,250)	170,759
Net Cash Provided by/(Used in) Financing Activities		-	-
Net Increase/(Decrease) in Cash and Cash Equivalents		(63,081,953)	(99,863,152)
Effects of exchange rate changes on cash and cash equivalents		7,074,699	5,356,515
Cash and Cash Equivalents, January 1		341,759,296	436,265,933
Cash and Cash Equivalents, December 31	7	285,752,042	341,759,296

The Notes on pages 11 to 45 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, 2022 and 2021
(In Philippine Peso)

	Government equity Note 27	Revaluation surplus Note 28	Accumulated surplus/(deficit) Note 29	Total
BALANCE AT JANUARY 1, 2021	41,221,808	5,054,354	505,015,073	551,291,235
ADJUSTMENTS:				
Add/(Deduct):				
Prior period adjustments	-	-	8,985,120	8,985,120
Change in Accounting Policy	-	-	(3,424,283)	(3,424,283)
RESTATED BALANCE AT JANUARY 1, 2021	41,221,808	5,054,354	510,575,910	556,852,072
Changes in Net Assets/Equity for CY 2021				
Add/(Deduct):				
Surplus for the period, as restated	-	-	(14,998,329)	(14,998,329)
Prior year's adjustments	-	-	33,554,731	33,554,731
Other adjustments	-	-	724,272	724,272
RESTATED BALANCE AT DECEMBER 31, 2021	41,221,808	5,054,354	529,856,584	576,132,746
Changes in Net Assets/Equity for CY 2022				
Add/(Deduct):				
Surplus for the period	-	-	(5,086,986)	(5,086,986)
Prior year's adjustments	-	-	15,486,430	15,486,430
Other adjustments	-	-	1,219,207	1,219,207
BALANCE AT DECEMBER 31, 2022	41,221,808	5,054,354	541,475,235	587,751,397

The Notes on pages 11 to 45 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, 2022
(In Philippine Peso)

	Budgeted Amount Note 30		Actual Amounts on Comparable Basis	Difference Final Budget and Actual
	Original	Final		
RECEIPTS				
Services and business income	19,680,000	19,680,000	41,593,792	(21,913,792)
Assistance and subsidy	152,612,000	152,612,000	152,612,000	-
Gains, net	-	-	7,074,699	(7,074,699)
Others	1,000,000	1,000,000	250,803	749,197
Total receipts	173,292,000	173,292,000	201,531,294	(28,239,294)
PAYMENTS				
Personnel services	91,409,000	91,409,000	79,480,520	11,928,480
Maintenance and other operating expenses	186,004,134	176,850,680	119,499,621	57,351,059
Capital outlay	7,384,000	7,384,000	4,127,087	3,256,913
Financial expenses	36,866	200,000	172,582	27,418
Others: Input VAT	-	-	5,811,742	(5,811,742)
Prepayments		8,672,320	7,256,527	1,415,793
Total payments	284,834,000	284,516,000	216,348,079	68,167,921
NET RECEIPTS/PAYMENTS	(111,542,000)	(111,224,000)	(14,816,785)	(96,407,215)

The Notes on pages 11 to 45 form part of these Financial Statements.

CENTER FOR INTERNATIONAL TRADE EXPOSITIONS AND MISSIONS
NOTES TO THE 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, 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 Center is governed by a Board of Governors composed of a chairman and four members. Its management is being headed by an Executive Director and assisted by a Deputy Executive Director. The CITEM's registered office is located at Golden Shell Pavilion, ITC Complex, Roxas Boulevard corner Sen. Gil Puyat Avenue, Pasay City.

The financial statements of the CITEM were authorized for issue on February 14, 2023, as shown in the Statement of Management's Responsibility for Financial Statements signed by DTI Assistant Secretary – Trade Promotions Group, Glenn G. Peñaranda, Alternate Chairman, CITEM Board of Governors.

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 *Basis of Accounting*

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

3.2 *Financial Instruments*

a. Financial assets

i. Initial recognition and measurement

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

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

ii. Subsequent measurement

The subsequent measurement of financial assets depends on their classification.

1. Financial assets at fair value through surplus or deficit

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

2. Receivables

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

iii. Derecognition

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
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 P50,000.

b. Measurement at recognition

An item recognized as PPE is measured at cost.

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

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

Cost includes the following:

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

c. Measurement after recognition

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

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

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

d. Depreciation

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

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

i. Initial recognition of depreciation

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

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

ii. Depreciation method

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

iii. Estimated useful life

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 percent (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 CITEM. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term. Contracts in which CITEM is a lessee includes the lease of venue for its signature events held locally.

3.7 **Changes in Accounting Policies and Estimates**

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

The 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 the 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. CHANGES IN ACCOUNTING POLICY

In accordance with COA Circular No. 2022-007 dated May 31, 2022, the P50,000 capitalization threshold for PPE was applied. Tangible items below the capitalization threshold of P50,000, which were issued to end-users in prior years, for a total of P3,424,283 (net) were reclassified and booked as adjustment in the accumulated surplus/(deficit). All PPE accounts and their corresponding accumulated depreciation were affected by the change except for Office Buildings and Transportation Equipment accounts which do not have item below the capitalization threshold.

5. 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.

6. 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.

6.1 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 International Standards for Organization 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	2022	2021
Financial assets			
Cash and cash equivalents	7	285,752,042	341,759,296
Receivables - net	8	34,896,011	20,835,552
		320,648,053	362,594,848
Financial liabilities			
Financial liabilities	13	59,901,493	114,057,713
Inter-agency payables	14	4,968,837	8,237,065
Trust liabilities	15	14,914,595	5,275,170
		79,784,925	127,569,948

6.2 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, 2022, and 2021, without considering the effects of credit risk mitigation techniques.

	Note	2022	2021
Financial assets			
Cash and cash equivalents	7	285,752,042	341,759,296
Receivables	8	41,508,679	27,625,393
		327,260,721	369,384,689

* Receivables at gross of allowance for impairment amounting to P6,612,668 and P6,789,841 for the years ended December 31, 2022 and 2021, respectively.

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 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, 2022 and 2021 are as follows:

	2022	2021
Outstanding receivables: *		
Current accounts	34,896,011	20,835,552
Past due accounts:		
over 5years	6,612,668	6,789,841
	41,508,679	27,625,393

*Receivables at gross of allowance for impairment amounting to P6,612,668 and P6,789,841 for the years ended December 31, 2022 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 2022.

6.3 *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, 2022.

As at December 31, 2022	Within 1 Year	1 – 5 Years	Over 5 Years	Total
Financial liabilities	35,084,710	24,816,783	-	59,901,493
Inter-agency payables	4,779,235	-	189,602	4,968,837
Trust liabilities	11,975,194	2,156,868	782,533	14,914,595
	51,839,139	26,973,651	972,135	79,784,925

6.4 *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.

6.5 *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

The 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.

7. CASH AND CASH EQUIVALENTS

This account consists the following:

	2022	2021
Cash on hand	187,582	75,307
Cash in bank		
Local currency	200,680,072	261,699,510
Foreign currency	20,921,925	21,992,345
	221,601,997	283,691,855
Cash equivalents		
Local currency	1,818,686	1,811,306
Foreign currency	62,143,777	56,180,828
	63,962,463	57,992,134
	285,752,042	341,759,296

The Cash in bank – Local currency consists of deposits for collection of peso denominated revenues and receipt of subsidy from the National Government. Meanwhile, the Cash in bank – Foreign currency account are for deposits of collection of dollar-denominated revenues. Moreover, the Cash equivalents – Local currency is a special savings account that generates additional interest for corporate funding.

8. RECEIVABLES

This account consists the following:

	2022			2021		
	Current	Non-current	Total	Current	Non-current	Total
Loans & receivable (Accounts receivables)	19,525,333	-	19,525,333	17,848,100	-	17,848,100
Inter-agency receivables	15,216,680	-	15,216,680	2,793,952	-	2,793,952
Other receivables	153,998	-	153,998	193,500	-	193,500
	34,896,011	-	34,896,011	20,835,552	-	20,835,552

8.1 Loans and Receivable

	2022			2021		
	Current	Non-Current	Total	Current	Non-Current	Total
Accounts receivable- Participation fees-local show	8,085,639	2,971,186	11,056,825	7,275,592	3,136,955	10,412,547
Accounts receivable- Participation Fees-International Show	10,113,985	547,536	10,661,521	9,251,322	547,536	9,798,858
Accounts receivable- Extension Charges	-	443,447	443,447	-	443,447	443,447
Accounts receivable- Others	1,229,352	-	1,229,352	1,229,353	-	1,229,353
Interest receivable	96,357	-	96,357	91,833	-	91,833
Sub-total	19,525,333	3,962,169	23,487,502	17,848,100	4,127,938	21,976,038

	2022			2021		
	Current	Non-Current	Total	Current	Non-Current	Total
<i>Allowance for doubtful accounts</i>	-	(3,962,169)	(3,962,169)	-	(4,127,938)	(4,127,938)
	19,525,333	-	19,525,333	17,848,100	-	17,848,100

Accounts receivable includes participation fees, creative and design services, management fees, funding assistance, extension charges, and other services billed to the exhibitors and other clients in connection with the CITEM-organized local and international trade exhibits and other related services in which the CITEM has the expertise.

8.2 *Inter-Agency Receivables*

	2022			2021		
	Current	Non-Current	Total	Current	Non-Current	Total
Due from National Government Agencies(NGAs)	15,216,680	-	15,216,680	2,793,952	-	2,793,952
	15,216,680	-	15,216,680	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 of participation fees of exhibitors and other expenses under the MOA. The account also includes revenue or funding obtained by the CITEM from other government agencies through Agency-to-Agency Procurement.

8.3 *Other Receivables*

	2022			2021		
	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	-	2,253,614	2,253,614	-	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	86,349	-	86,349	125,851	-	125,851
Sub-total	153,998	2,650,499	2,804,497	193,500	2,661,903	2,855,403
<i>Allowance for doubtful accounts</i>	-	(2,650,499)	(2,650,499)	-	(2,661,903)	(2,661,903)
	153,998	-	153,998	193,500	-	193,500

Due from officers and employees represents personal receivables from employees, year-end tax adjustments and other obligations due to the CITEM.

