



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

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

May 17, 2023

**THE BOARD OF TRUSTEES**  
 Cultural Center of the Philippines  
 CCP Complex, Roxas Boulevard,  
 Pasay City



**Gentlemen/Mesdames:**

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree (PD) No. 1445, otherwise known as the Government Auditing Code of the Philippines, we transmit herewith our report on the results of the audit of the accounts and transactions of the Cultural Center of the Philippines (CCP), for the years ended December 31, 2022 and 2021.

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

The Auditor expressed a qualified opinion on the fairness of presentation of the financial statements of the CCP in view of the following:

1. The faithful representation in the financial statements of the balance of the Property, Plant and Equipment (PPE) accounts amounting to P1.759 billion with a carrying amount of P1.140 billion was not established due to: (a) variance of P72.154 million in absolute value, between the balances per books and the Report on the Physical Count of PPE; and (b) the non-updating of the PPE Ledger Cards and Property Cards of PPE items with a total cost of P59.500 million thus precluding the reconciliation of the balances, contrary to the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities and Paragraph 27 of the International Public Sector Accounting Standard (IPSAS) 1.
2. The accrual of expenses amounting to P20.273 million covering the released and unreleased grants to various organizations and private individuals during the year, despite the absence/non-availability of the liquidation documents, resulted in the overstatement of the Production Expenses-Others and Accounts Payable accounts and the understatement of Accumulated Surplus/(deficit) by the same amount, contrary to Paragraph 27 of IPSAS 1. Moreover, grants amounting to P16.140 million have remained unliquidated despite the completion of their intended projects/activities, which is not in accordance with COA Circular No. 2007-001 and the Memorandum of Agreement.

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

- 1.1 Fully implement the COA Circular No. 2020-006 on the One-Time Cleansing of PPE accounts and come up with an accurate and reliable PPE balances;
- 1.2 Direct the Accounting Division (AD) and Property and Supply Division (PSD) to conduct the required periodic validation, verification, and reconciliation of their PPE records to immediately correct any discrepancies/variances noted; and
- 2.1 Direct the AD to:
  - a. Prepare Journal Entry Voucher/s (JEVs) to correct the erroneous accrual of the expenses of P20.273 million by debiting Accounts Payable and crediting Accumulated Surplus/(deficit) account; and
  - b. Monitor the compliance of each Non-Government Organization/Civil Society Organization including private individuals on the provisions of the Letter of Agreements and/or Memorandum of Agreements and the guidelines provided in COA Circular No. 2007-001, particularly on the liquidation of released grants.

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

3. The correctness of the balance of the Inventories account of P9.094 million as of December 31, 2022, is doubtful due to: a) adjustment made on the account amounting to P0.778 million without supporting documents; b) non-maintenance of the Supplies ledger card by the AD; and c) some errors in the Report of Physical Count of Inventories (RPCI), contrary to Paragraph 27 of IPSAS 1.
  - 3.1 We recommended that Management direct the:
    - a. AD to reverse the adjusting entry made, if the supporting documents could not be presented to the Audit Team, and maintain ledger cards for the inventories;
    - b. PSD to conduct validation and verification of the inconsistencies noted in the RPCI; and
    - c. AD and PSD to reconcile their records and make necessary adjustments/corrections.
4. The balance of the Accounts Payable of P196.703 million as of December 31, 2022, is overstated by P1.812 million due to: a) erroneous accrual of expenses totaling P0.959 million; b) double recording of expenses of P0.827 million; and c) erroneous charging of prepayments to Accounts payable of P25,687, consequently misstating the affected accounts, contrary to Paragraph 27 of IPSAS 1.

4.1 We recommended and the Management agreed to direct the AD to:

- a. Prepare the necessary adjusting entries to correct the overstatement of the Accounts Payable and other affected accounts; and
- b. Adopt a review process in the recording to prevent the incurrence of errors.

The observations together with the recommended courses of action which were discussed by the Audit Team with concerned Management officials and staff during the exit conference conducted on March 28, 2023 are discussed in detail in Part II of the report. We also invite your attention to the prior year's partially and unimplemented audit recommendations embodied in Part III of the report.

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

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

Very truly yours,

**COMMISSION ON AUDIT**

By:

  
**ATTY. CHITO C. JANABAN**  
Director IV  
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 AUDIT SECTOR**  
**Cluster 6 – Social, Cultural, Trading, Promotional and Other Services**

May 17, 2023

**Ms. MARIA MARGARITA MORAN-FLOIRENDO**  
 President  
 Cultural Center of the Philippines  
 CCP Complex, Roxas Boulevard,  
 Pasay City



**Dear President Floirendo:**

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 Cultural Center of the Philippines (CCP), for the years ended December 31, 2022 and 2021.

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

The Auditor expressed a qualified opinion on the fairness of presentation of the financial statements of the CCP in view of the following:

1. The faithful representation in the financial statements of the balance of the Property, Plant and Equipment (PPE) accounts amounting to P1.759 billion with a carrying amount of P1.140 billion was not established due to: (a) variance of P72.154 million in absolute value, between the balances per books and the Report on the Physical Count of PPE; and (b) the non-updating of the PPE Ledger Cards and Property Cards of PPE items with a total cost of P59.500 million thus precluding the reconciliation of the balances, contrary to the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities and Paragraph 27 of the International Public Sector Accounting Standard (IPSAS) 1.
2. The accrual of expenses amounting to P20.273 million covering the released and unreleased grants to various organizations and private individuals during the year, despite the absence/non-availability of the liquidation documents, resulted in the overstatement of the Production Expenses-Others and Accounts Payable accounts and the understatement of Accumulated Surplus/(deficit) by the same amount, contrary to Paragraph 27 of IPSAS 1. Moreover, grants amounting to P16.140 million have remained unliquidated despite the completion of their intended

projects/activities, which is not in accordance with COA Circular No. 2007-001 and the Memorandum of Agreement.

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

- 1.1 Fully implement the COA Circular No. 2020-006 on the One-Time Cleansing of PPE accounts and come up with an accurate and reliable PPE balances;
- 1.2 Direct the Accounting Division (AD) and Property and Supply Division (PSD) to conduct the required periodic validation, verification, and reconciliation of their PPE records to immediately correct any discrepancies/variances noted; and
- 2.1 Direct the AD to:
  - a. Prepare Journal Entry Voucher/s (JEVs) to correct the erroneous accrual of the expenses of P20.273 million by debiting Accounts Payable and crediting Accumulated Surplus/(deficit) account; and
  - b. Monitor the compliance of each Non-Government Organization/Civil Society Organization including private individuals on the provisions of the Letter of Agreements and/or Memorandum of Agreements and the guidelines provided in COA Circular No. 2007-001, particularly on the liquidation of released grants.

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

3. The correctness of the balance of the Inventories account of P9.094 million as of December 31, 2022, is doubtful due to: a) adjustment made on the account amounting to P0.778 million without supporting documents; b) non-maintenance of the Supplies ledger card by the AD; and c) some errors in the Report of Physical Count of Inventories (RPCI), contrary to Paragraph 27 of IPSAS 1.
  - 3.1 We recommended that Management direct the:
    - a. AD to reverse the adjusting entry made, if the supporting documents could not be presented to the Audit Team, and maintain ledger cards for the inventories;
    - b. PSD to conduct validation and verification of the inconsistencies noted in the RPCI; and
    - c. AD and PSD to reconcile their records and make necessary adjustments/corrections.
4. The balance of the Accounts Payable of P196.703 million as of December 31, 2022, is overstated by P1.812 million due to: a) erroneous accrual of expenses totaling P0.959 million; b) double recording of expenses of P0.827 million; and c) erroneous charging of prepayments to Accounts payable of P25,687, consequently misstating the affected accounts, contrary to Paragraph 27 of IPSAS 1.

- 4.1 We recommended and the Management agreed to direct the AD to:
- a. Prepare the necessary adjusting entries to correct the overstatement of the Accounts Payable and other affected accounts; and
  - b. Adopt a review process in the recording to prevent the incurrence of errors.

The observations together with the recommended courses of action which were discussed by the Audit Team with concerned Management officials and staff during the exit conference conducted on March 28, 2023 are discussed in detail in Part II of the report. We also invite your attention to the prior year's partially and unimplemented audit recommendations embodied in Part III of the report.

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

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

Very truly yours,

**COMMISSION ON AUDIT**

By:



**ATTY. CHITO C. JANABAN**  
Director IV  
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

(Name of Agency and Address)

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

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

**Agency sig-off:**

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

\_\_\_\_\_  
**Date**

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



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

# **ANNUAL AUDIT REPORT**

**on the**

# **CULTURAL CENTER OF THE PHILIPPINES**

**For the Years Ended December 31, 2022 and 2021**



## EXECUTIVE SUMMARY

### INTRODUCTION

The Cultural Center of the Philippines (Filipino: *Sentrong Pangkultura ng Pilipinas*, or CCP) is a Government-Owned and Controlled Corporation which was created as an organization in-charge of the preservation and promotion, enhancement and development of Philippine culture.

The CCP is located at the CCP Complex, Roxas Boulevard, Pasay City. It provides performance and exhibition venues for various local and international productions. Its artistic programs include the production of performances, festivals, exhibitions, cultural research, outreach, preservation, and publication of materials on Philippine art and culture.

The CCP, although an independent corporation of the Philippine government, receives an annual subsidy from the national government and is placed under the National Commission for Culture and the Arts for purposes of policy coordination.

The CCP's Board of Trustees is composed of the following:

<b>Chairperson:</b>	Jaime Del Carmen Laya
<b>Members:</b>	Maria Margarita Moran-Floirendo Stanley Borero Seludo Michelle Nikki Magbuhat Junia Marivic Hernandez Del Pilar Lorna Patajo Kapunan Moises Benedict Carandang Teodoro Samson Del Mundo Jr.

The President is Ms. Maria Margarita Moran - Floirendo, assisted by Mr. Dennis N. Marasigan, Vice-President and Artistic Director.

### FINANCIAL HIGHLIGHTS (In Philippine Peso)

#### I. Comparative Financial Position

	2022	2021 (As Restated)	Increase/ (Decrease)
Assets	2,539,229,708	2,451,740,923	87,488,785
Liabilities	472,254,666	366,925,208	105,329,458
<b>Net assets/equity</b>	<b>2,066,975,042</b>	<b>2,084,815,715</b>	<b>(17,840,673)</b>

## II. Comparative Financial Performance

	2022	2021 (As Restated)	Increase/ (Decrease)
Revenue	215,851,045	91,767,550	124,083,495
Current operating expenses	686,864,664	498,832,514	188,032,150
Surplus/(deficit) from current operations	(471,013,619)	(407,064,964)	(63,948,655)
Other non-operating income	1,971,646	960,238	1,011,408
Gains/(Loss)-net	539,539	1,439,357	(899,818)
Income tax expense	-	(535,462)	535,462
Subsidy from national government	450,661,761	396,608,000	54,053,761
<b>Net surplus for the period</b>	<b>(17,840,673)</b>	<b>(8,592,831)</b>	<b>(9,247,842)</b>

## III. 2022 Budget and Actual Amounts on Comparable Basis

	Corporate Operating Budget	Actual Amounts on Comparable Basis	Savings
Personnel services	239,980,000	199,896,276	40,083,724
Maintenance & other operating expenses	491,788,000	362,987,818	128,800,182
Capital outlay	1,074,202,000	416,116,545	658,085,455
	<b>1,805,970,000</b>	<b>979,000,639</b>	<b>826,969,361</b>

### SCOPE OF AUDIT

The audit covered the examination, on a test basis, of the accounts, transactions and operations of the CCP for Calendar Year 2022 in accordance with International Standards of Supreme Audit Institutions. It was also aimed at expressing an opinion as to whether the financial statements present fairly the CCP's financial position, results of operations and cash flows, and at determining the Agency's compliance with pertinent laws, rules and regulations.

### AUDITOR'S OPINION

We rendered a qualified opinion on the fairness of presentation of the financial statements of the CCP in view of the following:

1. The faithful representation in the financial statements of the balance of the Property, Plant and Equipment (PPE) accounts amounting to P1.759 billion with a carrying amount of P1.140 billion was not established due to: (a) variance of P72.154 million in absolute value, between the balances per books and the Report on the Physical Count of PPE; and (b) the non-updating of the PPE

Ledger Cards and Property Cards of PPE items with a total cost of P59.500 million thus precluding the reconciliation of the balances, contrary to the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities and Paragraph 27 of the International Public Sector Accounting Standard (IPSAS) 1.

2. The accrual of expenses amounting to P20.273 million covering the released and unreleased grants to various organizations and private individuals during the year, despite the absence/non-availability of the liquidation documents, resulted in the overstatement of the Production Expenses-Others and Accounts Payable accounts and the understatement of Accumulated Surplus/(deficit) by the same amount, contrary to Paragraph 27 of IPSAS 1. Moreover, grants amounting to P16.140 million have remained unliquidated despite the completion of their intended projects/activities, which is not in accordance with COA Circular No. 2007-001 and the Memorandum of Agreement.

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

- 1.1 Fully implement the COA Circular No. 2020-006 on the One-Time Cleansing of PPE accounts and come up with an accurate and reliable PPE balances;
- 1.2 Direct the Accounting Division (AD) and Property and Supply Division (PSD) to conduct the required periodic validation, verification, and reconciliation of their PPE records to immediately correct any discrepancies/variances noted; and
- 2.1 Direct the AD to:
  - a. Prepare Journal Entry Voucher/s (JEVs) to correct the erroneous accrual of the expenses of P20.273 million by debiting Accounts Payable and crediting Accumulated Surplus/(deficit) account; and
  - b. Monitor the compliance of each Non-Government Organization/Civil Society Organization including private individuals on the provisions of the Letter of Agreements and/or Memorandum of Agreements and the guidelines provided in COA Circular No. 2007-001, particularly on the liquidation of released grants.

## **OTHER SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS**

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

3. The correctness of the balance of the Inventories account of P9.094 million as of December 31, 2022, is doubtful due to: a) adjustment made on the account amounting to P0.778 million without supporting documents; b) non-maintenance of the Supplies ledger card by the AD; and c) some errors in the Report of Physical Count of Inventories (RPCI), contrary to Paragraph 27 of IPSAS 1.

- 3.1 We recommended that Management direct the:
- a. AD to reverse the adjusting entry made, if the supporting documents could not be presented to the Audit Team, and maintain ledger cards for the inventories;
  - b. PSD to conduct validation and verification of the inconsistencies noted in the RPCI; and
  - c. AD and PSD to reconcile their records and make necessary adjustments/corrections.
4. The balance of the Accounts Payable of P196.703 million as of December 31, 2022, is overstated by P1.812 million due to: a) erroneous accrual of expenses totaling P0.959 million; b) double recording of expenses of P0.827 million; and c) erroneous charging of prepayments to Accounts payable of P25,687, consequently misstating the affected accounts, contrary to Paragraph 27 of IPSAS 1.
- 4.1 We recommended and the Management agreed to direct the AD to:
- a. Prepare the necessary adjusting entries to correct the overstatement of the Accounts Payable and other affected accounts; and
  - b. Adopt a review process in the recording to prevent the incurrence of errors.

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

There were no unsettled audit suspensions, disallowances and charges as of December 31, 2022.

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

Of the 11 audit recommendations embodied in the prior year's Annual Audit Report, eight were fully implemented and three were partially implemented.

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REPUBLIC OF THE PHILIPPINES  
**COMMISSION ON AUDIT**  
Commonwealth Avenue, Quezon City

**INDEPENDENT AUDITOR'S REPORT**

**THE BOARD OF TRUSTEES**

Cultural Center of the Philippines  
CCP Complex, Roxas Boulevard,  
Pasay City

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

**Qualified Opinion**

We have audited the financial statements of the **Cultural Center of the Philippines (CCP)**, which comprise the statements of financial position as at December 31, 2022 and 2021, 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, 2022, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Bases for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the CCP, as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Public Sector Accounting Standards (IPSASs).

