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

April 24, 2025

THE BOARD OF GOVERNORS
Center for International Trade Expositions and Missions
Golden Shell Pavilion, Roxas Boulevard corner
Senator Gil Puyat Avenue, 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 Center for International Trade Expositions and Missions (CITEM), for the years ended December 31, 2024 and 2023.

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

The Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements of the CITEM for Calendar Years 2024 and 2023 in view of the following:

1. The fair presentation of the Cash and Cash equivalent account, with a reported balance of P196.006 million as at December 31, 2024, could not be established due to: (a) unrecorded bank credits and unverified book reconciling items amounting to P3.655 million and P7.566 million, respectively; (b) non-reversion to the cash account of unreleased and unclaimed checks totaling P3.612 million as at December 31, 2024; (c) misclassification of interest income earned from a high-yield savings account amounting to P2.152 million; and (d) erroneous accounting entries for transactions totaling P0.796 million, contrary to Paragraph 27 of International Public Sector Accounting Standard (IPSAS) 1.

2. The faithful representation of the Receivables account, with a balance of P32.385 million as at December 31, 2024, could not be established due to: (a) negative balances in Accounts Receivable (AR) and Other Receivable accounts totaling P6.916 million; (b) absence of supporting schedules and documents for long-outstanding accounts totaling P7.445 million; (c) discrepancies between confirmed balances and book records totaling P13.463 million; and (d) incorrect entries in Due from National Governments Agencies account totaling P2.523 million, contrary to Paragraph 27 of IPSAS 1, and Chapter 3 of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities (GPFRPSE).

3. The fair presentation of the Property, Plant and Equipment (PPE) account, with a net book value of P17.324 million as at December 31, 2024, could not be reasonably established due to: (a) net variance of P2.899 million between the

balances per Report on Physical Count of PPE (RPCPPE) and accounting records, resulting from (i) unrecorded disposals, (ii) unbooked properties, (iii) inclusion of semi-expendable items, (iv) discrepancies in costing, (v) negative balances, and (vi) obsolete IT software; and (b) errors in the computation of Depreciation Expense and Accumulated Depreciation, amounting to P209,259 and P441,592, respectively, contrary to Paragraph 27 of IPSAS 1, and Paragraphs 26, AG24, and AG27 of IPSAS 45.

4. The fair presentation of the Trust Liabilities account, with a balance of P3.995 million as at December 31, 2024, could not be ascertained due to the absence of supporting documents for long-outstanding commitment and retention fees related to completed events, totaling P1.417 million. This creates uncertainty as to CITEM's obligation to refund the said amount, contrary to Paragraph 27 of the IPSAS 1 and Chapter 3 of the Conceptual Framework for GPFRPSE.

5. The fair presentation of the Accumulated Surplus/(Deficit) account, with a year-end balance of P511.454 million, could not be established due to: (a) inadequate disclosure of prior period adjustments totaling P12.133 million; and (b) unclear transactions and/or insufficient supporting documents in the total amount of P7.900 million, contrary to the requirements of Paragraph 27 of IPSAS 1, in relation to Chapter 3 of the Conceptual Framework for GPFRPSE, and Paragraph 53 of IPSAS 3.

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

1.1. Direct the Controllership Division (CD) to:

a. Submit to the Audit Team an accurate and adequately supported Bank Reconciliation Statement Team within the prescribed timeline;

b. Identify the bank credits and provide supporting documentation for the book reconciling items;

c. Prepare the necessary journal entries to correct the balances of the Cash and Cash Equivalent account and other affected accounts; and

d. Exercise due diligence in the review the journal entries to ensure the accuracy of account balances and prevent misstatements in the financial records.

1.2. Require the Cashier to prepare schedule of unreleased/ unclaimed checks duly certified as true and correct at year-end.

2.1. Direct the CD to:

a. Evaluate and trace supporting documents for all negative balances;

b. Exert efforts in retrieving the documents for transactions with incomplete supporting documentation;

c. Reconcile records with the exhibitors to address the confirmation variances;

d. Coordinate with the Operations group and issue periodic confirmation or demand letters, as deemed necessary, for all outstanding receivables; and

e. Prepare the adjusting entries to correct the balances of the accounts affected;

2.2. Instruct all concerned personnel to exercise and observe due diligence in recording of transactions, and the preparation/review/approval of financial documents and reports;

2.3. Strengthen the internal controls on the review process of the journal entries to prevent errors and misclassifications; and

2.4. Intensify collection efforts from agencies with outstanding commitments to support CITEM operations.

3.1. Direct the CD to:

a. Closely coordinate with the General Services Division (GSD) for timely and regular PPE reconciliation;

b. Investigate the negative balances in the PPE schedules;

c. Maintain the PPE Ledger Cards in accordance with Annex 8, GAM Vol. II; and

d. Prepare the necessary adjusting entries.

3.2. Assign additional personnel to the GSD to support asset management, and conduct capacity-building/training on proper asset management procedures.

3.3. Direct the GSD to:

a. Reflect PPE costs per Subsidiary Ledger and report accurate unit values in the RPCPPE;

b. Ensure RPCPPE only includes items classified as PPE per Annex C of COA Circular no. 2020-002;

c. Notify the Audit Team in advance of inventory-taking activities; and

d. Prepare and issue PARs for all newly acquired PPE;

3.4. Initiate the procedures outlined in COA Circular No. 2020-006 for the one-time cleansing and reconciliation of the GSD and CD records.

4.1. Direct the CD to make diligent efforts to locate the relevant documents related to the commitment fees. If, after exhaustive verification, and the liability cannot be established, consider closing the account and transferring the amount to the Accumulated Surplus/ (Deficit) account; and

4.2. Establish a clear policy governing the refundability or non-refundability of commitment fees, to ensure proper classification and consistent treatment of similar transactions in the future.

5.1. Hire qualified personnel to fill vacant positions in the CD, and consider temporary reassignments pending completion of the hiring process.

5.2. Direct the CD to:

a. Submit to the Audit Team the: (i) justifications and complete documentation for all prior period adjustments totaling P7.900 million; and (ii) Enhanced Notes to Financial Statements disclosing narrative explanations and itemized adjustments under the Accumulated Surplus/(Deficit) account;

b. Ensure accuracy in recording adjustment and payments, particularly in relation to fund transfers, collections, and corrections of erroneous entries;

c. Implement monthly reconciliation procedures to promptly detect and correct errors;

d. Maintain General Ledger for the Accumulated Surplus/(Deficit) and corresponding Subsidiary Ledgers for its sub-accounts;

e. Correct the use of account titles and codes in accordance with the Revised Chart of Accounts; and

f. Prepare both Pre-Closing and Post-Closing Trial Balances, properly reflecting all adjusting entries.

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

6. CITEM incurred financial losses, missed opportunities for revenue generation, and experienced operational disruptions, while the government was deprived of the optimal use of its properties due to the following: (a) unfulfilled conditions stipulated in the lease contract between the National Government and private lessees; (b) hasty demolition of HallOne, CITEM's Investment Property, in 2018 to make way for the construction of a commercial building by the private lessee, which was subsequently abandoned few years later; and (c) precarious condition of CITEM's existing office building, contrary to Section 2 of PD No. 1445.

6.1. We recommended Management to:

a. Elevate matter to the Governing Board, particularly to the Department of Trade and Industry (DTI) Secretary, who serves both as the Chairperson of CITEM and the Government's representative in the Lease Agreement;

b. Submit to the Audit Team a report on the actions taken and those planned by CITEM, through its Board of Governors, concerning the unfulfilled conditions of the Lease Agreement;

c. If necessary, initiate legal action to compel the lessees to comply with the terms of the Lease Agreement and claim indemnity from Private Lessees as provided under Executive Order No. 294, to ensure that CITEM is compensated for demolished or damaged improvements, including HallOne and Golden Shell Pavilion; and

d. Through the DTI Secretary, renegotiate the Lease Agreement and formally request that a portion of the idle and undeveloped property be allocated to CITEM to facilitate the construction of its's own office building and exhibition halls.

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 April 3, 2025 are discussed in detail in Part II of the report. We also invite your attention to the prior year's unimplemented audit recommendations embodied in Part III of the report.

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

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

Very truly yours,

COMMISSION ON AUDIT

By:

Atty. CHITO C. JANABAN
Director IV

Copy furnished:

The President of the Republic of the Philippines
The Vice President
The President of the Senate
The Speaker of the House of Representatives
The Chairperson – Senate Finance Committee
The Chairperson – Appropriations Committee
The Secretary of the Department of Budget and Management
The Governance Commission for Government-Owned or Controlled Corporations
The Presidential Management Staff, Office of the President
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FILE COPY

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

April 25, 2025

CENTER FOR INTERNATIONAL TRADE EXPOSITIONS AND MISSIONS
OFFICE OF THE EXECUTIVE DIRECTOR
RECEIVED
APR 25 2025
BY: TIME: 5:25pm

MS. ROMLEAH JULIET P. OCAMPO
Executive Director
Center for International Trade Expositions and Missions
Golden Shell Pavilion, Roxas Boulevard corner
Senator Gil Puyat Avenue, Pasay City

Dear Executive Director Ocampo:

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c. Maintain the PPE Ledger Cards in accordance with Annex 8, GAM Vol. II; and

d. Prepare the necessary adjusting entries.

3.2. Assign additional personnel to the GSD to support asset management, and conduct capacity-building/training on proper asset management procedures.

3.3. Direct the GSD to:

a. Reflect PPE costs per Subsidiary Ledger and report accurate unit values in the RPCPPE;

b. Ensure RPCPPE only includes items classified as PPE per Annex C of COA Circular no. 2020-002;

c. Notify the Audit Team in advance of inventory-taking activities; and

d. Prepare and issue PARs for all newly acquired PPE;

3.4. Initiate the procedures outlined in COA Circular No. 2020-006 for the one-time cleansing and reconciliation of the GSD and CD records.

4.1. Direct the CD to make diligent efforts to locate the relevant documents related to the commitment fees. If, after exhaustive verification, and the liability cannot be established, consider closing the account and transferring the amount to the Accumulated Surplus/ (Deficit) account; and

4.2. Establish a clear policy governing the refundability or non-refundability of commitment fees, to ensure proper classification and consistent treatment of similar transactions in the future.

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

6. CITEM incurred financial losses, missed opportunities for revenue generation, and experienced operational disruptions, while the government was deprived of the optimal use of its properties due to the following: (a) unfulfilled conditions stipulated in the lease contract between the National Government and private lessees; (b) hasty demolition of HallOne, CITEM's Investment Property, in 2018 to make way for the construction of a commercial building by the private lessee, which was subsequently abandoned few years later; and (c) precarious condition of CITEM's existing office building, contrary to Section 2 of PD No. 1445.

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b. Submit to the Audit Team a report on the actions taken and those planned by CITEM, through its Board of Governors, concerning the unfulfilled conditions of the Lease Agreement;

c. If necessary, initiate legal action to compel the lessees to comply with the terms of the Lease Agreement and claim indemnity from Private Lessees as provided under Executive Order No. 294, to ensure that CITEM is compensated for demolished or damaged improvements, including HallOne and Golden Shell Pavillion; and

d. Through the DTI Secretary, renegotiate the Lease Agreement and formally request that a portion of the idle and undeveloped property be allocated to CITEM to facilitate the construction of its's own office building and exhibition halls.

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 April 3, 2025 are discussed in detail in Part II of the report. We also invite your attention to the prior year's unimplemented audit recommendations embodied in Part III of the report.

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

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

Very truly yours,

COMMISSION ON AUDIT

By:

Atty. CHITO C. JANABAN
Director IV

Copy furnished:

The President of the Republic of the Philippines
The Vice President
The President of the Senate
The Speaker of the House of Representatives
The Chairperson – Senate Finance Committee
The Chairperson – Appropriations Committee
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Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

ANNUAL AUDIT REPORT

on the

CENTER FOR INTERNATIONAL TRADE EXPOSITIONS AND MISSIONS

For the Years Ended December 31, 2024 and 2023

EXECUTIVE SUMMARY

INTRODUCTION

The Center for International Trade Expositions and Missions (CITEM), a government-owned and/or controlled corporation, is an attached agency to the Department of Trade and Industry (DTI). It was created by virtue of Executive Order (EO) Nos. 989 and 133 dated October 10, 1984 and February 17, 1987, respectively, as amended by EOs No. 242 and No. 242-A, dated July 24, 1987 and July 26, 1987, respectively, to institutionalize the holding of international trade exhibits for the promotion of locally manufactured products and implement projects designed to upgrade the quality of such products to international standards, coordinate raw material sourcing, develop markets and provide assistance to Philippine manufacturers in general. On November 22, 2024, EO No. 75 was issued to strengthen the agency and it provides for the reorganization of the CITEM governing board.

