



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

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

May 10, 2019

Department of Trade & Industry  
OFFICE OF THE SECRETARY

**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

received by:

date:

MAY 10 2019

**Gentlemen/Mesdames:**

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree (PD) No. 1445, otherwise known as the Government Auditing Code of the Philippines, we transmit herewith our report on the results of the audit of the accounts and transactions of the **Center for International Trade Expositions and Missions (CITEM)**, for the years ended December 31, 2018 and 2017.

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 an unmodified opinion on the fairness of presentation of the financial statements of the CITEM.

However, we invite your attention to the following observations and recommendations that need immediate action:

1. The faithful representation of the balance of Cash in Bank account amounting to P307.361 million as at December 31, 2018 was not established due to:  
(a) discrepancy of P1.115 million between the balance per books and confirmed bank balances on two depository accounts; (b) unrecorded bank credits/debits and unadjusted book errors in four depository accounts in an aggregate amount of P3.890 million; and (c) deposits recorded in the books but not taken up by the bank totaling P53,540.
- 1.1 We recommended that Management:
  - a. Instruct the Accounting Division to:
    - a.1 Determine the cause(s) of the variances between the book balances and the confirmed bank balances on the two accounts maintained with

Philippine National Bank (PNB) and effect necessary adjustments, if any, to arrive at reconciled balances;

- a.2 Send confirmation letters to exhibitors to inquire if payments have been made via online facility of the Banks and require them to submit proof of payment to facilitate recording of the unidentified bank credits;
  - a.3 Provide a system of check and balance, ensure that all payments are recorded in the books, and send confirmation letters regularly to exhibitors with outstanding balance with CITEM;
  - a.4 Exert all efforts to identify the nature of the unrecorded bank credits and debits so that necessary adjustments could be made in the books;
  - a.5 Make necessary adjustments in the books on the errors noted totaling P50,101; and
  - a.6 Substantiate the correctness of the recording in the books of the deposits totaling P53,540 and submit to the concerned Bank proofs of the deposit so that the amount could be credited by the latter to CITEM's account.
- b. Direct the Chief, Finance Division to make representation with the Bank Management on ways to resolve the issue on the delay in the issuance of the monthly bank statements and its inability to provide bank credit memos.
2. The Report on the Physical Count of Property, Plant and Equipment (RPCPPE) for CY 2018 included 644 Property, Plant and Equipment (PPE) items identified as "damaged for disposal" totaling P8.972 million, instead of reporting them separately in an Inventory and Inspection Report of Unserviceable Property (IIRUP) to conform with Section 40 (d) and Section 42 (h) of Government Accounting Manual (GAM), Volume I. Likewise, these unserviceable properties were still recorded in the books as part of PPE in view of the non-disposal thereof; thus, overstating the PPE account which is not in accordance with Paragraph 82 of the Philippine Public Sector Accounting Standard (PPSAS) 17.
- 2.1 We recommended that Management:
- a. Direct the General Services Division to prepare IIRUP for properties which were already identified as unserviceable to facilitate the disposal thereof through public auction, destruction in the presence of COA Auditor or COA representative or other appropriate mode of disposal;
  - b. Require the Disposal Committee to appraise those unserviceable properties which have still value and determine the appropriate mode of disposal; and
  - c. Instruct the Accountant to derecognize the carrying value of the unserviceable properties upon disposal.



3. The CITEM still maintains three depository accounts with the PNB with aggregate balance of P5.780 million as of December 31, 2018, contrary to Department of Finance (DOF) Department Circular (DC) No. 001-2017 dated May 11, 2017; thus, depriving the government authorized depository banks (AGDBs) of the benefits that could be derived therefrom had these funds been deposited thereat.
- 3.1 We recommended and Management agreed to comply with DOF DC No. 001-2017 dated May 11, 2017 and to transfer all accounts maintained with PNB to the Land Bank of the Philippines or other AGDBs.

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 23, 2019 are discussed in detail in Part II of the report. We also invite your attention to the prior year's partially implemented and unimplemented audit recommendations embodied in Part III of the report.

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

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

Very truly yours,

**COMMISSION ON AUDIT**

By:

**CLEOTILDE M. TUAZON**  
Director IV  
Cluster Director

**Copy furnished:**

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



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

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

May 10, 2019

**Ms. PAULINA SUACO-JUAN**

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

**Dear Ms. Suaco-Juan:**

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree (PD) No. 1445, otherwise known as the Government Auditing Code of the Philippines, we transmit herewith our report on the results of the audit of the accounts and transactions of the **Center for International Trade Expositions and Missions (CITEM)**, for the years ended December 31, 2018 and 2017.

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 an unmodified opinion on the fairness of presentation of the financial statements of the CITEM.

However, we invite your attention to the following observations and recommendations that need immediate action:

1. The faithful representation of the balance of Cash in Bank account amounting to P307.361 million as at December 31, 2018 was not established due to:  
(a) discrepancy of P1.115 million between the balance per books and confirmed bank balances on two depository accounts; (b) unrecorded bank credits/debits and unadjusted book errors in four depository accounts in an aggregate amount of P3.890 million; and (c) deposits recorded in the books but not taken up by the bank totaling P53,540.

1.1 We recommended that Management:

a. Instruct the Accounting Division to:

- a.1 Determine the cause(s) of the variances between the book balances and the confirmed bank balances on the two accounts maintained with

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Philippine National Bank (PNB) and effect necessary adjustments, if any, to arrive at reconciled balances;

- a.2 Send confirmation letters to exhibitors to inquire if payments have been made via online facility of the Banks and require them to submit proof of payment to facilitate recording of the unidentified bank credits;
  - a.3 Provide a system of check and balance, ensure that all payments are recorded in the books, and send confirmation letters regularly to exhibitors with outstanding balance with CITEM;
  - a.4 Exert all efforts to identify the nature of the unrecorded bank credits and debits so that necessary adjustments could be made in the books;
  - a.5 Make necessary adjustments in the books on the errors noted totaling P50,101; and
  - a.6 Substantiate the correctness of the recording in the books of the deposits totaling P53,540 and submit to the concerned Bank proofs of the deposit so that the amount could be credited by the latter to CITEM's account.
- b. Direct the Chief, Finance Division to make representation with the Bank Management on ways to resolve the issue on the delay in the issuance of the monthly bank statements and its inability to provide bank credit memos.
2. The Report on the Physical Count of Property, Plant and Equipment (RPCPPE) for CY 2018 included 644 Property, Plant and Equipment (PPE) items identified as "damaged for disposal" totaling P8.972 million, instead of reporting them separately in an Inventory and Inspection Report of Unserviceable Property (IIRUP) to conform with Section 40 (d) and Section 42 (h) of Government Accounting Manual (GAM), Volume I. Likewise, these unserviceable properties were still recorded in the books as part of PPE in view of the non-disposal thereof; thus, overstating the PPE account which is not in accordance with Paragraph 82 of the Philippine Public Sector Accounting Standard (PPSAS) 17.
- 2.1 We recommended that Management:
- a. Direct the General Services Division to prepare IIRUP for properties which were already identified as unserviceable to facilitate the disposal thereof through public auction, destruction in the presence of COA Auditor or COA representative or other appropriate mode of disposal;
  - b. Require the Disposal Committee to appraise those unserviceable properties which have still value and determine the appropriate mode of disposal; and
  - c. Instruct the Accountant to derecognize the carrying value of the unserviceable properties upon disposal.

3. The CITEM still maintains three depository accounts with the PNB with aggregate balance of P5.780 million as of December 31, 2018, contrary to Department of Finance (DOF) Department Circular (DC) No. 001-2017 dated May 11, 2017; thus, depriving the government authorized depository banks (AGDBs) of the benefits that could be derived therefrom had these funds been deposited thereat.
- 3.1 We recommended and Management agreed to comply with DOF DC No. 001-2017 dated May 11, 2017 and to transfer all accounts maintained with PNB to the Land Bank of the Philippines or other AGDBs.

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 23, 2019 are discussed in detail in Part II of the report. We also invite your attention to the prior year's partially implemented and unimplemented audit recommendations embodied in Part III of the report.

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

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

Very truly yours,

**COMMISSION ON AUDIT**

By:



**CLEOTILDE M. TUAZON**  
Director IV  
Cluster Director

**Copy furnished:**

- The President of the Republic of the Philippines
- The Vice President
- The President of the Senate
- The Speaker of the House of Representatives
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*Republic of the Philippines*  
**COMMISSION ON AUDIT**  
*Commonwealth Avenue, Quezon City*

# **ANNUAL AUDIT REPORT**

**on the**

**CENTER FOR INTERNATIONAL TRADE  
EXPOSITIONS AND MISSIONS**

**For the Years Ended December 31, 2018 and 2017**



## EXECUTIVE SUMMARY

### INTRODUCTION

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

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

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

The Center is governed by a Board of Governors composed of a Chairman and four members. Its Management is headed by an Executive Director who is assisted by a Deputy Executive Director. As of December 31, 2018, CITEM had a total work force of 93 regular personnel and 38 service providers.

### FINANCIAL HIGHLIGHTS (In Philippine Peso)

#### I. Comparative Financial Position

	2018	2017 (As Restated)	Increase/ (Decrease)
Assets	669,893,848	570,434,388	99,459,460
Liabilities	107,007,264	103,351,811	3,655,453
Equity	562,886,584	467,082,577	95,804,007

## II. Comparative Financial Performance

	2018	2017 (As Restated)	Increase (Decrease)
Revenue	83,959,380	66,424,151	17,535,229
Expenses	263,233,838	255,586,598	7,647,240
Surplus/(Deficit) from current operations	(179,274,458)	(189,162,447)	9,887,989
Gain/(Loss) - net	5,699,852	491,436	5,208,416
Subsidy from the national government	231,876,000	220,000,000	11,876,000
<b>Net surplus for the period</b>	<b>58,301,394</b>	<b>31,328,989</b>	<b>26,972,405</b>

## III. Comparison of 2018 Budget and Actual Amounts

Particulars	Per COB	Actual	Variance
Personnel services	73,672,000	64,476,478	9,195,522
Maintenance and other operating expenses	228,504,570	189,854,789	38,649,781
Financial expenses	497,430	485,968	11,462
Capital outlay	7,896,000	-	7,896,000
	<b>310,570,000</b>	<b>254,817,235</b>	<b>55,752,765</b>

### SCOPE OF AUDIT

The audit covered the examination, on a test basis, of transactions and accounts of CITEM, for calendar year (CY) 2018 to enable us to express an opinion on the financial statements for the years ended December 31, 2018 and 2017 in accordance with International Standards of Supreme Audit Institutions (ISSAIs). It was also conducted at determining the Center's compliance with pertinent laws, rules and regulations and adherence to prescribed policies and procedures.

### AUDITOR'S OPINION

We rendered an unmodified opinion on the fairness of the presentation of the financial statements of the CITEM for CYs 2018 and 2017.

### SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

1. The faithful representation of the balance of Cash in Bank account amounting to P307.361 million as at December 31, 2018 was not established due to: (a) discrepancy of P1.115 million between the balance per books and confirmed bank balances on two depository accounts; (b) unrecorded bank credits/debits and unadjusted book errors in four depository accounts in an aggregate amount of P3.890 million; and (c) deposits recorded in the books but not taken up by the bank totaling P53,540.



- 1.1 We recommended that Management:
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      - a.1 Determine the cause(s) of the variances between the book balances and the confirmed bank balances on the two accounts maintained with Philippine National Bank (PNB) and effect necessary adjustments, if any, to arrive at reconciled balances;
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      - a.5 Make necessary adjustments in the books on the errors noted totaling P50,101; and
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    - b. Direct the Chief, Finance Division to make representation with the Bank Management on ways to resolve the issue on the delay in the issuance of the monthly bank statements and its inability to provide bank credit memos.
  2. The Report on the Physical Count of Property, Plant and Equipment (RPCPPE) for CY 2018 included 644 Property, Plant and Equipment (PPE) items identified as "damaged for disposal" totaling P8.972 million, instead of reporting them separately in an Inventory and Inspection Report of Unserviceable Property (IIRUP) to conform with Section 40 (d) and Section 42 (h) of Government Accounting Manual (GAM), Volume I. Likewise, these unserviceable properties were still recorded in the books as part of PPE in view of the non-disposal thereof; thus, overstating the PPE account which is not in accordance with Paragraph 82 of the Philippine Public Sector Accounting Standard (PPSAS) 17.
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- 3.1 We recommended and Management agreed to comply with DOF DC No. 001-2017 dated May 11, 2017 and to transfer all accounts maintained with PNB to the Land Bank of the Philippines or other AGDBs.

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

As of December 31, 2018, there were no unsettled audit suspensions and charges, while unsettled audit disallowances amounted to P4.915 million, details of which are presented in Part II-B, Table 9 of this Report.

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

Of the 21 audit recommendations embodied in the prior year's Annual Audit Report (AAR), 14 were fully implemented, six (6) were partially implemented and one (1) was not implemented. Details are discussed in Part III of this Report.



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

**INDEPENDENT AUDITOR'S REPORT**

**THE BOARD OF GOVERNORS**

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

***Report on the Audit of the Financial Statements***

**Opinion**

We have audited the accompanying financial statements of the **Center for International Trade Expositions and Missions (CITEM)**, which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of financial performance, statements of changes in net assets/equity, and statements of cash flows for the years then ended, statement of comparison of budget and actual amounts for the year ended December 31, 2018, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of CITEM as at December 31, 2018 and 2017, and of its financial performance and its cash flows for the years then ended in accordance with Philippine Public Sector Accounting Standards (PPSASs).