**Bases for Qualified Opinion**

The faithful representation in the financial statements of the balance of the Property, Plant and Equipment (PPE) accounts amounting to P1.759 billion with a carrying amount of P1.140 billion was not established due to: (a) variance of P72.154 million in absolute value, between the balances per books and the Report on the Physical Count of PPE; and (b) the non-updating of the PPE Ledger Cards and Property Cards of PPE items with a total cost of P59.500 million thus precluding the reconciliation of the balances, contrary to the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities and Paragraph 27 of the IPSAS 1.

Also, the accrual of expenses amounting to P20.273 million covering the released and unreleased grants to various organizations and private individuals during the year, despite the absence/non-availability of the liquidation documents, resulted in the overstatement of the Production Expenses-Others and Accounts Payable accounts and the understatement of Accumulated Surplus/(deficit) by the same amount, contrary to Paragraph 27 of IPSAS 1. Moreover, grants amounting to P16.140 million have remained unliquidated despite the completion of their intended projects/activities, which is not in accordance with COA Circular No. 2007-001 and the Memorandum of Agreement.

We were not able to perform alternative audit procedures to determine if any adjustments to the PPE accounts are necessary due to the status of records of the CCP's Accounting and the Property and Supply Divisions.

We conducted our audits in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the CCP in accordance with the Revised Code of Conduct and Ethical Standards for the Commission on Audit Officials and Employees (Code of Ethics) together 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 and the Code of Ethics. 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 IPSASs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the CCP'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 CCP'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 CCP'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 CCP 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, 2022, required by the Bureau of Internal Revenue as disclosed in Note 34 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with IPSASs. Such supplementary information is the responsibility of management.

### **COMMISSION ON AUDIT**

  
**SUZETTE G. PORNALES**

Supervising Auditor

Audit Group G – Development, Media and Other Agencies (DMOA) 1

Cluster 6-Social, Cultural, Trading, Promotional and Other Services

Corporate Government Audit Sector

March 28, 2023





**Cultural Center of the Philippines**  
SENTRONG PANGKULTURA NG PILIPINAS

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

The Management of the Cultural Center of the Philippines (CCP) is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

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

The Board of Trustees is responsible for overseeing the CCP's financial reporting process.

The Board of Trustees reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stakeholders and other users.

The Commission on Audit has examined the financial statements of the CCP in accordance with the International Standards of Supreme Audit Institutions, and in its report to the Board of Trustees, has expressed its opinion on the fairness of presentation upon completion of such audit.

**DENNIS P. LOPEZ**  
Department Manager III  
Financial Services Department  
March 28, 2023  
Date signed

**MARIA MARGARITA MORAN-FLORENDO**  
President  
March 28, 2023  
Date signed

**JAIME C. LAYA**  
Chairman of the Board  
March 28, 2023  
Date signed

**CULTURAL CENTER OF THE PHILIPPINES**  
**STATEMENTS OF FINANCIAL POSITION**  
**As of December 31, 2022 and 2021**  
(in Philippine Peso)

	Notes	2022	2021 (As Restated)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	6	205,469,809	287,486,407
Financial assets	7	647,243,327	509,314,760
Receivables - net	8	54,394,961	93,564,071
Inventories	9	4,406,933	85,916,881
Other current assets	12.1	102,134,049	90,704,219
<b>Total Current Assets</b>		<b>1,013,649,079</b>	<b>1,066,986,338</b>
<b>Non-Current Assets</b>			
Financial assets	7	99,898,401	-
Investment property	10	284,127,056	291,373,976
Property, plant and equipment - net	11	1,139,634,371	1,092,586,522
Intangible Assets	12.2	480,000	480,000
Deferred tax asset	12.3	1,362,868	236,154
Other non-current assets	12.4	77,933	77,933
<b>Total Non-Current Assets</b>		<b>1,525,580,629</b>	<b>1,384,754,585</b>
<b>TOTAL ASSETS</b>		<b>2,539,229,708</b>	<b>2,451,740,923</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Financial liabilities	13	219,381,192	135,973,074
Inter-agency payables	14	11,248,334	47,840,104
Trust liabilities	15	162,232,668	156,202,981
Deferred credits/unearned income	16	64,274,617	9,524,840
Other payables	17	15,117,855	17,384,209
<b>TOTAL LIABILITIES</b>		<b>472,254,666</b>	<b>366,925,208</b>
<b>NET ASSETS (Total Assets Less Total Liabilities)</b>		<b>2,066,975,042</b>	<b>2,084,815,715</b>
<b>NET ASSETS/EQUITY</b>			
Government equity	18	1,584,502,488	1,584,502,488
Accumulated surplus/(deficit)	19	482,472,554	500,313,227
<b>TOTAL NET ASSETS/EQUITY</b>		<b>2,066,975,042</b>	<b>2,084,815,715</b>

The notes on pages 10 to 55 form part of these financial statements.

**CULTURAL CENTER OF THE PHILIPPINES**  
**STATEMENTS OF FINANCIAL PERFORMANCE**  
**For the Years Ended December 31, 2022 and 2021**  
(in Philippine Peso)

	Note	2022	2021 (As Restated)
<b>REVENUE</b>			
Service and business income	20	215,766,272	91,577,550
Shares, grants and donations	21	84,773	190,000
<b>Total Revenue</b>		<b>215,851,045</b>	<b>91,767,550</b>
<b>CURRENT OPERATING EXPENSES</b>			
Personnel services	22	199,896,276	199,469,163
Maintenance and other operating expenses	23	365,431,074	259,301,850
Direct cost	24	76,630,545	1,125,278
Financial expenses	25	833,184	383,984
Non-cash expenses	26	44,073,585	38,552,239
<b>Total Current Operating Expenses</b>		<b>686,864,664</b>	<b>498,832,514</b>
<b>SURPLUS/(DEFICIT) FROM OPERATIONS</b>		<b>(471,013,619)</b>	<b>(407,064,964)</b>
Other non-operating income	27.1	1,971,646	960,238
Gains	27.2	3,907,191	1,628,342
Losses	27.3	(3,367,652)	(188,985)
		<b>2,511,185</b>	<b>2,399,595</b>
<b>DEFICIT BEFORE TAX</b>		<b>(468,502,434)</b>	<b>(404,665,369)</b>
Income tax expense	28	-	(535,462)
<b>DEFICIT AFTER TAX</b>		<b>(468,502,434)</b>	<b>(405,200,831)</b>
Net assistance/subsidy	29	450,661,761	396,608,000
<b>NET SURPLUS/(DEFICIT) FOR THE PERIOD</b>		<b>(17,840,673)</b>	<b>(8,592,831)</b>

The notes on pages 10 to 55 form part of these financial statements.

**CULTURAL CENTER OF THE PHILIPPINES**  
**STATEMENTS OF CHANGES IN NET ASSETS/EQUITY**  
**For the Years Ended December 31, 2022 and 2021**  
(in Philippine Peso)

	Accumulated Surplus/	Government Equity Note18	Total
<b>BALANCE AS AT JANUARY 1, 2021</b>	442,233,147	1,584,502,488	2,026,735,635
<b>ADJUSTMENTS:</b>			
Add/(Deduct):			
Prior year adjustments	69,950,291	-	69,950,291
<b>RESTATED BALANCE AS AT JANUARY 1, 2021</b>	<b>512,183,438</b>	<b>1,584,502,488</b>	<b>2,096,685,926</b>
<b>Changes in Net Assets/Equity for CY 2021</b>			
Add/(Deduct):			
Surplus/(Deficit) for the period, as restated	(8,592,831)	-	(8,592,831)
Dividends	(3,277,380)	-	(3,277,380)
Other adjustments			
<b>RESTATED BALANCE AS AT DECEMBER 31, 2021</b>	<b>500,313,227</b>	<b>1,584,502,488</b>	<b>2,084,815,715</b>
<b>Changes in Net Assets/Equity for CY 2022</b>			
Add/(Deduct):			
Surplus/(Deficit) for the period	(17,840,673)	-	(17,840,673)
<b>BALANCE AS AT DECEMBER 31, 2022</b>	<b>482,472,554</b>	<b>1,584,502,488</b>	<b>2,066,975,042</b>

The notes on pages 10 to 55 form part of these financial statements.

**CULTURAL CENTER OF THE PHILIPPINES**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2022 and 2021**  
(in Philippine Peso)

	Note	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash Inflows</b>			
Subsidy received from the national government		459,191,761	404,798,000
Collection of rent		112,026,402	74,042,780
Collection of prior years' receivables		4,971,645	12,260,500
Collection of operating and service income		80,866,080	7,361,200
Collection of miscellaneous income		1,971,646	1,032,762
Collection of contributions withheld		6,006,993	-
Collections of Trust Fund		3,655,011	1,100,050
<b>Total Cash Inflows</b>		<b>668,689,538</b>	<b>500,595,292</b>
Prior year's adjustments		11,054,865	159,477,102
<b>Adjusted cash inflows</b>		<b>679,744,403</b>	<b>660,072,394</b>
<b>Cash Outflows</b>			
Remittance of ticket sales and refundable violation deposits		(1,987,565)	(11,323,296)
Miscellaneous liabilities & deferred credits		(6,717,740)	(2,974,303)
Remittance of taxes withheld		(9,723,218)	(5,981,025)
Purchase of inventories		(1,484,353)	(1,599,813)
Prepayments		(8,561,031)	(4,243,863)
Advances		(26,487,177)	(72,224,523)
Payment of prior year's expenses/payables		(61,715,986)	(86,436,472)
Payment of maintenance and other operating expenses		(213,349,987)	(161,464,862)
Payment of personnel services		(183,093,497)	(188,259,244)
Fund Transfer to Trust Fund			
<b>Total Cash Outflows</b>		<b>(513,120,554)</b>	<b>(534,507,401)</b>
<b>Net Cash Provided by (Used in) Operating Activities</b>		<b>166,623,849</b>	<b>125,564,993</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Cash inflows</b>			
Termination of short term investment		37,440,000	46,708,911
Income from investments		7,841,738	5,310,331
<b>Total Cash Inflows</b>		<b>45,281,738</b>	<b>52,019,242</b>
Purchase of short term investment		(172,606,928)	(92,822,573)
Purchase of long term investment		(99,802,170)	
Purchase/rehabilitation/construction of plant, property and equipment		(21,513,087)	(90,263,585)
<b>Total Cash Outflows</b>		<b>(293,922,185)</b>	<b>(183,086,158)</b>
<b>Net Cash Provided (Used in) Investing Activities</b>		<b>(248,640,447)</b>	<b>(131,066,916)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalent</b>		<b>(82,016,598)</b>	<b>(5,501,923)</b>
<b>CASH AND CASH EQUIVALENTS, Beginning of Year</b>		<b>287,486,407</b>	<b>292,988,330</b>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	6	<b>205,469,809</b>	<b>287,486,407</b>

The notes on pages 10 to 55 form part of these financial statements.



**CULTURAL CENTER OF THE PHILIPPINES**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**For the Year Ended December 31, 2022**  
(in Philippine Peso)

<b>Particulars</b>	<b>Budgeted Amounts</b>		<b>Actual Amounts on Comparable Basis</b>	<b>Difference (Final Budget and Actual)</b>
	<b>Original</b>	<b>Final</b>		
<b>Receipts</b>				
Rental income	121,553,000	121,553,000	94,998,032	26,554,968
Operating and service income	109,575,000	109,575,000	87,654,400	21,920,600
Parking fees	7,416,000	7,416,000	21,326,385	(13,910,385)
Interest income	6,700,000	6,700,000	11,780,472	(5,080,472)
Miscellaneous income	152,000	152,000	5,970,594	(5,818,594)
Subsidy income from government	1,552,371,000	1,552,371,000	487,457,948	1,064,913,052
Corporate Fund	135,731,000	135,731,000	-	135,731,000
<b>Total Receipts</b>	<b>1,933,498,000</b>	<b>1,933,498,000</b>	<b>709,187,831</b>	<b>1,224,310,169</b>
<b>Payments</b>				
Personnel services	239,980,000	239,980,000	199,896,276	40,083,724
Maintenance and other operating expenses	619,316,000	491,788,000	362,987,818	128,800,182
Capital outlay	1,074,202,000	1,074,202,000	416,116,545	658,085,455
Prior years' obligations				
<b>Total Payments</b>	<b>1,933,498,000</b>	<b>1,805,970,000</b>	<b>979,000,639</b>	<b>826,969,361</b>
<b>Net Receipts/Payments</b>	<b>-</b>	<b>127,528,000</b>	<b>(269,812,808)</b>	<b>397,340,808</b>

The notes on pages 10 to 55 form part of these financial statements.



**CULTURAL CENTER OF THE PHILIPPINES  
NOTES TO THE FINANCIAL STATEMENTS**

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

**1. GENERAL INFORMATION/ENTITY PROFILE**

The financial statements of the Cultural Center of the Philippines (Filipino: *Sentrong Pangkultura ng Pilipinas*, or CCP) were authorized for issue on March 28, 2023 as shown in the Statement of Management's Responsibility for Financial Statements signed by Dr. Jaime C. Laya, the Chairperson of the Board of Trustees.

The CCP is located at the CCP Complex, Roxas Boulevard, Pasay City, with a total land area of 608,569 square meters. It was created in 1966 through Executive Order No. 30 and formally inaugurated on September 8, 1969, as a trust for the benefit of the people for the purpose of preserving and promoting Philippine culture in all its varied aspects. As a Government Owned and/or Controlled Corporation, CCP through the years, has evolved into a premier Philippine institution for culture and the arts.

The CCP initially served as the center for performing arts showcasing the best in Filipino creativity and artistry notably in theater, music and dance. It expanded its reach in 1987 by becoming the coordinating center for artistic and cultural activities and continued to function as such for the next 10 years.

Upon the establishment of the National Commission for Culture and the Arts, CCP assumed a new role and became the center for the performing arts which seeks to catalyze cultural and artistic development by encouraging, nurturing, conserving, showcasing and disseminating Filipino creativity and artistic experience as well as continue to provide world-class programs, services and facilities. It has also become the prime mover in the establishment of regional arts and culture organizations.

The CCP nurtures and promotes artistic excellence, Filipino aesthetics and identity, and cultural values towards a humanistic global society.

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

**2.1 Statement of Compliance with International Public Sector Accounting Standards (IPSASs)**

The financial statements have been prepared in compliance with the International Public Sector Accounting Standards (IPSASs), formerly Philippine Public Sector Accounting Standards (PPSASs), prescribed for adoption by the Commission on Audit (COA) through COA Resolution No. 2014-003 dated January 24, 2014. The PPSASs were renamed to IPSASs per COA Resolution No. 2020-01 dated January 9, 2020.

The accounting policies have been consistently applied throughout the year presented.

## **2.2 Preparation of Financial Statements**

The CCP's financial statements have been prepared on the basis of historical cost, unless stated otherwise. The Statement of Cash Flows is prepared using the direct method.

The financial statements are presented in Philippine Peso, the CCP's functional and presentation currency and amounts are rounded off to the nearest peso, unless otherwise stated.

The preparation of financial statements in compliance with the adopted IPSASs requires the use of certain accounting estimates. It also requires the entity to exercise judgment in applying the entity's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effects are disclosed in Note 3.17.

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

### **3.1 Basis of Accounting**

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

### **3.2 Financial instruments**

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

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

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

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the CCP commits to purchase or sell the asset.

The CCP's financial assets include: cash and cash equivalents, quoted and unquoted financial instruments, derivative financial instruments, trade and other receivables, loans and other 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.

Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through surplus or deficit are carried in the Statement of Financial Position at fair value with changes in fair value recognized in surplus or deficit.

### 2. Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the CCP has positive intention and ability to hold it to maturity.

After initial measurement, held-to-maturity investments are 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. The losses arising from impairment are recognized in surplus or deficit.