The goals and objectives of CITEM are to enable Philippine companies to become global champions through sustainable export promotion programs and activities, and be globally recognized export promotion agency that brings Philippine products and services to priority markets.

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

CITEM is governed by a Board of Governors composed of a Chairman and eight members. Its Management is headed by an Executive Director who is assisted by a Deputy Executive Director. As of December 31, 2024, CITEM had a total work force of 78 regular personnel and 52 service providers.

FINANCIAL HIGHLIGHTS (In Philippine Peso)

I. Comparative Financial Position

	2024	2023 Restated	Increase/ (Decrease)
Assets	653,661,780	629,270,896	24,390,884
Liabilities	95,931,283	63,429,531	32,501,752
Net Assets/Equity	557,730,497	565,841,365	(8,110,868)

II. Comparative Financial Performance

	2024	2023 restated	Increase (Decrease)
Revenue	74,385,258	59,016,543	15,368,715
Expenses	(271,382,421)	(249,587,971)	(21,794,450)
Surplus/(Deficit) from current operations	(196,997,163)	(190,571,428)	(6,425,735)
Other Non-Operating Income	28,847	362	28,485
Gain/(Loss) on FOREX- net	2,953,007	(1,084,549)	4,037,556
Gains (Loss) on sale of disposed assets, net	-	27,144	(27,144)
Subsidy from the national government	195,557,000	164,657,000	30,900,000
Net surplus for the period	**1,541,691**	**(26,971,471)**	**28,513,162**

III. Comparison of 2024 Budget and Actual Amounts

Particulars	Per COB	Actual	Variance
Personnel services	105,390,000	89,321,286	16,068,714
Maintenance and other operating expenses	219,179,000	203,518,160	15,660,840
Capital Outlay	7,300,000	7,037,200	262,800
Financial expenses	341,000	337,473	3,527
Total	**332,210,000**	**300,214,119**	**31,995,881**

SCOPE OF AUDIT

The audit covered the examination, on a test basis, of transactions and accounts of CITEM, for Calendar Year (CY) 2024 to enable us to express an opinion on the financial statements for the years ended December 31, 2024 and 2023 in accordance with International Standards of Supreme Audit Institutions. It was also conducted at determining the CITEM's compliance with pertinent laws, rules and regulations and adherence to prescribed policies and procedures.

AUDITOR'S OPINION

We rendered a qualified opinion on the fairness of the presentation of the financial statements of CITEM for CYs 2024 and 2023 in view of the following:

1. The fair presentation of the Cash and Cash equivalent account, with a reported balance of P196.006 million as at December 31, 2024, could not be established due to: (a) unrecorded bank credits and unverified book reconciling items amounting to P3.655 million and P7.566 million, respectively; (b) non-reversion to the cash account of unreleased and unclaimed checks totaling P3.612 million as at December 31, 2024; (c) misclassification of interest income earned from a high-yield savings account amounting to P2.152 million; and (d) erroneous accounting entries for transactions totaling P0.796 million, contrary to Paragraph 27 of International Public Sector Accounting Standard (IPSAS) 1.

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c. Prepare the necessary journal entries to correct the balances of the Cash and Cash Equivalent account and other affected accounts; and

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1.2. Require the Cashier to prepare schedule of unreleased/ unclaimed checks duly certified as true and correct at year-end.

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c. Notify the Audit Team in advance of inventory-taking activities; and

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5.1. Hire qualified personnel to fill vacant positions in the CD, and consider temporary reassignments pending completion of the hiring process.

5.2. Direct the CD to:

a. Submit to the Audit Team the: (i) justifications and complete documentation for all prior period adjustments totaling P7.900 million; and (ii) Enhanced Notes to Financial Statements disclosing narrative explanations and itemized adjustments under the Accumulated Surplus/(Deficit) account;

b. Ensure accuracy in recording adjustment and payments, particularly in relation to fund transfers, collections, and corrections of erroneous entries;

c. Implement monthly reconciliation procedures to promptly detect and correct errors;

d. Maintain General Ledger for the Accumulated Surplus/(Deficit) and corresponding Subsidiary Ledgers for its sub-accounts;

e. Correct the use of account titles and codes in accordance with the Revised Chart of Accounts; and

f. Prepare both Pre-Closing and Post-Closing Trial Balances, properly reflecting all adjusting entries.

OTHER SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

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

6. CITEM incurred financial losses, missed opportunities for revenue generation, and experienced operational disruptions, while the government was deprived of the optimal use of its properties due to the following: (a) unfulfilled conditions stipulated in the lease contract between the National Government and private lessees; (b) hasty demolition of HallOne, CITEM's Investment Property, in 2018 to make way for the construction of a commercial building by the private lessee, which was subsequently abandoned few years later; and (c) precarious condition of CITEM's existing office building, contrary to Section 2 of Presidential Decree No. 1445.

6.1. We recommended Management to:

a. Elevate matter to the Governing Board, particularly to the DTI Secretary, who serves both as the Chairperson of CITEM and the Government's representative in the Lease Agreement;

b. Submit to the Audit Team a report on the actions taken and those planned by CITEM, through its Board of Governors, concerning the unfulfilled conditions of the Lease Agreement;

c. If necessary, initiate legal action to compel the lessees to comply with the terms of the Lease Agreement and claim indemnity from Private Lessees as provided under EO No. 294, to ensure that CITEM is compensated for demolished or damaged improvements, including HallOne and Golden Shell Pavilion; and

d. Through the DTI Secretary, renegotiate the Lease Agreement and formally request that a portion of the idle and undeveloped property be allocated to CITEM to facilitate the construction of its's own office building and exhibition halls.

SUMMARY OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

As of December 31, 2024, there were no unsettled audit suspensions and charges. The details and status of the unsettled audit disallowances amounting to P5.085 million are shown in Table 18, Part II of this Report.

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the 29 audit recommendations embodied in the prior year's Annual Audit Report, 18 were fully implemented, 11 were not yet implemented. Details are discussed in Part III of this Report.

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PART I - AUDITED FINANCIAL STATEMENTS

PART II - OBSERVATIONS AND RECOMMENDATIONS

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of the **Center for International Trade Expositions and Missions (CITEM)**, which comprise the statements of financial position as at December 31, 2024 and 2023, and the statements of financial performance, statement of changes in net assets/equity, and statements of cash flows for the years then ended, statement of comparison of budget and actual amounts for the year ended December 31, 2024, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects and possible effects of the matters described in the Bases for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the CITEM, as at December 31, 2024 and 2023, 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 fair presentation of the Cash and Cash equivalent account, with a reported balance of P196.006 million as at December 31, 2024, could not be established due to: (a) unrecorded bank credits and unverified book reconciling items amounting to P3.655 million and P7.566 million, respectively; (b) non-reversion to the cash account of unreleased and unclaimed checks totaling P3.612 million as at December 31, 2024; (c) misclassification of interest income earned from a high-yield savings account amounting to P2.152 million; and (d) erroneous accounting entries for transactions totaling P0.796 million, contrary to Paragraph 27 of IPSAS 1.

Likewise, the faithful representation of the Receivables account, with a balance of P32.385 million as at December 31, 2024, could not be established due to: (a) negative balances in Accounts Receivable (AR) and Other Receivable accounts totaling P6.916 million; (b) absence of supporting schedules and documents for long-outstanding accounts totaling P7.445 million; (c) discrepancies between confirmed balances and book records totaling P13.463 million; and (d) incorrect entries in Due from National Governments Agencies account totaling P2.523 million , contrary to Paragraph 27 of IPSAS 1, and Chapter 3 of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities (GPFRPSE).

Also, the fair presentation of the Property, Plant and Equipment (PPE) account, with a net book value of P17.324 million as at December 31, 2024, could not be reasonably established due to: (a) net variance of P2.899 million between the balances per Report on Physical Count of PPE and accounting records, resulting from (i) unrecorded disposals, (ii) unbooked properties, (iii) inclusion of semi-expendable items, (iv) discrepancies in costing, (v) negative balances, and (vi) obsolete IT software; and (b) errors in the computation of Depreciation Expense and Accumulated Depreciation, amounting to P209,259 and P441,592, respectively, contrary to Paragraph 27 of IPSAS 1, and Paragraphs 26, AG24, and AG27 of IPSAS 45.

Moreover, the fair presentation of the Trust Liabilities account, with a balance of P3.995 million as at December 31, 2024, could not be ascertained due to the absence of supporting documents for long-outstanding commitment and retention fees related to completed events, totaling P1.417 million. This creates uncertainty as to CITEM's obligation to refund the said amount, contrary to Paragraph 27 of the IPSAS 1 and Chapter 3 of the Conceptual Framework for GPFRPSE.

Lastly, the fair presentation of the Accumulated Surplus/(Deficit) account, with a year-end balance of P511.454 million, could not be established due to: (a) inadequate disclosure of prior period adjustments totaling P12.133 million; and (b) unclear transactions and/or insufficient supporting documents in the total amount of P7.900 million, contrary to the requirements of Paragraph 27 of IPSAS 1, in relation to Chapter 3 of the Conceptual Framework for GPFRPSE, and Paragraph 53 of IPSAS 3.

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 CITEM in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matters

In our report dated March 15, 2024 we expressed a qualified opinion on the Calendar Year (CY) 2023 financial statements because the fair presentation of the Due to National Government Agencies account with a balance of P3.880 million as of December 31, 2023 could not be ascertained due to the variance of P1.503 million in the results of confirmation on long outstanding accounts and absence of record to establish the existence of the recorded obligation, contrary to Paragraph 27 of IPSAS 1. In CY 2024, CITEM Management provided the necessary adjusting entries to correct the balance of the account. Accordingly, our present opinion on the restated 2023 financial statements, as presented herein is no longer modified concerning this matter.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risk of material misstatements of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the CITEM's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the CITEM's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause CITEM to cease to continue as a going concern.

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

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

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2024, required by the Bureau of Internal Revenue as disclosed in Note 33 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

ATTY. ANTHONY V. GUETA
OIC - Supervising Auditor
Audit Group E – Trading and Promotions Group
Cluster 6, Corporate Government Audit Sector

April 3, 2025

CENTER FOR INTERNATIONAL TRADE EXPOSITIONS AND MISSIONS

PHILIPPINES BAGONG PILIPINAS

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of the **CENTER FOR INTERNATIONAL TRADE EXPOSITIONS AND MISSIONS (CITEM)** is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended **DECEMBER 31, 2024 and 2023**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

BLESILA A. LANTAYONA
DTI Undersecretary
Regional Operations Group
Alternate Chairman of the Board

April 3, 2025
Date Signed

WILMA G. DULAY
OIC -Controllership
April 3, 2025
Date Signed

LEAH PULIDO OCAMPO
Executive Director
April 3, 2025
Date Signed

CENTER FOR INTERNATIONAL TRADE EXPOSITIONS AND MISSIONS
STATEMENT OF FINANCIAL POSITION
As at December 31, 2024 and 2023
(In Philippine Peso)

	NOTE*	2024	2023
ASSETS			
Current Assets			
Cash and Cash Equivalents	7	196,006,012	195,170,929
Other Investments	8	64,357,508	61,589,992
Receivables	9	32,384,514	31,597,175
Inventories	10	680,327	485,856
Other Current Assets	13	38,034,448	22,364,845
Total Current Assets		**331,462,809**	**311,208,797**
Non-Current Assets			
Property, Plant and Equipment	11	17,323,561	15,283,808
Intangible Assets	12	302,416	665,316
Other Non-Current Assets	13	304,572,994	302,112,975
Total Non-Current Assets		**322,198,971**	**318,062,099**
Total Assets		**653,661,780**	**629,270,896**
LIABILITIES			
Current Liabilities			
Financial Liabilities	14	40,640,860	31,680,908
Inter-Agency Payables	15	2,158,726	7,095,419
Trust Liabilities	16	3,994,896	9,262,060
Deferred Credits	17	7,504,209	8,535,674
Provisions	18	7,130,713	1,897,176
Other Payables	19	11,575,628	4,958,294
Total Current Liabilities		**73,005,032**	**63,429,531**
Non-Current Liabilities			
Provisions	18	22,926,251	-
Other Payables	19	-	-
Total Non-Current Liabilities		**22,926,251**	**-**
Total Liabilities		**95,931,283**	**63,429,531**
Net Assets (Total Assets Less Total Liabilities)		**557,730,497**	**565,841,365**
NET ASSETS/EQUITY			
Government Equity	28	41,221,808	41,221,808
Revaluation Surplus	29	5,054,354	5,054,354
Accumulated Surplus	30,31	511,454,335	519,565,203
Total Net Assets/Equity		**557,730,497**	**565,841,365**