**Basis for Opinion**

We conducted our audits in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the CITEM in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with PPSASs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the CITEM's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the CITEM's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the CITEM to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

***Report on Other Legal and Regulatory Requirements***

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2018, 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 PPSASs. Such supplementary information is the responsibility of management.

**COMMISSION ON AUDIT**



**REBECCA Y. RAGSAG**

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

April 23, 2019

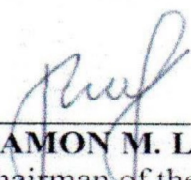


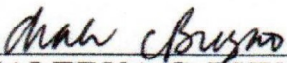
**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**

The Management of the **CENTER FOR INTERNATIONAL TRADE EXPOSITIONS AND MISSIONS (CITEM)** is responsible for the preparation of the financial statements as at **DECEMBER 31, 2018 and 2017**, including the additional components attached thereto in accordance with the prescribed financial reporting framework indicated therein. The responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

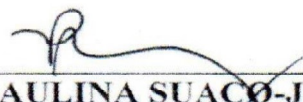
The Board of Governors reviews and approves the financial statements before such statements are issued to the regulators, creditors and other users.

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

  
\_\_\_\_\_  
**RAMON M. LOPEZ**  
Chairman of the Board  
April 23, 2019  
Date Signed

  
\_\_\_\_\_  
**MALERNA C. BUYAO**  
Officer-in-Charge, Controllership

April 23, 2019  
Date Signed

  
\_\_\_\_\_  
**PAULINA SUACO-JUAN**  
Executive Director

April 23, 2019  
Date Signed

**CENTER FOR INTERNATIONAL TRADE EXPOSITIONS AND MISSIONS**  
**STATEMENTS OF FINANCIAL POSITION**

As at December 31, 2018 and 2017

(In Philippine Peso)

	Note	2018	2017	1 January 2017
		(As Restated)	(As Restated)	(As Restated)
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	8	307,648,409	196,962,192	159,869,903
Receivables - net	9	11,974,412	21,194,972	15,214,062
Inventories	10	694,487	1,232,808	935,315
Other assets-(current)	12	20,527,010	13,865,169	16,155,183
<b>Total current assets</b>		<b>340,844,318</b>	<b>233,255,141</b>	<b>192,174,463</b>
<b>Non-current assets</b>				
Receivables - net	9	1,208,867	1,208,867	1,896,449
Property, plant and equipment - net	11	28,868,810	39,246,395	37,892,940
Other assets-(non-current)	12	298,971,853	296,723,985	295,127,716
<b>Total non-current assets</b>		<b>329,049,530</b>	<b>337,179,247</b>	<b>334,917,105</b>
<b>TOTAL ASSETS</b>		<b>669,893,848</b>	<b>570,434,388</b>	<b>527,091,568</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Financial liabilities	13	42,316,850	41,780,505	52,480,938
Inter-agency payables	14	26,407,809	16,487,999	5,108,508
Trust liabilities	15	5,146,918	4,922,968	4,148,461
Deferred credits/Unearned income	16	13,086,865	19,906,165	17,617,006
Deferred tax liabilities	17	1,136,952	1,110,492	-
Other payables	18	656,810	623,050	-
<b>Total current liabilities</b>		<b>88,752,204</b>	<b>84,831,179</b>	<b>79,354,913</b>
<b>Non-current liabilities</b>				
Financial liabilities	13	12,006,410	12,271,982	7,960,634
Trust liabilities	15	1,274,877	978,830	1,090,921
Other payables	18	4,973,773	5,269,820	3,884,852
<b>Total non-current liabilities</b>		<b>18,255,060</b>	<b>18,520,632</b>	<b>12,936,407</b>
<b>TOTAL LIABILITIES</b>		<b>107,007,264</b>	<b>103,351,811</b>	<b>92,291,320</b>
<b>NET ASSETS (TOTAL ASSETS LESS TOTAL LIABILITIES)</b>		<b>562,886,584</b>	<b>467,082,577</b>	<b>434,800,248</b>
<b>NET ASSETS/EQUITY</b>				
Government equity	27	41,221,808	41,221,808	41,221,808
Revaluation surplus	28	5,054,354	5,054,354	5,054,354
Accumulated surplus/(deficit)	29	516,610,422	420,806,415	388,524,086
<b>TOTAL NET ASSETS/EQUITY</b>		<b>562,886,584</b>	<b>467,082,577</b>	<b>434,800,248</b>

The Notes on pages 10 to 51 form part of these Financial Statements.

**CENTER FOR INTERNATIONAL TRADE EXPOSITIONS AND MISSIONS**  
**STATEMENTS OF FINANCIAL PERFORMANCE**  
For the Years Ended December 31, 2018 and 2017  
*(in Philippine Peso)*

	Note	2018	2017 (As Restated)
<b>REVENUE</b>			
Service and business income	19	83,959,380	66,424,151
<b>TOTAL REVENUE</b>		<b>83,959,380</b>	<b>66,424,151</b>
<b>CURRENT OPERATING EXPENSES</b>			
Personnel services	20	64,476,478	57,929,093
Maintenance and other operating expenses	21	189,854,789	189,922,336
Financial expenses	22	485,968	271,761
Non-cash expenses	23	8,416,603	7,463,408
<b>TOTAL CURRENT OPERATING EXPENSES</b>		<b>263,233,838</b>	<b>255,586,598</b>
<b>SURPLUS/(DEFICIT) FROM CURRENT OPERATIONS</b>		<b>(179,274,458)</b>	<b>(189,162,447)</b>
Gains (Loss) on foreign exchange (FOREX), net	24	5,699,852	513,936
Gains (Loss) on sale of disposed assets, net	24	-	(22,500)
Subsidy from national government	25	231,876,000	220,000,000
<b>NET SURPLUS FOR THE PERIOD</b>		<b>58,301,394</b>	<b>31,328,989</b>

The Notes on pages 10 to 51 form part of these Financial Statements.



**CENTER FOR INTERNATIONAL TRADE EXPOSITIONS AND MISSIONS**  
**STATEMENT OF CHANGES IN NET ASSETS/EQUITY**  
For the Years Ended December 31, 2018 and 2017  
*(In Philippine Peso)*

	Government equity Note 27	Revaluation surplus Note 28	Accumulated surplus/(deficit) Note 29	Total
<b>BALANCE AT JANUARY 1, 2017</b>	<b>41,221,808</b>	<b>5,054,354</b>	<b>414,848,655</b>	<b>461,124,817</b>
<b>ADJUSTMENTS:</b>				
Add/(Deduct):				
Prior period errors			(21,437,547)	(21,437,547)
Change in accounting policy			(4,887,022)	(4,887,022)
<b>BALANCE AT JANUARY 1, 2017, AS RESTATED</b>	<b>41,221,808</b>	<b>5,054,354</b>	<b>388,524,086</b>	<b>434,800,248</b>
<b>Changes in Net Assets/Equity for CY 2017</b>				
Add/(Deduct):				
Surplus for the period			31,328,989	31,328,989
Other adjustments			953,340	953,340
<b>BALANCE AT DECEMBER 31, 2017</b>	<b>41,221,808</b>	<b>5,054,354</b>	<b>420,806,415</b>	<b>467,082,577</b>
<b>Changes in Net Assets/Equity for CY 2018</b>				
Add/(Deduct):				
Surplus for the period			58,301,394	58,301,394
Other adjustments			37,502,613	37,502,613
<b>BALANCE AT DECEMBER 31, 2018</b>	<b>41,221,808</b>	<b>5,054,354</b>	<b>516,610,422</b>	<b>562,886,584</b>

The Notes on pages 10 to 51 form part of these Financial Statements.

**CENTER FOR INTERNATIONAL TRADE EXPOSITIONS AND MISSIONS**  
**STATEMENTS OF CASH FLOWS**  
For the Years Ended December 31, 2018 and 2017  
*(In Philippine Peso)*

	Note	2018	2017 (As Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash Inflows</b>			
Proceeds from sale of goods and services		7,897,640	3,533,186
Collection of present and prior year's revenue		88,321,861	55,444,686
Receipt of assistance/subsidy		231,876,000	220,000,000
Collection of receivables		980,204	4,045,715
Receipt of Inter-agency fund transfers		47,737,946	27,780,237
Trust receipts		21,082,063	822,068
Other receipts		6,782,784	5,594,655
<b>Total Cash Inflows</b>		<b>404,678,498</b>	<b>317,220,548</b>
<b>Cash Outflows</b>			
Payment of expenses		(202,276,163)	(195,377,813)
Purchase of inventories		(192,958)	(19,055)
Grant of cash advances		(16,609,273)	(16,818,905)
Prepayments		(17,003,962)	(9,717,245)
Refund of deposits		(559,545)	(944,639)
Payment of accounts payable		(36,376,887)	(35,667,701)
Grant of financial assistance/subsidy/contribution		(5,000)	(58,000)
Other disbursements		(27,452,993)	(19,210,971)
<b>Total Cash Outflows</b>		<b>(300,476,781)</b>	<b>(277,814,329)</b>
<b>Net Cash Provided by/(Used in) Operating Activities</b>		<b>104,201,717</b>	<b>39,406,219</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Cash Inflows</b>			
Proceeds from sale/disposal of property, plant and equipment		142,646	41,531
Receipts of interest earned		642,002	639,068
<b>Total Cash Inflows</b>		<b>784,648</b>	<b>680,599</b>
<b>Cash Outflows</b>			
Purchase/Construction of property, plant and equipment		-	(3,508,465)
<b>Total Cash Outflows</b>		<b>-</b>	<b>(3,508,465)</b>
<b>Net Cash Provided by/(Used in) Investing Activities</b>		<b>784,648</b>	<b>(2,827,866)</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>		<b>104,986,365</b>	<b>36,578,353</b>
Effects of exchange rate changes on cash and cash equivalents		5,699,852	513,936
<b>Cash and Cash Equivalents, January 1</b>		<b>196,962,192</b>	<b>159,869,903</b>
<b>Cash and Cash Equivalents, December 31</b>	8	<b>307,648,409</b>	<b>196,962,192</b>

The Notes on pages 10 to 51 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, 2018

(In Philippine Peso)

	Budgeted Amount		Actual Amounts on Comparable	Difference Final Budget and Actual
	Note 30			
	Original	Final		
<b>RECEIPTS</b>				
Services and business income	82,861,000	82,861,000	83,959,380	(1,098,380)
Gains, net	-	-	5,699,852	(5,699,852)
Assistance and subsidy	231,876,000	231,876,000	231,876,000	-
<b>Total receipts</b>	<b>314,737,000</b>	<b>314,737,000</b>	<b>321,535,232</b>	<b>(6,798,232)</b>
<b>PAYMENTS</b>				
Personnel services	74,965,000	73,672,000	64,476,478	9,195,522
Maintenance and other operating expenses	231,542,000	228,504,570	189,854,789	38,649,781
Capital outlay	7,896,000	7,896,000	-	7,896,000
Financial expenses	334,000	497,430	485,968	11,462
<b>Total payments</b>	<b>314,737,000</b>	<b>310,570,000</b>	<b>254,817,235</b>	<b>55,752,765</b>
<b>NET RECEIPTS/PAYMENTS</b>	<b>-</b>	<b>4,167,000</b>	<b>66,717,997</b>	<b>(62,550,997)</b>

The Notes on pages 10 to 51 form part of these Financial Statements.

**CENTER FOR INTERNATIONAL TRADE EXPOSITIONS AND MISSIONS**  
**NOTES TO FINANCIAL STATEMENTS**

*(All amounts in Philippine Peso, unless otherwise stated)*

**1. GENERAL INFORMATION**

The Center for International Trade Expositions and Missions (CITEM), a government-owned and controlled corporation (GOCC), is an agency attached to the Department of Trade and Industry (DTI). It was created by virtue of Executive Order (EO) Nos. 989 and 133 dated October 10, 1984 and February 17, 1987, respectively, as amended by EO Nos. 242 and 242-A, dated July 24, 1987 and July 26, 1987, respectively, to institutionalize the holding of international trade exhibits for the promotion of locally manufactured products and implement projects designed to upgrade the quality of such products to international standards, coordinate raw material sourcing, develop markets and provide assistance to Philippine manufacturers in general.

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

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

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

The financial statements of the CITEM were authorized for issue on April 23, 2019, as shown in the Statement of Management's Responsibility for Financial Statements signed by DTI Secretary Ramon M. Lopez, 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 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.



These are the CITEM's first financial statements prepared in accordance with PPSASs and PPSAS 33 *First-time Adoption of Accrual Basis* has been applied. The date of adoption of PPSASs is January 1, 2018. The accounting policies have been consistently applied throughout the year presented.