Other receivables include outstanding other personal accounts from employees which are regularly deducted from salaries.

9. INVENTORIES

This account is composed of the following:

	2022	2021
	Inventories carried at lower of cost and net realizable value	Inventories carried at lower of cost and net realizable value
INVENTORIES HELD FOR CONSUMPTION:		
Office supplies inventory		
Carrying amount, January 1	196,994	40,580
Additions/Acquisitions during the year	163,063	156,414
Expensed during the year except write-down	-	-
Carrying amount, December 31	360,057	196,994
Drugs and medicines inventory		
Carrying amount, January 1	48,480	-
Additions/Acquisitions during the year	32,700	48,480
Expensed during the year except write-down	-	-
Carrying amount, December 31	81,180	48,480
Other supplies and materials inventory		
Carrying amount, January 1	-	-
Additions/Acquisitions during the year	52,537	-
Expensed during the year except write-down	-	-
Carrying amount, December 31	52,537	-
Semi-expendable machinery and equipment		
Carrying amount, January 1	328,196	328,196
Additions/Acquisitions during the year	2,484,816	-
Expensed during the year except write-down	(2,813,012)	-
Carrying amount, December 31	-	328,196
Semi-expendable furniture and fixture		
Carrying amount, January 1	862,614	862,614
Additions/Acquisitions during the year	352,941	-
Expensed during the year except write-down	(1,215,555)	-
Carrying amount, December 31	-	862,614
Semi-expendable books		
Carrying amount, January 1	-	-
Additions/Acquisitions during the year	18,340	-
Expensed during the year except write-down	(18,340)	-
Carrying amount, December 31	-	-

	2022	2021
	Inventories carried at lower of cost and net realizable value	Inventories carried at lower of cost and net realizable value
Semi-expendable other PPE		
Carrying amount, January 1	-	-
Additions/Acquisitions during the year	8,133,435	-
Expensed during the year except write-down	(8,133,435)	-
Carrying amount, December 31	-	-
Total	493,774	1,436,284

10. PROPERTY, PLANT AND EQUIPMENT

This account consists the following:

	Land and land improvements	Building and structures	Transportation Equipment	Furniture and other equipment	Total
Net book value, December 31, 2021, as previously stated	-	6,695,768	3,543,968	10,256,893	20,496,629
Reclassifications :	-	-	-	(13,519,774)	(13,519,774)
Cost	-	-	-	10,095,491	10,095,491
Accum. deprec.	-	-	-	10,095,491	10,095,491
Adjustment:					
Accum. deprec.		352,079			352,079
Additional deprec. 2021		(601,468)		(679,760)	(1,281,228)
Net book value, December 31, 2021, as restated	-	6,446,379	3,543,968	6,152,850	16,143,197
As at December 31, 2021					
Cost	-	34,372,586	13,207,123	43,313,525	90,893,234
Accumulated depreciation	-	27,926,207	9,663,155	37,160,675	74,750,037
Net book value, December 31, 2021, as restated		6,446,379	3,543,968	6,152,850	16,143,197
Opening net book value, January 1, 2022, Re-stated	-	6,446,379	3,543,968	6,152,850	16,143,197
Additions/Acquisitions	-	-	-	4,127,087	4,127,087
Disposal/Removal	-	-	(1,113,895)	(5,081,095)	(6,194,990)
Accum. deprec.	-	-	1,002,505	4,572,986	5,575,491
Adjustments:					
Cost	-	(14,000)	-	(13,714)	(27,714)
Accumulated depreciation	-	-	-	183,066	183,066
Depreciation for the year	-	(743,625)	(175,182)	(1,652,773)	(2,571,580)
Closing net book value, December 31, 2022	-	5,688,754	3,257,396	8,288,407	17,234,557

	Land and land improvements	Building and structures	Transportation Equipment	Furniture and other equipment	Total
As at December 31, 2022					
Cost	-	34,358,586	12,093,228	42,345,803	88,797,617
Accumulated depreciation	-	28,669,832	8,835,832	34,057,396	71,563,060
Net book value, December 31, 2022	-	5,688,754	3,257,396	8,288,407	17,234,557

11. INTANGIBLE ASSETS

	2022	2021
Computer software	1,088,700	-
Accumulated amortization	(60,483)	-
	1,028,217	-

12. OTHER ASSETS

This account comprises the following:

	2022			2021 restated		
	Current	Non-Current	Total	Current	Non-Current	Total
Advances to special disbursing officer	10,512	-	10,512	-	-	-
Advances to officers and employees	1,378,925	-	1,378,925	1,378,925	-	1,378,925
Prepayments (Prepaid rent)	7,746,491	-	7,746,491	5,287,511	-	5,287,511
Prepayments (Prepaid insurance)	15,614	-	15,614	21,561	-	21,561
Prepayments (Creditable input tax)	25,893,147	-	25,893,147	18,825,699	-	18,825,699
Prepayments (Other prepayments)	832,390	-	832,390	354,816	-	354,816
Deposits (Guaranty deposits)	1,021,331	2,273,081	3,294,412	810,985	2,273,081	3,084,066
Restricted fund	-	302,112,975	302,112,975	-	300,893,768	300,893,768
Other assets-net of Accumulated impairment loss	-	-	-	-	-	-
	36,898,410	304,386,056	341,284,466	26,679,497	303,166,849	329,846,346

Prepaid rent represents reservations for space/venue rental and advance payments to the booth contractors for various international trade fairs in 2023.

Prepaid insurance represents the motor vehicles insurance covering the periods in 2023. Other prepayments include the Directors and Officers Liability Insurance (DOLI). Creditable Input Value Added Tax (VAT) in the amount of P25.893 million is the excess of Input VAT over Output VAT of which P2.785 million can be credited until Taxable Year (TY) 2023, P11.714 million until TY 2024 while P11.394 million can be credited from TY 2023 to TY 2025.

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, and Other deposits-restricted fund.

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.

13. FINANCIAL LIABILITIES

This account consists the following:

	2022	2021 restated
Accounts payable	42,974,497	96,767,654
Due to officers & employees	16,926,996	17,290,059
	59,901,493	114,057,713

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.

14. INTER-AGENCY PAYABLES

This account consists the following:

	2022	2021
Due to BIR	2,691,098	2,862,864
Due to GSIS	344,759	152,808
Due to Pag-IBIG	134,626	(3,393)
Due to PhilHealth	105,700	4,782
Due to NGAs	1,546,500	5,073,850
Due to Government Corporations	146,154	146,154
	4,968,837	8,237,065

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.

15. TRUST LIABILITIES

This account consists the following:

	2022			2021		
	Current	Non-Current	Total	Current	Non-Current	Total
Trust Miscellaneous	12,986,999	-	12,986,999	3,716,539	-	3,716,539
Trust (ACE)	4,200	-	4,200	3,750	-	3,750
Trust (CITEM Coop)	466,600	-	466,600	137,259	-	137,259
Trust (SSS)	-	-	-	-	-	-
Bail Bonds Payable	1,422,596	-	1,422,596	1,383,422	-	1,383,422
Guaranty/Security Deposits Payable	-	34,200	34,200	-	34,200	34,200
	14,880,395	34,200	14,914,595	5,240,970	34,200	5,275,170

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. The CITEM received P9.9 million pesos from Philexport as funding support for Export Development Council approved DTI-Regional Operations Group project, Regional Participation in FAME+.

16. DEFERRED CREDITS/ UNEARNED INCOME

	2022	2021
Unearned Revenue/ Income	8,934,233	3,584,122
	8,934,233	3,584,122

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.

17. OTHER DEFERRED CREDITS

	2022	2021
Deferred/Uncollected output VAT	2,763,498	922,791
	2,763,498	922,791

The Deferred/Uncollected output VAT 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.

18. OTHER PAYABLES

This account consists the following:

	2022			2021		
	Current	Non-Current	Total	Current	Non-Current	Total
Other payables - Resigned Employees	397,210	732,867	1,130,077	397,210	732,867	1,130,077
Other payables-Exhibitors' refund	324,937	-	324,937	324,937	-	324,937
Other payables-Accrued liabilities	-	-	-	-	(7,339)	(7,339)
Other payables-Fortune care	-	-	-	-	122,922	122,922
Other payables-Medicard	-	-	-	-	8,320	8,320
Other payables-Philam Health	-	-	-	-	5,222	5,222
Other payables-Miscellaneous	-	-	-	-	223,269	223,269
Other payables-SP Care	-	-	-	-	3,660	3,660
	722,147	732,867	1,455,014	722,147	1,088,921	1,811,068

19. SERVICE AND BUSINESS INCOME

This account consists the following:

	2022	2021
Service Income:		
Participation fees	21,248,439	11,097,891
Other service income	20,345,353	7,764,215
Business Income:		
Interest income	214,292	257,684
Other business income	-	200
	41,808,084	19,119,990

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, management fee, among others.

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

20. PERSONNEL SERVICES

This account is composed of the following:

	2022	2021 restated
Salaries and wages	50,931,282	49,074,245
Other compensation	15,011,757	14,590,850
Personnel benefit contributions	7,138,529	6,714,036
Other personnel benefits	6,398,952	5,205,783
	79,480,520	75,584,914

20.1 Salaries and Wages

	2022	2021
Salaries and wages-regular	50,931,282	49,074,245
	50,931,282	49,074,245

20.2 Other Compensation

	2022	2021
Personnel economic relief allowance (PERA)	1,965,109	2,005,517
Representation allowance (RA)	1,157,250	1,207,375
Transportation allowance (TA)	1,018,750	1,197,500
Clothing/Uniform allowance	510,000	510,000
Hazard pay	-	154,000
Honoraria	16,000	40,000
Overtime pay	921,727	-
Year-end bonus	8,535,921	8,621,458
Cash gift	422,000	428,000
Productivity incentive allowance	415,000	407,000
Other bonuses and allowances	50,000	20,000
	15,011,757	14,590,850

20.3 Employees Future Benefits

The permanent employees of the CITEM contribute to the GSIS in accordance with 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 percent of the basic salaries of regular government employees. Total contributions to GSIS amounted to P10.631 million broken down as follows: employees' share – P4.587 million and government share – P6.044 million.