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

CENTER FOR INTERNATIONAL TRADE EXPOSITIONS AND MISSIONS
STATEMENT OF FINANCIAL PERFORMANCE
For the Years Ended December 31, 2024 and 2023
(In Philippine Peso)

	NOTE	2024	2023
Revenue			
REVENUE			
Service and Business Income	20	74,385,258	59,016,543
TOTAL REVENUE		**74,385,258**	**59,016,543**
Current Operating Expenses			
Personnel Services	21	(89,321,286)	(87,878,430)
Maintenance and Other Operating Expenses	22	(177,963,043)	(154,543,794)
Financial Expenses	23	(315,180)	(172,468)
Non-Cash Expenses	24	(3,782,912)	(6,993,279)
Total Current Operating Expenses		**(271,382,421)**	**(249,587,971)**
Surplus/(Deficit) from Current Operations		**(196,997,163)**	**(190,571,428)**
Other Non-Operating Income	25.1	28,847	362
Gains (Loss) on FOREX, net	25	2,953,007	(1,084,549)
Gains (Loss) on sale of disposed assets, net	25.2	-	27,144
Surplus/(Deficit) before Tax		**(194,015,309)**	**(191,628,471)**
Income Tax Expenses/(Benefit)		-	-
Surplus/(Deficit) after Tax		**(194,015,309)**	**(191,628,471)**
Net Assistance/Subsidy/(Financial Assistance/Subsidy/Contribution)	26	195,557,000	164,657,000
Net Income/(Deficit) for the Period		**1,541,691**	**(26,971,471)**

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

CENTER FOR INTERNATIONAL TRADE EXPOSITIONS AND MISSIONS
STATEMENT OF CHANGES IN NET ASSETS/EQUITY
For the Years Ended December 31, 2024 and 2023
(In Philippine Peso)

	Government equity Note 28	Revaluation surplus Note 29	Accumulated surplus/(deficit) Note 30	Total
BALANCE AT JANUARY 1, 2022, As Re-stated	**41,221,808**	**5,054,354**	**560,208,394**	**606,484,556**
ADJUSTMENTS:				
Add/(Deduct):				
Surplus (Deficit) for the period			(5,086,986)	(5,086,986.00)
Understated Expenses			(345,261)	(345,261.00)
Overstated Expenses			1,146,916	1,146,916.00
Understated Service Revenue			2,290,975	2,290,975.19
Interest on Restricted Fund			1,219,207	1,219,207.00
Unused Tax Credits			(87,563)	(87,562.50)
Uncreditable Input Tax			(12,809,009)	(12,809,008.72)
Provision for Litigation			-	-
BALANCE AT DECEMBER 31, 2022, As Re-stated	**41,221,808**	**5,054,354**	**546,536,674**	**592,812,836**
Changes in Net Assets/Equity for CY 2023				
Add/(Deduct):				
Surplus (Deficit) for the period			(26,971,471)	(26,971,471)
Interest on Restricted Fund			-	-
BALANCE AT DECEMBER 31, 2023	**41,221,808**	**5,054,354**	**519,565,203**	**565,841,365**
Changes in Net Assets/Equity for CY 2024				
Add/(Deduct):				
Surplus (Deficit) for the period			1,541,691	1,541,691.00
Interest on Restricted Fund			2,460,019	2,460,019.33
Other Adjustments			(12,112,578)	(12,112,577.63)
BALANCE AT DECEMBER 31, 2024	**41,221,808**	**5,054,354**	**511,454,335**	**557,730,497**

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

CENTER FOR INTERNATIONAL TRADE EXPOSITIONS AND MISSIONS
STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2024 and 2023
(In Philippine Peso)

	Note	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Inflows			
Proceeds from Sale of Goods and Services		26,780,953	23,321,928
Collection of Revenue		18,433,639	13,027,750
Receipt of Assistance/Subsidy		194,557,000	164,657,000
Collection of Receivables		4,551,324	22,618
Receipt of Inter-Agency Fund Transfers		25,701,814	27,947,120
Trust Receipts		1,647,742	15,974,242
Other Receipts		48,525,389	24,328,328
Total Cash Inflows		**320,197,861**	**269,278,986**
Adjustments: Reclassification from Restricted Funds		-	1,224,147
Adjusted Cash Inflows		**320,197,861**	**270,503,133**
Cash Outflows			
Payment of Expenses		227,698,237	190,106,943
Purchase of Inventories		257,672	51,689
Grant of Cash Advances		10,720,657	12,000,289
Prepayments		21,302,316	26,222,817
Payment of Accounts Payable		16,933,404	15,891,337
Remittance of Personnel Benefit Contributions and Mandatory Deductions		12,856,695	14,659,732
Other Disbursements		24,234,121	37,479,606
Total Cash Outflows		**314,003,101**	**296,412,413**
Adjustments		-	-
Adjusted Cash Outflows		**314,003,101**	**296,412,413**
Net Cash Provided by/(Used in) Operating Activities		**6,194,760**	**(25,909,280)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Inflows			
Proceeds from Sale/Disposal of Property, Plant and Equipment		-	191,500
Receipts of Interest Earned		925,698	106,815
Total Cash Inflows		**925,698**	**298,315**
Adjustments		-	-
Adjusted Cash Inflows		**925,698**	**298,315**
Cash Outflows			
Purchase/Construction of Property, Plant and Equipment		6,283,214	2,395,723
Total Cash Outflows		**6,283,214**	**2,395,723**
Adjustments: Reclassification to investments		-	5,723
Adjusted Cash Outflows		**6,283,214**	**2,401,446**
Net Cash Provided by/(Used in) Investing Activities		**(5,357,516)**	**(2,103,131)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Net Cash Provided by/(Used in) Financing Activities		**-**	**-**
Net Increase/(Decrease) in Cash and Cash Equivalents		**837,244**	**(28,012,411)**
Effects of Exchange Rate Changes on Cash and Cash Equivalents		**(2,160)**	**(477,257)**
Cash and Cash Equivalents, January 1		**195,170,929**	**223,660,597**
Cash and Cash Equivalents, December 31	**7**	**196,006,012**	**195,170,929**

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

CENTER FOR INTERNATIONAL TRADE EXPOSITIONS & MISSIONS
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
For the Year Ended December 31, 2024
(In Philippine Peso)

PARTICULARS	BUDGET AMOUNTS (Note 32) ORIGINAL	BUDGET AMOUNTS (Note 32) FINAL	Actual Amounts on Comparable Basis	Difference Final Budget and Actual
RECEIPTS				
Services and Business Income	68,642,000	68,642,000	68,323,627	318,373
Assistance and Subsidy	195,557,000	195,557,000	195,557,000	-
Shares, Grants and Donations				-
Gains, net	-	-	2,935,479	(2,935,479)
Others	1,000,000	1,000,000	1,077,457	(77,457)
Total Receipts	**265,199,000**	**265,199,000**	**267,893,562**	**(2,694,562)**
PAYMENTS				
Personnel Services	105,390,000	105,390,000	89,321,286	16,068,714
Maintenance and Other Operating Expenses	220,358,553	219,179,000	203,518,160	15,660,840
Capital Outlay	7,300,000	7,300,000	7,037,200	262,800
Financial Expenses	198,447	341,000	337,473	3,527
Total Payments	**333,247,000**	**332,210,000**	**300,214,119**	**31,995,881**
Net Receipts/Payments	**(68,048,000)**	**(67,011,000)**	**(32,320,557)**	**(34,690,443)**

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

CENTER FOR INTERNATIONAL TRADE EXPOSITIONS AND MISSIONS
NOTES TO THE FINANCIAL STATEMENTS
(*All amounts in Philippine Peso, unless otherwise stated*)

1. GENERAL INFORMATION

The Center for International Trade Expositions and Missions (CITEM), a government-owned and controlled corporation (GOCC), is an agency attached to the Department of Trade and Industry (DTI). It was created by virtue of Executive Order (EO) Nos. 989 and 133 dated October 10, 1984 and February 17, 1987, respectively, as amended by EO No. 242 and EO No. 242-A, dated July 24, 1987 and July 26, 1987, respectively, to institutionalize the holding of international trade exhibits for the promotion of locally manufactured products and implement projects designed to upgrade the quality of such products to international standards, coordinate raw material sourcing, develop markets and provide assistance to Philippine manufacturers in general. On November 22, 2024, EO No. 75 was issued to strengthen the agency and it provides for the reorganization of the CITEM governing board.

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

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

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

The financial statements of the CITEM were authorized for issue on April 3, 2025, as shown in the Statement of Management's Responsibility for Financial Statements signed by Blesila A. Lantayona, Alternate Chairman, CITEM Board of Governors, DTI Undersecretary – Regional Operations Group; Leah Pulido Ocampo, Executive Director; and Wilma G. Dulay, OIC- Controllership Division.

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 ***Basis of Accounting***

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

3.2 ***Financial Instruments***

a. Financial assets

i. Initial recognition and measurement

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

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

ii. Subsequent measurement

The subsequent measurement of financial assets depends on their classification.

1. Financial assets at fair value through surplus or deficit

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

2. Receivables

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

iii. Derecognition

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

1. the contractual rights to the cash flows from the financial asset expired or waived; and

2. CITEM has transferred its contractual rights to receive the cash flows of the financial assets, or retains the contractual rights to receive the cash flows of the financial assets but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement that meets the conditions set forth in 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

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

Evidence of impairment may include the following indicators:

1. The debtors or a group of debtors are experiencing significant financial difficulty

2. Default or delinquency in interest or principal payments

3. The probability that debtors will enter bankruptcy or other financial reorganization

4. Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

v. Financial assets carried at amortized cost

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

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

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in surplus or deficit. Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collaterals have been realized or transferred to CITEM. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. The request for write-off of accounts is based on the guidelines prescribed in COA Circular No. 2016-005 dated December 19, 2016. If a future write-off is later recovered, the recovery is credited in surplus and deficit.

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

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

b. Financial liabilities

i. Initial recognition and measurement

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

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

CITEM determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value. CITEM's financial liabilities include accounts payables, due to officers and employees, inter-agency payables and trust liabilities.

ii. Subsequent measurement

The measurement of financial liabilities depends on their classification.

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

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

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

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

iii. Derecognition

A financial liability is derecognized when the obligation under the liability expires or is discharged or cancelled.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in surplus or deficit.

c. Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

d. Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

*3.3 **Cash and Cash Equivalents***

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

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and short-term deposits as defined above, including the bank guarantee for the corporate credit card.

*3.4 **Inventories***

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

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

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

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

*3.5 **Investment Property***

Investment properties are 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 properties are measured using the cost model and are depreciated over their estimated useful life.

Investment properties are derecognized either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit or service potential is expected from their 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 Agency uses the following criteria to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations (inventory):

A property (land or a building – or part of a building – or both) shall be recorded and classified as Investment Property if it is held to earn rentals or for capital appreciation, or both rather than for:

(a) Use in the production or supply of goods or services, or for administrative purposes; or

(b) Sale in the ordinary course of operations.

*3.6 **Property, Plant and Equipment (PPE)***

a. Recognition

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

The characteristics of a 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 a 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 P50,000.00.

b. Measurement at recognition

An item recognized as a 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 the PPE acquired through non-exchange transaction, its cost is its fair value as at recognition date.

Cost includes the following:

i. Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;

ii. Expenditure that is directly attributable to the acquisition of the items; and

iii. Initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired, or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

c. Measurement after recognition

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

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

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

d. Depreciation

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

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

i. Initial recognition of depreciation

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

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

ii. Depreciation method

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

iii. Estimated useful life

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

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

iv. Residual value

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

e. Impairment

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

f. Derecognition

CITEM derecognizes items of the 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***

a. CITEM as a lessee

i. Operating Lease

Operating leases are leases that do not transfer substantially all the risks and rewards incidental to ownership of the leased item to CITEM. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term. Contracts in which CITEM is a lessee includes the lease of venue for its signature events held locally and for international trade shows held abroad.

3.8 *Changes in Accounting Policies and Estimates*

CITEM recognizes the effects of changes in accounting policy/treatment retrospectively. However, the effects of changes in accounting policy/treatment are applied prospectively, if retrospective application is impractical.

CITEM adopts the new policy of issuing Statement of Accounts (SOA) rather than Invoices for the Requests to Bill from approved application contracts in the current year but pertaining to shows and projects of the following year and are unpaid at the close of the reporting period. Unearned revenue is recognized if and only when advance payments from exhibitors are received.