### 3. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

### iii. Derecognition

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

1. the contractual rights to the cash flows from the financial asset expired or waived; and
2. the CCP has transferred its contractual rights to receive the cash flows of the financial assets, or retains the contractual rights to receive the cash flows of the financial assets but assumes a contractual obligation

to pay the cash flows to one or more recipients in an arrangement that meets the conditions set forth in IPSAS 29 *Financial Instruments: Recognition and Measurement*; and either the entity has:

- transferred substantially all the risks and rewards of ownership of the financial asset; or
- neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but has transferred the control of the asset.

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

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

Evidence of impairment may include the following indicators:

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

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

For financial assets carried at amortized cost, the CCP first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the CCP 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 CCP. 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 IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit, or loans and borrowings, as appropriate. The entity determines the classification of its financial liabilities at initial recognition.

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

The CCP's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, and financial guarantee contracts.

**ii. Subsequent measurement**

The measurement of financial liabilities depends on their classification.

**1. Financial liabilities at fair value through surplus or deficit.**

Financial liabilities at fair value through surplus or deficit include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through surplus or deficit.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

This category includes derivative financial instruments that are not designated as hedging instruments in hedge relationships as defined by IPSAS 29.

Gains or losses on liabilities held for trading are recognized in surplus or deficit.

## 2. Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well through the effective interest method amortization process.

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.

### 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.

### e. Derivative financial instruments

#### i. Initial recognition and subsequent measurement

The CCP uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its foreign currency risks and interest rate risks, respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to surplus or deficit. The CCP does not apply hedge accounting.

### **3.3 Cash and Cash Equivalents**

Cash and cash equivalents comprise cash on hand and cash in bank, deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

### **3.4 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.

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

### **3.5 Investment Property**

Investment property is measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment property is measured using the cost model and is depreciated over its estimated useful life.

Investment property is derecognized either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use.

The CCP uses the cost model for the measurement of investment property after initial recognition.

### **3.6 Property, Plant and Equipment**

#### **a. Recognition**

An item is recognized as Property, Plant, and Equipment (PPE) if it meets the characteristics and recognition criteria as a PPE.

The characteristics of PPE are as follows:

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

An item of PPE is recognized as an asset if:

- i. it is probable that future economic benefits or service potential associated with the item will flow to the entity;
- ii. the cost or fair value of the item can be measured reliably; and
- iii. the cost is at least P50,000 per COA Circular No. 2022-004 dated May 31, 2022, on the increase in the capitalization threshold from P15,000 to P50,000.

**b. Measurement at recognition**

An item recognized as PPE is measured at cost.

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

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

Cost includes the following:

- Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- Expenditure that is directly attributable to the acquisition of the items; and
- 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, with the exception of land, are stated at cost less accumulated depreciation and impairment losses.

When significant parts of PPE are required to be replaced at intervals, the CCP 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 expenses 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 an expense unless it is included in the cost of another asset.

i. Initial recognition of depreciation

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

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

ii. Depreciation method

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

iii. Estimated useful life

The CCP 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:

Building and structures	- 30 years
Medical equipment	- 10 years
Furniture and fixtures	- 10 years
Machineries	- 10 years
Motor vehicles	- 7 years
Office equipment	- 5 years
Library books	- 5 years

iv. Residual value

The CCP uses a residual value equivalent to at least five percent (5%) of the cost of the PPE.

**e. Impairment**

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

**f. Derecognition**

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

**3.7 Leases**

**CCP as a lessor (Operating lease)**

Leases in which the CCP 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.

**3.8 Changes in Accounting Policies and Estimates**

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

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

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

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

**3.9 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. Non-monetary 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. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

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

### **3.10 Revenue from Non-exchange Transactions**

#### **a. Recognition and measurement of assets from non-exchange transactions**

An inflow of resources from a non-exchange transaction, other than services in-kind, that meets the definition of an asset are recognized as an asset if the following criteria are met:

- It is probable that the future economic benefits or service potential associated with the asset will flow to the entity; and
- The fair value of the asset can be measured reliably.

An asset acquired through a non-exchange transaction is initially measured at its fair value as at the date of acquisition.

#### **b. Recognition of revenue from non-exchange transactions**

An inflow of resources from a non-exchange transaction recognized as an asset is recognized as revenue, except to the extent that a liability is also recognized in respect of the same inflow.

As CCP satisfies a present obligation recognized as a liability in respect of an inflow of resources from a non-exchange transaction recognized as an asset, it reduces the carrying amount of the liability recognized and recognizes an amount of revenue equal to that reduction.

#### **c. Measurement of revenue from non-exchange transactions**

Revenue from non-exchange transactions is measured at the amount of the increase in net assets recognized by the entity, unless a corresponding liability is recognized.

**d. Measurement of liabilities on initial recognition from non-exchange transactions**

The amount recognized as a liability in a non-exchange transaction is the best estimate of the amount required to settle the present obligation at the reporting date.

**e. Taxes**

Taxes and the related fines and penalties are recognized when collected or when these are measurable and legally collectible. The related refunds, including those that are measurable and legally collectible, are deducted from the recognized tax revenue.

**f. Fees and fines not related to taxes**

The CCP recognizes revenue from fees and fines, except those related to taxes, when earned and the asset recognition criteria are met. Deferred income is recognized instead of revenue if there is a related condition attached that would give rise to a liability to repay the amount.

Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

**g. Gifts and donations**

The CCP recognizes assets and revenue from gifts and donations when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Goods in-kind are recognized as assets when the goods are received, or there is a binding arrangement to receive the goods. If goods in-kind are received without conditions attached, revenue is recognized immediately. If conditions are attached, a liability is recognized, which is reduced and revenue recognized as the conditions are satisfied.

On initial recognition, gifts and donations including goods in-kind are measured at their fair value as at the date of acquisition, which are ascertained by reference to an active market, or by appraisal. An appraisal of the value of an asset is normally undertaken by a member of the valuation profession who holds a recognized and relevant professional qualification. For many assets, the fair values are ascertained by reference to quoted prices in an active and liquid market.

**h. Transfers**

The CCP recognizes an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset, except those arising from services in-kind.

**i. Services in-kind**

Services in-kind are not recognized as asset and revenue considering the complexity of the determination of and recognition of asset and revenue and the eventual recognition of expenses.

**j. Transfers from other government entities**

Revenue from non-exchange transactions with other government entities and the related assets are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the CCP and can be measured reliably.

**3.11 Revenue from Exchange Transactions**

**a. Measurement of revenue**

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

**b. Rendering of services**

The CCP recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labor hours incurred to date as a percentage of total estimated labor hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

**c. Sale of goods**

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the CCP.

**d. 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.

**e. Dividends**

Dividends or similar distributions are recognized when the CCP's right to receive payments is established.

**f. Rental income**

Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease terms and included in revenue.

**g. Royalties**

Royalties are recognized as they are earned in accordance with the substance of the relevant agreement.

**3.12 Budget Information**

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

A separate Statement of Comparison of Budget and Actual Amounts (SCBAA) is prepared since the budget and the financial statements are not prepared on a comparable basis. The SCBAA is presented showing the original and final budget and the actual amounts on a comparable basis to the budget. Explanatory comments are provided in the notes to the annual financial statements.

**3.13 Impairment of Non-Financial Assets**

**a. Impairment of cash-generating assets**

At each reporting date, the CCP assesses whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the CCP estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset or the cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the CCP estimates the asset's or cash-generating unit's recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last

impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in surplus or deficit.

#### **b. Impairment of non-cash-generating assets**

The CCP assesses at each reporting date whether there is an indication that a non-cash-generating asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the CCP estimates the asset's recoverable service amount. An asset's recoverable service amount is the higher of the non-cash-generating asset's fair value less costs to sell and its value in use.

Where the carrying amount of an asset exceeds its recoverable service amount, the asset is considered impaired and is written down to its recoverable service amount. The CCP classifies assets as cash-generating assets when those assets are held with the primary objective of generating a commercial return. Therefore, non-cash-generating assets would be those assets from which the CCP does not intend (as its primary objective) to realize a commercial return.

#### **3.14 Related Parties**

The CCP 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 CCP, or vice versa. Members of key management are regarded as related parties.

#### **3.15 Service Concession Arrangements**

The CCP analyzes all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the CCP recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price.

In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise - any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the CCP also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

#### **3.16 Employee Benefits**

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

The CCP 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.

### **3.17 Measurement Uncertainty**

The preparation of financial statements in conformity with IPSASs requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenue and expenses during the period. Items requiring the use of significant estimates include the useful life of a capital asset, estimated employee benefits, rates for amortization, impairment of assets, liability for contaminated sites, etc.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

## **4. PRIOR PERIOD ADJUSTMENTS**

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

In accordance with COA Circular No. 2022-004 dated May 31, 2022, the increase of capitalization threshold for PPE from P15,000.00 to P 50,000.00 was applied. Tangible items below the capitalization threshold of P50,000, for a total of P39,876,203.27, 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 Land and Other Land Improvements, Office Buildings and Transportation Equipment accounts which do not have items below the capitalization threshold. Moreover, other PPE items such as costumes, kitchen equipment and books will be subject for reclassification to semi-expendable expense accounts in the following year.

### **4.2 Due to Prior Period Errors**

Prior period errors include over-setup of receivables, restoration of cash due to stale checks, recognition of miscellaneous income from unutilized fund of certain projects, writing off of other payables (dormant), 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 19*.

## **5. RISK MANAGEMENT OBJECTIVES AND POLICIES**

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

- Credit risk
- Liquidity risk
- Market risks
- Operational risk



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

## 5.1 Risk Management Framework

The CCP Board has overall responsibility for the establishment and oversight of CCP's risk management framework. The Board is expected to establish and institute adequate control mechanisms for good governance in CCP.

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

	Note	2022	2021 (As Restated)
<b>Financial assets</b>			
Cash and cash equivalents	6	205,469,809	287,486,407
Financial assets	7	747,141,728	509,314,760
Receivables	8	54,394,961	93,564,071
		<b>1,007,006,498</b>	<b>890,365,238</b>
<b>Financial liabilities</b>			
Financial liabilities	13	219,381,192	135,973,074
Inter-agency payables	14	11,248,334	47,840,104
Trust liabilities	15	162,232,668	156,202,981
		<b>392,862,194</b>	<b>340,016,159</b>

## 5.2 Credit Risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the CCP. The CCP has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or security deposit where appropriate as a means of mitigating the risk of financial loss from defaults. The CCP defines counterparties as having similar characteristics if they are related entities.

Also, the CCP manages its credit risk by depositing its cash with the Land Bank of the Philippines (LBP), an authorized government depository bank.

The carrying amount of financial assets recognized in the financial statements represents the CCP's maximum exposure to credit risk.

### a. Credit risk exposure

The table in the page shows the gross maximum exposure to credit risk of the CCP as of the years ended December 31, 2022 and 2021, without considering the effects of credit risk mitigation techniques.

	Note	2022	2021 (As Restated)
<b>Financial assets</b>			
Cash and cash equivalents	6	205,469,809	287,486,407
Financial assets	7	747,141,728	509,314,760
Receivables*	8	80,598,273	177,131,861
		<b>1,033,209,810</b>	<b>973,933,028</b>

\*Receivables at gross of allowance for impairment amounting to P26,203,312 and P83,567,790 for the years ended December 31, 2022 and 2021, respectively.

**b. Management of credit risk**

The management of credit risk is covered by the Risk Management Committee. The Accounting Division and the Budget and Treasury Division of the Agency are in charge of controlling, monitoring and collecting payments of all the receivables due from employees, tenants and clientele. Receivables from employees consist of overpayment of salaries due to leave without pay, excess usage of airtime charges over the set limit, personal calls, etc. and are collected through payroll deductions. Status of outstanding receivables is summarized monthly in a schedule and is submitted together with the financial reports to the COA. Should there be no payments received, the Accounting Division follows up either through phone calls or write demand letters for collection until settled. Other concerns or issues, if any, are referred to the Legal Department or Audit Committee for appropriate action.

**c. Settlement risk**

The CCP's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of a company to honor its obligations to deliver cash, securities or another asset as contractually agreed.

For certain types of transactions, the CCP mitigates this risk by conducting settlements through a settlement/clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligation. Settlement limits form part of the credit approval/limit monitoring process described earlier. Acceptance of settlement risk on free settlement requires transaction specific or counterparty specific approval from the Risk Committee.

**d. Risk concentration of the maximum exposure to credit risk**

Concentrations arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions, concentrations indicate the relative sensitivity of the CCP's performance to developments affecting a particular industry or geographical location. Such credit risk concentrations, if not properly managed, may cause significant losses that could threaten the CCP's financial strength and undermine public confidence.

**e. Aging analysis**

An aging analysis of the CCP's receivables as of the years ended December 31, 2022 and 2021 is as follows:

	<b>2022</b>	<b>2021 (As Restated)</b>
Outstanding receivables: *		
Current accounts	21,154,936	8,573,792
Past due accounts:		
1 – 30 days past due	4,101,579	4,475,476
31 – 60 days past due	5,436,203	2,473,921
over 60 days past due	49,905,555	161,608,672
	<b>80,598,273</b>	<b>177,131,861</b>

\* Receivables net of allowance for impairment amounting to P26,203,312 and P83,567,790 for the years ended December 31, 2022 and 2021, respectively.

**f. Impairment assessment**

The CCP 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 applied by the CCP in assessing and measuring impairment include: (1) specific/individual assessment; and (2) collective assessment. Under specific/individual assessment, the CCP assesses each 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 considered by the CCP 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.

A particular portfolio is reviewed on a periodic basis, in order to determine its corresponding appropriate allowances. 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.

### **5.3 Liquidity Risk**

Liquidity risk is the risk that the CCP might encounter difficulty in meeting obligations from its financial liabilities.

#### **a. Management of liquidity risk**

The CCP'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 CCP's reputation.

The CCP maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to CCP and other facilities, to ensure that sufficient liquidity is maintained within the CCP as a whole.

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

The liquidity risk is the adverse situation when the CCP 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 CCP.

The liquidity management policy of the CCP 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 CCP's funding requirements are generally met through any or a combination of financial modes allowed by law that would give the most advantageous results. Senior Management is actively involved in the Executive Committee headed by the Vice President for Administration with the Managers of all departments. The total liabilities of CCP are due and demandable within 12 months as at December 31, 2022.

### **5.4 Market Risks**

Market risk is the risk that changes in the market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's issuer's credit standing) will affect the CCP'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 interest rate risk

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

### **5.5 Operational Risks**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the CCP'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 CCP's operations and are faced by all business entities.

The CCP's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the CCP'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

Compliance with corporate standards/processes is supported by a program of periodic reviews undertaken by Internal Audit or the Quality Management System Team Auditors. The results of Internal Audit reviews are discussed with Management of the CCP, with summaries to the Audit Committee and Senior Management of the CCP.

## 6. CASH AND CASH EQUIVALENTS

This account consists of the following:

	2022	2021 (As restated)
Cash on hand	1,122,281	117,402
Cash in bank- local currency	194,562,194	283,834,973
Cash in bank-foreign currency	4,176,088	3,534,032
Cash equivalents	5,609,246	-
	<b>205,469,809</b>	<b>287,486,407</b>

Cash on hand consists of undeposited collections of Cash Collecting Officers and Petty Cash Fund. Cash in bank-local currency consists of current accounts while cash in bank - foreign currency is the savings account for dollar account maintained at the LBP.

## 7. FINANCIAL ASSETS

This account consists of the following:

	2022			2021 (As Restated)		
	Current	Non-current	Total	Current	Non-current	Total
Financial assets -						
held to maturity	607,233,904	-	607,233,904	471,816,857	-	471,816,857
Other investments	40,009,423	99,898,401	139,907,824	37,497,903	-	37,497,903
	<b>647,243,327</b>	<b>99,898,401</b>	<b>747,141,728</b>	<b>509,314,760</b>	<b>-</b>	<b>509,314,760</b>

### a. Financial assets- held to maturity

This account consists of money market placements with the LBP maturing beyond ninety days but within one year from date of placement.