20.4 Personnel Benefit Contributions

	2022	2021
Retirement and life insurance premiums	6,044,410	5,892,047
Pag-IBIG contributions	98,500	100,900
PhilHealth contributions	896,419	620,089
Employee compensation insurance premiums	99,200	101,000
	7,138,529	6,714,036

20.5 Other Personnel Benefits

	2022	2021 restated
Retirement gratuity	-	138,000
Terminal leave benefits	1,993,915	1,359,225
Other personnel benefits	4,405,037	3,708,558
	6,398,952	5,205,783

21. MAINTENANCE AND OTHER OPERATING EXPENSES

This line item consists of the following:

	2022	2021 restated
Traveling expenses	1,846,387	361,658
Training expenses	656,519	863,776
Supplies and materials expenses	4,598,637	3,465,696
Utility expenses	2,454,714	1,426,542
Communication expenses	3,587,672	4,015,656
Confidential, intelligence and extraordinary expenses	720,399	120,189
Professional services	18,996,301	31,344,572
General services	22,088,329	24,353,674
Repairs and maintenance	1,069,376	1,065,544
Taxes, insurance premiums and other fees	1,539,860	1,271,353
Other maintenance and operating expenses	66,774,921	31,201,208
	124,333,115	99,489,868

21.1 Traveling Expenses

	2022	2021
Traveling expenses-local	644,360	361,658
Traveling expenses-foreign	1,202,027	-
	1,846,387	361,658

21.2 Training and Scholarship Expenses

	2022	2021
Training expenses	656,519	863,776
	656,519	863,776

21.3 Supplies and Materials Expenses

	2022	2021
Office supplies expenses	145,218	83,208
Accountable forms expenses	6,000	-
Drugs and medicines expenses	68,758	-
Fuel, oil and lubricants expenses	848,451	661,705
Textbooks and instructional materials expenses	-	-
Other supplies and materials expenses	2,450,202	2,720,783
Semi-expendable machinery and equipment expenses	1,080,008	-
	4,598,637	3,465,696

21.4 Utility Expenses

	2022	2021
Water expenses	100,608	75,200
Electricity expenses	2,354,106	1,351,342
	2,454,714	1,426,542

21.5 Communication Expenses

	2022	2021 restated
Postage and courier services	-	-
Telephone expenses – landline	1,781,587	1,732,599
Telephone expenses – mobile	453,476	353,946
Internet subscription expenses	1,352,609	1,929,111
	3,587,672	4,015,656

21.6 Confidential, Intelligence and Extraordinary Expenses

	2022	2021
Extraordinary and miscellaneous expenses	720,399	120,189
	720,399	120,189

21.7 Professional Services

	2022	2021 restated
Legal services	21,200	28,400
Auditing services	3,375,943	4,548,531
Other professional services	15,599,158	26,767,641
	18,996,301	31,344,572

21.8 General Services

	2022	2021 restated
Janitorial services	1,313,132	1,062,344
Security services	4,308,729	4,163,471
Other general services	16,466,468	19,127,859
	22,088,329	24,353,674

21.9 Repairs and Maintenance

	2022	2021
Repairs and maintenance-buildings and other structures	623,679	702,472
Repairs and maintenance-office equipment	116,408	131,764
Repairs and maintenance-IT equipment	-	-
Repairs and maintenance-medical equipment	-	-
Repairs and maintenance-other machinery and equipment	-	5,710
Repairs and maintenance-motor vehicles	329,289	225,598
	1,069,376	1,065,544

21.10 Taxes, Insurance Premiums and Other Fees

	2022	2021
Taxes, duties and licenses	29,660	56,744
Fidelity bond premiums	491,471	639,711
Insurance expenses	1,018,729	574,898
	1,539,860	1,271,353

21.11 Other Maintenance and Operating Expenses

	2022	2021
Advertising expenses	20,973,074	7,852,540
Printing and publication expenses	1,072,757	58,102
Representation expenses	2,823,422	1,023,806
Rent/Lease expenses	21,626,425	4,786,012
Transportation and delivery expenses	651,435	310,001
Membership dues and contributions to organizations	22,500	25,000
Subscription expenses	3,513,229	11,901,681
Donations	20,000	25,000
Other maintenance and operating expenses	16,072,079	5,219,066
	66,774,921	31,201,208

Other maintenance and operating expenses include installation, construction and dismantling of booths during various trade fairs held locally and internationally; and reimbursement of (COVID-19) tests in relation with official duties and functions.

22. FINANCIAL EXPENSES

This account comprises the following:

	2022	2021
Bank charges	172,582	106,577
	172,582	106,577

23. NON-CASH EXPENSES

This account is composed of the following:

	2022	2021
Depreciation-buildings and other structures	743,625	601,468
Depreciation-office equipment	197,362	448,906
Depreciation-furniture, fixtures and books	-	179,795
Depreciation-information and communication technology equipment	1,418,008	4,255,311
Depreciation-communication equipment	-	173,793
Depreciation-transportation equipment	175,182	368,229
Depreciation-other PPE	37,403	150,973
Amortization-computer software	60,483	-
	2,632,063	6,178,475

24. GAINS/LOSSES/OTHER NON-OPERATING INCOME

This comprises net of the following accounts:

24.1. *Miscellaneous Income*

	2022	2021
Miscellaneous income	36,511	-
	36,511	-

24.2. *Gains*

	2022	2021
Gain on foreign exchange (FOREX)	7,104,449	5,416,344
	7,104,449	5,416,344

24.3. *Losses*

	2022	2021
Loss on foreign exchange (FOREX)	(29,750)	(59,829)
	(29,750)	(59,829)

25. SUBSIDY FROM NATIONAL GOVERNMENT

	2022	2021
Subsidy from National Government	152,612,000	141,885,000
	152,612,000	141,885,000

For CY 2022, 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 P152.612 million.

26. RELATED PARTY TRANSACTIONS

There were no related party transactions during the year.

26.1 *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.

26.2 *Key Management Personnel Compensation*

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

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

	Total Remuneration
Salaries and wages	8,171,435
Other compensation and benefits	2,285,495
Personnel benefit contributions	848,296
	11,305,226

27. GOVERNMENT EQUITY

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

	2022	2021
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)	1,00,0000	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.

28. 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.

29. ACCUMULATED SURPLUS

Accumulated surplus, January 01, 2021		505,015,073
Adjustments:		
Overstated expenses (2018 to 2020)		8,633,041
Overstated non-cash expenses		352,079
Effect of PPE reclassification		(3,424,283)
Accumulated surplus, January 01, 2021, as Re-stated		510,575,910
Deficit for 2021 as previously stated	(12,033,915)	
Adjustments:		
Overstated internet expenses	315,000	
Rent expense incurred	(4,165,969)	
Understated non-cash expenses	(1,281,228)	
Overstated personnel services	2,167,783	
Deficit for 2021, as re-stated		(14,998,329)
Various adjustments as follows:		34,279,003
Interest on the restricted fund	724,272	
Adjustments - prior period	33,554,731	
Accumulated surplus, December 31,2021, as Re-stated		529,856,584
Deficit for 2022		(5,086,986)
Various adjustments as follows:		16,705,637
Interest on the restricted fund	1,219,207	
Adjustments - prior period	15,486,430	
Accumulated surplus, December 31,2022		541,475,235

The breakdown of the account is as follows:

Particulars	2022
Accumulated surplus - unappropriated, January 01	228,962,816
Add: Adjustments	-
Accumulated surplus - unappropriated, December 31	228,962,816
Prior years' adjustments	15,486,430
Restated balance	244,449,246
Accumulated surplus - appropriated, January 01	300,893,768
Less: Adjustments	-
Accumulated surplus - appropriated, December 31	300,893,768
Interest from restricted fund	1,219,207
Total	302,112,975
Total	546,562,221
Surplus (Deficit) for 2022	(5,086,986)
Accumulated surplus, NET	541,475,235

Restatement of Net Assets/Equity
At January 1, 2021

	Previously PPE threshold (P15,000.00)	Effect of transition to new PPE threshold (P50,000.00)		PPSASs	
		Reclassification	Difference in recognition and measurement		
ASSETS					ASSETS
Current assets					Current assets
Cash and cash equivalents	436,265,933		-	436,265,933	Cash and cash equivalents
Receivables-net	13,457,437		-	13,457,437	Receivables-net
Inventories	1,231,390			1,231,390	Inventories
Other assets	15,591,604		-	15,591,604	Prepaid expenses
Total current assets	466,546,364		-	466,546,364	Total current assets
Non-current assets					Non-current assets
Receivables-net	-		-		Receivables-net
Property and equipment-net	22,996,972		(3,424,283)	19,572,689	Property, plant and equipment-net
Other assets	305,549,155			305,549,155	Restricted fund
Total non-current assets	328,546,127		(3,424,283)	325,121,844	Total non-current assets
TOTAL ASSETS	795,092,491	-	(3,424,283)	791,668,208	TOTAL ASSETS
LIABILITIES					LIABILITIES
Current liabilities					Current liabilities
Payable accounts	201,327,935		-	201,327,935	Financial liabilities
Inter-agency payables	23,426,686		-	23,426,686	Inter-agency payables
Trust liabilities	6,097,122			6,097,122	Trust liabilities
Deferred credits	5,578,373		-	5,578,373	Deferred credits/unearned income
Other payables	1,122,490			1,122,490	
Total current liabilities	237,552,606		-	237,552,606	Total current liabilities
Non-current liabilities					
Trust liabilities	1,274,877		-	1,274,877	Trust liabilities
Other payables	4,973,773			4,973,773	Other payables
Total non-current liabilities	6,248,650	-	-	6,248,650	Total non-current liabilities
TOTAL LIABILITIES	243,801,256	-	-	243,801,256	TOTAL LIABILITIES

	Previously PPE threshold (P15,000.00)	Effect of transition to new PPE threshold (P50,000.00)		PPSASs	
		Reclassification	Difference in recognition and measurement		
NET WORTH					NET ASSETS/EQUITY
Net worth	551,291,235		(3,424,283)	547,866,952	Revaluation surplus Government equity Accumulated surplus/(deficit)
Total net worth	551,291,235	-	(3,424,283)	547,866,952	TOTAL NET ASSETS/EQUITY
TOTAL LIABILITIES AND NET ASSETS/EQUITY	551,291,235	-	(3,424,283)	547,866,952	TOTAL LIABILITIES AND NET ASSETS/EQUITY

30. BUDGET INFORMATION IN FINANCIAL STATEMENTS

The original budget reflected in the SCBAA for December 31, 2022, is the proposed Corporate Operating Budget (COB) for the year 2022 and was submitted to the DBM for review/evaluation while the final budget is the amount as approved by DBM on 05 July 2022. 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 P5.388 million.