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

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

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

a. Restating the comparative amounts for prior period(s) presented in which the error occurred; or

b. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

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

b. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and

c. Nonmonetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

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

3.10 Revenue from Exchange Transactions

a. Measurement of revenue

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

b. Rendering of services

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

c. Interest income

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

3.11 Budget Information

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

A separate Statement of Comparison of Budget and Actual Amounts (SCBAA) is prepared since the budget and the financial statements are not prepared on comparable basis. The SCBAA is presented showing the original and final budget and the actual amounts on comparable basis to the budget. Explanatory comments are provided in Note 32.

3.12 Related Parties

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

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

3.13 Employee Benefits

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

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

3.14 Measurement Uncertainty

The preparation of financial statements in conformity with IPSASs requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenue and expenses during the period.

Items requiring the use of significant estimates include the useful life of a capital asset, estimated employee benefits, impairment of assets, etc.

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

On May 20, 2015, a complaint was filed against CITEM by a logistics company with docket number Civil Case No. 15-170. On September 6, 2022, despite CITEM's countersuit in the amount being claimed by the plaintiff and the proper venue where the case was laid, the Branch 257 of the Regional Trial Court of Parañaque City has ruled in plaintiff's favor. CITEM filed for a Motion for Reconsideration last October 7, 2022, pointing out that COA has jurisdiction over money claims against government agencies and instrumentalities. This is an on-going case, with a pending appeal from CITEM lodged at the Court of Appeals. As advised by CITEM's Legal Services, a provision in the amount of P1,897,176.00 is recognized in the books in the restated financial statements for CY 2022.

4. CHANGES IN ACCOUNTING POLICY

Changes made in accounting policies are subject to the requirements on changes in accounting policies in IPSAS 3, Accounting Policies, Changes in Accounting Estimates and Errors; and specific transitional requirement in other IPSAS.

5. PRIOR PERIOD ERRORS

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

6. RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

6.1 Risk Management Framework

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

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

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

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

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

	Note	2024	2023
Financial assets			
Cash and cash equivalents	*7*	196,006,012	195,170,929
Other Investments	*8*	64,357,508	61,589,992
Receivables - net	*9*	32,384,514	31,597,175
		292,748,034	**288,358,096**
Financial liabilities			
Financial liabilities	*14*	40,640,860	31,680,908
Inter-agency payables	*15*	2,158,726	7,095,419
Trust liabilities	*16*	3,994,896	9,262,060
		46,794,482	**48,038,387**

6.2 Credit Risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a financial loss. CITEM has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. CITEM defines counterparties as having similar characteristics if they are related entities.

On-going credit evaluation is performed on the financial condition of loans and other receivable.

Also, CITEM manages its credit risk by depositing its cash with authorized government depository banks, e.g., Land Bank of the Philippines (LBP) and Development Bank of the Philippines (DBP).

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

a. Credit risk exposure

The table below shows the gross maximum exposure to credit risk of CITEM as at the years ended December 31, 2024, and 2023, without considering the effects of credit risk mitigation techniques.

	Note	2024	2023
Financial assets			
Cash and cash equivalents	*7*	196,006,012	195,170,929
Receivables*	*8*	32,384,514	31,597,175
		228,390,526	**226,768,104**

** Receivables at net of allowance for impairment amounting to P9,867,550 for the years ended December 31, 2023 and 2024.*

b. Management of credit risk

For the management of credit risk, it is CITEM's policy that as soon as the client or exhibitor executes with the Agency an application contract, the Controllership Division will issue a billing statement, indicating the amount due for payment by the said exhibitor, and as to their outstanding balance from previous shows or exhibits, a SOA is issued.

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

c. Aging analysis

An aging analysis of CITEM's receivables as of the years ended December 31, 2024 and 2023 are as follows:

	2024	2023
Outstanding receivables: *		
Current accounts	32,384,514	31,597,175
Past due accounts:		
over 5years	9,867,550	9,867,550
	42,252,064	**41,464,725**

** Receivables at gross of allowance for impairment amounting to P9,867,550 for the years ended December 31, 2023 and 2024.*

d. Impairment assessment

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

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

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

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

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

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

Upon assessment, it is determined that there is no impairment loss that needs to be recognized for CITEM's cash-generating assets for Calendar Year (CY) 2024.

6.3 Liquidity Risk

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

a. Management of liquidity risk

CITEM's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to CITEM's reputation.

CITEM maintains a portfolio of short-term liquid assets, largely made up of cash in banks that are sufficient to maintain the liquidity within CITEM as a whole.

b. Exposure to liquidity risk

The liquidity risk is the adverse situation when CITEM encounters difficulty in meeting unconditionally the settlement of its obligations at maturity. Prudent liquidity management requires that liquidity risks are identified, measured, monitored and controlled in a comprehensive and timely manner. Liquidity management is a major component of the corporate-wide risk management system. Liquidity planning takes into consideration various possible changes in economic, market, political, regulatory and other external factors that may affect the liquidity position of CITEM.

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

The table below summarizes the aging profile of CITEM's financial liabilities as at December 31, 2024.

As at December 31, 2024	Within 1 Year	1 – 5 Years	Over 5 Years	Total
Financial liabilities	24,842,844	15,757,007	41,009	40,640,860
Inter-agency payables	1,727,123	108,499	323,104	2,158,726
Trust liabilities	1,370,939	1,175,936	1,448,021	3,994,896
	27,940,906	**17,041,442**	**1,812,134**	**46,794,482**

6.4 Market Risks

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

Management of market risk

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

6.5 Operational Risks

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

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

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

- Requirement for appropriate segregation of duties, including the independent authorization of transaction

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

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

1. **Performance Review**: Periodic performance review of operations and activities to determine actual accomplishment vis-à-vis targets/objectives. Management requires all operating units to submit weekly accomplishment reports and top three priorities for the coming week to ensure that projects are monitored according to the expectations of stakeholders.

2. **Compliance Review:** Periodic review of internal business processes to ensure compliance with current regulations, policies and procedures and other requirements. Expenses are monitored accordingly. This is done during Regular Management Committee meetings with the different functional groups.

3. **Perception and Value Assessment:** Stakeholders/Satisfaction Survey for each of the project is undertaken by a third party to check if the performance standards set by the Agency for its stakeholders are met. This feedback mechanism strengthens stakeholder's participation in the Agency's service-related processes and ensures transparency and public accountability. It likewise identifies areas that need improvement.

4. **Financial Management and Control:** Systems are in place for accounting and budget control. Every functional unit in the organization is responsible to manage the budget allocated to them, as authorized in the Corporate Operating Budget. Regular reports on actual vs. planned objectives are provided to adequately monitor and control project and budget impossible.

7. CASH AND CASH EQUIVALENTS

This account consists the following:

	2024	2023
Cash on hand	4,552,423	139,934
Cash in bank		
Local currency	118,671,621	146,916,859
Foreign currency	68,782,510	45,057,759
	187,454,131	191,974,618

	2024	2023
Cash equivalents		
Local currency	3,999,458	3,056,377
Foreign currency	-	-
	3,999,458	3,056,377
	196,006,012	**195,170,929**

The Cash in bank – local currency consists of deposits in the following:

a. LBP – for receipts of subsidy for critical project-related operating expenses and for collection of funding assistances and revenue from other government agencies

b. LBP – for collection of revenue, mostly from private companies and individuals and for the disbursement of corporate funds

c. DBP - for collection of revenue (with credit card option) and disbursement of corporate funds

The Cash in bank – foreign currency is an LBP account for the collection of dollar-denominated billings and revenue.

The Cash equivalents – local currency is a DBP special savings account that generates additional interest for corporate funding.

8. OTHER INVESTMENTS

	2024	2023
Other investments	64,357,508	61,589,992

This pertains to the LBP dollar-denominated time deposit with a term of 91 days.

9. RECEIVABLES

This account consists the following:

	2024	2023
Loans & receivable (Accounts receivables), net	25,692,756	16,276,726
Inter-agency receivables	3,035,726	8,423,172
Other receivables, net	3,656,032	6,897,277
	32,384,514	**31,597,175**

9.1 *Loans and Receivable*

	2024	2023
Accounts receivable- participation fees-local show	16,299,493	14,903,642
Accounts receivable- participation fees-international show	14,836,530	6,817,266
Accounts receivable- extension charges	443,446	443,447
Accounts receivable- others	1,229,352	1,229,352
Interest receivable	100,986	100,070

	2024	2023
Sub-total	**32,909,807**	**23,493,777**
Allowance for doubtful accounts	(7,217,051)	(7,217,051)
	25,692,756	**16,276,726**

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

9.2 *Inter-Agency Receivables*

	2024	2023
Due from National Government Agencies (NGAs)	3,035,726	2,459,500
Due from Local Government Units (LGUs)	-	3,963,672
Due from Government Corporations (GOCCs)	-	2,000,000
	3,035,726	**8,423,172**

Due from NGAs, LGUs and GOCCs consist of either expenses or revenue, or both, incurred by or due to CITEM, in the implementation of various local and international projects which are covered by Memorandum of Agreement (MOA) and/or Conforme Letters, chargeable against funds from other government agencies that committed to shoulder cost of participation fees of exhibitors and other expenses under the MOA. The account also includes revenue or funding obtained by CITEM from other government agencies through Agency-to-Agency Procurement.

9.3 *Other Receivables*

	2024	2023
Due from officers and employees	103,039	22,645
Other receivables – supplier	8160	8,160
Other receivables - operational charges	2,253,614	2,253,614
Other receivables – bank	270	270
Other receivables – rental	138,818	138,818
Other receivables - resigned employees	317,127	317,127
Other receivables – others	3,297,900	215,486
Other receivables – Philexport	-	6,476,656
Other receivables – disallowances	187,603	115,000
Sub-total	**6,306,531**	**9,547,776**
Allowance for doubtful accounts	(2,650,499)	(2,650,499)
	3,656,032	**6,897,277**

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

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

10. INVENTORIES

This account is composed of the following:

	2024	2023
INVENTORIES HELD FOR CONSUMPTION:		
Office Supplies Inventory		
Carrying amount, January 1	352,139	360,057
Additions/Acquisitions during the year	186,345	35,028
Expensed during the year except write-down	-	(42,946)
Sub-total	**538,484**	**352,139**
Drugs and Medicines Inventory		
Carrying amount, January 1	81,180	81,180
Additions/Acquisitions during the year	8,126	8,743
Expensed during the year except write-down	-	(8,743)
Sub-total	**89,306**	**81,180**
Other Supplies and Materials Inventory		
Carrying amount, January 1	52,537	52,537
Additions/Acquisitions during the year	-	-
Expensed during the year except write-down	-	-
Sub-total	**52,537**	**52,537**
Carrying amount, December 31, 2024	**680,327**	**485,856**

11. PROPERTY, PLANT AND EQUIPMENT

This account consists the following:

	Building and structures	Transportation Equipment	Furniture and other equipment	Total
Opening net book value, January 1, 2023	**5,640,801**	**2,765,444**	**7,805,226**	**16,211,471**
Additions/Acquisitions	-	1,151,786	1,554,064	2,705,850
Disposal/Removal		-	(2,284,925)	(2,284,925)
Accumulated depreciation	-	-	2,049,700	2,049,700
Adjustments:				
Cost	-	-	(22,792)	(22,792)
Accumulated depreciation	-	-	-	-
Depreciation for the year	(737,355)	(553,987)	(2,084,154)	(3,375,496)
Closing net book value, December 31, 2023	**4,903,446**	**3,363,243**	**7,017,119**	**15,283,808**
As at December 31, 2023				
Cost	34,038,402	13,245,014	40,310,110	87,593,526
Accumulated depreciation	29,134,956	9,881,771	33,292,991	72,309,718
Net book value, December 31, 2023	**4,903,446**	**3,363,243**	**7,017,119**	**15,283,808**

	Building and structures	Transportation equipment	Furniture and other equipment	Total
Opening net book value, January 1, 2024	**4,903,446**	**3,363,243**	**7,017,119**	**15,283,808**
Additions/Acquisitions	-	2,477,679	4,007,118	6,484,797
Disposal/Removal	-	(1,594,400)	(4,321,657)	(5,916,057)
Accumulated Depreciation	-	1,434,960	3,466,777	4,901,737
Adjustments:				
Cost	-	-	183,898	183,898
Accumulated depreciation	-	-	(194,610)	(194,610)
Depreciation for the year	(737,355)	(598,503)	(2,084,154)	(3,420,012)
Closing net book value, December 31, 2024	**4,166,091**	**5,082,979**	**8,074,491**	**17,323,561**

As at December 31, 2024				
Cost	34,038,402	14,128,293	40,179,469	88,346,164
Accumulated depreciation	29,872,311	9,045,314	32,104,978	71,022,603
Net book value, December 31, 2024	**4,166,091**	**5,082,979**	**8,074,491**	**17,323,561**

12. INTANGIBLE ASSETS

	2024	2023
Computer software	1,088,700	1,088,700
Accumulated amortization	(786,284)	(423,384)
	302,416	**665,316**

13. OTHER ASSETS

This account comprises the following:

	2024			2023		
	Current	Non-Current	Total	Current	Non-Current	Total
Advances to special disbursing officer	-	-	-	11,596	-	11,596
Advances to officers and employees	1,378,904	-	1,378,904	1,378,925	-	1,378,925
Prepayments (prepaid rent)	15,922,579	-	15,922,579	7,874,433	-	7,874,433
Prepayments (prepaid insurance)	21,441	-	21,441	299,146	-	299,146
Prepayments (creditable input tax)	8,557,368	-	8,557,368	8,629,480	-	8,629,480
Prepayments (other prepayments)	7,647,876	-	7,647,876	891,808	-	891,808
Deposits (guaranty deposits)	4,506,280	-	4,506,280	3,279,457	-	3,279,457
Restricted fund	-	304,572,994	304,572,994	-	302,112,975	302,112,975
	38,034,448	**304,572,994**	**342,607,442**	**22,364,845**	**302,112,975**	**324,477,820**

Prepaid rent represents reservations for space/venue rental and advance payments to the booth contractors for various international trade fairs in 2025.