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

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

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

### **3. ADOPTION OF PHILIPPINE PUBLIC SECTOR ACCOUNTING STANDARDS (PPSASs)**

COA Resolution No. 2014-003 dated January 24, 2014 prescribed the adoption of 25 Philippine Public Sector Accounting Standards (PPSASs) effective January 1, 2014 by non-government business enterprises (Non-GBEs), as amended by COA Resolution No. 2015-040 dated December 01, 2015, on the effectivity of the adoption of the PPSASs from May 22, 2015 to January 1, 2016. These PPSASs were based on the International Public Sector Accounting Standards (IPSASs) which were published in the 2012 Handbook of International Public Sector Accounting Pronouncements (HIPSAP) of the International Public Sector Accounting Standards Board. COA Resolution No. 2017-006 dated April 26, 2017 prescribed the adoption of additional six PPSASs and updates on the PPSASs prescribed in COA Resolution No. 2014-003 in accordance with the 2016 Edition of the HIPSAP.

#### **3.1 Effective in 2018 that are Relevant to the Company**

Below is a list of PPSASs issued as at December 31, 2018 that are adopted for the first time by CITEM in preparing the financial statements for the year ended December 31, 2018, the comparative information presented in these financial statements for the year ended December 31, 2017 and in the preparation of an opening PPSAS statement of financial position at January 1, 2017 (the CITEM's date of transition).

- PPSAS 1, *Presentation of Financial Statements* (effective for periods beginning January 1, 2014)

This Standard sets overall considerations for the presentation of financial statements, guidance for their structure, and minimum requirements for the content of financial statements prepared under the accrual basis of accounting.

Application of this PPSAS has effect on the presentation of current and non-current assets and current and non-current liabilities, as separate classification on the face of statement of financial position.

- PPSAS 2, *Cash Flows Statements* (effective for periods beginning January 1, 2014)

This Standard requires the provision of information about the historical changes in cash and cash equivalents of an entity by means of a cash flow statement that classifies cash flows during the period from operating, investing, and financing activities.

There is no material difference in recognition and measurement with the previous standard upon application of this PPSAS.

- PPSAS 3, *Accounting Policies, Changes in Accounting Estimate and Errors* (effective for periods beginning January 1, 2014)

This Standard prescribes the criteria for selecting and changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates, and corrections of errors.

In accordance with COA Circular No. 2016-006 dated December 29, 2016, the P15,000 capitalization threshold for Property, Plant and Equipment (PPE) was applied. Tangible items below the capitalization threshold of P15,000 were accounted as expense accounts (if issued within the year), or accumulated surplus/(deficit) (if issued in prior years). A total of P4,887,022 were reclassified and booked as adjustment in accumulated surplus/deficit.

- PPSAS 4, *The Effects of Changes in Foreign Exchange Rates* (effective for periods beginning January 1, 2014)

This Standard prescribes how to include foreign currency transactions and foreign operations in the financial statements of an entity and how to translate financial statements into presentation currency.

Assets and liabilities for each statement of financial position presented shall be translated at the closing rate at the date of that statement of financial position. All resulting exchange differences shall be recognized as a separate component of net assets/equity.

There is no material difference in recognition and measurement with the previous standard upon application of this PPSAS.

- PPSAS 9, *Revenue from Exchange Transactions* (effective for periods beginning January 1, 2014)

This Standard prescribes the standards for identification, measurement and disclosure of revenues of public sector entities derived from exchange transactions. An exchange is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value to the other party in exchange. These transactions are rendering of services, sale of goods and use by other entity assets yielding interest, royalties, and dividends.

There is no material difference in recognition and measurement with the previous standard upon application of this PPSAS.

- PPSAS 12, *Inventories* (effective for periods beginning January 1, 2014)

This Standard sets out the accounting treatment for inventories. A primary issue in accounting for inventories is the amount of cost to be recognized as an asset and carried forward until the related revenues are recognized. This Standard provides guidance on the determination of cost and its subsequent recognition as an expense, including any write down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories.

Application of this PPSAS has effect on inventory valuation from First-in, First-out (FIFO) to Weighted Average Cost method. As of December 31, 2018, CITEM has not yet applied the Weighted Average method for costing inventories which requires the maintenance of Supplies Ledger Cards (SLCs) for each kind of supplies and materials. In addition, the Periodic Inventory System was adopted by CITEM in accounting for supplies.

- PPSAS 13, *Leases* (effective for periods beginning January 1, 2014)

This Standard prescribes, for lessee and lessor, the appropriate policies and disclosures to apply in relation to finance and operating leases. It also prescribes specific identifications of transactions which are considered as lease agreement and those which are not. Also, it presents the two specific classifications of lease agreements and how they are presented in the financial statements.

There is no material difference in recognition and measurement with the previous standard upon application of this PPSAS.

- PPSAS 14, *Events After the Reporting Date* (effective for periods beginning January 1, 2014)

This Standard prescribes the circumstances in which adjustments for events after the reporting period are required. It also prescribes the disclosure requirements regarding the date of authorization for issue and information received after the reporting period.

It requires that an entity should not prepare its financial statements on going concern basis if events after the reporting date indicate that the going concern assumption is not appropriate.

Upon assessment, CITEM has no relevant event, which needs necessary adjustments and/or disclosure that occurred after the reporting date but before the issuance of this report.

- PPSAS 17, *Property, Plant and Equipment* (effective for periods beginning January 1, 2014)

This Standard prescribes the standards on the recognition, measurement at recognition, measurement after recognition, depreciation, impairment, derecognition and disclosure requirements dealing with transactions and events affecting PPE of the Philippine public sector. The principal issues in accounting for PPE are (a) the recognition of the assets, (b) the determination of their carrying amounts, and (c) the depreciation charges and impairment losses to be recognized in relation to them.

In accordance with COA Circular No. 2016-006 dated December 29, 2016, the P15,000 capitalization threshold for PPE was applied. Tangible items below the capitalization threshold of P15,000 were accounted as semi-expendable property (if not yet issued to end-users), as expense accounts (if issued within the year), or accumulated surplus/(deficit) (if issued in prior years). A total of P4,887,022 were reclassified and booked as adjustments in the accumulated surplus/(deficit).

- PPSAS 20, *Related Party Disclosures* (effective for periods beginning January 1, 2014)

This Standard sets out the requirement of the disclosure of the existence of related party relationships where control exists, and the disclosure of information about transactions between the entity and its related parties in certain circumstances. This information is required for accountability purposes, and to facilitate a better understanding of the financial position and performance of the reporting entity. The principal issues in disclosing information about related parties are (a) identifying which parties control or significantly influence the reporting entity, and (b) determining what information should be disclosed about transactions with those parties.

The CITEM has provided additional disclosures on key management personnel and key management personnel compensation as required by this Standard.

- PPSAS 21, *Impairment of Non-Cash-Generating Assets* (effective for periods beginning January 1, 2014)

This Standard sets out the procedures in determining whether a non-cash-generating asset is impaired; recognition and measurement of impairment losses; reversal of impairment loss; redesignation of assets and disclosures.

There is no material difference in recognition and measurement with the previous standard upon application of this PPSAS.



- PPSAS 24, *Presentation of Budget Information in Financial Statements* (effective for periods beginning January 1, 2014)

This Standard prescribes a comparison of budget amounts and the actual amounts arising from execution of the budget to be included in the financial statements of entities. This Standard also requires disclosure of an explanation of the reasons for material differences between the budget and actual amounts.

The Statement of Comparison of Budget and Actual Amounts (SCBAA) and the disclosure of an explanation of the reasons for material differences between the budget and actual amounts were prepared in accordance with this Standard.

- PPSAS 26, *Impairment of Cash-Generating Assets* (effective for periods beginning January 1, 2014)

This Standard sets out the procedures that an entity shall apply to determine whether a cash-generating asset is impaired, and to ensure that impairment losses are recognized. It also specifies when an entity shall reverse an impairment loss, and prescribes disclosures.

There is no material difference in recognition and measurement with the previous standard upon application of this PPSAS.

- PPSAS 28, *Financial Instruments: Presentation* (effective for periods beginning January 1, 2014)

This Standard establishes principles for presenting financial instruments as liabilities or net assets/equity and for offsetting financial assets and financial liabilities. It applies to the classification of financial instruments, from the perspective of the issuer, into financial assets, financial liabilities and equity instruments; the classification of related interest, dividends or similar distribution, losses and gains; and circumstances in which financial assets and financial liabilities should be offset.

This Standard complements the principles for recognizing and measuring financial assets and financial liabilities in PPSAS 29, "*Financial Instruments: Recognition and Measurement*", and for disclosing information about them in PPSAS 30, "*Financial Instruments: Disclosures*."

CITEM's financial instruments were recognized, measured and classified in accordance with PPSAS 28.

- PPSAS 29, *Financial Instruments: Recognition and Measurements* (effective for periods beginning January 1, 2014)

This Standard prescribes the accounting principles for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It complements the principles for presenting information about financial instruments in PPSAS 28 "*Financial Instruments: Presentation*" and for disclosing information about them in PPSAS 30, "*Financial Instruments: Disclosures*."

CITEM's financial instruments were recognized, measured and classified in accordance with PPSAS 29.

- PPSAS 30, *Financial Instruments: Disclosures* (effective for periods beginning January 1, 2014)

This Standard requires entities to provide disclosures in their financial statements that enable users to evaluate: (a) the significance of financial instruments for entity's financial position and financial performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the end of the reporting period, and how the entity manages those risks.

The principles in this Standard complement the principles for presenting and recognizing and measuring financial assets and financial liabilities in PPSAS 28, "*Financial Instruments: Presentation*" and PPSAS 29, "*Financial Instruments: Recognition and Measurement*."

- PPSAS 33, *First-time Adoption of Accrual Basis PPSASs* (effective for periods beginning January 1, 2017)

This Standard provides guidance to a first-time adopter that prepares and presents financial statements following the adoption of accrual basis PPSASs, in order to present high quality information:

- (a) That provides transparent reporting about a first-time adopter's transition to accrual basis PPSASs;
- (b) That provides a suitable starting point for accounting in accordance with accrual basis PPSASs irrespective of the basis of accounting the first-time adopter has used prior to the date of adoption; and
- (c) Where the benefits are expected to exceed the costs.

CITEM did not adopt any of the transitional exemptions in PPSAS 33 that may impact fair presentation of the financial statements.

### **3.2 Effective in 2018 that are Not Relevant to the Company**

The following Standards are mandatorily effective for annual periods beginning January 1, 2018 but are not relevant to the CITEM's financial statements:

- PPSAS 5: Borrowing Costs
- PPSAS 6: Consolidated and Separate Financial Statements
- PPSAS 8: Interest in Joint Ventures
- PPSAS 16: Investment Property
- PPSAS 19: Provisions, Contingent Liabilities and Contingent Assets
- PPSAS 23: Revenue from Non-Exchange Transactions
- PPSAS 27: Agriculture
- PPSAS 31: Intangible Assets
- PPSAS 32: Service Concession Arrangements: Grantor
- PPSAS 34: Separate Financial Statements
- PPSAS 35: Consolidated Financial Statements
- PPSAS 36: Investments in Associates and Joint Ventures
- PPSAS 37: Joint Ventures
- PPSAS 38: Disclosure of Interests in Other Entities

## **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **4.1 *Basis of Accounting***

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

### **4.2 *Financial Instruments***

#### **a. Financial assets**

##### **i. Initial recognition and measurement**

Financial assets within the scope of PPSAS 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's determines the classification of its financial assets at initial recognition.

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

## ii. Subsequent measurement

The subsequent measurement of financial assets depends on their classification.

### 1. Financial assets at fair value through surplus or deficit

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

### 2. Receivables

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

## iii. Derecognition

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

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



#### **iv. Impairment of financial assets**

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

Evidence of impairment may include the following indicators:

1. The debtors or a group of debtors are experiencing significant financial difficulty
2. Default or delinquency in interest or principal payments
3. The probability that debtors will enter bankruptcy or other financial reorganization
4. Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults).

#### **v. Financial assets carried at amortized cost**

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

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

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in surplus or deficit. Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or transferred to CITEM. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is

increased or reduced by adjusting the allowance account. The request for write-off of accounts is based on the guidelines prescribed in COA Circular No. 2016-005 dated December 19, 2016. If a future write-off is later recovered, the recovery is credited in surplus and deficit.

**b. Financial liabilities**

**i. Initial recognition and measurement**

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

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

CITEM determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at cost. 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 PPSAS 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.

**4.3 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.

**4.4 Inventories**

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

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

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

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

## **4.5 Property, Plant and Equipment**

### **a. Recognition**

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

The characteristics of PPE are as follows:

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

An item of PPE is recognized as an asset if:

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

### **b. Measurement at recognition**

An item recognized as PPE is measured at cost.

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

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

Cost includes the following:

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

**c. Measurement after recognition**

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

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

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

**d. Depreciation**

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

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

i. Initial recognition of depreciation

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

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

ii. Depreciation method

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

iii. Estimated useful life

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

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



iv. Residual value

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

**e. Impairment**

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

**f. Derecognition**

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

**4.6 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.

**b. CITEM as a lessor**

ii. Operating Lease

Leases in which CITEM does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases.

Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term.

Rent received from an operating lease is recognized as income on a straight-line basis over the lease term. Contingent rents are recognized as revenue in the period in which they are earned.

The depreciation policies for PPE are applied to similar assets leased by the entity.

CITEM, as a lessor, generates a minimal and irregular amount of income from the rental of the now demolished HallOne; rental of its flatbed truck, planters and other properties for display and curation purposes of its exhibitors.