- The recommended Personal services (PS) level considers the authority from the Governance Commission for Government-Owned or Controlled Corporations (GCG) dated January 26, 2022 on the implementation of the Compensation and Position Classification System Implementing Guidelines No. 2021-01 pursuant to Executive Order No. 150 dated October 1, 2021.
- The recommended MOOE level is computed considering the prior year's performance on budget utilization except for MOOE items funded by the NG Subsidy which are recommended at GAA level, financial expense and those items covered by contracts which are recommended as proposed, and the Extraordinary and miscellaneous expenses which are computed based on the prescribed rates by the GCG.
- The recommended Capital outlay (CO) level considers the implementation-readiness of the projects and the activities under the respective CO items which are expected to be completed within the year as certified by the Center.

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, 2022, only 86 positions are filled.

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

The CITEM is compliant to the requirements under the 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	1,316,901
Due to BIR – Withholding tax on compensation-Resigned Employees	33,253
Due to BIR – Expanded withholding tax	353,179
Due to BIR – Branch Registration Fees	39,536
Due to BIR – VAT withheld	866,719
Due to BIR – VAT withheld CITEM	7,350
Due to BIR – Contractors Tax	60,636
Due to BIR – Overseas Communication Tax	1
Due to BIR – Gross Money Payments	13,523
	2,691,098

In compliance with the requirements set forth by RR 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 P2.911 million for the year 2022.
- b. The amount of VAT input and output taxes claimed are broken down as follows:

	Amount
Balance, beginning of the year	18,825,700
Tax on goods for resale/purchases - current	5,811,742
Tax on goods for resale/purchases - payables	5,582,204
Sub-total	30,219,646
Less: Output tax	2,911,435
Unused 2019 input VAT	1,415,063
Balance, end of the year	25,893,148

- 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	7,360,098
Creditable withholding taxes	8,972,053
Total	16,332,151

32. 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 2022:

	Premiums	Remitted
Life and retirement premiums, employees share	4,649,743	4,587,268
Government share	6,044,410	5,964,010
Total	10,694,153	10,551,278

PART II - OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL

1. The faithful representation of the account Property, Plant and Equipment (PPE) with a total acquisition cost of P88.798 million and a carrying amount of P17.235 million as of December 31, 2022, was not established due to: a) variance of P3.003 million between the balance per books and per Report on the Physical Count of PPE; b) non-derecognition of the damaged and unserviceable properties of P5.957 million caused by the absence of the Inventory and Inspection Report of Unserviceable Property (IIRUP); and c) non-maintenance of complete and updated PPE Ledger Cards contrary to Paragraph 27 of International Public Sector Accounting Standard 1 and COA Circular No. 2020-006 dated January 21, 2020.

Moreover, the late preparation of the IIRUP has caused a delay in the disposal of the unserviceable properties, consequently diminishing its disposal value.

- 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, Sections 6.3 and 7 of COA Circular No. 2020-006 on "*Guidelines and Procedures in the Conduct of Physical Count of PPE, Recognition of PPE Items Found at Station, and Disposition for Non-existing/Missing PPE Items, for the One-Time Cleansing of PPE Account Balances of Government Agencies*" states that:

6.3 The Property and Accounting Units shall undertake collaborative procedures to ensure that all PPEs included in the RPCPPE are duly recorded in their respective records and that the Property Cards (PCs) maintained by the Property Unit and the PPELCs maintained by the Accounting Unit are reconciled. The reconciliation shall be completed within ten (10) days from rendition of the RPCPPE by the Inventory Committee.

7. For the non-existing/missing PPEs, the Property Unit shall:

- a. *Verify if the PPE items were already disposed with supporting Inventory and Inspection Report of Unserviceable Property (IIRUP) or transferred/donated to other government agencies with supporting Property Transfer Report; and*

b. Submit to the Accounting Unit the original copies of the IIRUP and PTRs for disposed and transferred PPE items, for recording in the books of accounts.

- 1.3. The details of the PPE account as of December 31, 2022, are presented in Table 1.

Table 1 – Details of the PPE account

PPE Sub-accounts	Acquisition Cost	Accumulated Depreciation	Carrying Amount
Buildings	30,417,335	25,882,312	4,535,023
Other structures	3,941,251	2,787,520	1,153,731
Office equipment	7,711,762	5,742,247	1,969,515
ICT equipment	26,493,313	23,719,454	2,773,859
Communication equipment	686,400	617,760	68,640
Motor vehicles	12,093,228	8,835,832	3,257,396
Furniture and fixtures	1,744,084	726,190	1,017,894
Other property, plant and equipment	5,710,244	3,251,745	2,458,499
Total	88,797,617	71,563,060	17,234,557

Variance amounting P3.003 million between the RPCPPE and books of accounts

- 1.4. Section 5.0 of the above-mentioned Circular requires that, “Each government agency shall conduct physical count of all its PPE, whether acquired through purchase or donation, including those constructed by administration and found at station”.
- 1.5. Comparison between the balances of PPE General Ledgers (GLs) maintained by the Controllership Division (CD) with the RPCPPE submitted by the General Services Division (GSD) disclosed a total variance of P3.003 million, as summarized in Table 2.

Table 2 – Comparison of the GL and RPCPPE balances

PPE Sub-accounts	Per GL	Per RPCPPE	Variance
Buildings*	30,417,335	-	-
Other structures*	3,941,251	-	-
Office equipment	7,711,762	7,163,185	548,577
ICT equipment	26,493,313	25,755,743	737,570
Communication equipment	686,400	-	686,400
Motor vehicles	12,093,228	12,222,228	(129,000)
Furniture and fixtures	1,744,084	864,425	879,659
Other property, plant and equipment	5,710,244	5,430,675	279,569
Total	88,797,617	51,436,256	3,002,775

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

- 1.6. The CD, equivalent to the Accounting Office of other agencies, is responsible for recording the CITEM’s financial transactions and preparing financial statements.

- 1.7. Analysis and reconciliation were made on the PPE records and reports prepared and maintained by the CD and GSD to determine the cause/s for the variance of P3.003 million and below are the results:

Table 3 Reconciliation of the GL and RPCPPE balances

Particulars	Office equipment	ICT equipment	Communication equipment	Motor vehicles	Furniture and fixtures	Other PPE	Total
Pe GL	7,711,762	26,493,313	686,400	12,093,228	1,744,084	5,710,244	54,439,031
<i>GL reconciling items</i>							
a) Items recorded in the books but not included in the RPCPPE	(944,601)	(2,416,373)	(686,400)	-	(879,659)	(1,663,599)	(6,590,632)
b) Items included in the RPCPPE but not recorded in the books	215,434	1,339,534	-	-	-	1,371,280	2,926,248
Adjusted Balance	6,982,595	25,416,474	-	12,093,228	864,425	5,417,925	50,774,647
Per RPCPPE	7,163,185	25,755,743	-	12,222,228	864,425	5,430,675	51,436,256
<i>RPCPPE reconciling items</i>							
c) Discrepancy in cost	(180,590)	(339,269)	-	(129,000)	-	(12,750)	(661,609)
Adjusted Balance	6,982,595	25,416,474	-	12,093,228	864,425	5,417,925	50,774,647
<i>Total of Book reconciling items</i>	(729,167)	(1,076,839)	(686,400)	-	(879,659)	(292,319)	(3,664,384)
<i>Less: RPCPPE reconciling items</i>	(180,590)	(339,269)	-	(129,000)	-	(12,750)	(661,609)
Variance	(548,577)	(737,570)	(686,400)	(129,000)	(879,659)	(279,569)	(3,002,775)

- 1.8. The details of the discrepancy are discussed below.

- a) *Items amounting to P6.591 million appearing in the books but not in RPCPPE*

These items were recorded in the books but not in the RPCPPE. According to the GSD personnel, the PPE items were already disposed of and are no longer reflected in the RPCPPE. However, the same had not been dropped from the books because the CD and the GSD are still locating the reports/documents relating to the disposal.

- b) *PPE amounting to P2.926 million included in the RCPPE but not recorded in the books*

These are office and IT equipment, and other PPE items included in the RPCPPE but were not recorded in the books. The CD reasoned that insufficient 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.

c) *Discrepancy in the costing of PPE*

The discrepancy of P0.662 million was due to the different costing of some PPE by the GSD and CD. While the GSD record the cost of the PPE VAT inclusive, CD recognized the cost of the PPE VAT exclusive, to account for the Input VAT.

Paragraph 30 of the IPSAS 17 provides for the element of cost of PPE, to wit:

“The cost of an item of property, plant and equipment comprises:

- 1. its purchase price, including import duties and **non-refundable purchase taxes**, after deducting trade discounts and rebates.*

xxx

Input VAT, although paid as part of the consideration of the asset at the time of purchase may be recovered through creditable input VAT, hence, should be debited separately and not form part of the asset account.

Non-derecognition of obsolete/damaged items totaling P5.957 due to the absence of IIRUP

- 1.9. Audit also disclosed that some unserviceable PPE items with costs totaling P5.957 million were still included in the books and the RPCPPE. These items were marked/identified as “Damaged for Disposal” (or deemed unserviceable properties), in the RPCPPE. Presented in Table 4 is the breakdown.