### b. Financial assets - other investments

This account includes Investment in Time Deposit maturing beyond ninety days but within one year from date of placement, as well as the value of shares of stocks, stated at cost, acquired by the Center from mining, oil and industrial companies/enterprises.

## 7.1 Current - Financial Assets

### Current Financial Assets As at December 31, 2022

	Held to maturity	Other investments	Total
Beginning balance as at January 1, 2022	471,816,857	37,497,903	509,314,760
<i>Add:</i>			
New placement	166,447,734	-	166,447,734
Interest income, net of fees and taxes	5,928,847	424,184	6,353,031
Foreign exchange gain	-	3,255,223	3,255,223
<b>Total</b>	<b>644,193,438</b>	<b>41,177,310</b>	<b>685,370,748</b>
<i>Less:</i>			
Investments terminated/collected	(36,959,534)	-	(36,959,534)
Foreign exchange loss	-	(452,881)	(452,881)
Fair value decrease	-	(715,006)	(715,006)
<b>Balance as at December 31, 2022</b>	<b>607,233,904</b>	<b>40,009,423</b>	<b>647,243,327</b>

### Current Financial Assets As at December 31, 2021 (As Restated)

	Held to maturity	Other investments	Total
Beginning balance as at January 1, 2021	420,180,355	36,027,835	456,208,190
New placement	92,822,573	-	92,822,573
Fair value increase	5,522,840	1,739,758	7,262,598
<b>Total</b>	<b>518,525,768</b>	<b>37,767,593</b>	<b>556,293,361</b>
<i>Less: Investments sold/collected</i>	<i>(46,708,911)</i>	<i>(269,690)</i>	<i>(46,978,601)</i>
<b>Balance as at December 31, 2021</b>	<b>471,816,857</b>	<b>37,497,903</b>	<b>509,314,760</b>

## 8. RECEIVABLES

This account consists of the following:

	2022	2021 (As Restated)
Loans and receivables accounts- net	13,829,726	3,906,416
Lease receivable – net	11,684,727	8,247,672
Inter- agency receivables	5,186,271	60,719,857
Other receivables	23,694,237	20,690,126
	<b>54,394,961</b>	<b>93,564,071</b>

## 8.1 Loans and receivables accounts

	2022	2021 (As Restated)
Accounts receivable	13,127,348	5,816,939
<i>Allowance for impairment- accounts receivable</i>	(4,655,409)	(4,334,809)
<b>Net value- accounts receivable</b>	<b>8,471,939</b>	<b>1,482,130</b>
Notes receivable	-	59,147,027
<i>Allowance for impairment- notes receivable</i>	-	(59,147,027)
<b>Net value- notes receivable</b>	<b>-</b>	<b>-</b>
Interest receivable	5,358,313	2,424,286
<i>Allowance for impairment- interest receivable</i>	(526)	-
<b>Net value- interest receivable</b>	<b>5,357,787</b>	<b>2,424,286</b>
	<b>13,829,726</b>	<b>3,906,416</b>

### a. Accounts receivable

Accounts receivable account consists of unpaid ticket sales, theater rentals, sponsorship fees, theater subscriptions and other receivables arising from the operations of the Center.

### b. Notes receivable

The Notes Receivable account represents the outstanding and overdue principal of promissory notes executed by various clients from 1977 to 1978 in favor of the CCP amounting to P8.972 million as well as the interest and surcharges that accrued to the said instruments up to 1999 amounting to P50.175 million.

These accounts were referred to the Office of the Government Corporate Counsel for collection purposes through judicial or extrajudicial processes. Appropriate charges were filed in proper courts, and in some cases, the CCP was able to secure favorable decisions from the courts, but fell short of satisfying the claims of the Center due to insolvency of a respondent, or some of the respondents have already absconded while the cases were still on appeal with the Supreme Court. On the other hand, other cases filed did not prosper since summons or warrants of arrest could not be served, as the whereabouts of the respondents were unknown.

Since previous efforts failed to satisfy the CCP's claim from these debtors, said receivables are now considered as doubtful accounts, thus a 100 percent allowance for doubtful accounts was recognized.

In 2022, full amount of the receivables was written off in the books of CCP. This is based on the Corporate Government Audit Sector (CGAS) OAC Decision No. 2022-007 and CGAS Cluster 6 Decision No. 2022-019 issued by the Commission on Audit on August 1, 2022 and August 11, 2022, respectively.

### c. Interest Receivable

This account represents the amount of interest earnings due from financial assets as of year-end.



## 8.2 Lease receivable

	2022	2021 (As Restated)
Operating lease receivable	29,794,088	24,895,627
<i>Allowance for impairment- operating lease receivable</i>	(18,109,361)	(16,647,955)
<b>Net value- operating lease receivable</b>	<b>11,684,727</b>	<b>8,247,672</b>

This account represents the unpaid rentals, maintenance and utilities due from the concessionaires of the CCP.

## 8.3 Inter-agency receivables

	2022	2021 (As Restated)
Due from national government agencies	4,995,308	60,528,894
Due from government corporations	190,963	190,963
	<b>5,186,271</b>	<b>60,719,857</b>

### a. Due from national government agencies (NGAs)

This account includes receivables from Department of Tourism, Provincial Government of Palawan, Procurement Service, and Philippine High School for the Arts.

### b. Due from government corporations

The bulk of this account represents receivables from the GSIS, Home Development Mutual Fund (Pag-IBIG) and Philippine Health Insurance Corporation (PhilHealth) representing over-remittance of premiums and loan amortizations and insurance claims for the CCP's motor vehicles. It also includes the receivable of P50,000 from Bangko Sentral ng Pilipinas representing its share in the cost of road upkeep for 1981.

## 8.4 Other receivables

	2022	2021 (As Restated)
Receivables-disallowances/charges	3,202,536	3,202,536
Due from Non – Government Organizations /Civil Society Organizations	19,872,594	17,250,647
	23,075,130	20,453,183
Due from officers and employees	617,999	241,251
<i>Allowance for impairment- other receivables</i>	(13,457)	(13,457)
Net value- due from officers and employees	604,542	227,794
Other receivables	3,439,124	3,433,691
<i>Allowance for impairment- other receivables</i>	(3,424,559)	(3,424,542)
Net value- other receivables	14,565	9,149
	<b>23,694,237</b>	<b>20,690,126</b>

**a. Receivables-disallowances/charges**

This account represents Notices of Disallowance issued by the COA on various payments made by the CCP. In 2010 and 2021, the Center had exerted effort and sent demand letters to the concerned officers and employees. Some of the demand letters were not served because the whereabouts of the respondents were unknown.

**b. Due from non-government organizations/civil society organizations**

This account represents amounts granted to Non-Government Organizations/Civil Society Organizations for special purpose/time-bound undertakings/projects.

**c. Due from officers and employees**

This consists of cash advances granted for travel, purchase of supplies and materials and some incidental expenses in connection with CCP productions.

**d. Other receivables**

Lodged under this account are receivables/advances as follows:

	<b>2022</b>	<b>2021 (As Restated)</b>
Agencies/corporations	2,008,973	2,008,973
Advances	636,604	636,604
Employees	393,870	388,437
Individuals	367,546	367,546
Vicor Music Corporation	32,131	32,131
Total	3,439,124	3,433,691
<i>Allowance for impairment- other receivables</i>	<i>(3,424,559)</i>	<i>(3,424,542)</i>
	<b>14,565</b>	<b>9,149</b>

Other receivables-agencies/corporations represent pledges and sponsorship support of various agencies, corporations or companies for the various projects that they undertook and the consumption of the utilities of the Center.

Other receivables-advances represent advances made by the CCP on the projects/programs with funding coming from different government agencies and private entities, until such time that the approved funding is released to the Center.

Other receivables – Vicor Music Corporation (VMC) corresponds to the unpaid balance on the P5 million loan granted to VMC by the Center in February 1984 which was left unsettled after VMC's privatization in October 1993.

## 8.5 Aging analysis of receivables

	Total	Not past due	Past Due		
			<30 days	30-60 days	>60 days
Accounts receivable	13,127,348	7,135,744	614,861	-	5,376,743
Interest receivable	5,358,314	5,358,314	-	-	
Lease receivable	29,794,088	5,233,881	500,394	1,596,171	22,463,642
Inter-agency receivables	5,186,271	530,923	23,824	1,076,432	3,555,092
Other receivables	27,132,252	2,896,074	2,962,500	2,763,600	18,510,078
	<b>80,598,273</b>	<b>21,154,936</b>	<b>4,101,579</b>	<b>5,436,203</b>	<b>49,905,555</b>

## 9. INVENTORIES

	2022	2021 (As Restated)
<b>Inventory held for sale</b>		
Carrying amount, January 1	84,775,650	85,807,533
Additions/Acquisitions during the year	-	93,395
Expensed during the year	(76,630,545)	(1,125,278)
Allowance for impairment	(4,686,668)	-
<b>Carrying amount, December 31</b>	<b>3,458,437</b>	<b>84,775,650</b>
<b>Inventory held for consumption</b>		
Carrying amount, January 1	1,141,231	1,390,969
Additions/Acquisitions during the year	1,824,416	1,572,019
Expensed during the year	(2,017,151)	(1,821,757)
<b>Carrying amount, December 31</b>	<b>948,496</b>	<b>1,141,231</b>
	<b>4,406,933</b>	<b>85,916,881</b>

Regular purchases of office supplies for stock are recorded under the Inventory account and issuances thereof are recorded based on the Report of Supplies Issuances. Inventory held for sale account is composed of all publications that are being sold by CCP which includes the Encyclopedia of Philippine Arts, Ani Series, and others.

## 10. INVESTMENT PROPERTY

This account consists of parcels of land and buildings held for income generation. This account consists of the following:

### As at December 31, 2022

	Land	Building and other structures	Total
Carrying amount, January 1, 2022	240,382,163	50,991,813	291,373,976
Depreciation	-	(7,246,920)	(7,246,920)
<b>Carrying amount, December 31, 2022</b>	<b>240,382,163</b>	<b>43,744,893</b>	<b>284,127,056</b>

	Land	Building and other structures	Total
Gross cost	240,382,163	437,442,792	677,824,955
Accumulated depreciation	-	(393,697,899)	(393,697,899)
<b>Carrying amount, December 31, 2022</b>	<b>240,382,163</b>	<b>43,744,893</b>	<b>284,127,056</b>

### As at December 31, 2021

	Land	Building and other structures	Total
Carrying amount, January 1, 2021	240,382,163	58,290,204	298,672,367
Depreciation	-	(7,298,391)	(7,298,391)
<b>Carrying amount, December 31, 2021</b>	<b>240,382,163</b>	<b>50,991,813</b>	<b>291,373,976</b>

## 11. PROPERTY, PLANT AND EQUIPMENT

This account consists of the following:

### As at December 31, 2022

	Land	Land Improvement	Infrastructure Assets	Building and Other Structures	Machinery & Equipment	Total
Carrying amount, January 1, 2022	572,606,387	35,290,729	24,705,169	84,923,647	375,060,590	1,092,586,522
Additions/Acquisitions	-	-	-	57,097,761	20,461,479	77,559,240
Total	572,606,387	35,290,729	24,705,169	142,021,408	395,522,069	1,170,145,762
Reclassification to proper accounts	-	-	-	8,923,576	(9,101,819)	(178,243)
Depreciation	-	(1,874,367)	(1,498,126)	(4,273,160)	(22,687,495)	(30,333,148)
<b>Carrying amount, December 31, 2022</b>	<b>572,606,387</b>	<b>33,416,362</b>	<b>23,207,043</b>	<b>146,671,824</b>	<b>363,732,755</b>	<b>1,139,634,371</b>

	Land	Land Improvement	Infrastructure Assets	Building and Other Structures	Machinery & Equipment	Total
Gross cost	572,606,387	120,816,955	33,291,688	379,929,192	652,764,205	1,759,408,427
Accumulated depreciation	-	(87,400,593)	(10,084,645)	(233,257,368)	(289,031,450)	(619,774,056)
<b>Carrying amount, December 31, 2022</b>	<b>572,606,387</b>	<b>33,416,362</b>	<b>23,207,043</b>	<b>146,671,824</b>	<b>363,732,755</b>	<b>1,139,634,371</b>

As at December 31, 2021 (Restated)

	Land	Land Improvement	Infrastructure Assets	Building and Other Structures	Machinery & Equipment	Total
<b>Carrying amount, January 1, 2021</b>	<b>572,606,387</b>	<b>37,949,436</b>	<b>26,203,295</b>	<b>75,573,564</b>	<b>317,597,823</b>	<b>1,029,930,505</b>
Additions/Acquisitions	-	275,491	-	6,913,605	85,342,172	92,531,268
Total	572,606,387	38,224,927	26,203,295	82,487,169	402,939,995	1,122,461,773
Reclassification to proper accounts	-	(339,897)	-	6,102,689	(5,906,089)	(143,297)
Depreciation	-	(2,594,301)	(1,498,126)	(3,666,211)	(21,973,316)	(29,731,954)
<b>Carrying amount, December 31, 2021</b>	<b>572,606,387</b>	<b>35,290,729</b>	<b>24,705,169</b>	<b>84,923,647</b>	<b>375,060,590</b>	<b>1,092,586,522</b>

	Land	Land Improvement	Infrastructure Assets	Building and Other Structures	Machinery & Equipment	Total
Gross cost	572,606,387	120,816,955	33,291,688	313,946,627	674,516,826	1,715,178,483
Accumulated depreciation	-	(85,526,226)	(8,586,519)	(229,022,980)	(299,456,236)	(622,591,961)
<b>Carrying amount, December 31, 2021</b>	<b>572,606,387</b>	<b>35,290,729</b>	<b>24,705,169</b>	<b>84,923,647</b>	<b>375,060,590</b>	<b>1,092,586,522</b>

### 11.1 Land

The Center has a total of 625,171 square meters of land. The reclaimed area which was assigned to the CCP pursuant to Presidential Decree (PD) Nos. 15 and 774, dated October 5, 1972 and August 22, 1975, respectively, already excluded the following: (1) land area occupied by the Philippine International Convention Center - this was sold to the Bangko Sentral ng Pilipinas; (2) land area covering Philcite - this was transferred to the Philippine National Bank; and (3) land areas covering the Philippine Plaza Hotel, Gloriamaris Restaurant, and the Tahanang Pilipino - these were transferred to the GSIS in settlement of the CCP's outstanding obligations.

The land where the Manila Film Center (MFC) is situated was assigned to the CCP by the Public Estates Authority (PEA) in 1985 pursuant to Letter of Instruction No. 1411. This was considered as partial payment for the obligations of PEA, now the Philippine Reclamation Authority, to the National Government (NG) and as contribution of the NG to the CCP.

In 2015, the Department of Public Works and Highways-South Manila District Engineering Office implemented the National Road Lighting Program Package 7 (civil works) project wherein it undertook the installation of lamp posts/street lamps along the following road sections:

- Folk Arts Theater (FAT) Access road
- Philippine International Convention Center (PICC) FAT Main road
- PICC FAT Perimeter road
- Spine road
- MFC Main road
- MFC Access road

The CCP upon acceptance and recognizing in its books of accounts the transfer of the completed project in 2016 commits to secure and undertake the repair and maintenance of the road network.

In 2018, the Center, in connection with its Complex Development Plan and joint venture purposes, commissioned an independent appraisal company to determine the current value of CCP land. The said appraisers submitted a valuation of CCP land which amounted to P122,600 per square meter.

## **11.2 Buildings and other structures**

The CCP owns buildings and structures, including a water reservoir and conduits with a carrying amount of P146.672 million.