Rental income

<b>Particular</b>	<b>2018</b>	<b>2017</b>
HallOne Venue Rental	-	1,940,894

#### **4.7 Changes in Accounting Policies and Estimates**

CITEM recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

CITEM stops its practice of recognizing receivable and unearned revenue from approved application contracts in the current year which pertain to shows and projects of the following year and are unpaid at the close of the reporting period. Unearned revenue is recognized if and only when advance payments from exhibitors are received.

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

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

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

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

#### **4.8 Foreign Currency Transactions**

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

At each reporting date:

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

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

#### **4.9 Revenue from Exchange Transactions**

##### **a. Measurement of revenue**

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

##### **b. Rendering of services**

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

##### **c. Interest income**

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

#### **4.10 Budget Information**

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

A separate 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 30.

#### **4.11 Related Parties**

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

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

#### **4.12 Employee Benefits**

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

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

#### **4.13 Measurement Uncertainty**

The preparation of financial statements in conformity with PPSASs 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.

### **5. PRIOR PERIOD ADJUSTMENTS**

#### **5.1 Due to Change in Accounting Policy**

In accordance with COA Circular No. 2016-006 dated December 29, 2016, the P15,000 capitalization threshold for PPE was applied. Tangible items below the capitalization threshold of P15,000, which were issued to end-users in prior years, for a total of P4,887,022 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.

#### **5.2 Due to Prior Period Errors**

Prior period errors include recognition of income from prior year, over/under setup of payables due to variance in actual payment of expenses and other correction of errors in the financial statements that were reported for a prior period in Note 29.

### **6. EXPLANATION OF TRANSITION TO PPSASs**

As stated in Note 2, these are CITEM's first financial statements prepared in accordance with PPSASs.

The accounting policies set out in Note 4 have been applied in preparing the financial statements for the year ended December 31, 2018, the comparative information presented in these financial statements for the year ended December 31, 2017 and in the preparation of an opening PPSASs statement of financial position at January 1, 2017 (CITEM's date of transition).

In preparing its opening statement of financial position, CITEM has adjusted amounts reported previously in financial statements prepared in accordance with previous

Generally Accepted Accounting Principles (GAAP). An explanation of how the transition from previous GAAP to PPSASs has affected CITEM's financial position, financial performance and cash flows is set out in the following tables:

**Reconciliation of Net Assets/Equity**  
At January 1, 2017

	Previously generally accepted accounting principles (GAAP)	Effect of transition to PPSASs			
		Reclassification	Difference in recognition and measurement	PPSASs	
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	159,888,532	(18,629)	-	159,869,903	Cash and cash equivalents
Receivables-net	15,219,337	(5,275)	-	15,214,062	Receivables-net
Inventories	935,315			935,315	Inventories
Prepaid expenses	14,141,369	(14,141,369)	-	-	Prepaid expenses
Guarantee deposits	610,985	(610,985)	-	-	Guarantee deposits
		1,378,925			
		18,629			
		5,275			
		14,141,369	-		
		610,985	-	16,155,183	Other assets (current)
<b>Total current assets</b>	<b>190,795,538</b>	<b>1,378,925</b>	<b>-</b>	<b>192,174,463</b>	<b>Total current assets</b>
<b>Non-current assets</b>					
Receivables-net	3,275,374	(1,378,925)	-	1,896,449	Receivables-net
Property and equipment-net	42,779,962		(4,887,022)	37,892,940	Property, plant and equipment-net
Restricted fund	292,010,912	(292,010,912)	-	-	Restricted fund
Other assets	3,116,804	292,010,912	-	295,127,716	Other Assets
<b>Total non-current assets</b>	<b>341,183,052</b>	<b>(1,378,925)</b>	<b>(4,887,022)</b>	<b>334,917,105</b>	<b>Total non-current assets</b>
<b>TOTAL ASSETS</b>	<b>531,978,590</b>	<b>-</b>	<b>(4,887,022)</b>	<b>527,091,568</b>	<b>TOTAL ASSETS</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Payable accounts	56,629,399	(56,629,399)	-	-	Payable accounts
		52,480,938		52,480,938	Financial liabilities
Inter-agency payables	5,108,508	-	-	5,108,508	Inter-agency payables
		4,148,461		4,148,461	Trust liabilities
					Deferred credits/unearned income
Deferred credits	17,617,006	-	-	17,617,006	
<b>Total current liabilities</b>	<b>79,354,913</b>	<b>-</b>	<b>-</b>	<b>79,354,913</b>	<b>Total current liabilities</b>
<b>Non-current liabilities</b>					
Non-current liabilities	12,936,407	(12,936,407)	-	-	Non-current liabilities
		7,960,634		7,960,634	Financial liabilities
		1,090,921		1,090,921	Trust liabilities
		3,884,852		3,884,852	Other payables
<b>Total non-current liabilities</b>	<b>12,936,407</b>	<b>-</b>	<b>-</b>	<b>12,936,407</b>	<b>Total non-current liabilities</b>
<b>TOTAL LIABILITIES</b>	<b>92,291,320</b>	<b>-</b>	<b>-</b>	<b>92,291,320</b>	<b>TOTAL LIABILITIES</b>
<b>NET WORTH</b>					
Net worth	439,687,270	(439,687,270)	-	-	
		5,054,354		5,054,354	Revaluation surplus
		41,221,808		41,221,808	Government equity
		393,411,108	(4,887,022)	388,524,086	Accumulated surplus/(deficit)
<b>TOTAL NET WORTH</b>	<b>439,687,270</b>	<b>-</b>	<b>(4,887,022)</b>	<b>434,800,248</b>	<b>TOTAL NET ASSETS/EQUITY</b>
<b>TOTAL LIABILITIES AND NET ASSETS/EQUITY</b>	<b>531,978,590</b>	<b>-</b>	<b>(4,887,022)</b>	<b>527,091,568</b>	<b>TOTAL LIABILITIES AND NET ASSETS/EQUITY</b>

**Reconciliation of Surplus/(Deficit)**

For the year ended December 31, 2016 (Opening Balances as at January 1, 2017)

	Previous generally accepted accounting principles	Effect of transition to PPSASs			
		Reclassification	Difference in recognition and measurement	PPSASs	
<b>GENERAL INCOME</b>					<b>REVENUE</b>
Service income	44,099,325	(44,099,325)	-	-	Service income
Interest income	605,649	(605,649)	-	-	Interest income
		44,704,974		44,704,974	Service and business income
Gain on foreign exchange	1,641,568	-	-	1,641,568	Gains
Gain/ (loss) on sale of assets	(387,221)	387,221	-	-	
Miscellaneous income	1,686,950	-	-	1,686,950	Other non-operating income
<b>Gross Income</b>	<b>47,646,271</b>	<b>387,221</b>	<b>-</b>	<b>48,033,492</b>	<b>Total Revenue</b>
<b>Less:</b>					
<b>EXPENSES</b>					<b>CURRENT OPERATING EXPENSES</b>
Personal services	54,404,369	-	-	54,404,369	Personnel services
Maintenance and other operating expenses	209,276,781	(7,624,182)	-	201,652,599	Maintenance and other operating expenses
		7,624,182		7,624,182	Non-cash expenses
Financial expenses	402,668	-	-	402,668	Financial expenses
		387,221		387,221	Non-cash expenses
<b>TOTAL OPERATING EXPENSES</b>	<b>264,083,818</b>	<b>387,221</b>	<b>-</b>	<b>264,471,039</b>	<b>TOTAL CURRENT OPERATING EXPENSES</b>
<b>LOSS FROM OPERATIONS</b>	<b>(216,437,547)</b>	<b>-</b>	<b>-</b>	<b>(216,437,547)</b>	<b>DEFICIT FROM CURRENT OPERATIONS</b>
					<b>ASSISTANCE/SUBSIDY</b>
Subsidy from national government	195,000,000	-	-	195,000,000	Subsidy from national government
<b>NET INCOME (LOSS)</b>	<b>(21,437,547)</b>	<b>-</b>	<b>-</b>	<b>(21,437,547)</b>	<b>NET SURPLUS (DEFICIT) FOR THE PERIOD</b>

**7. 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.

**7.1 Risk Management Framework**

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



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

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

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

Generally, the maximum risk exposure of financial assets and financial liabilities is the carrying amount of the financial assets and financial liabilities as shown in the statements of financial position, as summarized below.

	Note	2018	2017
<b>Financial assets</b>			
Cash and cash equivalents	8	307,648,409	196,962,192
Receivables - net	9	13,183,279	22,403,839
		<b>320,831,688</b>	<b>219,366,031</b>
<b>Financial liabilities</b>			
Financial liabilities	13	54,323,260	54,052,487
Inter-agency payables	14	26,407,809	16,487,999
Trust liabilities	15	6,421,795	5,901,798
		<b>87,152,864</b>	<b>76,442,284</b>

## 7.2 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 bank, 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, 2018 and 2017, without considering the effects of credit risk mitigation techniques.

	<b>Note</b>	<b>2018</b>	<b>2017</b>
<b>Financial assets</b>			
Cash and cash equivalents	8	307,648,409	196,962,192
Receivables	9	22,892,593	32,113,153
		<b>330,541,002</b>	<b>229,075,345</b>

*\* Receivables at gross of allowance for impairment amounting to P9,709,314 for the years ended December 31, 2018 and 2017.*

**b. Management of credit risk**

For the management of credit risk, it is CITEM's policy that as soon as the client or exhibitor executes with the Center an application contract, the Accounting Division will make an invoice, indicating the amount due for payment by the said exhibitor, and as to their outstanding balance from previous shows or exhibits, a Statement of Accounts (SOA) is issued.

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

**c. Aging analysis**

An aging analysis of the CITEM's receivables as of the years ended December 31, 2018 and 2017 are as follows:

	<b>2018</b>	<b>2017</b>
Outstanding receivables:*		
Current accounts	11,974,412	21,194,972
Past due accounts:		
over 90 days past due	10,918,181	10,918,181
	<b>22,892,593</b>	<b>32,113,153</b>

*\* Receivables at gross of allowance for impairment amounting to P9,709,314 for the years ended December 31, 2018 and 2017.*

**d. Impairment assessment**

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

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

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

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

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

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

Upon assessment, it is determined that there is no impairment loss that need to be recognized for CITEM's cash-generating assets for CY 2018.

### **7.3 *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 to ensure that sufficient liquidity is maintained within the CITEM as a whole.

#### **b. Exposure to liquidity risk**

The liquidity risk is the adverse situation when the CITEM encounters difficulty in meeting unconditionally the settlement of its obligations at maturity. Prudent liquidity management requires that liquidity risks are identified, measured, monitored and controlled in a comprehensive and timely manner. Liquidity management is a major

component of the corporate-wide risk management system. Liquidity planning takes into consideration various possible changes in economic, market, political, regulatory and other external factors that may affect the liquidity position of CITEM.

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

The table below summarizes the maturity profile of the CITEM's financial liabilities as at December 31, 2018.

<b>As at December 31, 2018</b>	<b>Within 1 Year</b>	<b>1 – 5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
Financial liabilities	36,602,032	16,542,001	1,179,227	54,323,260
Inter-agency payables	15,136,302	11,271,507	-	26,407,809
Trust liabilities	3,504,902	2,862,721	54,172	6,421,795
	<b>55,243,236</b>	<b>30,676,229</b>	<b>1,233,399</b>	<b>87,152,864</b>

#### **7.4 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.

#### **7.5 Operational Risks**

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

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

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

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

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

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

## 8. CASH AND CASH EQUIVALENTS

This account consists of the following:

	2018	2017
Cash on hand	287,767	583,644
	287,767	583,644
Cash in bank		
Local currency	161,162,205	101,038,871
Foreign currency	146,198,437	95,339,677
	<b>307,360,642</b>	<b>196,378,548</b>
	<b>307,648,409</b>	<b>196,962,192</b>

## 9. RECEIVABLES

This account consists of the following:

	2018			2017		
	Current	Non-current	Total	Current	Non-current	Total
Loans & receivable (Accounts receivables)	9,296,809	860,471	10,157,280	17,511,729	860,471	18,372,200
Inter-agency receivables	1,250,149	348,396	1,598,545	3,652,857	348,396	4,001,253
Other receivables	1,427,454	-	1,427,454	30,386	-	30,386
	<b>11,974,412</b>	<b>1,208,867</b>	<b>13,183,279</b>	<b>21,194,972</b>	<b>1,208,867</b>	<b>22,403,839</b>

### 9.1 Loans and Receivable

	2018			2017		
	Current	Non-Current	Total	Current	Non-Current	Total
Accounts receivable- Participation fees- Local Show	475,900	6,916,899	7,392,799	-	6,916,899	6,916,899
Accounts receivable- Participation fees- International Show	7,591,557	547,536	8,139,093	17,362,474	547,536	17,910,010
Accounts receivable- Extension Charges	-	443,447	443,447	-	443,447	443,447
Accounts receivable- others	1,229,352	-	1,229,352	149,255	-	149,255
<b>Sub-total</b>	<b>9,296,809</b>	<b>7,907,882</b>	<b>17,204,691</b>	<b>17,511,729</b>	<b>7,907,882</b>	<b>25,419,611</b>
<i>Allowance for doubtful accounts</i>	-	(7,047,411)	(7,047,411)	-	(7,047,411)	(7,047,411)
	<b>9,296,809</b>	<b>860,471</b>	<b>10,157,280</b>	<b>17,511,729</b>	<b>860,471</b>	<b>18,372,200</b>

Accounts Receivable includes participation fees and extension charges billed to the exhibitors in connection with their participation in trade exhibits organized by CITEM.