Table 4 – Damaged/Unserviceable PPE for Disposal

Particulars	Amount
Office equipment	717,532
IT equipment and software	1,170,195
Furniture & Fixtures	353,375
Motor Vehicle	797,200
Other PPE	2,919,192
Total	5,957,494

- 1.10. 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.”

- 1.11. Moreover, item A, part I of the Department of Budget and Management (DBM) Manual on Disposal of Government Property states that “xxx. *Disposal proceedings should be immediately initiated to avoid further deterioration of the property and consequent depreciation in its value. xxx”*
- 1.12. Nevertheless, the GSD has already prepared the necessary IIRUP for the said properties and a copy was furnished to the Audit Team on March 30, 2023.

Non-maintenance of complete and updated PPE Ledger Cards (PPELCs)

- 1.13 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.*
- 1.14 Audit further disclosed that although the GL balances were supported by schedules showing their breakdown, the CD has yet to complete the

PPELCs for each item of property. Thus, reconciliation of the records between CD and GSD could not be facilitated.

1.15 Given the variance of P3.003 million between the GL and the RPCPPE, the non-derecognition of the unserviceable properties of P5.957 million, 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 a carrying value of P17.235 million as of December 31, 2022, was not established.

1.16 We recommended and Management agreed to:

a. Direct the CD and the GSD to:

(i) exert effort to fully reconcile their PPE records, locate the documents/reports on the disposed unserviceable PPE of P6.591 million and effect the necessary adjustments or corrections; and

(ii) regularly reconcile the GL records and Property records (PPE);

b. Instruct the GSD to submit to the CD the IIRUP and other related documents of the unserviceable PPE costing P5.957 million for its derecognition in the books; and

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

1.17 Management further commented that they are developing a Fixed Property System to help facilitate the reconciliation of property records between the books and GSD records. The said system, they claimed, will also automate the computation of depreciation expense and generation of the PPELC.

2. The balance of the Cash in bank and Cash equivalents account amounting to P285.564 million as of December 31, 2022, was understated by P2.387 million due to the non-recording of various book reconciling items as of year-end, contrary to Paragraph 27 of the International Public Sector Accounting Standard 1.

2.1 Management was unable to fully implement the previous year's audit recommendation, thus this reiteration, with the updated amounts.

2.2 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.”

2.3 Further, Section 74 of PD No. 1445 states that:

“Monthly reports of depositories to agency head. At the close of each month, depositories shall report to the agency head, in such form as he may direct, the condition of the agency account standing on their books. The head of the agency shall see to it that a reconciliation is made between the balance shown in the reports and the balance found in the books of the agency.”

2.4 Confirmation of bank balances maintained with the Land Bank of the Philippines (LBP) and Development Bank of the Philippines (DBP) as of December 31, 2022, disclosed a variance totaling P2.387 million against the balances per subsidiary ledger (SL) maintained by the CD as shown.

Table 5 - Confirmed Bank Balances vis-à-vis SLs Balances

Bank Account Number	Bank Name	Balance per SL Peso (a)	Balance per Confirmation Peso (b)	Variance in absolute amount (c=a-b)
0405-017071-160	DBP-LCTD	1,818,686	1,818,686	-
0405-017871-030	DBP-LCCA	2,905,376	2,920,376	15,000
1772-1021-82	LBP-LCCA (Subsidy)	170,135,284	170,458,808	323,524
1772-1038-63	LBP-LCCA (Income)	27,639,413	28,342,164	702,751
1774-0065-04	LBP-FCCA	20,921,925	22,261,957	1,340,032
AA1779-0212-42	LBP-FCCTD	62,143,777	62,149,500	5,723
TOTAL*		285,564,461	287,951,491	2,387,030

Note: Balance per SL does not include Cash-on-hand

2.5 Based on the review of the Bank Reconciliation Statements (BRS) of the five accounts the variance comprises the unrecorded book reconciling items as summarized in Table 6.

Table 6 - Unrecorded Book Reconciling items

Bank Name	Bank Credits	Bank Debits	Interest Income	Book Error	NET TOTAL
DBP-LCCA	15,000	-	-	-	15,000
LBP-LCCA (Subsidy)	286,259	(2,281)	39,546	-	323,524
LBP-LCCA (Income)	708,751	-	-	(6,000)	702,751
LBP-FCCA	1,340,032	-	-	-	1,340,032
LBP-FCCTD	-	-	-	5,723	5,723
TOTAL	2,350,042	(2,281)	39,546	(277)	2,387,030

*Foreign Currency accounts converted to Peso using Bangko Sentral ng Pilipinas (BSP) Exchange rate on 12/29/2022 @Php56.12. LC

TD – Local Currency Time Deposit; LCCA – Local Currency Current Account; FCCA – Foreign Currency Current Account; FCTD – Foreign Currency Time Deposit

- 2.6 The unrecorded bank credits or credit memos in the amount of P2.350 million primarily pertain to the direct payments made by the CITEM clients (creditors/exhibitors) to the bank. Management claimed that CITEM has yet to identify the Clients who made the payments; hence, these credit memos have not been recorded in the books.
- 2.7 However, management should have recorded these deposits/payments using the account "Undistributed Collection". Annex C of the Revised Chart of Accounts for Government Corporations (2019) prescribes the use of the account "Undistributed Collection" to *recognize temporary pool of collection of members' contribution and loan amortizations of paying members and other unidentified collection of government corporations as of the close of the transaction date. xxx*"
- 2.8 The bank debit of P2,281 has not been recorded in the books as the copy of the debit memos has not been provided by the bank to the CD.
- 2.9 The unadjusted book error pertains to the understated forex gain recognized at year-end amounting to P5,723 due to incorrect book balance used in the computation of forex gain; and unrecorded cost of check booklets amounting to P6,000.
- 2.10 In view of the foregoing deficiencies, the reliability and accuracy of the Cash in bank and Cash equivalents account in the amount of P285.564 million as of December 31, 2022, could not be ascertained.
- 2.11 **We recommended and Management agreed to direct the CD to:**
- a. Record the credit memos of the payments/deposits from unidentified CITEM clients by debiting the Cash in Bank account and crediting undistributed collection;**
 - b. Prepare the necessary adjustments to record the bank debits, interest income, and book errors; and**
 - c. Coordinate with the clients regarding their online payments, and/or require them to promptly submit or notify the concerned CITEM office for every payment/deposit made.**
- 2.12 Management commented that the CD continues to send confirmation letters to exhibitors upon verification of outstanding balances. Also, an online payment portal requiring exhibitors to upload their proof of payments has been developed and is currently in use which will assist the Cashier in identifying depositors for issuance of Official Receipts, thereby facilitating the recording of the payments in the books.

3. **The accuracy of the Accounts Receivable (AR) with a net book value of P19.429 million as of December 31, 2022, cannot be ascertained due to non-provision/insufficient allowance for impairment of two receivable accounts with a net book value amounting to P11.343 million, contrary to Paragraphs 67 and 72 of International Public Sector Accounting Standard 29 and Item 3.10 of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities.**

- 3.1 Paragraphs 67 and 72 of International Public Sector Accounting Standard (IPSAS) 29 provide that:

An entity shall assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the entity shall apply paragraph 72 (for financial assets carried at amortized cost), paragraph 75 (for financial assets carried at cost) or paragraph 76 (for available-for-sale financial assets) to determine the amount of any impairment loss.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortized cost 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 credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in surplus or deficit.

- 3.2 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.

- 3.3 The Accounts Receivable (AR) covers the participation fees (local and international) and extension charges, including interest, billed to exhibitors in connection with their participation in trade exhibits organized by CITEM held in the Philippines, or outside the country. As of December 31, 2022, the account has a balance totaling P23.391 million with a net book value of P19.429 million with details shown in Table 7.

Table 7: Schedule of Receivables

Account	Gross Amount	Allowance for Impairment	Net Book Value
Accounts Receivable			
AR Participation fees-local show	11,056,825	2,971,186	8,085,639
AR Participation fees-international show	10,661,521	547,536	10,113,985
AR - extension charges	443,447	443,447	-
AR - Others	1,229,352	-	1,229,352
Total	23,391,145	3,962,169	19,428,976

3.4 As per its policy, CITEM provides an allowance for impairment as follows:

Table 8 – Policy on Allowance for Impairment of Receivables

Period outstanding	Percentage
More than 5 years	100%
4 to 5 years	75%
3 to 4 years	50%

3.5 As may be gleaned from Table 8, no allowance for impairment was provided for the AR –Others account of P1.229 million. Verification disclosed that this amount has been outstanding for five years. Thus impairment allowance equivalent to 75 percent of the receivable or P0.922 million should have been provided. Consequently, the net-book value of the AR-Others is overstated by the same amount.

3.6 Moreover, based on the recomputation made by the Team, the allowance for impairment of P0.548 million for the AR – Participation Fees (PF) international account, only covers CYs 2000 to 2012. No further provision was set up from CYs 2013 to 2019 which are already outstanding for three to five years. Using the 50 and 75 percent impairment rate, the allowance for impairment of the AR-PF is understated by P1.252 million, overstating the carrying value of the AR by the same amount.

3.7 The CD cited that Management wants to collect and pursue the identification of depositors of the unrecorded bank credits, thus no impairment allowance was further provided on the receivables. This however is contrary to Paragraphs 67 and 72 of IPSAS 29 and Item 3.10 of the Conceptual Framework for GPFR by Public Sector Entities.

3.8 Considering the noted deficiencies, the accuracy of the net book balance of the Accounts Receivable of P19.429 million as of December 31, 2022, as presented in the FS is doubtful.

3.9 **We recommended and Management agreed to direct the CD to provide sufficient provision for impairment for the AR-Others and AR-PF international accounts.**

OTHER OBSERVATIONS

4. CITEM was able to implement 18 projects on trade fairs through physical, hybrid, and digital platforms for the Calendar Year (CY) 2022. Export sales from these projects exceeded its target by \$758.229 million or P42.221 billion while the cost directly attributable to these projects was lower by P16.921 million than its budgeted amount. Likewise, CITEM was able to lower its net loss from P14.998 million in CY 2021 to P5.087 million in CY 2022 or a decrease of P9.911 million as shown in its Statement of Financial Performance.