## **11.3 Machinery and equipment**

The account Machinery and Equipment includes a list of PPE that are already idle, unserviceable and fully depreciated amounting to P191.230 million as submitted in 2017 to the COA for dropping from the books of accounts. The amount of P191.230 million is already net of the reclassifications made to expense/Accumulated Surplus/(Deficit) in compliance with COA Circular No. 2015-010. The Center was not able to effect the dropping of PPE accounts because of the difficulties it encountered in complying with the requirements of Section 40(d), Chapter 10 of the Government Accounting Manual, Volume I, due to incomplete information and unavailability of supporting documents.

The bulk of this account also includes various visual art collections such as paintings and sculptures totaling P50.720 million. Paintings were valued based on the status of the artist and the importance of works in relation to the current art scene. However, some of the works were assigned a nominal value of P1 since they were only print photographs and the outputs of visual arts work-shoppers.

## 12. OTHER CURRENT AND NON-CURRENT ASSETS

### 12.1 Other current assets

	2022	2021 (As Restated)
Prepayments	97,986,564	87,139,577
Deposits	2,167,709	2,252,158
Advances	1,752,266	1,084,974
Other assets	227,510	227,510
<b>Total</b>	<b>102,134,049</b>	<b>90,704,219</b>

Major portion of this account represents unexpired insurance premiums on policies covering the CCP's property, the unexpired portion of the prepaid taxes withheld on interest on money market placements with government banks, and advances made for goods and services. Also included under this account are guaranty deposits, taxes withheld by suppliers and prior year's input taxes accrued by the Center. Beginning second quarter of 2019, upon consultation and clarification with the Bureau of Internal Revenue (BIR), all expenses funded by a subsidy were no longer subjected to input tax and is recognized as expense of the Center. This is in compliance with the provision of BIR Revenue Circular No. 16-2005, Section 4.110-4.

### 12.2 Intangible asset

This account consists solely of a web based integrated library system amounting P480,000.

### 12.3 Deferred tax assets

This account represents the excess amount of creditable tax after deducting the actual income tax expense for taxable year 2019 filed in April 2020.

### 12.4 Other non-current assets

This account is used to recognize assets not falling under any of the specific asset accounts used in the books of accounts of CCP.

## 13. FINANCIAL LIABILITIES

This account consists of the following:

	2022	2021 (As Restated)
Payables	218,229,529	135,468,653
Tax refunds payable	620,108	504,421
Other financial liabilities	531,555	-
	<b>219,381,192</b>	<b>135,973,074</b>

### 13.1 Payables

This account represents accrued expenses classified as follows:

	<b>2022 (As Restated)</b>	<b>2021</b>
Accounts payable	196,702,782	121,719,119
Due to officers and employees	21,526,747	13,749,534
	<b>218,229,529</b>	<b>135,468,653</b>

#### a. Accounts payable

The Accounts Payable account is composed of the following:

- Accrued liabilities committed and budgeted expenses for goods and services that were already provided to the Center but were not yet paid because invoices and other supporting documents for payments were not yet presented.
- Unliquidated obligations/vouchers represent unpaid amounts to suppliers and service providers for various goods already delivered and services rendered as of December 31, 2022.

#### b. Due to officers and employees

The Due to Officers and Employees account is used to recognize incurrence of liability to officers and employees for salaries, benefits and other emoluments including authorized expenses paid in advance by the officers and employees.

### 13.2 Tax refunds payable

Tax Refunds Payable account is used to recognize an amount refundable to taxpayers for excess amount paid/withheld. As of December 31, 2022, the balance represents unclaimed tax refunds of resigned/retired employees pending the completion of their clearances/documents required for terminal pay.

## 14. INTER-AGENCY PAYABLES

This account consists of the following:

	<b>2022</b>	<b>2021 (As Restated)</b>
Due to BIR	6,377,923	11,725,092
Due to GSIS	3,183,668	55,878
Due to Pag-IBIG	308,347	361,157
Due to PhilHealth	251,682	311,358
Income tax payable	1,126,714	35,386,619
<b>Total</b>	<b>11,248,334</b>	<b>47,840,104</b>



#### 14.1 Due to BIR

Included in this account are taxes such as income tax, expanded tax, final tax, and value added tax withheld by the CCP for remittance to the BIR. The Center regularly remits its taxes withheld in compliance with BIR regulations.

#### 14.2 Due to GSIS, Pag-IBIG, PhilHealth

These accounts consist of unremitted deductions from the salaries of officers and employees for life and retirement insurance premiums, optional insurance, salary, policy and real estate loans, medical and estate insurance and premiums.

### 15. TRUST LIABILITIES

This account consists of the following:

	2022	2021 (As Restated)
Trust liabilities	78,405,195	76,140,636
Customer's deposits payable	58,059,630	54,783,377
Guaranty/security deposits payable	25,767,843	25,278,968
	<b>162,232,668</b>	<b>156,202,981</b>

#### 15.1 Trust liabilities

The Trust Liabilities account represents collections from different government and private entities for various projects of the CCP which aim to awaken the consciousness of the Filipino people to our cultural heritage.

It also includes funds entrusted to the Center as custodian by different entities to finance various cultural projects. Likewise, included was the fund received from the Bureau of the Treasury in 2009 for the settlement of liability of the Republic of the Philippines to Republic Real Estate Corporation (RREC) amounting to P41.790 million. In 2009, the Court of Appeals (CA) issued a decision allowing the National Government and CCP to consign the said funds with the courts. A Motion for Execution of the said CA Decision was already filed by CCP with trial court, but was denied. In June 2016, the Petition for Review filed by RREC was denied upholding the CA's Decision in 2009 and Resolution in 2013.

#### 15.2 Customer's deposits payable

This account represents liability arising from cash received for theater violations deposits, deposits of producers for production expenses, deposits from concessionaires, and other various deposits (i.e., rental and utility deposits) which are refundable to the depositors.

It also includes collection of ticket sales of lessee-produced shows collected by the CCP which were not yet remitted to the producers.

### 15.3 Guaranty/security deposits payable

The account represents liability arising from the receipt of cash bond to guarantee the performance of the contract/court order.

## 16. DEFERRED CREDITS/UNEARNED INCOME

This account consists of the following:

	<b>2022</b>	<b>2021 (As Restated)</b>
Other deferred credits	59,970,763	5,079,803
Unearned revenue/income	4,303,854	4,445,037
	<b>64,274,617</b>	<b>9,524,840</b>

The account includes income collected but not yet recognized as revenue by the CCP at the end of the accounting period, as well as the Center's output tax and deferred output tax account. Deferred Output Tax corresponds to the 12 percent tax on sales billed as part of the receivables. Upon collection of receivables, this account is debited and the Output tax account is then set up.

The increase in the Other deferred credits account is attributable to the recognition of the donated Black Box Theatre amounting to P53,900,000. The recognition was lodged under other deferred credits account due to unavailability of the acceptance report and final turnover as at reporting date. This will be reversed to Income from donations in kind upon acceptance and turnover.

## 17. OTHER PAYABLES

This account includes stale checks and other liabilities not falling under any specific liability account.

	<b>2022</b>	<b>2021 (As Restated)</b>
Dividends payable	15,117,855	15,117,855
Other payables	-	1,711,654
Other payables – miscellaneous	-	554,700
	<b>15,117,855</b>	<b>17,384,209</b>

Dividends payable amounting to P15.118 million was recognized pursuant to Section 3 of Republic Act (RA) No. 7656 or the Dividend Law which states that all government-owned or controlled corporations shall declare and remit at least fifty percent (50%) of their annual net earnings as cash, stock, or property dividends to the National Government. Total net earnings of the Center in the year 2019 amounted to P30.236 million as per income tax return.

## 18. GOVERNMENT EQUITY

Government equity amounting to P1.585 billion pertains to the equity contribution of the National Government for CCP.

This account consists of the vast parcels of reclaimed land where the CCP Complex is situated, the initial capitalization of the CCP, property donated to the Center such as the MFC building and its appurtenances, audio film recording system, motorcycles, musical instruments, and other equipment. Also included are the construction cost of the Folk Arts Theater and the cost of the furniture, fixtures and equipment contained and/or installed therein.

## 19. ACCUMULATED SURPLUS/(DEFICIT)

	<b>Amount</b>
<b>Accumulated surplus, January 1, 2021</b>	442,233,147
Adjustments due to prior years' errors	69,950,291
<b>Accumulated surplus, January 1, 2021, As Restated</b>	512,183,438
Add/(deduct)	
Surplus/(Deficit) for the period, as restated	(8,592,831)
Dividends	(3,277,380)
<b>Accumulated surplus, December 31, 2021, As Restated</b>	500,313,227
Add/(deduct)	
Surplus/(Deficit) for 2022	(17,840,673)
<b>Accumulated surplus, December 31, 2022</b>	<b>482,472,554</b>

This account represents the accumulated net earnings/losses of the Center, including that of the Philippine Plaza Hotel when it was still a division of the Center until December 31, 1988.

## 20. SERVICE AND BUSINESS INCOME

This account consists of the following:

	<b>2022</b>	<b>2021 (As Restated)</b>
<b>Service income</b>		
Other service income	1,350,133	167,947
<b>Total service income</b>	<b>1,350,133</b>	<b>167,947</b>
<b>Business income</b>		
Rent/lease income	92,260,758	71,996,728
Income from printing and publication	71,673,612	6,756,872
Landing and parking fees	21,326,385	4,899,824
Theater operating revenue	14,448,598	580,559
Interest income	11,780,472	5,774,941
Seaport system fees	2,737,273	1,119,711
Seminar/training fees	155,357	280,968

	<b>2022</b>	<b>2021 (As Restated)</b>
Admission fees	26,700	-
Dividend income	6,984	-
<b>Total business income</b>	<b>214,416,139</b>	<b>91,409,603</b>
	<b>215,766,272</b>	<b>91,577,550</b>

In 2022 and 2021, due to the pandemic brought about by Coronavirus Disease 2019 (COVID-19), the CCP has granted rental reprieve and discounts to its lessees reducing its rental/lease income by P51.593 and P67.431 million, respectively.

## 21. SHARES, GRANTS AND DONATIONS

	<b>2022</b>	<b>2021 (As Restated)</b>
Income from grants and donation in cash	18,873	50,000
Income from grants and donation in kind	65,900	140,000
	<b>84,773</b>	<b>190,000</b>

## 22. PERSONNEL SERVICES

This line item consists of:

	<b>2022</b>	<b>2021 (As Restated)</b>
Salaries and wages	122,631,666	127,249,480
Other compensation	36,085,560	40,490,599
Personnel benefit contributions	17,017,518	17,339,647
Other personnel benefits	24,161,532	14,389,437
	<b>199,896,276</b>	<b>199,469,163</b>

### 22.1 Salaries and wages

	<b>2022</b>	<b>2021 (As Restated)</b>
Salaries and wages- regular	122,291,408	126,585,400
Salaries and wages- casual/contractual	340,258	664,080
	<b>122,631,666</b>	<b>127,249,480</b>

### 22.2 Other compensation

	<b>2022</b>	<b>2021 (As Restated)</b>
Year-end bonus	10,327,026	10,861,546
Mid-year bonus	9,835,049	27,887
Personnel economic relief allowance (PERA)	5,690,777	5,956,372

	<b>2022</b>	<b>2021 (As Restated)</b>
Representation allowance (RA)	2,581,625	2,557,000
Transportation allowance (TA)	2,474,500	2,335,000
Clothing/uniform allowance	1,486,525	1,494,000
Cash gift	1,205,750	1,259,000
Productivity incentive allowance	1,200,000	1,225,000
Overtime and night pay	713,430	916,105
Other bonuses and allowances	549,428	13,033,639
Subsistence allowance	18,150	17,450
Laundry allowance	3,300	3,600
Hazard pay	-	659,000
Longevity pay	-	145,000
	<b>36,085,560</b>	<b>40,490,599</b>

### **22.3 Personnel benefit contributions**

	<b>2022</b>	<b>2021 (As Restated)</b>
Retirement and life insurance premiums	14,389,473	15,038,804
PhilHealth contributions	2,060,045	1,707,443
Pag-IBIG contributions	284,000	296,700
Employees compensation insurance premiums	284,000	296,700
	<b>17,017,518</b>	<b>17,339,647</b>

### **22.4 Other personnel benefits**

	<b>2022</b>	<b>2021 (As Restated)</b>
Terminal leave benefits	14,295,928	6,911,548
Other personnel benefits	9,865,604	7,477,889
	<b>24,161,532</b>	<b>14,389,437</b>

### **22.5 Employees future benefits**

The permanent employees of the CCP contribute to the GSIS in accordance with RA No. 8291. The GSIS administers the plan, including payment of pension benefits to employees to whom the act applies. Social insurance (life and retirement) benefits are mandatory defined contribution plans fixed at nine (9) percent of the basic salaries of regular government employees.

## 23. MAINTENANCE AND OTHER OPERATING EXPENSES

This line item consists of:

	2022	2021 (As Restated)
General services	83,335,091	89,003,233
Utility expenses	45,208,463	33,912,491
Professional services	17,037,803	16,259,204
Supplies and materials expenses	8,353,605	7,017,374
Repairs and maintenance	7,295,528	7,836,807
Taxes, insurance premiums and other fees	7,219,274	5,584,801
Communication expenses	3,804,951	3,058,531
Training and scholarship expenses	1,661,652	306,409
Travelling expenses	282,843	201,283
Other maintenance and operating expenses	191,231,864	96,121,717
	<b>365,431,074</b>	<b>259,301,850</b>

### 23.1 General services

	2022	2021 (As Restated)
Other general services	32,540,509	33,607,853
Security services	30,051,470	31,931,733
Janitorial services	19,454,787	21,484,004
Environment/Sanitary services	1,288,325	1,979,643
	<b>83,335,091</b>	<b>89,003,233</b>

Other general services comprise engineering services, preventive maintenance, and services of theater crews.

### 23.2 Utility expenses

	2022	2021 (As Restated)
Electricity expenses	39,184,374	25,750,556
Water expenses	6,024,089	8,161,935
	<b>45,208,463</b>	<b>33,912,491</b>

### 23.3 Professional services

	2022	2021 (As Restated)
Auditing services	3,811,368	3,793,913
Consultancy services	-	443,696
Other professional services	13,226,435	12,021,595
	<b>17,037,803</b>	<b>16,259,204</b>

#### 23.4 Supplies and materials expenses

	2022	2021 (As Restated)
Office supplies expenses	2,020,419	2,089,598
Semi-expendable machinery and equipment expenses	1,948,455	885,219
Fuel, oil and lubricants expenses	1,781,718	1,380,038
Other supplies and materials expenses	1,594,109	2,403,340
Semi-expendable furniture, fixtures and books expenses	977,599	195,369
Accountable forms expenses	10,000	1,875
Drugs and medicines expenses	19,145	26,393
Medical, dental and laboratory supplies expenses	2,160	35,542
	<b>8,353,605</b>	<b>7,017,374</b>

#### 23.5 Repairs and maintenance

	2022	2021 (As Restated)
Repairs and maintenance-buildings and other structures	2,955,421	2,834,661
Repairs and maintenance-machinery and equipment	2,563,849	1,648,509
Repairs and maintenance-land improvements	989,630	2,407,626
Repairs and maintenance-transportation equipment	521,580	417,200
Repairs and maintenance-other PPE	235,462	285,582
Repairs and maintenance-furniture and fixtures	29,586	243,229
	<b>7,295,528</b>	<b>7,836,807</b>

#### 23.6 Taxes, insurance premiums and other fees

	2022	2021 (As Restated)
Insurance expenses	4,565,366	4,146,155
Taxes, duties and licenses	2,409,161	1,331,268
Fidelity bond premiums	244,747	107,378
	<b>7,219,274</b>	<b>5,584,801</b>

#### 23.7 Communication expenses

	2022	2021 (As Restated)
Telephone expenses	2,301,651	1,869,737
Internet subscription expenses	1,392,078	1,153,279
Postage and courier services	111,222	35,515
	<b>3,804,951</b>	<b>3,058,531</b>

#### 23.8 Training and scholarship expenses

This account represents the training from the Philippine Institute of Certified Public Accountants, Civil Service Commission, Ateneo De Manila University, Philippine Red

Cross and various Workshops amounting to P1.662 million and P306,409 for the years ended December 31, 2022 and 2021, respectively.