## 9.2 Inter-Agency Receivables

	2018			2017		
	Current	Non-Current	Total	Current	Non-Current	Total
Due from national government agencies (NGAs)	1,250,149	348,396	1,598,545	3,652,857	348,396	4,001,253
	<b>1,250,149</b>	<b>348,396</b>	<b>1,598,545</b>	<b>3,652,857</b>	<b>348,396</b>	<b>4,001,253</b>

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

## 9.3 Other Receivables

	2018			2017		
	Current	Non-Current	Total	Current	Non-Current	Total
Due from officers and employees	30,386	-	30,386	30,386	-	30,386
Other receivables-supplier	-	8,160	8,160	-	8,160	8,160
Other receivables-operational charges	-	2,265,018	2,265,018	-	2,265,018	2,265,018
Other receivables-bank	-	270	270	-	270	270
Other receivables-rental	-	138,818	138,818	-	138,818	138,818
Other receivables-resigned employees	-	249,637	249,637	-	249,637	249,637
Other receivables - others	1,397,068	-	1,397,068	-	-	-
<b>Sub-total</b>	<b>1,427,454</b>	<b>2,661,903</b>	<b>4,089,357</b>	<b>30,386</b>	<b>2,661,903</b>	<b>2,692,289</b>
<i>Allowance for doubtful accounts</i>	-	2,661,903	2,661,903	-	2,661,903	2,661,903
	<b>1,427,454</b>	<b>-</b>	<b>1,427,454</b>	<b>30,386</b>	<b>-</b>	<b>30,386</b>

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

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



## 10. INVENTORIES

This account is composed of the following:

	2018		2017	
	Inventories carried at lower of cost and net realizable value	Inventories carried at fair value less cost to sell	Inventories carried at lower of cost and net realizable value	Inventories carried at fair value less cost to sell
<b>INVENTORIES HELD FOR CONSUMPTION:</b>				
<b>Office supplies inventory</b>				
Carrying amount, January 1	937,323	-	669,553	-
Additions/Acquisitions during the year	593,990	-	267,771	-
Expensed during the year except write-down	(937,323)	-	-	-
<b>Carrying amount, December 31</b>	<b>593,990</b>	<b>-</b>	<b>937,324</b>	<b>-</b>
<b>Drugs and medicines inventory</b>				
Carrying amount, January 1	32,110	-	32,110	-
Additions/Acquisitions during the year	40,019	-	-	-
Expensed during the year except write-down	(32,110)	-	-	-
<b>Carrying amount, December 31</b>	<b>40,019</b>	<b>-</b>	<b>32,110</b>	<b>-</b>
<b>Textbooks and instructional materials inventory</b>				
Carrying amount, January 1	1,950	-	1,950	-
Additions/Acquisitions during the year	-	-	-	-
Expensed during the year except write-down	-	-	-	-
<b>Carrying amount, December 31</b>	<b>1,950</b>	<b>-</b>	<b>1,950</b>	<b>-</b>
<b>Other supplies and materials inventory</b>				
Carrying amount, January 1	261,424	-	231,701	-
Additions/Acquisitions during the year	58,528	-	29,723	-
Expensed during the year except write-down	(261,424)	-	-	-
<b>Carrying amount, December 31</b>	<b>58,528</b>	<b>-</b>	<b>261,424</b>	<b>-</b>
	<b>694,487</b>	<b>-</b>	<b>1,232,808</b>	<b>-</b>

## 11. PROPERTY, PLANT AND EQUIPMENT

This account consists of the following:

	Land and land improvements	Building and structures	Transportation Equipment	Furniture and other equipment	Total
<b>As at December 31, 2017:</b>					
Cost, as restated	-	46,316,332	11,512,341	42,199,927	100,028,600
Accumulated depreciation, as restated	-	(30,772,750)	(7,386,729)	(22,622,726)	(60,782,205)
<b>Net book value, December 31, 2017</b>	<b>-</b>	<b>15,543,582</b>	<b>4,125,612</b>	<b>19,577,201</b>	<b>39,246,395</b>
<b>Opening net book value, January 1, 2018</b>					
	-	15,543,582	4,125,612	19,577,201	39,246,395
Additions/Acquisitions	-	-	-	3,015,982	3,015,982
Disposal/Removal:					
Cost	-	(11,833,863)	-	-	(11,833,863)
Accumulated depreciation	-	5,856,538	-	-	5,856,538
Adjustments:					
Cost	-	(123,883)	-	1,862,902	1,739,019
Accumulated depreciation	-	40,923	-	(779,581)	(738,658)
Depreciation for the year	-	(1,400,765)	(2,206,858)	(4,808,980)	(8,416,603)
<b>Closing net book value, December 31, 2018</b>	<b>-</b>	<b>8,082,532</b>	<b>1,918,754</b>	<b>18,867,524</b>	<b>28,868,810</b>
<b>As at December 31, 2018</b>					
Cost	-	34,358,586	11,512,341	47,078,811	92,949,738
Accumulated depreciation	-	26,276,054	9,593,587	28,211,287	64,080,928
<b>Net book value, December 31, 2018</b>	<b>-</b>	<b>8,082,532</b>	<b>1,918,754</b>	<b>18,867,524</b>	<b>28,868,810</b>

During the year, there was derecognition in the books of accounts the cost of the CITEM's HallOne Building in the total cost of P11.834 million, with the related Accumulated Depreciation of P5.857 million, or a net book balance of P5.977 million as a result of demolition of the same, to give way to the construction of a building in furtherance of the purpose of RA No. 7844 or the Export Development Act of 1994. The demolition is pursuant to EO No. 294 which provides that the government will be indemnified for any destruction of fixed property as a result of implementing the Philippine Trade Center project in the leased premises entered into between Republic of the Philippines and the accredited export organization. Since movable properties were retained by CITEM in the total cost of P1.375 million, with related accumulated depreciation of P0.619 million or a net book balance of P0.756 million, these were accordingly reclassified to Office Equipment account.

## 12. OTHER ASSETS

This account comprises the following:

	2018			2017		
	Current	Non-Current	Total	Current	Non-Current	Total
Advances to special disbursing officer	-	-	-	9,094	-	9,094
Advances to officers and employees	1,378,925	-	1,378,925	1,445,900	-	1,445,900
Prepayments (Prepaid rent)	16,793,419	-	16,793,419	8,550,846	-	8,550,846
Prepayments (Creditable input tax)	1,689,572	-	1,689,572	1,974,434	-	1,974,434
Prepayments (Other Prepayments)	54,109	-	54,109	1,209,965	-	1,209,965
Deposits (Guaranty deposits)	610,985	2,273,081	2,884,066	610,985	2,273,081	2,884,066
Restricted fund	-	295,855,048	295,855,048	-	293,607,181	293,607,181
Other assets-net of Accumulated impairment loss	-	843,724	843,724	63,945	843,723	907,668
	<b>20,527,010</b>	<b>298,971,853</b>	<b>319,498,863</b>	<b>13,865,169</b>	<b>296,723,985</b>	<b>310,589,154</b>

Prepaid Rent and Other Prepayments represent reservations for space/venue rental and advance payments to the booth contractors for various international trade fairs in 2019. The Other Prepayments represent the refund from Meralco based on the Supreme Court ruling which shall be applied to CITEM's electrical bills until consumed.

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.

Creditable Input VAT in the amount of P1,689,572 is the excess of Input VAT over Output VAT which can be credited for the next three years (CYs 2019 - 2021).

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

Other Assets/Accumulated Surplus-Appropriated (formerly Restricted Fund Capital) represents the Building Fund allocated by the Governing Board for the construction and/or purchase of CITEM's office building in the future and is temporarily invested in High-Yield Saving Account and (in portion) Foreign Currency Time Deposits.

### 13. FINANCIAL LIABILITIES

This is composed of the following:

	2018			2017		
	Current	Non-Current	Total	Current	Non-Current	Total
Accounts payable	33,046,836	12,006,410	45,053,246	35,759,433	12,006,410	47,765,843
Due to officers & employees	9,270,014	-	9,270,014	6,021,072	265,572	6,286,644
	<b>42,316,850</b>	<b>12,006,410</b>	<b>54,323,260</b>	<b>41,780,505</b>	<b>12,271,982</b>	<b>54,052,487</b>

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

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

### 14. INTER-AGENCY PAYABLES

This account consists of the following:

	2018			2017		
	Current	Non-Current	Total	Current	Non-Current	Total
Due to BIR	1,865,059	-	1,865,059	3,997,586	-	3,997,586
Due to GSIS	841,758	-	841,758	609,167	-	609,167
Due to Pag-IBIG	93,766	-	93,766	55,743	-	55,743
Due to PhilHealth	45,617	-	45,617	37,979	-	37,979
Due to NGAs	23,411,468	-	23,411,468	11,637,383	-	11,637,383
Due to government corporations	150,141	-	150,141	150,141	-	150,141
	<b>26,407,809</b>	<b>-</b>	<b>26,407,809</b>	<b>16,487,999</b>	<b>-</b>	<b>16,487,999</b>

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

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

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

## 15. TRUST LIABILITIES

The composition of this account is as follows:

	2018			2017		
	Current	Non-Current	Total	Current	Non-Current	Total
Trust miscellaneous	3,859,813	296,046	4,155,859	1,474,806	-	1,474,806
Trust (ACE)	114,842	-	114,842	152,544	-	152,544
Trust (CITEM Coop)	555,189	-	555,189	2,834,224	-	2,834,224
Bail bonds payable	617,074	944,631	1,561,705	461,394	944,630	1,406,024
Guaranty/Security deposits payable	-	34,200	34,200	-	34,200	34,200
	<b>5,146,918</b>	<b>1,274,877</b>	<b>6,421,795</b>	<b>4,922,968</b>	<b>978,830</b>	<b>5,901,798</b>

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

## 16. DEFERRED CREDITS/ UNEARNED INCOME

	2018			2017		
	Current	Non-Current	Total	Current	Non-Current	Total
Unearned revenue/income	13,086,865	-	13,086,865	19,906,165	-	19,906,165
Other deferred credits	-	-	-	-	-	-
	<b>13,086,865</b>	<b>-</b>	<b>13,086,865</b>	<b>19,906,165</b>	<b>-</b>	<b>19,906,165</b>

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

## 17. DEFERRED TAX LIABILITIES

	2018			2017		
	Current	Non-Current	Total	Current	Non-Current	Total
Deferred tax liabilities	1,136,952	-	1,136,952	1,110,492	-	1,110,492
	<b>1,136,952</b>	<b>-</b>	<b>1,136,952</b>	<b>1,110,492</b>	<b>-</b>	<b>1,110,492</b>

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

## 18. OTHER PAYABLES

This account is composed of the following:

	2018			2017		
	Current	Non-Current	Total	Current	Non-Current	Total
Other payables - resigned employees	424,200	732,866	1,157,066	390,440	732,867	1,123,307
Other payables-exhibitors' refund	232,610	3,884,852	4,117,462	232,610	3,884,852	4,117,462
Other payables-accrued liabilities	-	(7,338)	(7,338)	-	(7,338)	(7,338)
Other payables- fortune care	-	122,922	122,922	-	122,922	122,922
Other payables-medicard	-	8,320	8,320	-	8,320	8,320
Other payables-PhilAm health	-	5,222	5,222	-	5,222	5,222
Other payables-miscellaneous	-	223,269	223,269	-	223,269	223,269
Other payables-SP care	-	3,660	3,660	-	3,660	3,660
Other payables					296,046	296,046
	<b>656,810</b>	<b>4,973,773</b>	<b>5,630,583</b>	<b>623,050</b>	<b>5,269,820</b>	<b>5,892,870</b>

## 19. SERVICE AND BUSINESS INCOME

This line item consists of the following:

	2018	2017
<b>Service income:</b>		
Other service income	77,722,518	61,807,996
<b>Business income:</b>		
Interest income	642,002	639,068
Other business income	5,594,860	3,977,087
	<b>83,959,380</b>	<b>66,424,151</b>

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

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

## 20. PERSONNEL SERVICES

This account is composed of the following:

	2018	2017
Salaries and wages	40,417,935	37,226,785
Other compensation	14,511,871	14,094,557
Personnel benefit contributions	5,529,727	4,963,755
Other personnel benefits	4,016,945	1,643,996
	<b>64,476,478</b>	<b>57,929,093</b>

### 20.1 Salaries and Wages

	2018	2017
Salaries and wages-regular	40,417,935	37,226,785
	<b>40,417,935</b>	<b>37,226,785</b>

### 20.2 Other Compensation

	2018	2017
Personnel economic relief allowance (PERA)	2,033,523	1,942,693
Representation allowance (RA)	1,225,125	1,300,145
Transportation allowance (TA)	953,125	876,290
Clothing/Uniform allowance	498,000	405,000
Productivity incentive allowance	90,000	479,000
Honoraria	-	5,000
Overtime pay	2,864,635	2,724,776
Year-end bonus	6,416,463	5,961,653
Cash gift	431,000	400,000
	<b>14,511,871</b>	<b>14,094,557</b>

### 20.3 Employees Future Benefits

The permanent employees of the CITEM contribute to the GSIS in accordance with the RA No. 8291. The GSIS administers the plan, including payment of pension benefits to employees to whom the act applies. Social insurance (life and retirement) benefits are mandatory defined contribution plans fixed at nine per cent of the basic salaries of regular government employees. Total contributions to GSIS amounted to P8.538 million broken down as follows: employees' share – P3.660 million and government share – P4.878 million.

