



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
Roxas Boulevard Cor. Sen. Gil J. Puyat Ave.
Pasay City

We have audited the accompanying financial statements of the Center for International Trade Expositions and Missions (CITEM), which comprise the balance sheet as of December 31, 2011, and the statement of revenues and expenditures, statement of changes in net worth and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

As discussed in Part II.A.2- Comments and Observations, the accuracy and validity of the Government Equity account with a year-end balance of P41.222 million could not be ascertained as there was a net discrepancy of P6.743 million between the recorded capital contributions of the Bureau of the Treasury at P10.396 million, of Bangko Sentral ng Pilipinas at P10 million and of Land Bank of the Philippines at P1 million, and the amounts confirmed by the same contributors. We were not able to obtain sufficient appropriate evidence to ascertain the accuracy of the carrying amounts of the said capital contributions because of insufficient documentation. Consequently, we were unable to determine the necessary adjustments to the Government Equity account.

Qualified Opinion

In our opinion, except for the effects and the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Center for International Trade Expositions and Missions as of December 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with State accounting principles.


Emphasis of Matter

We draw attention to Audit Observations and Recommendations No. 3 in Part II.A.1 of this Report. The procurement of foreign consulting services for the Merchandise Specialist Program-Phase I and II in the total amount of P22.290 million was done through negotiation, instead of competitive bidding, as required in Sections 10 and 48 of RA 9184. The negotiated consultancy services did not fall under the cases for highly technical consultants provided in Section 53.7 of Rule IV of RA 9184. Moreover, the General Principles on Consulting Services under Annex B of the Revised Implementing Rules and Regulations of RA 9184 was not observed, since no Filipino consultant was considered in hiring the consultants.

Further, the actual expenses paid to one consultant for MSP-Phase I, which was higher than the approved budget by P1.906 million and the cost of the contract for the same consultants under MSP-Phase II, which was 40 per cent or P3.638 million higher than contract cost under MSP-Phase I, were deemed unreasonable, considering that the scope of works for the second contract was similar to MSP-Phase I.

The amounts of P9.325 million and P6.162 million had been suspended under our Notices of Suspension- NS. No. 12-002-416-(11) dated May 22, 2012 and NS. No. 12-003-793-(11) dated May 23, 2012, respectively. Management has not submitted all the required documents to settle the audit suspensions.

COMMISSION ON AUDIT


CORA D. MARQUEZ
OIC Supervising Auditor
Trading and Promotion Audit Group
Cluster C, Corporate Government Sector

June 6, 2012

CENTER FOR INTERNATIONAL TRADE EXPOSITIONS AND MISSIONS

BALANCE SHEET

December 31, 2011

(With corresponding figures for 2010)

(In Philippine Peso)

	Notes	2011	2010
ASSETS			
Current Assets			
Cash and cash equivalents	3	40,480,950	80,528,068
Receivable accounts, net	2.2 and 4	25,112,175	37,857,979
Inventories	5	475,715	427,673
Prepaid expenses	6	6,442,395	2,355,904
Guaranty deposits	7	2,465,758	1,489,800
Other current assets	8	2,297	2,297
		74,979,290	122,661,721
Non-current Assets			
Investments	9 and 10	596,699	42,000
Property and equipment, net	2.4 and 11	13,657,341	13,794,140
Restricted fund	12	385,628,246	372,356,335
Other assets	13	843,723	603,619
		400,726,009	386,796,094
TOTAL ASSETS		475,705,299	509,457,815
LIABILITIES AND NET WORTH			
Current Liabilities			
Payable accounts	14	32,983,564	22,200,276
Inter-agency payables	15	27,321,213	30,898,074
Deferred credits	16	8,119,211	7,058,766
Other current liabilities	17	7,146,561	11,565,147
TOTAL LIABILITIES		75,570,549	71,722,263
NET WORTH		400,134,750	437,735,552
TOTAL LIABILITIES AND NET WORTH		475,705,299	509,457,815

The notes on pages 7 to 15 form part of these financial statements.

CENTER FOR INTERNATIONAL TRADE EXPOSITIONS AND MISSIONS
STATEMENT OF REVENUES AND EXPENDITURES
For the year ended December 31, 2011
(With corresponding figures for 2010)
(In Philippine Peso)

	Notes	2011	2010
General Income	2.3 and 19		
Service income		27,917,549	54,119,885
Interest income		7,348,554	10,524,618
Gain (loss) on foreign exchange		15,335	(2,762,303)
Loss on sale of assets		(233,807)	-
Miscellaneous income		2,034,103	-
Other income		-	836,648
Gross income		37,081,734	62,718,848
Expenses	2.3 and 20		
Personal services		44,209,679	43,489,167
Maintenance and other operating expenses		109,893,856	97,349,318
Financial expenses		265,001	331,157
Total expenses		154,368,536	141,169,642
LOSS FROM OPERATIONS		117,286,802	78,450,794
SUBSIDY FROM NATIONAL GOVERNMENT	21	79,686,000	73,746,000
NET LOSS		37,600,802	4,704,794

The notes on pages 7 to 15 form part of these financial statements.

CENTER FOR INTERNATIONAL TRADE EXPOSITIONS AND MISSIONS

CASH FLOW STATEMENT

For the year ended December 31, 2011

(With corresponding figures for 2010)

(In Philippine Peso)

	Notes	2011	2010
Cash Flows from Operating Activities:			
Receipt of government subsidy	21	79,686,000	73,746,000
Cash received from exhibitors/customers		33,643,836	55,511,381
Funds received from Department of Trade and Industry and other government agencies and sponsorship from private sectors for the implementation of export promotion projects		66,535,658	38,184,901
Funds received from Philippine Exporters Confederation		-	100,000
Interest received from savings/current accounts		164,507	167,663
Cash paid to suppliers and employees		(216,551,572)	(193,360,366)
Net cash used in operating activities		(36,521,571)	(25,650,421)
Cash Flows from Investing Activities:			
Interest earned from investment in treasury bills/ time deposit		7,184,047	10,524,618
Investment in treasury bills and dollar time deposit transferred to restricted fund account		-	8,341,821
Reclassification of restricted fund to LBP time deposit		24,958,249	-
Effects of foreign exchange rate changes on cash and cash equivalents		15,335	(2,762,303)
Purchases of property, equipment and motor vehicles		(2,278,322)	(242,817)
Adjustment on drawdown and interest income from LBP-dollar time deposit to Restricted fund		(33,404,856)	-
Net cash (used in) provided by investing activities		(3,525,547)	15,861,319
Net decrease in cash and cash equivalents		(40,047,118)	(9,789,102)
Cash and cash equivalents, beginning of year		80,528,068	90,317,170
CASH AND CASH EQUIVALENTS, END OF YEAR	3	40,480,950	80,528,068

The notes on pages 7 to 15 form part of these financial statements.