Prepaid insurance represents the motor vehicles insurance covering the periods in 2025. Other prepayments include the Directors and Officers Liability Insurance.

Creditable Input Value-added tax (VAT) in the amount of P9,164 million is the excess of Input VAT over Output VAT from 2024 vat transactions. This is carried over in 2024 and will be closed/adjusted to Accumulated Surplus accordingly at year-end.

Guaranty deposits are payments to different companies for relocation of electric meter and additional electric load, telephone sets, cash/guaranty deposits for fuel credit line, building protection bond for venue exhibits and performance security bond for projects.

Included in the Other assets-(Non-current) are Non-current guaranty deposits, and Other deposits-Restricted fund.

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

14. FINANCIAL LIABILITIES

This is composed of the following:

	2024	2023
Accounts Payable	30,145,332	23,649,888
Due to Officers and Employees	10,495,528	8,031,020
	40,640,860	**31,680,908**

Financial liabilities-current, consist of payables to various suppliers, contractors and other creditors and due to officers and employees which are expected to be settled within one year and/or settlement is without unconditional right to be deferred.

15. INTER-AGENCY PAYABLES

This account consists the following:

	2024	2023
Due to BIR	1,395,134	2,115,793
Due to GSIS	318,092	137,573
Due to Pag-IBIG	(1,725)	(1,625)
Due to PhilHealth	15,622	15,550
Due to NGAs	280,190	3,879,743
Due to Government Corporations	151,413	842,144
Due to LGUs	-	106,241
	2,158,726	**7,095,419**

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

Due to NGAs, Due to LGUs and Due to GOCCs represent advances/fund transfers received from various funding agencies for local and international projects. The amount received is for specific expense accounts and/or revenues as may be stated in the agreements.

Part of Due to government corporations account represents deductions from employees' salary for housing loans to be remitted to the National Home Mortgage Finance Corporation (NHMFC).

16. TRUST LIABILITIES

The composition of this account is as follows:

	2024	2023
Trust miscellaneous	2,605,656	6,220,776
Trust liabilities- Others	588	1,686,371
Guaranty/Security deposits payable	1,388,652	1,354,913
	3,994,896	**9,262,060**

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

17. DEFERRED CREDITS

This account is composed of the following:

	2024	2023
Unearned Revenue/ income	2,605,656	6,574,340
Other deferred credits	588	1,961,334
	7,504,209	**8,535,674**

This account represents advance payments made by exhibitors in connection with their participation in the following years trade shows, events and exhibits organized by CITEM. Leave benefits payable represents the accrued leaves of employees for 2024.

Other deferred credits account pertains to the Deferred/Uncollected output VAT which represents the future tax liability of the Agency from the output VAT of billing statements issued but are not yet paid. Upon collection, this account is closed to output tax account and reported and/or remitted accordingly together with the input tax for the period.

18. PROVISIONS

This account consists the following:

	2024			2023		
	Current	Non-Current	Total	Current	Non-Current	Total
Other provisions	7,130,713	-	7,130,713	1,897,176	-	1,897,176
Leave benefits payable	-	22,926,251	22,926,251	-	-	-
	7,130,713	**22,926,251**	**30,056,964**	**1,897,176**	**-**	**1,897,176**

19. OTHER PAYABLES

This account is composed of the following:

	2024	2023
Other payables –resigned employees	1,130,076	1,130,076
Other payables- exhibitors' refund	206,255	177,148
Other payables- undistributed collection	10,239,297	3,651,070
	11,575,628	**4,958,294**

20. SERVICE AND BUSINESS INCOME

This line item consists the following:

	2024	2023
Service Income:		
Participation fees	62,598,448	50,659,852
Other service income	10,709,353	6,974,233
Business Income:		
Interest income	1,077,457	1,382,458
Other business income	-	-
	74,385,258	**59,016,543**

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

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

21. PERSONNEL SERVICES

This account is composed of the following:

	2024	2023
Salaries and wages	52,949,547	56,387,330
Other compensation	18,430,633	17,765,455
Personnel benefit contributions	7,682,426	7,715,831
Other personnel benefits	10,258,680	6,009,814
	89,321,286	**87,878,430**

21.1 *Salaries and Wages*

	2024	2023
Salaries and wages-regular	52,949,547	56,387,330
	52,949,547	**56,387,330**

21.2 *Other Compensation*

	2024	2023
Personnel economic relief allowance (PERA)	1,972,119	2,051,180
Representation allowance (RA)	1,450,500	1,170,250
Transportation allowance (TA)	1,205,500	936,250
Clothing/Uniform allowance	581,000	522,000
Hazard Pay	-	-
Honoraria	24,000	24,000
Overtime pay	2,989,563	2,640,029
Year-end bonus	9,107,201	9,531,246
Cash gift	423,750	435,500
Productivity incentive allowance	388,000	415,000
Other bonuses and allowances	289,000	40,000
	18,430,633	**17,765,455**

21.3 *Employees Future Benefits*

The permanent employees of the CITEM contribute to the GSIS in accordance with Republic Act (RA) No. 8291. The GSIS administers the plan, including payment of pension benefits to employees to whom the act applies. Social insurance (life and retirement) benefits are mandatory defined contribution plans fixed at nine percent of the basic salaries of regular government employees. Total contributions to GSIS amounted to P10.837 million broken down as follows: employees' share – P4.604 million and government share – P6.232 million.

21.4 *Personnel Benefit Contributions*

	2024	2023
Retirement and life insurance premiums	6,138,306	6,531,879
Pag-IBIG contributions	188,600	102,200
PhilHealth contributions	1,257,620	979,552
Employee compensation insurance premiums	97,900	102,200
	7,682,426	**7,715,831**

21.5 *Other Personnel Benefits*

	2024	2023
Retirement gratuity	1,443,000	82,000
Terminal leave benefits	6,768,664	816,655
Other personnel benefits	2,047,016	5,111,159
	10,258,680	**6,009,814**

22. MAINTENANCE AND OTHER OPERATING EXPENSES

This line item consists the following:

	2024	2023
General services	26,836,342	23,940,825
Professional services	17,831,714	18,478,010
Traveling expenses	6,463,804	4,678,281
Supplies and materials expenses	4,313,589	4,450,549
Communication expenses	3,834,533	4,031,804
Utility expenses	3,604,440	3,000,497
Taxes, insurance premiums and other fees	1,852,983	1,949,410
Repairs and maintenance	867,293	814,890
Training expenses	262,365	1,466,114
Confidential, intelligence and extraordinary expenses	196,105	783,587
Awards/Rewards/Prizes	30,000	-
Other maintenance and operating expenses	111,869,875	90,949,827
	177,963,043	**154,543,794**

22.1 *General Services*

	2024	2023
Janitorial services	1,964,030	1,519,816
Security services	4,928,412	4,665,888
Other general services	19,943,900	17,755,121
	26,836,342	**23,940,825**

The Other general services are payment of professional service fees to CITEM's service provider personnel.

22.2 *Professional Services*

	2024	2023
Legal services	49,250	39,353
Auditing services	3,334,094	3,379,389
Other professional services	14,448,370	15,059,268
	17,831,714	**18,478,010**

The Other professional services comprised of payment of telemarketing services, marketing research engagement, hiring of design specialist, and other similar services.

22.3 *Traveling Expenses*

	2024	2023
Traveling expenses-local	1,529,422	1,578,672
Traveling expenses-foreign	4,934,382	3,099,609
	6,463,804	**4,678,281**

22.4 *Supplies and Materials Expenses*

	2024	2023
Office supplies expenses	172,226	320,254
Accountable forms expenses	6,000	13,500
Drugs and medicines expenses	66,393	99,997

	2024	2023
Fuel, oil and lubricants expenses	685,460	490,042
Other supplies and materials expenses	83,541	2,789,175
Semi-expendable machinery and equipment	3,299,969	737,581
	4,313,589	**4,450,549**

22.5 *Communication Expenses*

	2024	2023
Postage and courier services	610	649
Telephone expenses – landline	822,987	1,764,850
Telephone expenses – mobile	1,841,161	1,119,617
Internet subscription expenses	1,169,775	1,146,688
	3,834,533	**4,031,804**

22.6 *Utility Expenses*

	2024	2023
Water expenses	329,198	255,790
Electricity expenses	3,275,242	2,744,707
	3,604,440	**3,000,497**

22.7 *Taxes, Insurance Premiums and Other Fees*

	2024	2023
Taxes, duties and licenses	26,030	25,620
Fidelity bond premiums	770,892	957,110
Insurance expenses	1,056,061	966,680
	1,852,983	**1,949,410**

22.8 *Repairs and Maintenance*

	2024	2023
Repairs and maintenance-buildings and other structures	460,147	325,085
Repairs and maintenance-office equipment	211,542	178,543
Repairs and maintenance-IT equipment	2,750	47,350
Repairs and maintenance-motor vehicles	192,854	263,912
	867,293	**814,890**

22.9 *Training and Scholarship Expenses*

	2024	2023
Training expenses	262,365	1,466,114
	262,365	**1,466,114**

22.10 *Confidential, Intelligence and Extraordinary Expenses*

	2024	2023
Extraordinary and miscellaneous expenses	196,105	783,587
	196,105	**783,587**

22.11 *Awards, Rewards, or Prizes*

	2024	2023
Awards, Rewards, or Prizes	30,000	-
	30,000	**-**

22.12 *Other Maintenance and Operating Expenses*

	2024	2023
Advertising expenses	17,706,449	17,884,387
Printing and publication expenses	3,877,110	2,808,755
Representation expenses	4,715,250	3,565,043
Rent/Lease expenses	48,225,009	38,974,566
Transportation and delivery expenses	94,545	101,677
Membership dues and contributions to organizations	275,916	41,500
Subscription expenses	5,480,859	4,558,875
Donations	33,000	16,000
Other maintenance and operating expenses	31,461,737	22,999,024
	111,869,875	**90,949,827**

The Other maintenance and operating expenses (MOOE) of P31.462 million includes installation, construction and dismantling of booths during trade fairs, held both locally and abroad.

23. FINANCIAL EXPENSES

This account comprises the following:

	2024	2023
Bank charges	315,180	172,468
	315,180	**172,468**

24. NON-CASH EXPENSES

This account is composed of the following:

	2024	2023
Depreciation-buildings and other structures	737,355	737,355
Depreciation-office equipment	302,208	302,208
Depreciation-Information and Communication Technology equipment	1,762,821	1,762,821
Depreciation-transportation equipment	598,503	553,987
Depreciation-furniture and fixtures	-	-
Depreciation-other PPE	19,125	19,125
Amortization-computer software	362,900	362,900
Impairment loss on receivables	-	3,254,883
	3,782,912	**6,993,279**

25. GAINS/LOSSES/OTHER NON-OPERATING INCOME

This comprises net of the following accounts:

25.1. *Miscellaneous Income*

	2024	2023
Miscellaneous income	28,847	362
	28,847	**362**

25.2. *Gains*

	2024	2023
Gain on foreign exchange (forex)	2,956,935	986
Gain on sale of assets	-	27,144
	2,956,935	**28,130**

25.3. *Losses*

	2024	2023
Loss on foreign exchange (forex)	(3,928)	(1,085,535)
	(3,928)	**(1,085,535)**

26. SUBSIDY FROM NATIONAL GOVERNMENT

	2024	2023
Subsidy from National Government	195,557,000	164,657,000
	195,557,000	**164,657,000**

For CY 2024, the program subsidy received by CITEM from the Department of Budget and Management (DBM) to support the implementation of its export promotion programs was P195.557 million.