### 20.4 Personnel Benefit Contributions

	2018	2017
Retirement and life insurance premiums	4,878,332	4,441,388
Pag-IBIG contributions	102,900	97,300
PhilHealth contributions	445,395	327,675
Employee compensation insurance premiums	103,100	97,392
	<b>5,529,727</b>	<b>4,963,755</b>



## 20.5 Other Personnel Benefits

	2018	2017
Retirement gratuity	-	80,000
Terminal leave benefits	254,039	431,318
Other personnel benefits	3,762,906	1,132,678
	<b>4,016,945</b>	<b>1,643,996</b>

## 21. MAINTENANCE AND OTHER OPERATING EXPENSES

This line item consists of the following:

	2018	2017
Traveling expenses	9,059,735	6,459,977
Training expenses	533,206	933,992
Supplies and materials expenses	5,231,447	5,757,037
Utility expenses	4,095,443	4,399,585
Communication expenses	5,634,925	6,087,948
Confidential, intelligence and extraordinary expenses	27,863	128,670
Professional services	15,713,106	11,114,354
General services	21,296,238	25,878,244
Repairs and maintenance	828,137	765,195
Taxes, insurance premiums and other fees	1,574,820	1,424,501
Other maintenance and operating expenses	125,859,869	126,972,833
	<b>189,854,789</b>	<b>189,922,336</b>

### 21.1 Traveling Expenses

	2018	2017
Traveling expenses-local	2,480,554	3,158,690
Traveling expenses-foreign	6,579,181	3,301,287
	<b>9,059,735</b>	<b>6,459,977</b>

### 21.2 Training and Scholarship Expenses

	2018	2017
Training expenses	533,206	933,992
	<b>533,206</b>	<b>933,992</b>

### 21.3 Supplies and Materials Expenses

	2018	2017
Office supplies expenses	1,253,387	192,222
Accountable forms expenses	7,510	-
Drugs and medicines expenses	64,355	56,728
Fuel, oil and lubricants expenses	487,898	655,503
Textbooks and instructional materials expenses	231	-
Other supplies and materials expenses	3,418,066	4,852,584
	<b>5,231,447</b>	<b>5,757,037</b>

## 21.4 Utility Expenses

	2018	2017
Water expenses	455,492	494,223
Electricity expenses	3,639,951	3,905,362
	<b>4,095,443</b>	<b>4,399,585</b>

## 21.5 Communication Expenses

	2018	2017
Postage and courier services	42,725	363,722
Telephone expenses – landline	1,909,897	2,046,296
Telephone expenses – mobile	899,042	892,542
Internet subscription expenses	2,783,261	2,785,388
	<b>5,634,925</b>	<b>6,087,948</b>

## 21.6 Confidential, Intelligence and Extraordinary Expenses

	2018	2017
Extraordinary and miscellaneous expenses	27,863	128,670
	<b>27,863</b>	<b>128,670</b>

## 21.7 Professional Services

	2018	2017
Legal services	23,500	18,500
Auditing services	3,753,537	3,695,014
Other professional services	11,936,069	7,400,840
	<b>15,713,106</b>	<b>11,114,354</b>

## 21.8 General Services

	2018	2017
Janitorial services	1,985,261	2,185,050
Security services	4,679,092	4,465,228
Other general services	14,631,885	19,227,966
	<b>21,296,238</b>	<b>25,878,244</b>

## 21.9 Repairs and Maintenance

	2018	2017
Repairs and maintenance-buildings and other structures	139,007	412,243
Repairs and maintenance-office equipment	347,948	124,769
Repairs and maintenance-IT Equipment	54,851	16,000
Repairs and maintenance-medical equipment	-	-
Repairs and maintenance-other machinery and equipment	24,784	-
Repairs and maintenance-motor vehicles	261,547	212,183
	<b>828,137</b>	<b>765,195</b>

## 21.10 Taxes, Insurance Premiums and Other Fees

	2018	2017
Taxes, duties and licenses	25,582	30,357
Fidelity bond premiums	695,099	473,975
Insurance expenses	854,139	920,169
	<b>1,574,820</b>	<b>1,424,501</b>

## 21.11 Other Maintenance and Operating Expenses

	2018	2017
Advertising expenses	17,010,217	27,586,970
Printing and publication expenses	3,353,244	3,634,939
Representation expenses	5,336,937	5,184,697
Rent/Lease expenses	53,368,969	49,839,198
Transportation and delivery expenses	195,347	421,109
Membership dues and contributions to organizations	22,500	47,863
Subscription expenses	3,359,004	3,651,280
Donations	7,000	58,000
Other maintenance and operating expenses	43,206,651	36,548,777
	<b>125,859,869</b>	<b>126,972,833</b>

## 22. FINANCIAL EXPENSES

This account comprises the following:

	2018	2017
Bank charges	485,968	271,761
	<b>485,968</b>	<b>271,761</b>

## 23. NON-CASH EXPENSES

This account is composed of the following:

	2018	2017
Depreciation-buildings and other structures	1,400,765	2,277,485
Depreciation-office equipment	223,714	223,714
Depreciation-furniture, fixtures and books	127,937	228,136
Depreciation-Information and communication technology equipment	3,722,116	3,722,116
Depreciation-communication equipment	584,240	9,831
Depreciation-transportation equipment	2,206,858	851,153
Depreciation-Other PPE	150,973	150,973
	<b>8,416,603</b>	<b>7,463,408</b>

## 24. GAINS/LOSSES

This comprises net of the following accounts:

### 24.1. Gains

	2018	2017
Gain on foreign exchange (FOREX)	5,889,538	517,684
Gain on sale of disposed assets	-	5,363
	<b>5,889,538</b>	<b>523,046</b>

### 24.2. Losses

	2018	2017
Loss on foreign exchange (FOREX)	(189,686)	(3,748)
Loss on sale of disposed assets	-	(27,863)
	<b>(189,686)</b>	<b>(31,611)</b>

## 25. SUBSIDY FROM NATIONAL GOVERNMENT

	2018	2017
Subsidy from national government	231,876,000	220,000,000
	<b>231,876,000</b>	<b>220,000,000</b>

For CY 2018, the Program Subsidy received by CITEM from the Department of Budget and Management (DBM) to support the implementation of its export promotion programs was P231.876 million, a slight increase from CY 2017 of P220 million.

## 26. RELATED PARTY TRANSACTIONS

There were no related party transactions during the year.

### 26.1 Key Management Personnel

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

### 26.2 Key Management Personnel Compensation

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

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

	<b>Total Remuneration</b>
Salaries and wages	6,054,776
Other compensation	2,500,223
Personnel benefit contributions	587,830
Other personnel benefits	-
	<b>9,142,829</b>

## **27. GOVERNMENT EQUITY**

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

	<b>2018</b>	<b>2017</b>
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
	<b>41,221,808</b>	<b>41,221,808</b>

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

<b>Government Agency (Contributor)</b>	<b>Per Books</b>	<b>Per</b>	
		<b>Confirmation</b>	<b>Variance</b>
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 Philippines (LBP)	1,00,0000	2,000,000	(1,000,000)
	<b>21,396,662</b>	<b>14,653,662</b>	<b>6,743,000</b>

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

## **28. REVALUATION SURPLUS**

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

## 29. ACCUMULATED SURPLUS

	Amount
<b>Accumulated surplus, January 1, 2017</b>	<b>414,848,655</b>
Adjustments due to prior period errors:	
Non-closing of Net deficit incurred in CY 2016 to Accumulated Surplus/ (deficit)	(21,437,547)
Adjustment due to change in accounting policy:	
Semi-expendable items previously recorded as part of PPE	(4,887,022)
<b>Accumulated surplus, January 1, 2017, as restated</b>	<b>388,524,086</b>
Net surplus for CY 2017	31,328,989
Interest of the Restricted fund	953,340
<b>Accumulated surplus, December 31, 2017, as restated</b>	<b>420,806,415</b>
Surplus for 2018	58,301,394
Various Adjustments as follows:	37,502,613
Unrecorded interest income	69,773
Interest on the Restricted fund	2,263,103
Indemnification fee from demolition of HallOne building	14,779,161
Adjustment on accounts payable-MOOE	2,355,565
Adjustment on accounts payable- PS	42,306
Unrecorded service income	5,117,330
Refund of service income	(319,042)
Utilization of Fund transfer	11,805,789
Receivables	1,361,074
Various prior period errors	(62,323)
Difference on Semi-expendable as recognized	519,674
Reclassification of PPE accounts	(429,797)
<b>Accumulated surplus, December 31, 2018</b>	<b>516,610,422</b>

## 30. BUDGET INFORMATION IN FINANCIAL STATEMENTS

The original budget reflected in the SCBAA for December 31, 2018 is the proposed Corporate Operating Budget (COB) for the year 2018 and was submitted to the Department of Budget and Management (DBM) for review/evaluation while the final budget is the amount as approved by DBM on November 16, 2018. The proposed/original COB is prepared considering: (1) the CITEM's various programs, projects and activities in the pursuance of its mandate; (2) the projected revenues and other sources of income to finance and support these programs; (3) actual expenses for previous years; and (4) effects of inflation. Aside from the COB, CITEM has received subsidy appropriated for the implementation of its programs.

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

- The Personnel Services (PS) variance of P1.293 million refers to overimposition of the PS items such as Salaries, Midyear bonus, PERA, RATA, Terminal Leave/Monetization, Life and Retirement Insurance and PhilHEALTH Contributions.
- The proposed Maintenance and Other Operating Expenses (MOOE) is net of non-cash items of P8.067 million.

- The MOOE variance of P3.037 million refers to the excess of the proposed budget which is based on the higher amount between the FY 2016 audited FS and FY 2017 actual unaudited FS, factoring in the 4.5 per cent inflation rate. However, items such as rent expense are based on valid contracts entered into by CITEM and are endorsed as is.

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

- Requested budget for CITEM Employees is based on plantilla positions.
- Reduced number of service providers, cancellation of overseas trade fairs due to unavailability of online purchase and credit card.
- Approved COB was released only in October 2018, thus purchases of PPE were delayed.

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

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

	<b>Amount</b>
Due to BIR – Withholding tax on compensation	893,657
Due to BIR – Withholding tax on compensation-resigned employees	33,253
Due to BIR – Expanded withholding tax	161,858
Due to BIR – Branch registration fees	39,536
Due to BIR – VAT withheld	511,970
Due to BIR – VAT withheld CITEM	7,350
Due to BIR – Contractors tax	60,636
Due to BIR – Final tax	112,635
Due to BIR – Gross money payments	44,166
	<b>1,865,061</b>

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

- CITEM is a VAT registered company with VAT output tax declaration of P10.489 million for the year 2018.
- The amount of VAT input and output taxes claimed are broken down as follows:

	<b>Amount</b>
Balance, beginning of the year	1,974,434
Tax on goods for resale/purchases	10,203,671
<b>Sub-total</b>	<b>12,178,105</b>
Less: Output tax	10,488,533
<b>Balance, end of the year</b>	<b>1,689,572</b>



c. Other Taxes and Licenses

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

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

	<b>Amount</b>
Tax on compensation and benefits	893,657.12
Creditable withholding taxes	725,343.00
Final withholding taxes	112,634.60
<b>Total</b>	<b>1,731,634.72</b>

### 32. COMPLIANCE WITH GSIS LAW

CITEM complied with Section 14.1 of RA No. 8291 which provides that each government agency shall remit directly to the GSIS the employees' and government agency's contributions within the first 10 days of the calendar month following the month to which the contributions apply. Below is the summary of remittances of employees' premium contributions and employer's share for CY 2018:

	<b>Amount</b>	<b>Remitted</b>
Life and retirement premiums, employees share	3,660,293	3,191,876
Government share	4,878,331	4,878,331
<b>Total</b>	<b>8,538,624</b>	<b>8,070,207</b>

## PART II - OBSERVATIONS AND RECOMMENDATIONS

### A. FINANCIAL

1. The faithful representation of the balance of Cash in Bank account amounting to P307.361 million as at December 31, 2018 was not established due to: (a) discrepancy of P1.115 million between the balance per books and confirmed bank balances on two depository accounts; (b) unrecorded bank credits/debits and unadjusted book errors in four depository accounts in an aggregate amount of P3.890 million; and (c) deposits recorded in the books but not taken up by the bank totaling P53,540.

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

#### *Faithful Representation*

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

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

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

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

- 1.3 Audit of the Cash-in-Bank account revealed various deficiencies as discussed hereunder.

*Discrepancy of P1.115 million between the balance per books and confirmed bank balance on two depository accounts maintained with the PNB*

- 1.4 Confirmation made with the banks to establish the correctness of the depository account balances as of December 31, 2018 disclosed that the balances confirmed by the PNB on the two depository accounts maintained thereat by CITEM had variances totaling P1.115 million when compared to the corresponding Subsidiary Ledgers (SL) as presented in Table 1.