- 4.1 The Audit Team reviewed the CY 2022 Accomplishment Report of CITEM to determine whether the CITEM was able to meet its defined targets. On the other hand, the Report on Budget Programmed vs. Costs, Work Program-Accomplishments Report for the period ending December 31, 2022, as well as the Statements of Financial Performance for the years ended December 31, 2022, and 2021 served as bases in assessing whether Management improved their cost effectiveness in attaining the CITEM's objective.

Accomplishment Reports on Trade Fairs

- 4.2 The CITEM's 2022 Work Program-Accomplishment Report showed that CITEM implemented a total of 18 projects in CY 2022 of which five were physical shows, eight in digital/hybrid formats, and five in digital promotion websites.
- 4.3 CITEM had also exceeded its target as to the number of exhibitors, trade buyers and inquiries and in export sales as shown in Table 9.

Table 9 – Accomplishment Report

No	Description	CY 2022 Accomplishment		Difference Favorable (Unfavorable)
		Actual	Target (per GAA)	
	Number of Exhibitors	1,842	718	1,124
	Number of Trade Inquiries*	23,392	5,691	17,701
	Number of Trade Buyers**	4,464	2,684	1,780
T	Export sales (In million USD)	824.719	66.490	758.229

rade 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*

- 4.4 Using the BSP average dollar to peso conversion rate in December 2022 of P55.684, the peso equivalent of the export sales amounted to P42.221 billion. The amount of the export sales were based on the sales declared and reported by the exhibitor companies that participated in the programs and projects of CITEM.
- 4.5 The CITEM's targets for CY 2022 were the same as in CY 2021. According to the Planning Officer, the targets were not modified since the

stakeholders are still adapting to the changes in the trade industry brought about by the COVID19 pandemic. Nevertheless, to improve effectiveness, reassessment of targets is necessary to determine if setting up new targets is appropriate.

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

- 4.6 The budget, cost and income derived from the implementation of the projects are presented in Table 10.

**Table 10 – Projects' Budget vis-a-vis Cost
(In Million Pesos)**

Particulars/Projects	Budget (a)	Cost (b)	Variance of Budget Over Cost (b-a)	Income (c)	Variance of Actual Cost Over Income (c-b)
<i>A. Signature Events</i>					
Manila Fame	11.445	11.422	0.023	0.145	(11.277)
International Food Expo (IFEX)	27.720	25.550	2.170	17.374	(8.177)
Create PH	6.000	5.504	0.496	-	(5.504)
Sustainability Solutions Exchange	3.984	1.596	2.388	0.943	(0.653)
<i>B. Overseas Promotional Events</i>					
Gulf Food (Dubai)	5.059	5.035	0.024	2.373	(2.662)
China International Import Expo	8.200	7.448	0.752	6.034	(1.414)
SIAL (Paris)	8.945	8.360	0.585	8.571	0.211
MoM (Paris) & CIFTIS (China)	7.516	5.955	1.561	2.589	(3.365)
Dubai Expo (Dubai)	0.700	0.552	0.148	-	(0.552)
Chinese-ASEAN Expo (China)				0.505	0.505
<i>C. Digital Events Platform and Maintenance</i>	32.935	24.162	8.773	3.060	(21.102)
TOTAL	112.505	95.584	16.921	41.594	(53.991)

- 4.7 As seen in Table 10, the current operating cost directly attributable to the projects is favorably lower than the allotted budget by P16.921 million.
- 4.8 Meanwhile, income from participation fees and other services performed by CITEM amounted to P41.594 million, or a remarkable increase of P23.041 million compared to the previous year's reported income from trade fairs of P18.553 million. The increase can be attributed to the return to the physical scene of one of its signature events, the IFEX Philippines and other overseas fairs. On the other hand, the income earned from Manila Fame was only minimal due to the Management's initiative to subsidize the exhibitors who were still recovering from the financial hardships faced during the pandemic.
- 4.9 In its continued effort to improve the digital platform and maximize media exposure of Filipino exporters to reach more global buyers, CITEM invested in its digital platforms' maintenance, improvements, and evolving features. Although it seemed that the cost does not redound to a favorable income yet, the platform's features boosted the visibility of the Philippine

local products into the world, round the clock, to now digitally inclined consumers.

- 4.10 Though there was an unfavorable loss in the aggregate amount of P53.991 million resulting from the implementation of these projects (cost vis-à-vis income), it is considered normal since the mandate of CITEM is not to earn profit but to promote, strengthen and expand capability building and development program for Small Medium Entrepreneurs and sustaining the global presence and expansion of industry sectors.

CITEM's overall performance per CY 2022
Statement of Financial Performance

- 4.11 With the return of physical trade fairs and 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, 2022 and 2021 showed that CITEM incurred a deficit (loss) of P5.087 million in CY 2022 which is lower by P9.911 million or 66.08 percent from CY 2021 net loss of P14.998 million as summarized in Table 11.

**Table 11 – Statements of Financial Performance
 For the Years Ended December 31, 2022 and 2021
 (In Million Pesos)**

Account	2022	2021	Variance	
			Amount	Percent
Income+ Subsidy	201.531	166.361	(35.170)	(21.14%)
Expenses+losses-gains	(206.681)	(181.359)	25.322	(13.96%)
Net Income/(Loss)	(5.087)	(14.998)*	(9.911)	(66.08%)

**As restated*

These figures showed that CITEM had improved its income performance in CY 2022 compared to that of last year.

- 4.12 **We recommended and Management agreed to continue introducing improvements or innovations in implementing the programs and projects of CITEM including its digital platforms while looking for means to cut down expenses that will minimize the losses attributable to the projects.**
5. **The recording/accrual of the expenses for the Energy Conservation Savings Incentives for CY 2021 amounting to P2.586 million is questionable as it lacks the approval from proper authorities as required in Section II of the Compensation and Position Classification System (CPCS) Implementing Guidelines (IG) No. 2021-01 dated January 12, 2022.**
- 5.1 Paragraph 2, Section 37, Chapter 2 of GAM Volume 1 states that: *“No obligation shall be certified to accounts payable unless the obligation is funded on a valid claim that is properly supported by sufficient evidence*

and unless there is a proper authority for its incurrence. Any certification for non-existent or fictitious obligation and/or creditor shall be considered void.”

5.2 DBM Circular Letter (CL) No. 2008-9 dated November 26, 2008 on the *“Guidelines Implementing Administrative Order (AO) No. 228 and the President’s Directive Dated May 31, 2008”*, provided for the guidelines in the grant of Energy Conservation (ENERCON) Savings incentives.

5.3 Section 4.1 of said CL states that:

“Agencies that have generated savings from budgetary provisions for electricity and fuel corresponding to their consumption reductions in kWh and liters shall submit to Department of Energy (DOE) thru to the Energy Audit Team (EAT) for verification and recommendation, their proposal to avail of the use of such savings.”

5.4 *On the other hand*, Section II of the CPCS IG No. 2021-01 dated January 12, 2022 states that:

“Upon receipt of their respective authorization to adopt the CPCS, all the allowances, benefits, and incentives (ABIs) of GOCC officers and employees, whether they are incumbents or new hires, shall be limited to those provided under the CPCS. The grant of ABIs outside those provided under the CPCS shall be discontinued.”

“Grant of Allowances, Benefits, and Incentives Outside the CPCS - All additional compensation items outside of the CPCS shall have to be approved by the Board, endorsed by the Supervising Agency, recommended by the GCG, and approved by the President of the Philippines before the same can be granted.”

5.5 In CY 2022, CITEM was granted an Energy Efficiency Cost Reductions Certificate from the DOE-EAT for energy savings of P2.586 million in CY 2021 which the CITEM recognized as Other Maintenance and Operating expenses.

5.6 CITEM adopted the CPCS as approved by the GCG on January 26, 2022. Hence, it sought clarification from DBM on the validity of granting the ENERCON incentives under the CPCS. The DBM in its reply letter to CITEM dated November 22, 2022, cited that: *“Further, as stated in the guidelines, all allowances, benefits and incentives outside the CPCS being granted to GOCCs to its officers and employees shall be discontinued upon receipt of their receptive authorization. xxx”*

5.7 To further clarify, CITEM endorsed the matter to the GCG to which the GCG replied: *“Foregoing considered, CITEM can grant the benefits under*

Section 3.5 of the DBM CL No. 2008-9 subject to the approval of the DBM as implementing agency of the circular and provided that it has satisfied the necessary procedural guidelines.”

- 5.8 From the foregoing, the recording and/or accrual of the expenses in the books of CITEM is questionable.
 - 5.9 **We recommended that Management make a representation with the DBM for a more authoritative disposition on the matter otherwise, revert the accrued amount of P2.586 million to the Accumulated Surplus account.**
 - 5.10 The Management commented that a request for approval will be communicated to the DBM.
6. **The propriety and validity of the payments of postpaid plan subscriptions and reimbursements for Extraordinary and Miscellaneous Expenses amounting to P223,492 and P0.613 million, respectively, is doubtful due to the actual rates of the postpaid plans which exceeded the rates provided in the Compensation and Position Classification System (CPCS) Circular No. 2021-10 and non-conformity with the nature or purpose as prescribed in Section 4.3 of CPCS Circular No. 2021-13 and inadequate documentation as per Item No. 7 of COA Circular No. 2012-001.**

Postpaid plan subscriptions

- 6.1 Pursuant to EO No. 150, s. 2021 compensation granted by Government-Owned and/or Controlled Corporations (GOCCs) to its officers and employees is standardized in accordance with the CPCS approved Order. In the case of CITEM, Management implemented the CPCS upon receipt of the CPCS authorization from the GCG in July 2022.
- 6.2 Under Chapter VI (B)(4) of the CPCS, upon application of the authorized CPCS Order, all the allowances, benefits, and incentives (ABIs) of GOCC officers and employees, whether they are incumbents or new hires, shall be limited to those provided under the CPCS.
- 6.3 Furthermore, Section IV of CPCS IG No. 2021-01 dated January 12, 2022, communication allowance granted to certain officers and employees shall be based on the rates and guidelines under CPCS Circular No. 2021-10 of the same date.
- 6.4 Section 4.1 of CPCS Circular No. 2021-10 provides the prescribed rate on the grant of communication allowance as follows:

Officers and employees with the following positions may be granted communication allowance for the discharge of their duties and responsibilities:

Entitlement (P)	Position Level
Actual Expense	CEO of GOCC
3,500.00	Executive Band Positions in the GOCC
2,000.00	Management Band Positions in the GOCC
1,000.00	Executive Assistants or those with comparable duties and responsibilities
500.00	Administrative Assistants, Drivers, Messengers, or those with comparable duties and responsibilities.