### 23.9 Travelling expenses

	2022	2021 (As Restated)
Travelling expenses-local	201,116	201,283
Travelling expenses-foreign	81,727	-
	<b>282,843</b>	<b>201,283</b>

### 23.10 Other maintenance and operating expenses

	2022	2021 (As Restated)
Production expense	183,110,416	90,520,230
Subscription expenses	1,096,246	547,606
Rent/lease expenses	917,518	467,231
Representation expenses	737,707	516,756
Transportation and delivery expenses	677,500	1,610,740
Printing and publication expenses	659,426	10,115
Advertising, promotional and marketing expenses	73,042	328,933
Membership dues and contributions to organizations	55,236	22,144
Other maintenance and operating expenses	3,904,773	2,097,962
	<b>191,231,864</b>	<b>96,121,717</b>

Production expenses comprise artists fees, support programs for professional dancers, and innovation/subsistence grants provided to various projects to promote and conserve culture and arts. The projects include but are not limited to Cinemalaya, Virgin Labfest, Sinag, Kalinga ng Sining, and Kutitap.

### 24. DIRECT COST

This account represents the cost of items under the merchandise inventory that were sold and/or given as complimentary copies or gifts by CCP amounting to P76.631 million and P1.125 million for the years ended December 31, 2022 and 2021, respectively.

### 25. FINANCIAL EXPENSES

This account consists of the following:

	2022	2021 (As Restated)
Management supervision/trusteeship fees	386,388	-
Bank charges	44,296	-
Other financial charges	402,500	383,984
	<b>833,184</b>	<b>383,984</b>



## 26. NON-CASH EXPENSES

This account consists of the following:

	<b>2022</b>	<b>2021 (As Restated)</b>
Depreciation	37,580,068	37,030,345
Impairment loss	6,493,517	1,521,894
	<b>44,073,585</b>	<b>38,552,239</b>

Impairment loss consists of impairment recognized for receivables, inventories and investments amounting P1.782 million, P4.687 million and P24,285, respectively for Calendar Year (CY) 2022.

## 27. OTHER NON-OPERATING INCOME, GAINS AND LOSSES

### 27.1 Other non-operating income

This account pertains to sale of waste materials and unserviceable assets, reprocessing fees of stale checks, and royalty fees for CCP various publications amounting to P1.972 million and P960,238 for the years ended December 31, 2022 and 2021, respectively.

### 27.2 Gains

	<b>2022</b>	<b>2021 (As Restated)</b>
Gain on foreign exchange (FOREX)	3,875,530	1,479,257
Gain from changes in fair value of financial instruments	31,661	-
Gain on sale/redemption/transfer of investments	-	149,085
	<b>3,907,191</b>	<b>1,628,342</b>

### 27.3 Losses

	<b>2022</b>	<b>2021 (As Restated)</b>
Loss from changes in fair value of financial instruments	2,888,362	188,985
Loss on foreign exchange (FOREX)	479,290	-
	<b>3,367,652</b>	<b>188,985</b>

## 28. INCOME TAX EXPENSE

This account represents the estimated income tax payable of CCP for the taxable year 2022 to be paid on or before April 15 of the following year.

	<b>Amount</b>
Service and business income	120,630,489
Less:	
Cost of sales	766,499
Depreciation – Investment property	7,192,567
Total gross income	112,671,423
Other non-operating income	269,205
Total taxable income	112,940,628
Less: Taxable expenses	
Personnel services	33,603,007
Maintenance and other operating expenses	40,465,849
Bad debts	59,147,027
Non-Cash expenses	5,696,528
Financial expenses	833,184
Total taxable expenses	139,745,595
<b>Net taxable income/(loss)</b>	<b>(26,804,967)</b>
<b>Income Tax Expense (25%)</b>	<b>-</b>
<b>Minimum Corporate Income Tax (1% of Gross income)</b>	<b>1,126,714</b>

## 29. NET ASSISTANCE/SUBSIDY

This account represents the total amount of subsidies from the national government and other agencies decreased by the financial assistance granted to Resident Companies on a yearly basis.

	<b>2022</b>	<b>2021</b> <b>(As Restated)</b>
Subsidy from national government	459,191,761	404,798,000
<i>Less: Financial assistance to NGOs/CSOs</i>	<i>(8,530,000)</i>	<i>(8,190,000)</i>
	<b>450,661,761</b>	<b>396,608,000</b>

*\*The Resident Companies of the CCP includes NAMCYA, Ballet Philippines, Tanghalang Pilipino, Philippine Madrigal Singers and Philippine Ballet Theatre*

## 30. NON-CASH INCOME

During the year, the CCP has received non-cash sponsorship from various companies and organizations in support of its arts programs and activities. These consist of but not limited to food, discount voucher, media mileage (online, newspaper, social media promotion, blog, and collaborative content), props and costumes, production shirts, hotel rooms and other giveaways amounting to P8.935 million.

### 31. RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO SURPLUS/(DEFICIT)

	2022	2021 (As Restated)
Surplus/(Deficit) for the period	(17,840,673)	(8,592,831)
Non-cash income/expenses:		
Depreciation expense	37,580,068	37,030,346
Impairment loss from receivable and inventory	6,493,517	1,521,894
Income from donation in kind	(65,900)	(140,000)
Interest Income from Investment	(3,064,280)	(6,014,189)
Gain from changes in fair value of financial instruments	(31,661)	-
Loss from changes in fair value of financial instruments	2,888,362	188,985
Gain on foreign exchange	(3,875,530)	(1,479,257)
Loss on foreign exchange	479,290	-
Decrease in current assets	23,998,471	111,384,452
Increase (decrease) in current liabilities	105,329,458	(8,334,407)
Other adjustments	14,732,727	-
<b>Net cash flow from operating activities</b>	<b>166,623,849</b>	<b>125,564,993</b>

### 32. RELATED PARTY TRANSACTIONS

#### 32.1 Related party transactions

The Center does not have dealings with related parties involving transfer of resources and obligations.

#### 32.2 Key management personnel

The key management personnel of the CCP are the Principal Officers, consisting of the President, Vice Presidents for Administration and Finance and the Artistic Sectors. The Governing Body consists of members appointed by the President of the Philippines.

### 33. BUDGET INFORMATION IN FINANCIAL STATEMENTS

The *original budget* reflected in the Statement of Comparison of Budget and Actual Amounts (SCBAA) for the year ended December 31, 2022 is the proposed Corporate Operating Budget (COB) for the year 2022 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 October 10, 2022. The proposed/original COB is prepared considering: (1) the Center's various programs, projects and activities in pursuance of its mandate; (2) the projected revenues and other sources of income to finance and support these programs; (3) actual expenses on previous years; and (4) effects of inflation. Aside from the COB, the CCP had received subsidies appropriated for the implementation of programs.

Changes between the original and final budget are due to the following:

- a. The Center's revenue target for CY 2022 amounted to P245.396 million as submitted and approved by the DBM. Actual revenue recognized for the year amounted to P221.730 million.
- b. The approved budget amount of P1.933 billion was sourced from the Center's corporate fund, current year's subsidy, Tobacco Inspection Fee and prior year's continuing appropriation.
- c. Material differences between the actual expenses as against the budget pertained to the following:
  - Personnel services – pertained to unfilled positions as of the reported year.
  - Maintenance and Other Operating Expenses – favorable results of P128.800 million was the effect of the declaration of the enhanced community quarantine in the entire Luzon wherein offices were closed and most of the production were postponed or cancelled
  - Capital Outlay – to be collected in the succeeding years since the release of the funds from DBM for Capital Outlay items are dependent upon the submission of billing statements, contracts and purchase orders.

### **34. SUPPLEMENTARY TAX INFORMATION UNDER REVENUE REGULATION NO. 15-2010**

The Center has paid and/or accrued the following types of taxes for CY 2022.

#### **34.1 Value Added Tax (VAT)**

Details of the CCP's net revenues/receipts and output VAT declared in the CCP's VAT returns filed are in the following page:

<b>Particulars</b>	<b>2022</b>	<b>2021</b>
Sales of services	115,804,995	89,271,308
VAT exempt sales	113,853,992	596,654,379
Total gross receipts	229,658,987	685,925,687
<i>Less: VAT exempt sales</i>	113,853,992	596,654,379
Total vatable gross receipts	115,804,995	89,271,308
Multiply by: Tax rate	12%	12%
<b>Total output tax for the year</b>	<b>13,896,599</b>	<b>10,712,557</b>

<b>Particulars</b>	<b>2022</b>	<b>2021</b>
Output VAT declared for the year	13,896,599	10,712,557
Less: Balance of input VAT at the end of the year	-	-
<b>Total</b>	<b>13,896,599</b>	<b>10,712,557</b>
VAT payable for the year		
<i>Less: VAT Payments for the current year</i>		
1st Quarter	2,675,386	2,603,236
2nd Quarter	2,824,548	2,400,161
3rd Quarter	3,267,980	2,560,342
October and November	3,526,861	2,039,387
VAT withheld on sales to government	29,657	6,914
<b>VAT Payable</b>	<b>1,572,167</b>	<b>1,102,517</b>

### 34.2 Taxes and licenses

This includes all other taxes, local and national, including licenses and permit fees lodged under the 'Taxes, insurance premiums and other fees' account under the 'Maintenance and Other Operating Expenses' section in the Statement of Financial Performance.

	<b>Amount Paid</b>
National	2,353,944
Local	55,217
BIR annual registration fee	500
	<b>2,409,661</b>

### 34.3 Withholding taxes

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

	<b>Amount</b>
Tax on compensation and benefits	14,041,810
Creditable withholding taxes	10,570,066
Withholding VAT	6,825,842
Withholding percentage taxes	982,615
Final withholding taxes	406,845
Documentary stamp tax	350,332
<b>Total</b>	<b>33,177,510</b>

Adjustments in the balances of taxes payable reflected in the trial balance as of December 31, 2022 are to be effected in 2022 to reflect the correct tax due and remittance in 2023.

### 34.4 Tax Cases

In May 2022, CCP received a Preliminary Assessment Notice (PAN) from the Revenue District Office No. 51 for the tax deficiencies for taxable year January 1 to December 31, 2019. CCP has complied with the PAN and has settled P40.000 million inclusive of compromise and penalties with the BIR on June 14, 2022, the settlement includes the following; Income Tax of P34.615 million, Expanded Withholding Tax of P1.315 million, and Final Withholding of VAT P4.070 million.

### **35. COMPLIANCE WITH GSIS LAW, REPUBLIC ACT (RA) NO. 8291**

The CCP 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. For CY 2022, the CCP collected and remitted the employees' premium contributions and employer's shares in the amount of P25.058 million and P22.934 million, respectively.

### **36. COMPLIANCE WITH GOVERNMENT SERVICE INSURANCE SYSTEM (GSIS) and PAG-IBIG LAWS**

The CCP is compliant with the GSIS guidelines on the collections and remittances of GSIS contributions pursuant to RA No. 8291, otherwise known as the GSIS Act of 1997. For CY 2022, the CCP remitted the monthly contributions for life and retirement in the total amount of P22.934 million.

The Center is also compliant with Rule VII, Section 3 of the Implementing Rules and Regulations of RA No. 9679 in the collection and remittance of contributions to the Pag-IBIG Fund.

### **37. INSURANCE OF GOVERNMENT PROPERTIES WITH THE GSIS**

Center complied with the law and regulations on the insurance of all insurable assets as required under RA No. 656, otherwise known as the "Property Insurance Law", as amended by PD No. 245 dated July 13, 1973. In CY 2022, the Center insured its properties totaling P557.293 million with the GSIS, as presented below.

<b>Property Insured</b>	<b>Amount Insured</b>	<b>Premium Paid</b>
Building	487,854,810	3,995,158
Visual arts	63,220,200	379,321
Vehicles	6,217,889	89,770
	<b>557,292,899</b>	<b>4,464,249</b>

### **38. COMPLIANCE WITH TAX LAWS**

The CCP has been consistently withholding taxes on salaries and wages and other benefits due from its officers and employees as well as on goods and services which are remitted to the BIR. For CY 2022, taxes withheld and remitted to the BIR amounted to P33.178 million and P27.147 million, respectively. The balance of P6.159 million as of December 31, 2022 was remitted in January 2023.

## PART II - AUDIT OBSERVATIONS AND RECOMMENDATIONS

### A. FINANCIAL

1. **The faithful representation in the financial statements of the balance of the Property, Plant and Equipment (PPE) accounts amounting to P1.759 billion with a carrying amount of P1.140 billion was not established due to: (a) variance of P72.154 million in absolute value, between the balances per books and the Report on the Physical Count of PPE; and (b) the non-updating of the PPE Ledger Cards and Property Cards of PPE items with a total cost of P59.500 million thus precluding the reconciliation of the balances, contrary to the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities and Paragraph 27 of the International Public Sector Accounting Standard 1.**

1.1. This is a reiteration with updates of the previous year's audit observation as the CCP was not able to fully implement the recommendations, particularly on the reconciliation of the variance noted in the PPE account between the balances per books and the Report on the Physical Count of Property Plant and Equipment (RPCPPE) and updating/reconciling of the PPE Ledger Cards (PPELCs) and Property Cards (PCs). Although the variance noted in CY 2021 of P86.926 million has decreased to P72.154 million in the current year, the variance is still significant.

- 1.2. The Conceptual Framework for General Purpose Financial Reporting (CFGPFR) 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.*

- 1.3. Likewise, Paragraph 27 of International Public Sector Accounting Standard (IPSAS) 1, provides as follows:

*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 International Public Sector Accounting Standards (IPSASs). The application of IPSASs, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation.*

- 1.4. As of December 31, 2022, the PPE accounts of the CCP showed a total acquisition cost of P1.759 billion, an accumulated depreciation of P619.774 million, and a carrying value of P1.140 billion; the breakdown is presented in Table 1.

**Table 1- Breakdown of PPE as of December 31, 2022**

Account Name	Acquisition Cost	Accumulated Depreciation	Carrying Value
Land	572,606,387	-	572,606,387
Land improvements	120,816,955	87,400,593	33,416,362
Infrastructure assets	33,291,688	10,084,645	23,207,043
Machinery and equipment	181,301,990	127,709,301	53,592,689
Buildings and other structures	379,929,192	233,257,368	146,671,824
Transportation equipment	21,292,576	13,886,749	7,405,827
Furniture, fixtures and books	40,132,746	20,930,756	19,201,990
Heritage assets	50,720,357	-	50,720,357
Other property, plant and equipment	309,582,989	126,504,644	183,078,345
Construction in Progress (CIP)	49,733,547	-	49,733,547
<b>Total</b>	<b>1,759,408,427</b>	<b>619,774,056</b>	<b>1,139,634,371</b>

- 1.5. During the year, the movement in the PPE accounts showed additions, disposals and net credit adjustments amounting to P162.430 million, P1.974 million, and P128.136 million, respectively. Most additions include the donated building and some CIP projects that commenced during the year. Disposals were due to the retirement of some PPE items, while the bulk of the credit adjustments is due to the reclassification of numerous PPE items to semi-expendable property in compliance with COA Circular No. 2022-004 dated May 31, 2022. The Circular increased the capitalization threshold of PPE items from P15,000 to P50,000. As of year-end, only the Books, Other PPE – Costumes, and Other PPE - Kitchen Equipment accounts under the PPE Sub-accounts have not been reclassified due to the insufficiency of supporting documents.
- 1.6. However, audit disclosed that as of December 31, 2022, variances totaling P72.154 million were noted between the balances per result of the physical inventory of PPE, as summarized in the RPCPPE, and the balances per Accounting records of some PPE sub-accounts, as presented in Table 2.