**Table 1 –Bank Account Balances vis-a-vis SL Balances**

Account Name	Confirmed Bank		Variance
	Balance 12/31/2018	SL Balance 12/31/2018	
PNB - Income	P 1,678,093	P 600,539	P 1,077,554
PNB - Dollar	2,493,512	2,456,210	37,302
	<b>P 4,171,605</b>	<b>P 3,056,749</b>	<b>P 1,114,856</b>

- 1.5 However, the discrepancies have not yet been determined due to the non-submission of Bank Reconciliation Statements (BRSs) for the months of November to December 2018 for the said bank accounts.

*Unrecorded bank credits/debits and book errors in four depository accounts in an aggregate amount of P3.890 million*

- 1.6 Review of the BRSs for the Development Bank of the Philippines (DBP) Peso Local Current Account (LCCA), Land Bank of the Philippines (LBP) Dollar Savings Account, and LBP Peso and Subsidy LCCA disclosed the existence of various reconciling items, which remained unadjusted in the books as of December 31, 2018. These reconciling items include bank credits totaling P3.722 million, unidentified bank debits of P117,534 and unadjusted book errors of P50,101. Some of the reconciling items existed since 2013. The summary of the unrecorded bank credits, unidentified bank debits and book errors is shown in Table 2.

**Table 2 – Unrecorded Book Reconciling Items**

Particulars	Period Covered	DBP Peso		LBP Peso		Total
		LCCA	LBP Subsidy	LCCA	LBP Dollar	
Unidentified/Unrecorded bank credits	2013-2018	P355,722	P1,676,514	P247,000	P1,442,845	P3,722,081
Unidentified bank debits	2017-2018		10,850	106,684		117,534
Unadjusted book errors	2018		15,400	34,701		50,101
		<b>P355,722</b>	<b>P1,702,764</b>	<b>P388,385</b>	<b>P1,442,845</b>	<b>P3,889,716</b>

- 1.7 Inquiry disclosed that the non-recording of bank credits in the books was due to the difficulty in determining/identifying the names of the exhibitors who made deposits to the accounts of CITEM since the bank statements were not supported with bank credit memos and CITEM was not also informed by

exhibitors when they made payments through the online facility of the bank. With regard to unadjusted book errors, these consist, among others, of misposting, e.g. deposit made with LBP Peso LCCA was posted/recorded in LBP subsidy or vice versa.

*Deposits recorded in the books but not taken up by the bank totaling P53,540*

- 1.8 Moreover, analysis of the data presented in the BRS for the DBP Peso LCCA as of December 31, 2018 revealed deposits recorded in the books but not taken by the bank totaling P53,540, details shown in Table 3. These deposits were made by CITEM in calendar years (CYs) 2015 and 2017.

**Table 3–Deposits recorded in the Books but not taken by the Bank**

<b>Date</b>	<b>Reference OR Number</b>	<b>Amount</b>
04/08/2015	8836052	P 10,800
04/08/2015	8836051	900
05/02/2017	2382431	41,840
<b>Total</b>		<b>P 53,540</b>

- 1.9 Interview revealed that the bank statements and their allied documents furnished by the concerned Banks were most often delayed, which caused the delay in the preparation of the BRSs by the Accounting Division, thus errors were not identified and adjusted in a timely manner.
- 1.10 Accordingly, the BRSs were likewise not furnished to the Audit Team within the prescribed period precluding the timely audit of the Cash-in-Bank account. This has been a subject of COA audit observation since 2015.
- 1.11 In view of the foregoing, the faithful representation of the balance of Cash in Bank account amounting to P307.361 million as at December 31, 2018 was not established.
- 1.12 **We recommended that Management:**
- a. **Instruct the Accounting Division to:**
    - a.1 **Determine the cause(s) of the variances between the book balances and the confirmed bank balances on the two accounts maintained with PNB and effect necessary adjustments, if any, to arrive at reconciled balances;**
    - a.2 **Send confirmation letters to exhibitors to inquire if payments have been made via online facility of the Banks and require them to submit proof of payment to facilitate recording of the unidentified bank credits;**
    - a.3 **Provide a system of check and balance, ensure that all payments are recorded in the books, and send confirmation**

letters regularly to exhibitors with outstanding balance with CITEM;

- a.4 Exert all efforts to identify the nature of the unrecorded bank credits and debits so that necessary adjustments could be made in the books;
  - a.5 Make necessary adjustments in the books on the errors noted totaling P50,101; and
  - a.6 Substantiate the correctness of the recording in the books of the deposits totaling P53,540 and submit to the concerned Bank proofs of the deposit so that the amount could be credited by the latter to CITEM's account.
- b. Direct the Chief, Finance Division to make representation with the Bank Management on ways to resolve the issue on the delay in the issuance of the monthly bank statements and its inability to provide bank credit memos.

1.13 Management commented that:

- a. They took note of the audit observations and would effect the necessary adjustments in the beginning of CY 2019;
- b. The BRSs for bank accounts maintained with the LBP and PNB were not immediately prepared due to late release of official bank statements. This concern has been verbally communicated with the concerned banks; and
- c. They appreciated the Audit Team's observations and assured that they will direct the Divisions concerned to exert all efforts and use all available resources to adhere with the recommendations.

1.14 As a rejoinder, the Audit Team acknowledged the commitment of Management to exert all efforts to adhere with the recommendations. Their compliance, however, will be monitored in the CY 2019 audit.

**2. The discrepancy of P3.792 million between the balance per books and Report on the Physical Count of Property, Plant and Equipment (RPCPPE) and the non-maintenance of complete PPE Ledger Cards (PPELCs) and Property Cards (PCs) by the Accounting Division and General Services Division, respectively, the faithful representation of the balance of PPE account costing P92.950 million and carrying amount of P28.869 million as of December 31, 2018 was not ascertained.**

2.1 Paragraph 27, Philippine Public Sector Accounting Standard (PPSAS) 1, Presentation of Financial Statement 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 PPSASs.*

- 2.2 Meanwhile, Section 42, Chapter 10, Government Accounting Manual (GAM), Volume I, provides that:

*The Chief Accountant shall maintain the PPELC for each category of PPE xxx. 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.*

- 2.3 Comparison of the PPE account balances per General Ledgers (GLs) against the RPCPPE disclosed variances totaling P3.792 million, details presented in Table 4.

**Table 4 - PPE at Acquisition Cost per GL versus RPCPPE**

<b>PPE Account</b>	<b>GL Balance</b>	<b>RPCPPE</b>	<b>Variance</b>
Office building & other structures	P 34,358,586	P 34,358,586	P -
Office equipment	10,160,785	9,781,262	379,523
Information and communication technology equipment	26,648,041	26,273,010	375,031
Furniture and fixtures	2,885,825	1,120,380	1,765,445
Communication equipment	1,405,344	1,376,543	28,801
Books	14,571	-	14,571
Motor vehicles	11,512,341	10,859,700	652,641
Other PPE	5,964,245	5,388,749	575,496
	<b>P 92,949,738</b>	<b>P 89,158,230</b>	<b>P3,791,508</b>

- 2.4 As shown in Table 4, the Books account costing P14,571 was still carried in the books of accounts as of December 31, 2018 although these were no longer included in the RPCPPE.
- 2.5 Audit further disclosed that the balances of Information and Communication Technology Equipment, Books and Other PPE accounts were not duly supported with the PPELCs or any other records that itemize the information needed to substantiate the same. Likewise, Communication Equipment and Furniture and Fixtures, although supported by schedule showing their breakdown, still subsidiary ledgers were not maintained for each PPE item. The Accountant explained that the preparation of PPELCs is underway.

- 2.6 Moreover, the General Services Division did not maintain complete PCs for each item of PPE, thus reconciliation between accounting and property records could not be facilitated.
- 2.7 In view of the variances totaling P3.792 million between the balance per books and the actual count, the faithful representation of the balance of PPE account costing P92.950 million and carrying amount of P28.869 million as of December 31, 2018 was not ascertained.
- 2.8 We recommended and Management agreed to:**
- a. **Direct the Accounting Division and the General Services Division to reconcile the variances of P3.792 million between the books and the RPCPPE and furnish the Audit Team with the details of the reconciliation for audit purposes;**
  - b. **Require the Property and Supply Officer to maintain Property Cards (PCs) for all items of PPE pursuant to Section 42 of GAM, Volume I and reconcile regularly the balance of each PC with the balance per PPELC maintained by the Accounting Division; and**
  - c. **Instruct the Accountant to maintain complete and updated PPELC for each type/item of PPE and perform regular reconciliation of PPELCs with the PCs maintained by the Property and Supply Officer to ensure that records of Accounting Division are reconciled with the records of the General Services Division.**
- 3. The RPCPPE for CY 2018 included 644 PPE items identified as “damaged for disposal” totaling P8.972 million, instead of reporting them separately in an Inventory and Inspection Report of Unserviceable Property (IIRUP) to conform with Section 40 (d) and Section 42 (h) of GAM, Volume I. Likewise, these unserviceable properties were still recorded in the books as part of PPE in view of the non-disposal thereof; thus, overstating the PPE account which is not in accordance with Paragraph 82 of the Philippine Public Sector Accounting Standard (PPSAS) 17.**

3.1 Section 40 (d) of Chapter 10 of GAM, Volume I, states that:

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

3.2 Section 42 (h) of Chapter 10 of GAM, Volume I, further provides that:

*Inventory and Inspection Report for Unserviceable Property (Appendix 74 shall be used to account for all unserviceable property of an entity which is subject to disposal. It also serves*

as the basis in derecognizing the unserviceable properties carried in the PPE accounts.

3.3 Section 79 of PD No. 1445 reads:

*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.*

3.4 Paragraph 82 of PPSAS 17 further provides that the carrying amount of an item of PPE shall be derecognized: (a) on disposal; or (b) when no future economic benefits are expected from its use or disposal.

3.5 Review of the RPCPPE for CY 2018 disclosed 644 PPE items in the total amount of P8.972 million were identified as “Damaged for Disposal” (or deemed unserviceable properties), as itemized in Table 5.

**Table 5 – Damaged/Unserviceable PPE for Disposal**

<b>Particulars</b>	<b>No. Items</b>	<b>Amount</b>
Office equipment	4	P 234,193
IT equipment and software	310	5,714,509
Other PPE	330	3,022,963
<b>Total</b>	<b>644</b>	<b>P 8,971,665</b>

3.6 Considering that these properties were already identified as “damaged for disposal” or unserviceable, instead of including them in the RPCPPE, these should have been reported in the IIRUP to conform to Section 40 (d) and Section 42 (h) of GAM, Volume I. Moreover, these unserviceable PPE items should have been disposed of pursuant to Section 79 of PD No. 1445.

3.7 As a result, the carrying amount of the unserviceable properties was not derecognized in the books thereby overstating the PPE account.

3.8 **We recommended that Management:**

- a. **Direct the General Services Division to prepare IIRUP for properties which were already identified as unserviceable to facilitate the disposal thereof through public auction, destruction in the presence of COA Auditor or COA representative or other appropriate mode of disposal;**



- b. **Require the Disposal Committee to appraise those unserviceable properties which have still value and determine the appropriate mode of disposal; and**
- c. **Instruct the Accountant to derecognize the carrying value of the unserviceable properties upon disposal.**

3.9 Management commented that the General Services Division has already started the preparation of the IIRUP for the unserviceable items and is on the stage of computing the “disposal/appraised value” of said properties. Another public auction shall immediately be scheduled to disposed of these unserviceable properties, and thereafter record them in the Disposal Report of Unserviceable Properties.

3.10 As a rejoinder, we took note of Management’s initial efforts to implement the recommendations and their full compliance will be monitored in CY 2019 audit.

**4. The sub-accounts of Due to GSIS and Due to Pag-IBIG accounts disclosed negative (abnormal) balances in the aggregate amount of P74,408 due to misposting or erroneous recording of adjustments in the books, which is not in accordance with Paragraph 3.11 of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities that requires financial reports should be free from error as possible.**

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

*Faithful Representation*

Xxxx

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

4.2 Review of the sub-accounts of Due to GSIS and Due to Pag-IBIG disclosed negative balances in the aggregate amount of P74,408, comprising of four sub-accounts under the Due to GSIS account totaling P60,455 and one sub-account under the Due to Pag-IBIG account with an ending balance of negative P13,953, details shown in Table 6.