6.5 In addition, Section 4.4 of the said Circular further states that *“The above amounts shall already cover the expenses for the internet and mobile data subscription expenses of the said officers and employees.”*

6.6 Prior to the issuance of the Circular, CITEM observed their Office Order No. 2017289, s. 2017 dated September 22, 2017, which established the guidelines on the provision and allocation of mobile phones as well as the following ceiling for postpaid subscription plans for mobile phone.

1. *Coverage: the following personnel shall be authorized to avail of the monthly corporate postpaid subscription plan for mobile phone:*

Position	Subscription Plan Limit	Maximum Allowable Monthly Limit
a. <i>Executive Director</i>	<i>P 3,500.00</i>	<i>P4,500.00</i>
b. <i>Deputy Executive Director</i>	<i>2,500.00</i>	<i>3,500.00</i>
c. <i>Department Manager/OIC</i>	<i>1,500.00</i>	<i>2,000.00</i>
d. <i>Division Chief/OIC</i>	<i>1,000.00</i>	<i>1,500.00</i>

6.7 These personnel may also opt to reimburse an amount not exceeding the subscription limits in case his/her personal phone is utilized for official use as provided in Item No. 2 of the same Office Order.

6.8 On the other hand, the provision and allocation of data services granted to CITEM ExCom, Division Chiefs, including Officers-in-Charge (OICs), and Executive Assistant of the Executive Director is provided under Office Order No. 2019095, s. 2019 dated May 8, 2019. The aforementioned officials and employees were granted unlimited data allocation with no prescribed limit or ceiling on the plan.

6.9 For CY 2022, CITEM officers and certain employees have existing postpaid plan subscriptions with both Globe Telecom and Smart Communications. Details on the Globe and Smart postpaid plan is shown in Table 12. Meanwhile, two Division Chiefs/OIC who do not have a postpaid plan opted to reimburse at the rate of P1,000 monthly equivalent to the subscription plan limit allowed in the Office Order No. 2017289, s. 2017.

Table 12 – Schedule of Postpaid Plan

POSITION/ DESIGNATION	GLOBE PLAN	SMART PLAN	REMARKS
Executive Director	-	3,500.00	Globe line – actual expense is paid
Deputy Executive Director (DED)	2,499.00	3,500.00	Globe line -Utilized the maximum allowable monthly limit per Office Order
DED	999.00		
OIC, DM - Corp. Services	1,499.00	3,500.00	
OIC, DM - OG1	1,499.00	3,500.00	
OIC, DM - OG2	1,499.00	3,500.00	
OIC, DM - CCSD	999.00	3,500.00	
		3,500.00	Assigned to other staff
DC -OTFB	999.00	3,500.00	
DC - Budget and Cash	999.00	3,500.00	
DC - SMD	999.00	3,500.00	
		3,500.00	
DC - BDU	999.00	3,500.00	
DC - HRMD	999.00	3,500.00	
	999.00	-	
DC - Controllership	999.00	3,500.00	
OIC, DC - GSD	999.00	3,500.00	
OIC, DC - CorpPlan	999.00	3,500.00	
OIC, DC - OTFB	999.00	3,500.00	Reimbursement basis
DC - CMD	1,000.00	3,500.00	Reimbursement basis
Executive Assistant		3,500.00	

- 6.10 Review of records, however, revealed that the combined amount of Globe and Smart postpaid subscriptions of the officers and employees exceeded the monthly prescribed rate of communication allowance per GCG Circular No. 2021-10; thus, the propriety of the payment of communication expense amounting to P223,492 (inclusive of taxes) for the period July to December 2022 could not be ascertained.
- 6.11 The timing of the transition of CITEM to CPCS and renewal of contracts with the telecoms hindered CITEM to adopt and implement the guidelines on the grant of communication allowance provided for in the CPCS Circular since the CPCS was approved on October 5, 2021, while the contract with Smart and Globe was renewed in May 2021 and various months in 2022, respectively. The contracts with the networks were binding and may not be terminated for 24 months.
- 6.12 Further verification also disclosed that the Smart postpaid subscription not only includes unlimited data but also provides unlimited SMS to all networks and unlimited tri-net calls which is also covered/provided in the Globe postpaid subscription. Hence, the subscription of CITEM to both networks may be viewed as excessive.

Extraordinary and Miscellaneous Expenses

- 6.13 Extraordinary and Miscellaneous Expenses (EME) is defined in the Annex C of the Revised Chart of Accounts for Government Corporations as expenses incidental to the performance of official functions.
- 6.14 On the other hand, CPCS Circular No. 2021-13 dated January 12, 2022 prescribes the guidelines on the utilization of the EME. Section 4.3 of the Circular provides the nature of expenses that are covered by the EME, to wit:

4.3. The EME shall cover expenses incurred, but not limited, for:

- (a) Meetings, seminars, and conferences;*
- (b) Official entertainment;*
- (c) Public relations;*
- (d) Educational, athletic and cultural activities;*
- (e) Contributions to civic or charitable institutions;*
- (f) Membership in government associations;*
- (g) Membership in national professional organizations duly accredited by the Professional Regulation Commission;*
- (h) Membership in the Integrated Bar of the Philippines;*
- (i) Subscription to professional technical journals and informative magazines, library books and materials;*
- (j) Office equipment and supplies; and*
- (k) Other similar expenses not supported by the regular budget allocation.*

- 6.15 Further, Section 4.5 provides that “*The entitlement to EME shall be on strictly non-commutable or reimbursement basis, subject to budgeting and auditing rules and regulations.*”
- 6.16 In order to verify and evaluate the propriety of the incurred expenses, Section 4 (6) of PD No. 1445 provides that claims against government funds shall be supported with complete documentation. Thus, Item No. 7 of COA Circular No. 2012-001 provides for the following documentary requirements for the claims related to EME as follows:

*Invoice/receipts for GOCCs/GFIs and LGUs
xxx*

Other supporting documents as are necessary depending on the nature of expense charged (Underlining supplied)

- 6.17 Records showed that for the year 2022, an aggregate amount of P0.720 million was charged to the EME account. Analysis of the nature of expenses charged to the said fund revealed that a portion thereof totaling P492,696 was not in accordance with the nature or purpose of the fund as prescribed in Section 4.3 of the CPCS Circular No. 2021-13. Subject expenses include reimbursements for purchase of airfare, bags, clothing, gift certificates, medical procedure/skin treatment, gadgets and its

accessories i.e. smartphone, air pods & apple pencil for IPAD, etc. and unspecified disbursement made to a religious center and child foundation which are unrelated in pursuing CITEM's mandate.

- 6.18 These expenses were supported by receipts only. Thus, do not provide sufficient evidence that the incurred expenses were incidental to the performance of the official function.
- 6.19 Likewise, reimbursements for meals and snacks totaling P120,076, which also included P36,951 incurred during Saturday, Sunday and/or holiday, lacked supporting documents such as agenda/purpose of the meeting as well as the list of attendees and thus, precluded the Audit Team from verifying its propriety.
- 6.20 In addition, meals in the amount of P3,770 were paid through cash advance from petty cash fund contrary to the non-commutable or reimbursement basis of payment.
- 6.21 Public or government funds are solely for a public purpose; thus, documentary evidence is important to substantiate its judicious spending as well as strengthen control over these funds.
- 6.22 In view of the foregoing, the propriety and accuracy of the postpaid plan and extraordinary and miscellaneous expenses amounting to P223,492 and P0.613 million, respectively, could not be established.
- 6.23 **We recommended that Management:**
- a. **Adhere to the prescribed rate provided in CPCS Circular No. 2021-10 relative to postpaid subscription plans;**
 - b. **Refrain from paying expenses that are not in accordance with the nature and purposes set forth in the CPCS Circular No. 2021-13;**
 - c. **Direct the concerned officials to submit the supporting documents to assess the propriety of the reimbursements as per COA Circular No. 2012-001; and**
 - d. **Henceforth, strictly follow the payment thru a non-commutable or reimbursement basis.**
- 6.24 The Management took note of the recommendations and provided clarification that the Smart postpaid plan subscription only includes unlimited data which is very useful during the alternative work arrangement and is an essential communication tool in the performance of their duties and functions considering that the management has international clients/partners they need to communicate with and for use during attendance to international trade fairs.

- 6.25 Thus, the management has sent a letter of appeal to the GCG pending approval for the continuity of the subscriptions to both networks or in effect, exemption from the amounts authorized in the CPCS Circular.
- 6.26 Management's justifications are the following:
- a. The reimbursement for airfare tickets by an officer who was already on leave was forced to return to Manila for the purpose of attending physically the CITEM planning and other year-end activities which was held on December 19-21, 2022; while the flight to Naga was necessary to attend meeting with IBP Camarines Sur lawyers on December 23, 2022 regarding consultation on membership in the local chapter association;
 - b. The reimbursements for devices and equipment such as air pods, pencils, Bluetooth speakers and power banks were distributed to CITEM MANCOM members for efficiency of output and to effectively carry out their respective functions, especially in an alternative work arrangement setup;
 - c. Further, with regard to the additional supporting documents for the reimbursements of expenses related to meals and snacks/meeting expenses, the management cited that the CPCS Circular used the guidelines provided in COA Circular No. 89-300 dated March 21, 1989, as a reference; hence the general audit principle and guidelines indicated therein should be followed, to wit: *"The corresponding claim for reimbursement of such expenses shall be supported by receipts and/or other documents evidencing disbursement, if these are available, or, in lieu thereof, by a certification executed by the official concerned that the expenses sought to be reimbursed have been incurred for any of the purposes contemplated under Section 19 and other related sections of RA 6688 (or similar provision in subsequent General Appropriations Acts) in relation to or by reason of his position. In the case of miscellaneous expenses incurred for an office specified in the law, such certification shall be executed solely by the head of the office."*; and
 - d. Management cited that under the case of *NTC v COA, G.R. No. 244193*, under the existing laws, circulars and jurisprudence, the request for additional documents such as the purpose of meetings and who was entertained during said meeting is unnecessary.
- 6.27 As a rejoinder, the Audit Team maintains its stand that the communication allowance of the management is covered by the limit prescribed in the CPCS Circular until the appeal to GCG is approved.