**Table 2 - PPE Accounts with variances between balances Per Books and Per RPCPPE as of December 31, 2022**

PPE Sub-accounts	Per Books	Per RPCPPE	Variance (in absolute value)
Building	329,632,108	333,864,144	4,232,036
Information and Communication Technology Equipment	35,612,414	26,085,487	9,526,927
Communication Equipment	7,732,020	6,298,175	1,433,845
Technical & Scientific Equipment	136,921,952	114,755,580	22,166,372
Motor Vehicles	21,292,577	21,267,577	25,000
Furniture and Fixtures	36,855,084	36,654,747	200,337
Books	3,277,662	366,500	2,911,162



PPE Sub-accounts	Per Books	Per RPCPPE	Variance (in absolute value)
Works of Arts and Archeological Specimens	50,720,356	56,157,496	5,437,140
Other PPE			
Other Social Services	864,631	321,234	543,397
Musical Instruments	32,534,216	35,556,026	3,021,810
Building Accessories	250,526,797	238,815,710	11,711,087
Kitchen Equipment	224,661	54,660	170,001
Others	20,100,370	12,567,112	7,533,258
Costumes	191,377	-	191,377
Others Assets - Others	5,086,439	2,036,249	3,050,190
<b>Total</b>	<b>931,572,664</b>	<b>884,800,697</b>	<b>72,153,939</b>

- 1.7. The Audit Team was informed that the main reason or cause of the variances was the PPE items that were recorded in the books but were not found or were missing during the inventory count. It is emphasized that the result of the physical inventory as reported in the RPCPPE should substantiate the existence of the recorded PPE in the financial statements, and any discrepancies noted should be resolved, investigated, and reconciled with the records of Accounting Division (AD) and Property and Supply Division (PSD).
- 1.8. Moreover, verification revealed that the PPELCs and the PCs of some PPE items amounting to P59.500 million were still not updated, which hindered the reconciliation of the PPE accounts between the records of AD and PSD, as shown in Table 3.

**Table 3 – List of PPE Items Without Updated PPELCs and PCs**

Account Name	Amount
Works of Arts and Archeological Specimens	50,720,356
Books	3,277,662
Other Property Plant & Equipment	
Kitchen Equipment	224,661
Other Assets-Costumes	191,377
Other Assets-Others	5,086,439
<b>Total</b>	<b>59,500,495</b>

- 1.9. Section 42, Chapter 10 of Government Accounting Manual (GAM), Volume I requires that:

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

*PPELC maintained by the Accounting Division/Unit. They shall also be reconciled with other property records like PAR.*

- 1.10. Inquiry with the concerned personnel revealed that the pertinent documents for the PPE account in Table 3 could no longer be located despite all the efforts. Thus, the AD and PSD records remained unreconciled and the updating of PPELCs and PCs could not be made.
  - 1.11. Nonetheless, Management commented that there is an ongoing reconciliation between the AD and PSD records and they are currently in the process of implementing the guidelines and procedures of COA Circular No. 2020-006 for the One-Time Cleansing of PPE account balances to come up with reliable PPE balances that are verifiable as to existence, condition, and accountability.
  - 1.12. Given the variance of P72.154 million between the balances per books and the RPCPPE, which remained unreconciled, and the non-maintenance of updated PPELCs and PCs for PPE totaling P59.500 million, which hindered the reconciliation, the faithful representation in the financial statements of the balance of the PPE accounts with carrying amount of P1.140 billion as at December 31, 2022, was not established, contrary to the CFGPFR by Public Sector Entities and Paragraph 27 of IPSAS 1.
  - 1.13. **We recommended that Management:**
    - a. **Fully implement the COA Circular No. 2020-006 on the One-Time Cleansing of PPE accounts and come up with an accurate and reliable PPE balances; and**
    - b. **Direct the AD and PSD to conduct the required periodic validation, verification, and reconciliation of their PPE records to immediately correct any discrepancies/variances noted.**
  - 1.14. The Management commented that relative to the implementation of the COA Circular No. 2020-006 or the one-time cleansing of PPE accounts, an Investigation Committee (IC) has been created per Office Order No. 137 dated November 25, 2022, that will investigate or determine the last known location of missing items, to whom they were issued, circumstances of the loss and the person responsible for the loss, among others. Also, the IC has already started the procedures necessary for the one-time cleansing as follows: a) Request original documents from different departments; b) Check individual property accountability folders; c) Send memorandum to different departments requesting assistance in locating the missing items; d) Re-inspect other offices of CCP for the possible location of those missing items; and e) Verify disposal documents.
  - 1.15. As a rejoinder, the Audit Team commended the Management for implementing the COA Circular on the Cleansing of PPE account balances and will monitor the full compliance with the audit recommendations in the CY 2023 audit.
- 2. The accrual of expenses amounting to P20.273 million covering the released and unreleased grants to various organizations and private individuals during the year, despite the absence/non-availability of the liquidation documents, resulted in the**

**overstatement of the Production Expenses-Others and Accounts Payable accounts and the understatement of Accumulated Surplus/(deficit) by the same amount, contrary to Paragraph 27 of International Public Sector Accounting Standard 1. Moreover, grants amounting to P16.140 million have remained unliquidated despite the completion of their intended projects/activities, which is not in accordance with COA Circular No. 2007-001 and the Memorandum of Agreement.**

2.1. Paragraph 27 of IPSAS 1 provides as follows:

*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 International Public Sector Accounting Standards (IPSASs).*

2.2. Moreover, Section 5.4 of COA Circular No. 2007-001 states that:

*Within sixty (60) days after the completion of the project, the NGO/PO shall submit the final Fund Utilization Report certified by its accountant and approved by its President to the Government Organization (GO), together with the inspection report and certificate of project completion issued by the GO authorized representative, list of beneficiaries with their acceptance of the project/funds/goods/services received. The validity of these documents shall be verified by the internal auditor or equivalent official of the GO and shall be the basis of the GO in recording the fund utilization in its books of accounts. These documents shall support the liquidation of funds granted to the NGO/PO.*

2.3. In CY 2022, the CCP entered into an agreement with various Non-Government Organizations/Civil Society Organizations (NGOs/CSOs), including private individuals, to provide grants for the implementation and support of artistic programs, including performances, festivals, exhibitions, outreach, preservation and publication of materials on Philippine arts and culture.

2.4. The approved grants during the year amounted to P26.056 million for 33 grantees. Of the approved grants, P20.273 million were allotted for the programs in CY 2022, while the remaining P5.783 million is for the succeeding years.

2.5. CCP records the release of grants as a debit to Due from NGOs/CSOs account and a credit to Cash in Bank account. At the end of the year, the Center accrues or recognize the approved grants as expenses, whether released or unreleased, recorded as a debit to the Production Expenses – Others account and credit to Accounts Payable. Per inquiry from the concerned accounting personnel, the accrual is to recognize as expenses during the year the grants allotted for the current year's programs. Thus, upon receipt by the Center of the liquidation documents from the grantees, Accounts Payable is debited, and the Due from NGO/CSO is credited.

- 2.6. Hence, the approved grants for the programs in CY 2022 of P20.273 million comprising the released/paid and unreleased grants amounting to P11.299 million and P8.974 million, respectively, were accrued or recorded as expenses in December 2022. Details are presented in Table 4.

**Table 4 - Summary of Grants in CY 2022**

Program	Approved Grants During the Year	Amount Accrued		
		Paid Grants During the Year	Grants Allotted for CY 2022 but not yet Released as of 12/31/22	Total
Cinemataya	10,000,000	1,750,000	3,750,000	5,500,000
Project Fund for Busan International Choral Festival and Competition	4,500,000	2,700,000	1,800,000	4,500,000
CCP Game Development Program Grant	3,300,000	1,320,000	1,980,000	3,300,000
Kaisa sa Sining Project Grant	2,534,000	2,138,347	395,653	2,534,000
Travel and Tour Grants	1,837,000	1,551,600	285,400	1,837,000
Kalinga ng Sining	1,350,000	1,012,500	337,500	1,350,000
CCP Comics Program Grant	660,000	330,000	330,000	660,000
Project Fund – Ternocon	475,000	380,000	95,000	475,000
Scholarship Grant	1,400,000	116,667	-	116,667
<b>Total</b>	<b>26,056,000</b>	<b>11,299,114</b>	<b>8,973,553</b>	<b>20,272,667</b>

- 2.7. The recognition or accrual of the allocated funds for the programs as expenses at year-end even if the grants have yet to be released, or if released, the liquidation documents had not been submitted by the grantee NGO/COS, is not proper, and hence should be discontinued. This manner of recording resulted in the overstatement of the accounts Production Expenses and Accounts Payable, consequently understating the Accumulated Surplus/(deficit) account, all for P20.273 million.
- 2.8. Validation of Letter of Agreements and/or Memorandum of Agreements (LOAs/MOAs) between the Center and the grantees revealed that liquidation of the partial amount granted/released is required before the release of the remaining balance of the grant. Consequently, the obligation to pay the subsequent tranches of the grant will arise only upon submission of the liquidation report. Hence, the corresponding expense accounts should be recognized only upon liquidation.
- 2.9. Furthermore, the audit revealed that various grants released from CY 2015 to CY 2022 totaling P16.140 million were not yet liquidated despite the conclusion of the programs/activities for which the funds were granted, which is not in accordance with COA Circular No. 2007-001 and the provisions under their respective LOAs/MOAs. Details are shown in Table 5:

**Table 5 – Unliquidated Grants for Completed Projects as of December 31, 2022**

<b>Programs</b>	<b>Unliquidated Grants</b>
<b>CY 2022</b>	
Project fund for Busan International Choral Competition	2,700,000
CCP Game Development Program	1,320,000
Kaisa sa Sining Project	2,138,347
Travel and Tour Grants	1,551,600
Kalinga ng Sining	1,012,500
CCP Comics Program	330,000
Project Fund – Ternocon	380,000
<b>CY 2021</b>	
Portfolio in Celebration of CCP 50 <sup>th</sup> Anniversary	1,064,000
Silver Lining Ballet Project	375,000
Kalinga ng Sining Subsistence Grant	112,500
Subsistence Grant for Balay	150,000
Grant for Artist Award	40,000
Kalinga sa Sining Project	150,000
MADZ ET Virtual Choral Festival	1,117,000
Kalinga sa Sining Grant	150,000
Grant for Artist Award	40,000
EmahiNASYON Project	375,000
Kabaligtaran ng Gunaw	199,397
CCP KSS Visayas KSSLAP Awards	783,000
CCP Innovation Grant	375,000
CCP Innovation Grant	363,750
Festival of Plays by Women	27,000
<b>CY 2020</b>	
UP Festival of Plays	18,000
Luna Awards Grant	500,000
Cinemataya 2020	200,000
2020 Kalinga ng Sining	150,000
2020 Cinemataya Main Competition	200,000
Visayan Islands Virtual Arts Exhibition	108,000
<b>CY 2017</b>	
CCP Project Rizalina	168,000
CCP Omni Holiday Lighting	10,000
<b>CY 2015</b>	
Production Grant	32,000
<b>Total</b>	<b>16,140,094</b>

- 2.10. Interview with concerned personnel disclosed that the main reason the grants remained unliquidated was the insufficient documentation submitted to the Center, which caused them to return the liquidation reports to the respective NGOs/CSOs, for compliance. Management has also informed that they conducted a follow-up on the unliquidated balances by communicating with the Operating Units of the CCP; however, the balances remained outstanding to date.
- 2.11. Further, review of the LOAs/MOAs between CCP and the grantees disclosed that the grantees must prepare and submit Liquidation Report (LR) before the release of the succeeding tranches and the Project Completion Report (PCR) after the implementation of the activity. However, the specific provision on the liquidation

period after the implementation of the project was not included in all of the Agreements. It should be noted that the PCR is one of the supporting documents of the LR. Had there been a clause/provision on the liquidation period after the implementation of the project, the issues on unliquidated grants could have been reduced or avoided.

2.12. **We recommended that Management direct the AD to:**

- a. **Prepare Journal Entry Voucher/s (JEVs) to correct the erroneous accrual of the expenses of P20.273 million by debiting Accounts Payable and crediting Accumulated Surplus/(deficit) account; and**
- b. **Monitor the compliance of each NGO/CSO including private individuals on the provisions of the LOAs/MOAs and the guidelines provided in COA Circular No. 2007-001, particularly on the liquidation of released grants.**

2.13. CCP Management acknowledged the audit observation and adjusted the misstatement in March 2023 per JEV No. 03-122-23.

2.14. Management also committed to comply with the guidelines provided under COA Circular No. 2007-001 and to monitor the compliance of each NGO/CSO with the provisions of the LOAs/MOAs.

2.15. As a rejoinder, the Audit Team commends the AD for immediately correcting the affected accounts and will be validating the same. The Team will also monitor compliance with the provisions in the MOA of future grants.

**3. The correctness of the balance of the Inventories account of P9.094 million as of December 31, 2022, is doubtful due to: a) adjustment made on the account amounting to P0.778 million without supporting documents; b) non-maintenance of the Supplies ledger card by the Accounting Division; and c) some errors in the Report of Physical Count of Inventories, contrary to Paragraph 27 of International Public Sector Accounting Standard 1.**

3.1. Paragraph 27 of IPSAS 1, provides as follows:

*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 International Public Sector Accounting Standards (IPSASs).*

3.2. Appendix 66, Volume II of the GAM, states that:

*The Report on the Physical Count of Inventories (RPCI) is a form used to report the physical count of inventories items by type such as Office Supplies Inventory; Accountable Forms Inventory; Medical Dental and Laboratory Supplies Inventory; Food Supplies Inventory, etc. which are owned by the*

agency/entity. It shall be prepared semi-annually by the Inventory Committee and by fund cluster.

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

3.3. Moreover, Appendix 57, Volume II of the GAM provides that:

*The SLC is a form used and maintained in the Accounting Division/Unit for each type of supplies and materials. It shall be used to record materials received, issued, and the balance in quantity and amount at any time. xxx*

3.4. The CCP is mandated, among others, to preserve and promote Philippine culture in all its varied aspects and is mainly carried out through its Cultural Content Department which undertakes activities dealing with literary text and performance text; produces and manages “hard” and “soft” publications; and designs and creates “value added” content for use of the general public and other content providers.

3.5. The Inventories account maintained by the CCP amounting to P9.094 million comprises Merchandise Inventory and Supplies Inventory. The Merchandise Inventory account consists of items being kept by the PSD as well as items under the custody of the Sales and Promotion Division. Merchandise inventory is further classified into publications (such as books, magazines, catalogs), audio/videos (such as tapes, DVDs, CDs, VHS), and merchandise (such as bags, shirts, umbrellas, caps, etc.). Details are shown in Table 6.

**Table 6 – Inventory Account as of December 31, 2022**

Inventories Account	Book Value
Merchandise inventory	8,145,105
Office supplies inventory	948,496
<b>Total</b>	<b>9,093,601</b>

3.6. The conduct of the physical count of inventory was led by the Inventory Committee and AD. It was witnessed by the member of the Audit Team on January 10, 11, and 12, 2023 and the objective is to determine the existence, completeness, and accuracy of the recorded balances of the Inventories account.

3.7. As of year-end, the books and the RPCI tally with balances of P8.145 million. However, verification revealed that both records reconciled because an adjusting entry was made in the books in December 2022 by debiting Cost of Sales and crediting Merchandise Inventory for P0.778 million, purposely to bring the amount of the inventory per books equal to the balance per RPCI. The JEV covering the adjustment has no supporting documents except the copy of the RPCI. The AD does not maintain the required Ledger Cards for inventories and simply relied on the balances reflected in the RPCI at year-end.

3.8. Further analysis of the RPCI disclosed the following deficiencies:

- a. Books on consignment arrangement amounting to P0.916 million were included in the RPCI. The inventories held on consignment by the CCP should not be included in the RPCI as ownership was not transferred yet to the Center.
- b. Mathematical errors in the quantity and unit cost of the items amounting to P258,275 were also noted. Details are presented in Table 7.