**Table 6– List of Accounts with Negative Balances**

Particulars	Negative Balances
<b>GSIS</b>	
Calamity Loan	P14,589
Conso Loan	44,404
Policy Loan	1,200
Summary One-Month Salary	262
	<b>60,455</b>
<b>Pag-IBIG</b>	
Multi-Purpose Loan	13,953
<b>Total</b>	<b>P 74,408</b>

- 4.3 Review of the Subsidiary Ledgers (SLs) and related documents disclosed that some of the possible causes of the negative balances were errors in the posting of some amounts in the SLs and erroneous recording of prior years' adjustments, which remain uncorrected in the books as some of these errors existed many years ago.
- 4.4 This is a reiteration of prior year's audit observation as Management was unable to ascertain the nature of the negative balances, thus necessary adjustments in the books were not yet effected.
- 4.5 **We recommended and Management agreed to direct the Accountant to:**
- a. **Exert all efforts in tracing/analyzing the errors in postings to the SLs to determine the causes thereof, and to make the necessary adjustments in the books; and**
  - b. **Henceforth, exercise due care and diligence to ensure accuracy in the recording of transactions in the books of accounts to avoid errors/misstatements.**

**B. COMPLIANCE**

**5. The CITEM still maintains three depository accounts with the Philippine National Bank (PNB) with aggregate balance of P5.780 million as of December 31, 2018, contrary to Department of Finance (DOF) Department Circular (DC) No. 001-2017 dated May 11, 2017; thus, depriving the government authorized depository banks (AGDBs) of the benefits that could be derived therefrom had these funds been deposited thereat.**

5.1 Review of the Cash-in-Bank account revealed that as of December 31, 2018, CITEM still maintains three depository accounts with the PNB, which is now a private bank, contrary to Sections 2 and 3 of DOF DC No. 001-2017 dated May 11, 2017, amending Sections 5.2 and 5.4 of DOF DC No. 001-2015 dated June 1, 2015, respectively, which provide that:

***Section 2. Section 5.2 of Department Circular No. 01-2015 dated June 1, 2015, as amended, is hereby amended to read as follows: '5.2 NGAs, GOCCs, and LGUs, specifically allowed by law, rules and regulations to retain income and/or for operations and/or working balances, shall deposit and maintain Government Funds with any of the following banks:***

- a) *Land Bank of the Philippines,*
- b) *Development Bank of the Philippines,*
- c) *Philippine Postal Savings Bank,*
- d) *Al Amanah Islamic Investment Bank of the Philippines,*
- e) *United Coconut Planters Bank,*
- f) *Philippine Veterans Bank. Xxxx'*

***Section 3. Section 5.4 of Department Circular No. 01-2015 dated June 1, 2015, as amended, is hereby amended to read as follows: '5.4 Deposits with banks other than those listed in Section 5.2 may be allowed, only if any of the following circumstances exists:***

***5.4.1 The banks listed in Section 5.2 cannot provide the required banking products and services;***

***5.4.2 The banks listed in Section 5.2, or their collection facilities, are not accessible within a twenty (20) kilometer radius; or***

***5.4.3 There are security risks.'***

5.2 Audit disclosed that CITEM was then maintaining five depository accounts with PNB amounting to P65.431 million as of December 31, 2016. Portion of the deposited amounts had been transferred to the Authorized Government Depository Banks (AGDBs), namely, LBP and DBP, in compliance with the recommendation of the COA under Audit Observation Memorandum (AOM) No. 2017-07-(16) dated March 16, 2017.

- 5.3 On April 11, 2017, CITEM requested authority from DOF to continue maintaining its Peso and Dollar Current Accounts with PNB as its collecting bank. However, on October 5, 2018, DOF denied CITEM's request citing the Amended Guidelines on AGDBs.
- 5.4 Consequently, in a letter dated November 28, 2018, CITEM Management informed DOF that they were in the process of transferring the Center's funds deposited with the PNB to the AGDBs in compliance with the aforementioned DOF DC. However, CITEM Management further requested that in the meantime they may be allowed for a temporary retention of the said PNB accounts with only the minimum maintaining balance as there are ongoing deposits/payments being made by companies joining CITEM's organized trade fairs held both locally and overseas. This is to avoid any disruption in collecting payments from said companies. As of reporting date, CITEM has not received any reply from the DOF.
- 5.5 Based on the Subsidiary Ledgers for the Cash-in-Bank account, CITEM still maintains three depository accounts with PNB. As of December 31, 2018, total funds still deposited with the said Bank amounted to P5.780 million, breakdown shown in Table 7.

**Table 7 – List of PNB Accounts**

<b>Account Name</b>	<b>Balance (As of 12-31-18)</b>
PNB - Dollar Account	P 2,456,210
PNB - Local Currency Time Deposit	2,723,391
PNB - Income	600,539
	<b>P 5,780,140</b>

- 5.6 The continuous maintenance of depository accounts with PNB is not only contrary to the provisions of DOF DC No. 001-2017, as amended, but also deprived the government authorized depository banks (AGDBs) of the benefits that could be derived therefrom had these funds been deposited with them.
  - 5.7 **We recommended and Management agreed to comply with DOF DC No. 001-2017 dated May 11, 2017 and to transfer all accounts maintained with PNB to the LBP or other AGDBs.**
6. **The Report on the Physical Count of Property, Plant and Equipment (RPCPPE) as of December 31, 2018 was not submitted within the reglementary period as required under Section 38, Chapter 10 of the GAM, Volume I. Likewise, the RPCPPE did not conform with the prescribed format under Appendix 73 of GAM, Volume II, as the necessary information for each PPE class/item were not completely supplied, resulting in the difficulty in matching the Report with the accounting records.**

6.1 Section 38, Chapter 10 of GAM, Volume I, states:

*The entity shall have a periodic physical count of PPE, which shall be done annually and presented on the Report on the Physical Count of Property, Plant and Equipment (RPCPPE) (Appendix 71) as at December 31 of each year. This shall be submitted to the Auditor concerned not later than January 31 of the following year. Equipment found at station and losses discovered during the physical count shall be reported to the Accounting Division/Unit for proper accounting/recording.*

6.2 Likewise, Section 42 (g), Chapter 10 of the same GAM further provides that:

*The Report on the Physical Count of Property, Plant and Equipment (RPCPPE - Appendix 73, GAM, Vol. II) shall be used to report the physical count and condition of PPE by type as at a given date, including those which are unrecorded and those which could not be accounted for. It shows the balance of PPE per property cards and per count and the shortage/overage, if any. It shall be rendered by the Inventory Committee, on its yearly physical count of properties owned by the entity.*

6.3 Records showed that the RPCPPE for CY 2018 was submitted only on March 21, 2019 or more than one and a half month beyond the reglementary period of January 31 of the ensuing year. Thus, precluded the Audit Team of timely conducting the audit and communicating the results thereof to Management.

6.4 Appendix 73 of GAM, Volume II prescribes the form and provides for the instructions in accomplishing the form. However, the prescribed form and instructions were not followed by the General Services Division in the preparation of the RPCPPE. Instead they used a customized form where the column for the quantity of each PPE item was not provided.

6.5 Likewise, the prescribed RPCPPE form under Appendix 73 of GAM, Volume II provides columns for "Quantity per Property Card"; "Quantity per Physical Count", and "Shortage/Overage." These columns were not provided in the CITEM's customized Inventory Report that was submitted to COA. Thus, created doubts whether the Inventory and Disposal Committee had compared the "Quantity per Property Card" and "Quantity per Physical Count", and determined whether there were "Shortages or Overages", since these information/data were not indicated in the customized RPCPPE.

6.6 Furthermore, the prescribed form requires verification by COA or its representative as witness to the physical count. However, in this case, there was no space provided in the RPCPPE for the signature of COA's representative.

- 6.7 In summary, considering that the essential information/data were not indicated in the customized RPCPPE prepared by CITEM, there was difficulty in comparing the results of actual count of PPE with the records of the accounting and in determining the causes of variances.
- 6.8 **We recommended and Management agreed to henceforth, require the Inventory and Disposal Committee to:**
- a. **Conduct the physical count of PPE in a timely manner to facilitate prompt submission of the RPCPPE on or before January 31 of the ensuing year; and**
  - b. **Prepare the RPCPPE following the prescribed form under Appendix 73 of GAM, Volume II, to facilitate reconciliation/comparison thereof with the accounting and property records.**

#### **GENDER AND DEVELOPMENT (GAD)**

7. **The CITEM's GAD Plan and Budget (GPB) for CY 2018 submitted to the Philippine Commission on Women (PCW) totaling P11.594 million, which was five per cent of the total Corporate Operating Budget (COB) of P231.876 million, was only endorsed by PCW for P1.374 million, since one of the identified programs/projects/activities (PAPs) with budget allocation of P10.220 million was recommended by the PCW for delisting from the CITEM's GPB for the reasons that the said PAP should have been assessed using the Harmonized Gender and Development Guidelines (HGDG); however, the GAD Focal Point System (GFPS) of the Center had not been trained on the HGDG and the deadline for Gender Mainstreaming Monitoring System (GMMS) access had already lapsed. Thus, the Center was not able to utilize/implement the minimum five per cent of its COB for GAD related PAPs as required under PCW-NEDA-DBM Joint Circular No. 2012-01.**

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

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

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

*Xxxx*

*8.2 The GFPS of the agency shall review all submitted GPBs and as needed, provide comments or recommendations for revision. Agency review of GPBs shall focus on the*

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

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

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

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

- 7.3 Further, the said regulation enjoined government agencies to set aside/appropriate at least five per cent (5%) of their total annual budget for the implementation of GAD-PAPs.
- 7.4 Records disclosed that the CITEM submitted its GPB for CY 2018 with total budget allocation of P11.594 million or five per cent of its COB of P231.876 million to the PCW thru GMMS.
- 7.5 However, interview revealed that the CITEM's CY 2018 GPB endorsed by the PCW only amounted to P1.374 million as one of the identified PAPs, i.e., "Participation of women-led enterprises in trade promotion activities such as fairs and exhibits" with budget allocation of P10.220 million was recommended by the PCW for delisting from the GPB for the reasons that the said PAP should have been assessed using the Harmonized Gender and Development Guidelines (HGDG).
- 7.6 Inquiry also revealed that the CITEM was not able to comply with the recommendation of the PCW that the said activity be assessed using the HGDG Tool as the GFPS had not been trained on the use of the Tool. Also, the deadline for GMMS access had already lapsed. Thus, the Center was not able to utilize/implement the minimum five per cent of its COB for GAD related PAPs as required under PCW-NEDA-DBM Joint Circular No. 2012-01.
- 7.7 For CY 2018, the Center was able to implement GAD related PAPs in its 15 trade promotion activities in the total amount of P0.911 million or 66.30 per cent only of its PCW-endorsed GPB of P1.374 million, as shown in Table 8.

**Table 8 – Summary of women-led activities**

<b>Activity</b>	<b>Targeted Women Participation</b>	<b>Actual Women Participation</b>	<b>% of Participation</b>	<b>Actual Expenditure</b>
Trade Promotions (Trade Fairs & Exhibits)	472	747	158%	P 345,283
Export Coaching	152	212	139%	559,698
Organization-focused	60 (men & women)	47 (men & women)	78%	6,000
<b>Total amount expended</b>				<b>P 910,981</b>
<b>CY 2018 GPB endorsed by PCW</b>				<b>P 1,374,000</b>
<b>Per cent of utilization</b>				<b>66.30</b>

**7.8 We recommended and Management agreed to:**

- a. **Mainstream GAD on the operations and regular PAPs of the Center to be able to attribute at least five per cent of the total COB;**
- b. **Coordinate with PCW for the training of the GFPS on the HGDG, to avoid delisting of the proposed GAD PAPs in the GPB and the timely endorsement of the GPB; and**
- c. **Ensure that the PAPs identified in the duly PCW-endorsed GPB are fully carried out.**

**COMPLIANCE WITH TAX LAWS**

8. CITEM has been consistently withholding taxes on salaries and wages and other benefits accruing to its officers and employees as well as on goods and services, which were remitted to the Bureau of Internal Revenue (BIR) within the reglementary period. For CY 2018, total remittances to the BIR amounted to P10.663 million.

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

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



## SUMMARY OF UNSETTLED SUSPENSIONS, CHARGES AND DISALLOWANCES

10. As of December 31, 2018, there were no unsettled audit suspension and charge, while the unsettled audit disallowances amounted to P4.915 million, breakdown in Table 9.

**Table 9 - Unsettled Audit Disallowances**

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



Reference	Observations	Recommendations	Actions Taken/ Comments
2017 AAR Financial Audit AO No. 2 page 32	Due to Other Government Agencies account disclosed a negative balances of P82,897.77 which indicate overpayment/over remittance or erroneous adjustment.	<p>threshold; and require the Property Officer to issue the corresponding Inventory Custodian Slip in lieu of Property Acknowledgement Receipt to establish accountability on these semi-expendable items;</p> <p>d. submit all the lacking documents and submit justification as to propriety of the entries recorded; and</p> <p>e. furnish COA copy of the schedule of Accumulated Depreciation.</p> <p>We recommended that Management analyze the negative balances on the said accounts and effect the necessary adjustments.</p>	<p>Partially Implemented</p> <p>Not Implemented</p> <p>Partially Implemented</p> <p>Updated and reiterated in Part II – Audit Observation and Recommendation No. 4 of this Report.</p> <p>Verification disclosed that in CY 2018 the negative balances still existed but were reduced to P74,408.00.</p>









<b>Reference</b>	<b>Observations</b>	<b>Recommendations</b>	<b>Actions Taken/ Comments</b>
2017 AAR Compliance Audit AO No. 11 page 46	The Inventory Committee was not able to submit the Report on the Physical Count of Property, Plant and Equipment (RPCPPE) for CY 2017 to COA contrary to Section 38, Chapter 10 of Government Accounting Manual (GAM), Volume I.	We recommended that Management submit the RPCPPE for each year on or before January 31st of the ensuing year.	Fully Implemented
2017 AAR Compliance Audit AO No. 12 page 46	The annual Gender and Development (GAD) was implemented through participation in trade promotional activities, product development and export coaching program and other women-led activities. Likewise, the annual Gender and Development (GAD) Plan and Budget (GPB) for CY 2017 was submitted to Department of Trade and Industry (DTI) for review and submission to Philippine Commission on Women (PCW) in consonance with the PCW-NEDA-DBM Joint Circular No. 2012-01.	We recommended that Management continue promoting its GAD related projects and programs and continue the conduct of promotional activities for assisted enterprises.	Fully Implemented