27. RELATED PARTY TRANSACTIONS

There were no related party transactions during the year.

27.1 *Key Management Personnel*

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

27.2 *Key Management Personnel Compensation*

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

However, the aggregate remuneration of the principal officers of the Agency determined on a fulltime equivalent basis receiving remuneration within this category, are:

	Total Remuneration
Salaries and wages	9,857,022
Other compensation and benefits	2,126,909
Personnel benefit contributions	799,110
	12,783,041

28. GOVERNMENT EQUITY

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

	2024	2023
National Food Authority	14,745,735	14,745,735
National Government-Bureau of the Treasury	10,396,662	10,396,662
Central Bank of the Philippines	10,000,000	10,000,000
Donation from China	2,454,411	2,454,411
Government Service Insurance System	2,000,000	2,000,000
Landbank of the Philippines	1,000,000	1,000,000
Philippine International Trading Corporation	625,000	625,000
	41,221,808	**41,221,808**

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

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

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

29. REVALUATION SURPLUS

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

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

	2024	2023
Income/(Deficit) for the year	1,541,691	(26,971,471)
Depreciation and amortization	3,782,912	3,738,396
Impairment loss – loans and receivables	-	3,254,883
Losses	3,928	1,085,535
Gains	(2,956,935)	(28,130)
Interest earned categorized as investing activity	-	(154,598)
Prior period adjustments	15,101,148	(8,557,592)
(Increase) Decrease in receivables less impairment	(787,339)	4,076,625
(Increase) Decrease in inventories	(194,471)	7,918
(Increase) Decrease in other assets less disposal	(15,669,603)	(3,828,226)
Increase (Decrease) in financial liabilities	8,959,952	(2,757,835)
Increase (Decrease) in inter-agency payables	(4,936,693)	2,126,582
Increase (Decrease) in trust liabilities	(5,267,164)	5,601,913
Increase (Decrease) in other payables	6,617,334	(3,503,280)
Net Cash Flows from Operating Activities	**6,194,760**	**(25,909,280)**

31. ACCUMULATED SURPLUS

Accumulated surplus, January 1, 2023	**546,536,674**
Surplus/(Deficit) for CY 2023	(26,971,471)
Accumulated surplus, December 31,2023	**519,565,203**

Accumulated surplus, January 1, 2024	**519,565,203**
Surplus/(Deficit) for CY 2024:	1,541,691
Other adjustments	(12,112,578)
Interest on the restricted fund	2,460,019
Accumulated surplus, December 31,2024	**511,454,335**

The breakdown of the account is as follows:

Particulars	2024
Accumulated surplus - unappropriated, January 1, 2023	244,423,699
Add/(Deduct): Adjustments	(2,876,140)
Accumulated surplus - unappropriated, December 31, 2023	241,547,559
Add/(Deduct): prior years' adjustments, CY 2024	(36,207,909)
Balance of Accumulated Surplus- Unappropriated, CY 2024	**205,339,650**
Accumulated surplus - appropriated, January 1	302,112,975
Less: Adjustments	-
Accumulated surplus - appropriated, December 31	302,112,975
Add: Interest from restricted fund, CY 2024	2,460,019
Balance of Accumulated Surplus-Appropriated, CY 2024	**304,572,994**
Total	509,912,644
Surplus (Deficit) for CY 2024	1,541,691
Accumulated Surplus, Net	**511,454,335**

32. BUDGET INFORMATION IN FINANCIAL STATEMENTS

The original budget reflected in the SCBAA for December 31, 2024, is the proposed Corporate Operating Budget (COB) for the year 2024 and was submitted to the DBM for review/evaluation while the final budget is the amount as approved by the DBM on May 31, 2024. The proposed/original COB is prepared considering: (a) the agency's various programs, projects, and activities in the pursuance of its mandate; (b) the projected revenues and other sources of income to finance and support these programs; (c) actual expenses for previous years; and (d) effects of inflation. Changes between the proposed and approved budget are due to the following:

- The recommended Personal services (PS) level considered the adoption by CITEM of the Compensation and Position Classification System (CPCS) authority per Governance Commission for Government-Owned of Controlled Corporations (GCG) approval dated January 26, 2022. The said CPCS approval expressly authorizes CITEM to Implement Category 1 Salary Structure based on authorized CPCS Job Grade equivalent positions, pursuant to EO No. 150 dated October 1, 2021, its implementing rules, and regulations, and corresponding CPCS circulars for each PS item.

- The approved MOOE level is computed by the DBM considering the Agency's absorptive capacity for the three (3) years immediately preceding years, in which the highest budget utilization rate (BUR) is applied to the MOOE items, except those covered by NG subsidy, which is recommended as proposed. The variance of P1,037,000.00 pertains to the effect of the preceding year's BUR.

- The recommended Capital outlay (CO) level considers the implementation-readiness of the projects and the activities under the respective CO items which are expected to be completed within the year as certified by the Agency.

Notwithstanding the abovementioned variance in the MOOE, CITEM still has the flexibility to modify its utilization within DBM-approved budget level.

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

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

	Amount
Due to BIR – withholding tax on compensation	578,514
Due to BIR – withholding tax on compensation-resigned employees	33,253
Due to BIR – expanded withholding tax	156,234
Due to BIR – branch registration fees	39,536
Due to BIR – VAT withheld	512,199
Due to BIR – VAT withheld CITEM	7,350
Due to BIR – contractors tax	60,636
Due to BIR – gross money payments	7,412
	1,395,134

In compliance with the requirements set forth by RR 15-2010, hereunder are the information on taxes, duties and license fees paid during the taxable year.

a. CITEM is a VAT registered company with VAT output tax declaration of P10.737 million for the year 2024.

b. The amount of VAT input and output taxes claimed are broken down as follows:

	Amount
Balance, beginning of the year	8,629,480
Tax on goods for resale/purchases - current	8,917,544
Tax on goods for resale/purchases - payables	2,353,729
Sub-total	**19,900,753**
Less: Output tax	10,737,012
Less: Adjustments	-
Balance, end of the year	**9,163,741**

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

	Amount
Tax on compensation and benefits	6,152,347
Creditable withholding taxes	11,271,273
Total	**17,423,620**

34. COMPLIANCE WITH GSIS LAW

CITEM complied with Section 14.1 of RA No. 8291 which provides that each government agency shall remit directly to the GSIS the employees' and government agency's contributions within the first 10 days of the calendar month following the month to which the contributions apply. Below is the summary of remittances of employees' premium contributions and employer's share for CY 2024:

	Premiums	Remitted
Life and retirement premiums, employees share	4,604,730	4,604,058
Government share	6,233,392	6,232,498
Total	**10,838,122**	**10,836,556**

PART II - OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL

1. The fair presentation of the Cash and Cash equivalent account, with a reported balance of P196.006 million as at December 31, 2024, could not be established due to: (a) unrecorded bank credits and unverified book reconciling items amounting to P3.655 million and P7.566 million, respectively; (b) non-reversion to the cash account of unreleased and unclaimed checks totaling P3.612 million as at December 31, 2024; (c) misclassification of interest income earned from a high-yield savings account amounting to P2.152 million; and (d) erroneous accounting entries for transactions totaling P0.796 million, contrary to Paragraph 27 of International Public Sector Accounting Standard 1.

1.1. Paragraph 27 of International Public Sector Accounting Standard (IPSAS) 1 on the presentation of financial statements, provides:

"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."

1.2. CITEM maintains a total of seven deposit accounts: five with the Land Bank of the Philippines (LBP) and two with the Development Bank of the Philippines (DBP). Of these, five accounts are classified under the Cash and Cash Equivalent account, with a total book balance of P196.006 million as at December 31, 2024.

Unrecorded bank credits and unverified book reconciling items amounting to 3.655 million and 7.566 million, respectively

1.3. Comparison of balances confirmed by the bank and recorded in the subsidiary ledgers (SLs) of deposit accounts disclosed a total variance of P11.220 million in three out of five depository accounts, as summarized in Table 1.

Table 1 – Summary of Bank Balances vis-à-vis SL Balances

Deposit Account	Balance per bank (a)	Outstanding Check* (b)	Adjusted bank balance (c)= (a-b)	Balance per SL (d)	Variance (net) (e) = (c-d)
DBP-LCTD	1,847,188	-	1,847,188	1,847,188	-
DBP-LCCA	2,924,326	-	2,924,326	2,924,326	-
LBP-LCCA (Subsidy)	127,279,468	20,826,215	106,453,253	106,068,657	384,596
LBP-LCCA (Income)	19,233,128	2,373,192	16,859,936	9,678,637	7,181,299
LBP-FCCA	72,437,089	-	72,437,089	68,782,511	3,654,578
Total	**223,721,199**	**23,199,407**	**200,521,792**	**189,301,319**	**11,220,473**

**exclude the noted unreleased/unclaimed checks as at December 2024*

1.4. Review of the Bank Reconciliation Statement (BRS) revealed that the variance of (P3.655 million) in the LBP-Foreign Currency Current Account (FCCA) was due to unrecorded bank credits from the periods 2022 to 2024. These bank credits were not recognized in the books as the corresponding depositors could not be identified.

1.5. On the other hand, the reconciling items related to the variance of P384,595 and P7.181 million in the LBP Local Currency Current Account (LCCA) -Subsidy and LBP LCCA - Income accounts, respectively, remained unidentified due to the delayed preparation and submission of BRS. It was only on March 3, 2025, after repeated follow-ups, that the Controllership Division (CD) submitted the BRS for December 2024. This action was not in accordance with Section 5, Chapter 21 of Government Accounting Manual (GAM) Vol. I, which prescribes that *"The Chief Accountant/Designated Staff shall within ten days from receipt of the monthly Bank Statement (BS) together with the paid checks, original copies of Debit Memoranda (DM)/Credit Memoranda (CM) from the GSB, reconcile the BS with the GL and prepare the BRS in four copies."*

1.6. Thus, the non-recognition of the bank credits led to the understatement of the account by P3.655 million. The impact on other accounts could not be determined pending the completion of the reconciliation by the CD. Likewise, the delayed submission of the BRS and the lack of complete supporting documents hindered the Audit Team from conducting a thorough verification of the book reconciling items amounting to P7.566 million.

Non-reversion to the cash account of unreleased and unclaimed checks totaling P3.612 million as at December 31, 2024.

1.7. Section 56, Chapter 19 of the GAM Vol. I provides that *"A Schedule of Unreleased Commercial Checks shall be prepared by the Cashier for submission to the Accounting Division/Unit. All unreleased checks at the end of the year shall be reverted back to the cash accounts. A JEV shall be prepared to recognize the restoration of the cash equivalent to the unreleased checks and the recognition of the appropriate liability/payable account. xxx".*

1.8. Audit disclosed that the total unreleased/unclaimed check as at December 27, 2024, last working day of the year, amounted to P11.081 million. However, only P7.470 million was reverted to the cash balance.

1.9. Upon inquiry with the CD, it was disclosed that the recorded amount was based on a list prepared by its staff, who obtained the information by inquiring with the Cashier regarding the status of the checks. Moreover, the Cashier did not formally communicate the schedule of unreleased/unclaimed checks at year-end, as required by GAM. Instead, regularly provides the CD with a weekly list of transmitted paid vouchers, which includes both released and unreleased/unclaimed checks.

Misclassification of interest income earned from a high-yield savings account (HYSA) amounting to P2.152 million

1.10. Examination of records disclosed the erroneous inclusion of P2.152 million in the Cash and Cash Equivalent account, representing interest income earned from LBP- HYSA, which is restricted for a certain purpose.

1.11. Further review revealed that this misstatement resulted from the following circumstances:

a. In the prior year, the Audit Team drew the attention of CITEM to the incorrect recording of HYSA interest income directly under Accumulated Surplus instead of the appropriate account; and

b. Adjusting entries were subsequently prepared to reclassify the interest income. However, instead of recording the amount under Restricted Fund account, it was erroneously debited to the Cash and Cash Equivalent account. This same treatment was continued in Calendar Year (CY) 2024.