Meanwhile, for the reimbursement of meals/snacks, the Audit Team finds that the COA Circular No. 89-003 dated March 21, 1989, was superseded by COA Circular No. 2006-001 dated January 3, 2006, requiring that EME

should be “Xxx supported by receipts and/or other documents evidencing disbursements xxX”. To reiterate, the receipts alone cannot substantiate the judicious spending of public funds.

GENDER AND DEVELOPMENT (GAD)

- 7. CITEM allocated funds for Gender and Development (GAD) totaling P25.294 million or 10.07 percent of the total CY 2022 Corporate Operating Budget of P251.252 million, and its GAD Plan and Budget was duly endorsed by the Philippine Commission on Women. Likewise, CITEM utilized 96.48 percent of its allocated GAD Budget with total expenditures amounting to P24.402 million as shown in its GAD Accomplishment Report.**

GAD Plan and Budget (GPB) duly endorsed by the Philippine Commission on Women (PCW)

- 7.1 Section 34 Paragraph 2 of the General Appropriations Act, Fiscal Year (FY) 2022, provides:

“The GAD Plan shall be integrated in the regular activities of the agencies, which shall be at least five percent (5%) of their budgets. For this purpose, activities currently being undertaken by agencies which relate to GAD or those that contribute to poverty alleviation, economic empowerment especially of marginalized women, protection, promotion and fulfillment of women’s human rights and practice of gender-responsive governance are considered sufficient compliance with said requirement. Utilization of the GAD budget shall be evaluated based on the GAD performance indicators identified by said agencies.”

- 7.2 On the other hand, Section 1.2.5 of the PCW Memorandum Circular (MC) 2021-04 sets forth the required endorsement of the GAD Plan and Budget (GPB) by the PCW, to wit:

“PCW shall endorse the FY 2022 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.

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. xxxx”

- 7.3 For CY 2022, the CITEM allocated P25.294 million or 10.07 percent of the total Corporate Operating Budget (COB) of P251.252 million for GAD programs/activities/projects. It was also able to submit its GAD Plan and Budget (GPB) within the deadline and was endorsed by the PCW thru its GMMS on April 11, 2022. A copy of the same was provided to the Audit Team on April 13, 2022.

GAD Accomplishment Report (AR)

- 7.4 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.”

- 7.5 Meanwhile, Section 1.0 of the PCW-MC-2022-07 provides *for the deadline of preparation and submission of the FY 2022 GAD Accomplishment Report through the GMMS Version 2 or 3. Deadline of submission for GOOCs was set on March 17, 2023.*
- 7.6 The GAD Accomplishment Report (AR), however, was not successfully encoded to the PCW Gender Mainstreaming Monitoring System due to system failure. Nonetheless, the Focal Point (FP) already sent an email to the PCW regarding the matter together with the Excel file of the AR and the reports supporting the implementation of the programs, activities, and projects (PAPs).
- 7.7 Likewise, the FP also provided the Audit Team with the Accomplishment Report and supporting reports such as the accomplished Harmonized Gender and Development Guidelines (HGDG) Project Implementation and Management, and Monitoring and Evaluation (PIMME) checklist, actual expenditure of client-focused activity, and photos of the implemented organization-focused activity.
- 7.8 Review of the GAD AR revealed that CITEM utilized 96.48 percent of its allocated GAD Budget of P25.294 million for a total expenditure of P24.402 million. Details are shown in Table 13.

Table 13 – Summary of GAD-related PAPs Implemented in CY 2022

Activity	Target	Actual	% of Accomplishment	Actual Expenditure
Client-Focused				
Overseas Fairs	60 women	121 women	201.67%	15.684
Signature Events	240 women	865 women	360.42%	-
Organization-Focused				
Women's Month Celebration	170 employees	22	12.94%	0.003
Gender Sensitivity Training	20 employees	104	520.00%	0.600
GAD Related Trainings	2 trainings	4 trainings	200.00%	0.00
Planning and Budgeting	1 GPB FY2023	1 GPB FY2023	100.00%	0.00
GFPS Meeting	2 meeting	2 meeting	100.00%	0.00
Maternity/Paternity/Solo Parent/Gynecological Leaves	44 employees	5 employees	12.94%	0.203
Attributed Program	20 points	6.08 points	30.40%	7.912
Total Actual GAD Expenditure				24.402
Percentage of Utilization of GAD Budget				96.48%
Percentage of GAD Expenditure to COB				9.71%

- 7.9 As may be gleaned from the table, CITEM exceeded the targeted number of women participants in its client-focused activity. On the other hand, the actual cost of organization-focused activities is lower than the allotted budget considering other activities were held online and therefore was free of charge. Likewise, only 5 out of 44 employees availed of the Maternity/Paternity/Solo Parent leave.
- 7.10 Moreover, CITEM attributed to GAD expenditure a total of P7.912 million or 30.40 percent of the cost of implementation of CITEM's signature events. The actual cost/expenditure attributed was based on the score in the HGDG PIMME checklist (HGDG Boxes 16 & 17), accomplished by the GAD Focal Point System (GFPS).
- 7.11 PCW-NEDA-DBM Joint Circular No. 2012-01 provides that, unlike the GPB, the GAD ARs do not require PCW endorsement. Nonetheless, the PCW will review and return the GAD AR with comments and remarks to serve as a reference in preparing their succeeding GPBs. The GAD AR with PCW's final observations shall then be provided to the Audit Team.
- 7.12 **We recommended and Management agreed to continue attributing at least five percent of its total COB for GAD and properly implement the PAPs.**

COMPLIANCE WITH TAX LAWS

8. CITEM has been consistently withholding taxes on salaries and wages and other benefits accruing to its officers and employees and on goods and services, which were remitted to the BIR within the reglementary period. For CY 2022, total remittances to the BIR amounted to P16.332 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

9. 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.

SUMMARY OF UNSETTLED SUSPENSIONS, DISALLOWANCES AND CHARGES

10. As of December 31, 2022, 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 25 audit recommendations embodied in the prior year's Annual Audit Report (AAR), 14 were fully implemented, nine were partially implemented, and two were not yet implemented. Details as follows:

Reference	Observations	Recommendations	Actions Taken/ Comments
AAR 2021			
Financial			
Audit Observation (AO) No. 1, page 44	<p>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.</p> <p>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</p>	<p>We recommended and Management agreed to:</p> <p>a. Direct the CD and the GSD to:</p> <p>(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;</p> <p>(ii) regularly reconcile the GL records and Property records (PPE); and</p> <p>(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</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
		<ul style="list-style-type: none"> d. Prepare the necessary adjusting entries to correct and/or record the following: <ul style="list-style-type: none"> 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; 	Partially Implemented
		<ul style="list-style-type: none"> e. Determine the nature of the negative balances of P446,988 and prepare the necessary adjustments; and 	Fully Implemented
		<ul style="list-style-type: none"> 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. 	Partially Implemented
AO No. 3, page 54	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,	<p>We recommended and Management agreed to direct the CD to:</p> <ul style="list-style-type: none"> 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 	<p>Fully Implemented</p> <p>Fully Implemented</p>

Reference	Observations	Recommendations	Actions Taken/ Comments
AO No. 4, page 56	<p>2022 but was recognized in the books as payable in December 2021, contrary to the DBM Circular No. 2013 dated December 23, 2013</p> <p>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.</p>	<p>delivered and officially accepted by CITEM, as evidenced by an IAR.</p> <p>We recommended and Management agreed to direct the:</p> <p>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</p> <p>b. CD to likewise maintain the SLC and prepare the adjustments in the books, as necessary.</p>	<p>Fully Implemented</p> <p>Fully Implemented</p>
<p>Other Observations</p> <p>AO No. 5, page 59</p>	<p>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</p>	<p>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.</p>	<p>Fully Implemented</p>

Reference	Observations	Recommendations	Actions Taken/ Comments
AO No. 6, page 61	<p>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.</p> <p>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.</p>	<p>We recommended that Management:</p> <p>a. Submit the documents required as per DBM BC No. 2021-3 dated November 17, 2021 to substantiate the grant of CNA FY 2021;</p> <p>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</p> <p>c. Upon compliance with the requirements, charge the incentive to "Other Benefits" account pursuant to the DBM BC No. 2021-3.</p>	<p>Fully Implemented</p> <p>Fully Implemented</p> <p>Fully Implemented</p>
AO No. 7, page 64	<p>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</p>	<p>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.</p>	<p>Not Implemented</p>

Reference	Observations	Recommendations	Actions Taken/ Comments
	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.	We further recommended that Management make a representation with the DBM for a more authoritative disposition on the matter.	Partially Implemented
AO No. 8, page 67	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.	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.	Not Implemented
AO No. 9, page 70	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.	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	Fully Implemented

Reference	Observations	Recommendations	Actions Taken/ Comments
	<p>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.</p>	<p>preparing PAPs relative thereto;</p> <p>b. Follow-up with PCW the endorsement of the GPB to ensure that the PAPs identified fully address the gender issues of CITEM;</p> <p>c. Monitor the return of final GAD AR from PCW and provide the same to the Audit Team; and</p> <p>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.</p>	<p>Fully Implemented</p> <p>Fully Implemented</p> <p>Fully Implemented</p>