**Table 7 – Errors in Quantity and Unit Cost**

Description	Unit Value		On Hand Per Count (Quantity)		Amount of Discrepancy	Remarks
	Per Audit	Per Schedule	Per Audit	Per Schedule		
Ani – 22	175.00	175.00	8	3	(875.00)	Physical count balance should be 8
EPA - Volume IX	2,000.00	-	6	6	(12,000.00)	No cost provided per report
Walang Sugat Sarswela Kit	700.00	-	348	348	(243,600.00)	No cost provided per report
Portrait of Filipino - Santos on Santos	900.00	-	2	2	(1,800.00)	No cost provided per report
<b>Subtotal</b>			<b>364</b>	<b>359</b>	<b>(258,275.00)</b>	

- c. Inconsistency in the use of unit cost amounting to P217,638 in absolute value. It was noted that the same items of inventory in the previous year have either no unit costs or have different unit costs in the current year, as shown in Table 8.

**Table 8 – Inconsistencies in Unit Costs**

Description	Unit Value		Difference	On Hand Per Count (Quantity)	Total
	RPCI 2022	RPCI 2021			
Bata sa Sining: Larawan ng Batang Pilipino sa Dekada 90	-	47	(47)	94	4,418
1998 CCP Directory	-	380	(380)	273	103,740
Moments of Delight	-	515	(515)	15	7,725
Order of National Artist 2018	456	228	228	225	51,300
Revelations	150	115	35	33	1,155
13 Artists Award 2000	-	100	(100)	89	8,900
13 Artists Award 2003	-	100	(100)	23	2,300
13 Artists Award 2006	-	100	(100)	97	9,700
13 Artists Award 2012	-	100	(100)	33	3,300
13 Artists Award 2018	131	114	17	30	510
Genesis notebook	100	110	(10)	408	4,080
A. Luz T Shirt	145	128	17	102	1,734



Description	Unit Value		Difference	On Hand Per Count (Quantity)	Total
	RPCI 2022	RPCI 2021			
Genesis	145	155	(10)	122	1,220
Alice Reyes	85	148	(63)	18	1,134
Art in the CCP 1970-1975	85	105	(20)	25	500
Asean Mobile Exhibition	85	48	37	28	1,036
CCP Annual for the Visual Arts 1979	85	70	15	112	1,680
Chabet	85	70	15	111	1,665
International Music Festival	85	148	(63)	2	126
Sculptures	85	51	34	113	3,842
Swiss Chamber	85	105	(20)	39	780
The Fifties	85	48	37	124	4,588
The Warsaw	85	148	(63)	35	2,205
<b>Total</b>				<b>2,151</b>	<b>217,638</b>

3.9. These errors consequently affect the balance of the Inventories per books.

3.10. **We recommended that Management direct the:**

- a. **AD to reverse the adjusting entry made, if the supporting documents could not be presented to the Audit Team, and maintain ledger cards for the inventories;**
- b. **PSD to conduct validation and verification of the inconsistencies noted in the RPCI; and**
- c. **AD and PSD to reconcile their records and make necessary adjustments/corrections.**

3.11. The Management acknowledged the Audit Team's recommendation but commented that manually maintaining a ledger is a tedious job as the AD has a limited workforce. But with the new Xero Accounting System's adoption, they hope to maintain the required ledger cards. Management also committed that the Financial Services Department will coordinate with the PSD to correct and adjust the inconsistencies.

4. **The balance of the Accounts Payable of P196.703 million as of December 31, 2022, is overstated by P1.812 million due to: a) erroneous accrual of expenses totaling P0.959 million; b) double recording of expenses of P0.827 million; and c) erroneous charging of prepayments to Accounts payable of P25,687, consequently misstating the affected accounts, contrary to Paragraph 27 of the International Public Sector Accounting Standard 1.**

4.1 Paragraph 27 of IPSAS 1, provides as follows:

*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 International Public Sector Accounting Standards (IPSASs).*

4.2 Annex C of COA Circular No. 2020-002 on Revised Adoption of the Revised Chart of Accounts for Government Corporations defines Production Expense and Accounts Payable as follows:

*Production expense is debited to recognize the expenses incurred related to the production of artistic programs and events.*

*Accounts Payable – this account is credited to recognize receipt/purchase/procurement/acquisition of goods or services on account in the normal course of trade and business operation. It is also used to recognize liability set up against current operations for unpaid claims filed or received and other unpaid expenses and liabilities. Debit this account for payment or settlement of liabilities.*

4.3 Analysis of the account disclosed that the Accounts Payable (AP) balance as of December 31, 2022, is overstated by P1.812 million due to an erroneous entry made at year-end, as shown in Table 9 below:

**Table 9 – Overstatement of AP as of December 31, 2022**

<b>Errors arising from the recording of</b>		<b>Amount</b>
a.	Accrual of expenses relative to Cash Advances (CAs)	958,700
b.	Double recording of paid expenses	827,322
c.	Other prepayments	25,687
<b>Total</b>		<b>1,811,709</b>

4.4 The details of the overstatement are discussed hereunder:

- a. Accrual of Expenses relative to CAs amounting to P0.959 million.

Advances for local travel and overtime pay for drivers amounting to P0.847 million and P133,994, respectively, or a total of P0.981 million were granted during the year of which P0.900 million was liquidated. The journal entry to record the payment of cash advance was a debit to Advances for Payroll and Advances to Special Disbursing Officer and a credit to Cash in Bank. Upon liquidation, the entry prepared was a debit to Production Expense – Others and Overtime and Night Pay and credit to Advances for Payroll and Advances to Special Disbursing Officer. However, at the end of the year, the Management recorded another entry to accrue expenses by debiting Production Expenses-Others and Overtime and Night Pay totaling P0.959

million and credit to AP by the same amount. Details are presented in Table 10 as follows:

**Table 10 – Summary of CA Granted, Liquidation, and Accrual**

<b>Cash Advances</b>	<b>Granted</b>	<b>Liquidation</b>	<b>Accrual</b>
Advances - Special Disbursing Officer	847,000	766,404	824,706
Advances for Payroll	133,994	133,994	133,994
<b>Total</b>	<b>980,994</b>	<b>900,398</b>	<b>958,700</b>

As defined under COA Circular No. 2020-002, Production expense is debited to recognize the expenses incurred related to the production of artistic programs and events.

- b. Double recording of paid expenses amounting to P0.827 million.

The Audit Team also noted that various paid expenses were still included in the AP balance as of December 31, 2022. These errors constitute a double recording of expenses resulting in the overstatement of Production Expense – Others, Repairs and Maintenance, Postage and Courier Services, and AP by P0.667 million, P129,995, P30,559, and P0.827 million, respectively.

- c. Erroneous recording of expended Prepayments

It was noted that recording of the expended amount of the other prepayments of P25,687 was made by debiting Subscription Expenses and Production Expense – Others amounting to P17,995 and P7,692, respectively, and crediting AP of P25,687 instead of crediting Other Prepayments account, thus resulted in the overstatement of the AP and other Prepayments accounts by the same amount.

- 4.5 Interview with the concerned personnel revealed that the process of the CCP’s year-end accrual is prepared by the Budget Section of the AD. The basis of the amount recorded is the Budget Utilization Report. However, had there been a review by the Bookkeeping Section of the AD, these erroneous entries could have been avoided.

- 4.6 Thus, these errors resulted in the overstatement of the following accounts such as AP, Production Expenses–Others, Repairs and Maintenance, Overtime and Night Pay, Postage and Courier Services and Other Prepayments by P1.812 million, P1.559 million, P129,995, P66,374, P30,559, and P25,687, respectively and the understatement of the Accumulated Surplus/(deficit) account by P1.786 million.

- 4.7 **We recommended and the Management agreed to direct the AD to:**

- a. **Prepare the necessary adjusting entries to correct the overstatement of the AP and other affected accounts; and**
- b. **Adopt a review process in the recording to prevent the incurrence of errors.**

**B. NON-FINANCIAL**

- 5. The Cultural Center of the Philippines was able to comply with the requirements of the Philippine Commission on Women (PCW), National Economic and Development Authority and Department of Budget and Management Joint Circular No. 2012-01, particularly on the allocation of funds for Gender and Development (GAD) of at least five percent of the Center's total budget and on the submission of the GAD Plan and Budget (GPB) to PCW for the calendar year 2022 within the prescribed period. However, the Center was not able to provide the GAD Accomplishment Report to the Office of the Auditor, thus precluding the Audit Team from determining whether the GAD activities were aligned with approved/endorsed GPB contrary to Item V of COA Circular No. 2014-01 on the Revised Guidelines in the Audit of GAD Funds and Activities in Government Agencies.**

- 5.1 Item 2.3 of the Philippine Commission on Women, National Economic and Development Authority and Department of Budget and Management (PCW – NEDA – DBM) Joint Circular No. 2012-01 provides, among others that all government departments, including their attached agencies, offices, bureaus, state universities and colleges, government-owned and controlled corporations (GOCCs), local government units and other government instrumentalities shall formulate their annual GPBs within the context of their mandates to mainstream gender perspectives in their policies, programs, and projects. GAD planning shall be integrated in the regular activities of the agencies, the cost of implementation of which shall be at least five percent (5%) of their total budgets. The computation and utilization shall be implemented in accordance with the specific guidelines provided therein.
- 5.2 Additionally, Item 1.2.2.1.3 of PCW Memorandum Circular No. 2021-04 dated August 24, 2021, prescribed that GOCCs, the computation of the minimum five percent (5%) GPB requirement shall be based on their corporate operating budget (COB).
- 5.3 Moreover, Item V of COA Circular No. 2014-01 on the Revised Guidelines in the Audit of GAD Funds and Activities in Government Agencies, provides that the Audited agency shall submit a copy of the Annual GPB to the COA Audit Team assigned to the agency within five (5) working days from the receipt of the approved plan from the PCW or their mother or central offices, as the case may be. Likewise, a copy of the corresponding Accomplishment Report shall be furnished to the Audit Team within five (5) working days from the end of January of the preceding year.
- 5.4 The GPB for the calendar year (CY) 2022 of the CCP was endorsed by the PCW with an allocation of P36.461 million or 8.09 percent of the approved GAA for FY 2022 amounting to P450.916 million. The Center used the GAA-approved budget as the basis of computation of the required five percent GPB instead of the COB because, at the time of the preparation of GPB, the latter was not yet available.
- 5.5 The gender-responsive programs, activities, and projects contained in the GPB were mainstreamed in the CCP's regular programs and activities. The budget of P36.461 million was distributed in Table 11 as follows:

**Table 11 – Distribution of Budget**

<b>Particulars</b>	<b>Total Allocation per GPB</b>
Client Focused Activities	3,690,660
Organization Focused	520,000
Attributed Programs (Philippine Arts and Culture Promotion and Development: Cinemalaya, Pasinaya, Virgin Labfest, Gawad Alternatibo para sa Pelikula and Video, Neo-Filipino/Koryolab and Wifibody.Ph)	32,250,000
<b>Total</b>	<b>36,460,660</b>

- 5.6 Although the Center was able to obtain the endorsement of the GPB for CY 2022, the GAD Accomplishment Report (AR) was not submitted to the Office of the Auditor for evaluation as of the date of this report thus, precluded the Audit Team to determine whether the GAD activities were aligned with approved/endorsed GPB.
- 5.7 Interview with the concerned personnel revealed that the AR was not submitted to the Audit Team because the report has yet been submitted for review to the PCW. The deadline for submission to PCW is on March 17, 2023, as provided under the PCW Memorandum Circular No. 2022-07 dated December 05, 2022.
- 5.8 **We recommended that Management:**
- a. **Continue to comply with Item 2.3 of PCW-NEDA-DBM Joint Circular No. 2012-01 and other related Item 1.2.2.1.3 of PCW Memorandum Circular No. 2021-04 dated August 24, 2021, respectively; and**
  - b. **Furnish the Audit Team a copy of the AR within five (5) working days from the end of January of the preceding year, in compliance with Item V of COA Circular No. 2014-01.**
- 5.9 The Management has expressed gratitude to the Team for taking note of the CCP's efforts to comply with the rules and regulations on GAD and committed to continuously allocate at least five percent (5%) of its Corporate Operating Budget for GAD programs and activities. Moreover, the Management committed to submit a copy of the AR upon approval by the PCW, and moving forward, the Center shall strive for process improvement to comply.
- 5.10 As a rejoinder, the Audit Team commended the Management for its compliance with the fund allocation of at least five percent of the total budget to GPB for GAD. Moreover, the Audit Team will monitor the compliance in timely submission of the AR in the forthcoming years.

**COMPLIANCE WITH TAX LAWS**

6. The CCP has been consistently withholding taxes on salaries and wages and other benefits due from its officers and employees as well as on goods and services which are remitted to the Bureau of Internal Revenue (BIR). For CY 2022, taxes withheld and remitted to the BIR

amounted to P33.472 million and P27.147 million, respectively. The balance of P6.326 million as of December 31, 2022, was remitted in January 2023.

**COMPLIANCE WITH GOVERNMENT SERVICE INSURANCE SYSTEM and PAG-IBIG LAWS**

7. The CCP complies with the Government Service Insurance System (GSIS) guidelines on the collections and remittances of GSIS contributions pursuant to RA No. 8291, otherwise known as the GSIS Act of 1997. For CY 2022, the CCP remitted the monthly contributions for life and retirement in the total amount of P22.934 million. In addition, the Center is also compliant with Rule VII, Section 3 of the Implementing Rules and Regulations of RA No. 9679 in the collection and remittance of contributions to the Pag-IBIG Fund.

**INSURANCE OF GOVERNMENT PROPERTIES WITH THE GSIS**

8. The Center was able to comply with the law and regulations on the insurance of all insurable assets as required under RA No. 656, otherwise known as the “Property Insurance Law”, as amended by Presidential Decree No. 245 dated July 13, 1973. In CY 2022, the Center insured its properties totaling P557.293 million with the GSIS, as presented in Table 12.

**Table 12 – Insured Properties**

<b>Property Insured</b>	<b>Amount Insured</b>	<b>Premium Paid</b>
Building	487,854,810	3,995,158
Visual arts	63,220,200	379,321
Vehicles	6,217,889	89,770
	<b>557,292,899</b>	<b>4,464,249</b>

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

9. There were no unsettled audit suspensions, disallowances and charges as of December 31, 2022.

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

Of the 11 audit recommendations embodied in the prior year's Annual Audit Report (AAR), eight were fully implemented and three were partially implemented. Details are as follows:

<b>REFERENCE</b>	<b>OBSERVATIONS</b>	<b>RECOMMENDATIONS</b>	<b>ACTIONS TAKEN/ COMMENTS</b>
<b>Financial</b> AAR 2021 Audit Observation (AO) No. 1, page 53	The faithful representation in the financial statements of the balance of the Property, Plant and Equipment (PPE) account amounting to P1.727 billion, with a carrying amount of P1.103 billion as of December 31, 2021 was not established due to: (a) the variance of P86.926 million in absolute value, between the balances per books and the Report on the Physical Count of PPE; and (b) non-updating of the PPE Ledger Cards and Property Cards of PPE items with a total net book value of P58.999 million thereby precluding the reconciliation of the balances, contrary to the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities and Paragraph 27 of the International Public Sector Accounting Standard 1.	We reiterated our previous year's audit recommendations that Management direct the AD and PSD to:  a. Exert all efforts to reconcile the discrepancy of P86.926 million in absolute value between the balances per books and the RPCPPE and complete the cleansing of the PPE accounts following the guidelines provided under COA Circular No. 2020-006, and effect the necessary adjusting entries and/or corrections on the affected records;  b. Update the PPELCs and the PCs of the PPE accounts totaling P58.999 million to facilitate reconciliation; and  c. Thereafter, religiously conduct periodic validation, verification, and reconciliation of the recorded PPE accounts to establish their existence and for the fair presentation of the account balances in the financial statements.	Partially Implemented  Reiterated and updated under Part II – Observation and Recommendation No. 1 of this Report.  Partially Implemented  Partially Implemented