1.12. The former Accountant justified this accounting treatment based on the principle that income recognition should follow the classification of the related asset. Specifically, if an asset is categorized under a restricted fund, any related income should also be recorded under the Accumulated Surplus – Restricted account. However, the Accountant viewed the related asset as part of an unrestricted account, which led to the erroneous use of the Cash Equivalents account. Consequently, the interest income was first reclassified to Cash and Cash Equivalents before being recognized as part of the Restricted Fund.

1.13. This practice, however, is not in accordance with the COA Circular No. 2020-002, which provides clear guidance on the proper treatment of Cash Equivalents and Restricted Fund accounts, as outlined in Annex C of the Circular, as follows:

	Cash Equivalent- Time Deposit-Local Currency	***Other Assets-Restricted Fund***
Account Title	*Time Deposits-Local Currency*	*Restricted Fund*
Account Code	*10105020*	*19904010*
Normal Balance	*Debit*	*Debit*
Description	*This account is debited to recognize authorized placements of cash in local currency with AGDBs for a period of 90 days or less. This account is credited for withdrawal of placements, and/or adjustments.*	*This account is debited to recognize the amount restricted by government corporations for authorized long-term plans except for liquidation of long-term debt. This account is credited for the expended amount, and/or adjustments.*

1.14. The HYSA was established specifically for the long-term construction of an office building, clearly indicating its nature as a Restricted Fund. This restriction was also confirmed through a Board Resolution by CITEM Board, which stipulates that any interest income earned from the HYSA shall accrue to the same fund. Hence, debiting the Cash and Cash

Equivalents account instead of the Restricted Fund account for the interest income is incorrect.

1.15. Likewise, the interest income earned from 2023 to 2024, totaling to P2.460 million, was recorded directly in the Accumulated Surplus – Restricted account to reconcile the balance of the Restricted fund account with the bank records. This, however, resulted in double recording of interest income, further compounding the misstatement.

1.16. Furthermore, the interest income from October to December 3, 2024, amounting to P307,750, was not recorded in the books. This resulted in the understatement of the Interest Income account by the same amount. The omission was attributed to the heavy workload of the current Accountant, who is the sole permanent personnel assigned to the CD.

1.17. In summary, the following misstatements were noted: Cash and Cash Equivalent account is overstated by P2.152 million; Interest Income is understated by P307,747; and Accumulated Surplus-Unrestricted is overstated by P1.319 million.

Erroneous accounting entries for transactions totaling to P0.796 million

1.18. Review of the transactions revealed errors in the accounting entries recorded under the Cash-Collecting Officer account (C-CO), totaling to P0.796 million, as presented in Table 2.

Table 2– Summary of Incorrect Entries

No.	Reference Journal Entry Voucher (JEV) No.	Amount	Error committed
1	JEV#1-2024-12-0084	775,000	Erroneously credited the amount to income account
2	JEV#1-2024-12-0094	21,000	Correcting entry for the collection of the billed participation fee of Magical Blend Marketing was incorrectly debited to the account instead of the income and output VAT accounts
	Total	**796,000**	

1.19. The C-CO account represents cash collections that remained unremitted or undeposited.

1.20. Records showed that a Service Invoice was issued to an exhibitor on October 11, 2024. It was recorded as a collection under the C-CO account (P0.775 million), with a corresponding credit to the Other Income and Output Value-Added Tax (VAT) accounts. However, verification revealed that the cash was actually received only on December 27, 2024, through direct deposit. Instead of adjusting the C-CO account through a crediting entry, the assigned staff of the CD incorrectly credited the Output VAT and Other income –Participation Fees accounts in the amounts of P83,035 and P678,125, respectively. This error resulted in the overstatement of the C-CO, Output VAT and Other Income accounts.

1.21. Likewise, the Withholding Tax at Source account was found to be understated, as the collection was supported by Bureau of Internal Revenue (BIR) Form No. 2307 indicating Creditable Withholding Tax amounting to P13,839.

1.22. The second incorrect entry pertained to the recording of a transaction relative to International Food Exposition (IFEX) 2024. The CD initially set up an Accounts Receivable (AR) for its billing to an exhibitor. Upon receipt of a partial payment amounting to P21,000, the CD incorrectly credited the Output VAT and Other Service Income accounts in the amounts of P2,250 and P18,750, respectively. Upon realization of the error, the CD made an adjusting entry debiting the C-CO account and crediting the AR account for P21,000. While this adjustment corrected the AR account, it resulted in the overstatement of the C-CO account. Consequently, the C-CO, Output VAT, and Other Service Income accounts are overstated by P21,000, P2,250, and P18,750, respectively.

1.23. Further review revealed that these errors were due to the incorrect preparation of journal entries. It was noted that following the retirement of the former bookkeeper, the newly hired staff of the CD had not undergone full training on the proper accounting treatment of transactions, making them more prone to errors.

1.24. **We recommended, and Management agreed, to:**

a. Direct the Controllership Division to:

1. Submit to the Audit Team an accurate and adequately supported Bank Reconciliation Statement Team within the prescribed timeline;

2. Identify the bank credits and provide supporting documentation for the book reconciling items;

3. Prepare the necessary journal entries to correct the balances of the Cash and Cash Equivalent account and other affected accounts; and

4. Exercise due diligence in the review the journal entries to ensure the accuracy of account balances and prevent misstatements in the financial records.

b. Require the Cashier to prepare schedule of unreleased/ unclaimed checks duly certified as true and correct at year-end.

1.25. In response, Management stated that they will comply with the submission of BRS within the prescribed timeline. Adjustments were also made in CY 2025 to correct the errors. As to the preparation of Summary List of Unrelease/Unclaimed Checks, the CD already coordinated with the Cashier Unit, which has agreed to provide the summary.

1.26. As a rejoinder, the Audit Team will continue to monitor CD and Cashier Unit's compliance with audit recommendations.

2. The faithful representation of the Receivables account, with a balance of P32.385 million as at December 31, 2024, could not be established due to: (a) negative balances in Accounts Receivable (AR) and Other Receivable accounts totaling P6.916 million; (b) absence of supporting schedules and documents for long-outstanding accounts totaling P7.445 million; (c) discrepancies between confirmed balances and book records totaling P13.463 million; and (d) incorrect entries in Due From National Governments Agencies account totaling P2.523 million, contrary to Paragraph 27 of International Public Sector Accounting Standard 1, and Chapter 3 of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities.

This is a reiteration, with updates, of the prior year's audit observation, as Management has not yet fully implemented the related audit recommendations.

2.1. Paragraph 27 of IPSAS 1 requires that information, in order to be useful, should faithfully represent the transactions, other events, and conditions in accordance with the definition and recognition criteria for assets, liabilities, revenue, and expenses set out in IPSAS.

2.2. The Receivables account had a net book value of P32.385 million as at December 31, 2024, with its composition summarized in Table 3.

Table 3 – Composition of Receivables

Sub-accounts	Amount*
Loans and Receivable Accounts	25,692,756
Inter-Agency Receivables	3,035,726
Other Receivables	3,656,031
Net Book Value	**32,384,513**

**Net of Allowance for Allowance for Impairment*

2.3. The Loans and Receivables account consists of AR and Interest Receivable, with AR comprising 99.61 percent of the total balance. The AR account had a gross value of P32.809 million and net book value of P25.592 million as at December 31, 2024, as shown in Table 4.

Table 4 – Composition of AR

Sub-accounts	Amount
AR – Participation Fee (PF) Local	16,299,493
AR - PF International	14,836,530
AR - Extension Charges	443,446
AR – Others	1,229,352
Gross Total	**32,808,821**
Allowance for Impairment	(7,217,051)
Net book value	**25,591,770**

Presence of negative balances totaling P6.916 million

Negative balances in Accounts Receivable (AR) and Other Receivables totaling P6.916 million

2.4. Annex C of COA Circular No. 2020-002 describes various Receivable accounts to have a ***normal debit balance*** and will be credited only "*upon collection, transfers, write-off, and/or adjustments of receivables".*

2.5. In CY 2024, negative balances totaling P6.916 million were noted, as summarized in Table 5.

Table 5 – Negative Balances per Sub-Accounts

Sub-accounts	Amount
AR – PF International	428,603
AR - PF Local	5,294,316
Inter-Agency Receivables	417,774
Other Receivables	774,874
Total Negative Balances	**6,915,567**

2.6. In 2024, the negative balance in the AR-PF International account was partially reduced by P389,210. However, an additional negative balance of P201,261 arose from the misclassification of collections from two exhibitors, which should have been recorded as cash sales. This resulted from an oversight by the bookkeeper preparing the Cash Receipts. An unadjusted foreign exchange difference of P2,770 related to the Maison 2024 event also contributed to the negative balance. By year-end, the AR – PF International balance stood at P428,603, reflecting a 30% decrease.

2.7. The negative balance in the AR PF Local account rose to P5.294 million, due to: (i) error in recording of collections despite no initial set up of AR, (ii) overpayments, (iii) floating retention fees, and (iv) participation fees linked to cancelled invoices, which need further evaluation/tracing of records per exhibitor and subsequent adjustment.

2.8. The negative balance in Inter-Agency receivables account pertains to the excess funds/collections of P417,774 from Philippine Economic Zone Authority, which will be utilized in CY 2025 project; hence, the balance is a liability, not a receivable.

2.9. The significant amount of the negative balance in Other Receivables pertains to due from a certain private corporation relative to the funding assistance for Anuga 2023 and China International Import Expo (CIIE) 2023.

2.10. Thus, these negative balances materially understate the Receivables account. The exact effect on other accounts remains undetermined pending reconciliation by the CD.

Absence of supporting schedule and documents for long outstanding accounts totaling to P7.445 million

2.11. Chapter 3 of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities (GPFRPS) requires several qualitative characteristics of useful information. One of these characteristics is verifiability/supportability that helps assure users that the information in the FS faithfully represents what it purports to represent.

2.12. In the accompanying BC of the Conceptual Framework, Paragraph BC 3.24 also states that while closely linked to faithful representation, verifiability is identified as a separate qualitative characteristic because information may faithfully represent economic and other phenomena even though it cannot be verified with absolute certainty.

2.13. Line items labeled "For Reconciliation" in AR-PF Local and "Various Projects for CY 2000-2012" in AR-PF International amounting to P6.762 million and P0.548 million, respectively, remained unsubstantiated in CY 2024 as the exhibitors or concerned debtors have not been identified. Likewise, the balance of P135,381 of Other Receivables has no detailed breakdown. Due to personnel turnovers, the CD was having difficulty in locating the supporting documents.

Discrepancies between confirmed balances and book records totaling P13.463 million

2.14. Confirmation letters were sent to 57 exhibitors to establish the existence and correctness of the account as at December 31, 2024.

2.15. Results of confirmation disclosed a net variance of P13.463 million, as summarized in Table 6.

Table 6 – Comparison of SL balance vis-à-vis Confirmed balance

Exhibitor No.	SL balance	Confirmed balance	Variance	Remarks
1	576,000.00	-	576,000.00	Manila FAME 2024
2	89,285.72	-	89,285.72	Unadjusted withheld tax at source due to absence of BIR form 2307
3	85,014.29	-	85,014.29	Unadjusted withheld tax at source and erroneous double recording of Output VAT
4	159,975.00	-	159,975.00	Net amount of payments related to IFEX 2028 and billed amount of Manila FAME 2024
5	50,142.86	-	50,142.86	Erroneous double recording of Output VAT
6	139,844.19	-	139,844.19	Unadjusted withheld tax at source and erroneous double recording of Output VAT
7	100,000.00	-	100,000.00	Manila FAME 2018
8	102,600.00	-	102,600.00	Double recording of invoice in JEV#2018-11-0081 and JEV-1-2019-01-0001 (based on schedule provided)
9	11,837,249.69	27,352,240.00	(15,514,990.31)	Balances pertain to different events
10	126,105.30	-	126,105.30	Ambiente 2017
11	284,000.00	-	284,000.00	Taipei 2017 and Brunei Halal Showcase 2018

Exhibitor No.	SL balance	Confirmed balance	Variance	Remarks
12	182,559.26	-	182,559.26	Maison 2016 and 2017, and Dubai 2019
13	156,819.00	-	156,819.00	No SL
Total	**13,889,595.31**	**27,352,240.00**	**(13,462,644.69)**	

2.16. The Audit Team examined the available records and determined some of the causes of the variances as follows:

a. **Exhibitor nos. 2, 3, 5, 6 and 8**. The variances in their accounts were attributed to the non-adjustment of tax withheld by the payor P89,286 and erroneous entries totaling P377,601, thereby overstating the AR account by P377,601.

b. **Exhibitor no. 9.** The recorded amount per books is notably lower by P15.515 million than the confirmed balance mainly due to the non-recording of the funds to be transferred for IFEX 2024 amounting to P12.5 million (see Table 7). Inquiry with CD revealed that deliverables are yet to be completed, hence it cannot be recognized as receivable as at December 31, 2024. However, the Audit Team noted that IFEX 2024 concluded in May 2024, therefore the receivables have already accrued. Further, it was observed that, in the SL of the exhibitor, the existing negative balance of P3.598 million is attributed to the Manila FAME 2023 event, the cause of which could not be ascertained due to lack of supporting documents.

Table 7 - Comparison of Exhibitor's balance per records and as confirmed

Event	SL Balance	Confirmed Balance	Variance
Manila FAME 2023	(3,598,214)	-	(3,598,214)
Manila FAME 2024	8,500,000	8,500,000	-
IFEX 2024	-	12,500,000	(12,500,000)
Tokyo International Gift Show	1,800,000	1,800,000	-
SIAL 2024	3,112,344	3,150,000	(37,656)
CIIE 2024	702,240	1,402,240	(700,000)
Prior year balance - international events	1,320,880	-	1,320,880
Total	**11,837,250**	**27,352,240**	**(15,514,990)**

2.17. Unidentified variances were due to missing proof of payments from exhibitors and lack of prior year confirmations. The CD had not sent any demand or confirmation letters before CY 2024.

2.18. The Audit Team also noted a lack of coordination between the Operations Group (Service Business Department and Consumer Business Department) and the CD. The Operations Group, being the primary contact for exhibitors, should assist in verifying payments and ensuring account settlement before allowing participation in subsequent events.

Incorrect entries in Due from NGAs totaling P2.523 million

2.19. The audit revealed several erroneous entries:

a. Double Recording of Receivable (1 million). Receivables from the Department of Agriculture – Agribusiness and Marketing Assistance Services were correctly recorded, but also duplicated by a separate CD staff, resulting in overstated Output VAT and Other Income.

b. Negative Balance in Due to National Government Agencies (NGAs) (P230,918). Only P2.3 million of a P3.3 million commitment from Department of Trade and Industry (DTI) was transferred, yet P2.53 million was already spent, resulting in a negative balance that should have been reclassified to Due from NGA. DTI still needs to remit the remaining P1 million.

c. Misclassified Receivables (P1.754 million). Receivables recorded under Due from NGA should have been classified as Accounts Receivable, as the MOA showed that DTI-ROG's role was limited to fund request facilitation—not actual fund transfer.

d. Unadjusted VAT and Withholding Tax (P137,528). Output VAT was recorded twice, reducing the collections from two exhibitors by P108,712, and the P28,816 tax withheld remains unadjusted.

e. Duplicate Credit Entry (P112,544). Payments from Gulfood 2024 participants were credited twice to Other Receivables, understating the balance and Other Service Income.

2.20. These errors resulted in overstatements of Due from NGA (2.523 million), Income account (0.780 million), and Output VAT (P215,855); and understatements of Due to NGA (P230,918), AR (1.616 million), Withheld Tax at Source (P28,816), and Other Receivables (P112,544) accounts.

2.21. They were not promptly identified due to absence of individual SLs per exhibitor, lack of regular monitoring and reconciliation, and weak internal control in the review of journal entries.

2.22. **We recommended, and Management agreed, to:**

a. Direct the Controllership Division to:

1. Evaluate and trace supporting documents for all negative balances;

2. Exert efforts in retrieving the documents for transactions with incomplete supporting documentation;

3. Reconcile records with the exhibitors to address the confirmation variances;

4. **Coordinate with the Operations group and issue periodic confirmation or demand letters, as deemed necessary, for all outstanding receivables; and**

5. **Prepare the adjusting entries to correct the balances of the accounts affected;**

b. **Instruct all concerned personnel to exercise and observe due diligence in recording of transactions, and the preparation/review/approval of financial documents and reports;**

c. **Strengthen the internal controls on the review process of the journal entries to prevent errors and misclassifications; and**

d. **Intensify collection efforts from agencies with outstanding commitments to support CITEM operations.**

2.23. In response, Management committed to implement the recommendations and informed that adjustments were made in CY 2025 to correct some of the identified misstatements. Moreover, they plan to purchase accounting system to enhance detection of errors, balance monitoring, and reconciliation processes.

2.24. As a rejoinder, the CY 2025 adjusting entries will be subject for further validation, and the Audit Team will continuously monitor CITEM's compliance with the audited recommendations.

3. **The fair presentation of the Property, Plant and Equipment (PPE) account, with a net book value of P17.324 million as at December 31, 2024, could not be reasonably established due to: (a) net variance of P2.899 million between the balances per Report on Physical Count of PPE and accounting records, resulting from (i) unrecorded disposals, (ii) unbooked properties, (iii) inclusion of semi-expendable items, (iv) discrepancies in costing, (v) negative balances, (vi) obsolete IT software; and (b) errors in the computation of Depreciation Expense and Accumulated Depreciation, amounting to P209,259 and P441,592, respectively, contrary to Paragraph 27 of International Public Sector Accounting Standard (IPSAS) 1, and Paragraphs 26, AG24, and AG27 of IPSAS 45.**

This is a reiteration, with updates, of the prior year's audit observation, as Management has not yet fully implemented the related audit recommendations.

3.1. Paragraph 27 of IPSAS 1 requires that information, in order to be useful, should faithfully represent the transactions, other events, and conditions in accordance with the definition and recognition criteria for assets, liabilities, revenue, and expenses set out in IPSAS.

3.2. COA Circular No. 2020-006, outlining the procedures for One-Time Cleansing of PPE accounts, provides for guidelines in the conduct of physical count of PPE, recognition of PPE items found at station, and disposition for non-existing/missing PPE items.

Net variance of P2.899 million between the Report on Physical Count of PPE (RPCPPE) and accounting records

3.3. Comparison between the RPCPPE and the accounting records revealed a total variance of P2.899 million, as summarized in Table 8.

Table 8 – Comparison of cost per RPCPPE vis-à-vis per books

Account Classification	Per books	Per RPCPPE	Variance
Office Equipment (OE)	6,643,503.74	6,207,901.34	435,602.40
Furniture & Fixture	4,353,637.52	864,425.45	3,489,212.07
Information and Communication Technology (ICT) Equipment	26,995,266.75	28,130,539.65	(1,135,272.90)
Communication Equipment	580,800.00	580,800.00	-
Motor Vehicle	14,128,292.28	14,692,828.00	(564,535.72)
Other PPE	1,606,261.22	932,451.17	673,810.05
Total*	**54,307,761.51**	**51,408,945.61**	**2,898,815.90**

**Excluding the cost of Building and Other Structures amounting to P30.387 million and P3.652 million, respectively.*

3.4. The causes of the variance, based on the Audit Team's evaluation of the records, are detailed in Table 9.

Table 9 – Summary of cause of variance

	Cause of variance	OE	Furniture & Fixture	Motor Vehicle	ICT Equipment	Other PPE	Total
a	Unrecorded Disposal	8,050	-	-	-	936,232	944,282
b	Unbooked items found in RPCPPE	-	-	-	(499,300)	(83,880)	(583,180)
c	Errors	(211,740)	-	-	-	269,988	58,248
d	Booked Items Not found in RPCPPE	780,657	3,489,212	-	7,555,555	450,000	12,275,424
e	Semi-Expendable Items Per Book	-	-	-	295,000	29,464	324,464
	Semi-Expendable items per RPCPPE	-	-	-	(18,118)	(477,371)	(495,489)
f	Unaccounted – negative balance	-	-	-	(10,785,685)	(450,622)	(11,236,307)
g	Unaccounted - no property numbers	-	-	-	4,522,047	-	4,522,047
h	Discrepancy in Cost (RPCPPE adjustment)	(141,365)	-	(564,536)	(742,722)	-	(1,448,623)
i.	Obsolete Information Technology Items	-	-	-	(1,462,051)	-	(1,462,051)
	Total	**435,602**	**3,489,212**	**(564,536)**	**(1,135,274)**	**673,811**	**2,898,815**

3.5. The said variances are further discussed below:

a. **Unrecorded disposal (P0.944 million).** In CY 2024, out of the P6.063 million in unrecorded disposals noted in the previous year's audit, P5.119 million was adjusted in the books. The remaining P0.944 million remains unadjusted due to the absence of supporting records in the CD. Notably, this amount was again included in the CD's submitted schedule as of December 31, 2024, despite being identified in prior audit findings.

b. **Unbooked Items but found in RPCPPE (P0.583 million).** The acquisition dates of these items could not be determined, hindering the Audit Team form assessing whether these were omitted from the books or already recognized as outright expenses.

c. **Errors/Inconsistencies in using account titles (P0.481 million).** Due to the lack of personnel assigned to monitor and reconcile accounting records with the RCPPE, errors in recording Office Equipment (P211,740) and Other PPE (P269,988) were not corrected through journal entries.

d. **Booked Items but not found in the RPCPPE (P12.275 million)**

d.1. Items disposed but not dropped from the books due to lack of disposal report (P0.781 million).

d.2. Furniture and Fixtures not physically counted mainly due to lack of property numbers (P3.489 million).

d.3. Overstatement in ICT Equipment account due to inclusion of Obsolete Software (P7.556 million).

d.4. Other PPE items not physically counted due to lack of property numbers (P0.450 million).

e. **Inclusion of Semi-Expendable Items (P324,464 in the books; and P495,489 in the RPCPPE).** In violation of COA Circular No. 2022-004, which requires items below P50,000 to be classified as semi-expendable, the CD erroneously recorded these items as PPE. Similarly, the General Services Division (GSD) failed to reclassify several items and included them in the RPCPPE.

f. **Presence of negative balance (P11.236 million).** Negative balances were noted in the ICT Equipment and Other PPE categories. These should not exist and indicate errors in accounting. This may be attributed to the non-use of the prescribed PPE Ledger Card (PPELC) format under Annex 8, GAM Vol. II, which includes columns for adjustments and transfers.

g. **Lack of Property Numbers in CD's Schedule (P4.522 million), resulting in challenges in reconciliation.** Several items were recorded without corresponding property numbers, which hindered reconciliation and verification. The CD encodes entries based solely on the ledger without coordinating with the GSD, making reconciliation difficult and the existence of the items questionable.

h. **Discrepancy in the cost/valuation used by CD and GSD (P1.449 million).** Per Section 6.2.11 of COA Circular No. 2020-006, the unit cost of items should be based on Subsidiary Ledgers or Property Cards. However, CD records are net of VAT, while GSD uses gross cost, leading to discrepancies. Although GSD issued a memorandum indicating adjustments, verification showed that the RPCPPE balances remained unchanged from the prior year.

i. **Obsolete Software still included in RPCPPE (P1.462 million).** Software confirmed by System Management Division to be obsolete or unserviceable remains in the RPCPPE but is not reflected in the books. Additionally, other software totaling P1.609 million appears in both the books and the RPCPPE but has been confirmed as obsolete and should be derecognized.

3.6. The Audit Team reiterates the recommendation to implement the one-time cleansing of PPE accounts under COA Circular No. 2020-006, especially the procedure for non-existing or missing PPEs as specified in Item 7 of the Circular.

3.7. In CY 2024, CITEM invited COA's Professional Development Office to orient concerned staff on the circular but the one-time cleansing of PPE accounts still did not materialize due to manpower limitations.

Errors in the computation of Depreciation Expense and Accumulated Depreciation amounting to P209,259 and P441,592, respectively

3.8. Paragraph AG24 and AG27 of IPSAS 45—Property, Plant and Equipment provides:

AG24. An entity allocates the amount initially recognized in respect of an item of property, plant, and equipment to its significant parts and depreciates separately each such part. Xxx

AG27. Depreciation of an asset begins when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.xxx

3.9. Meanwhile, paragraph 26 of the same standard provides that after recognition, *an item of property, plant and equipment shall be carried at its historical cost, less any accumulated depreciation and any accumulated impairment losses.*

3.10. The review disclosed discrepancies in depreciation computations for Office Equipment and Motor Vehicles, as shown in Table 10.

Table 10– Misstatement in Accumulated Depreciation and Depreciation Expense

PPE Accounts	Per Book		Per Audit		Misstatement	
	Accum. Depn. (a)	Depn. Expense (b)	Accum. Depn. (c)	Depn. Expense (d)	Accum. Depn. (e)= (a-c)	Depn. Expense (f)= (b-d)
Office Equipment	5,377,986	302,208	5,594,514	231,126	(216,528)	71,082
Motor Vehicle	9,045,314	598,503	9,270,378	460,326	(225,064)	138,177
TOTAL	**14,423,300**	**900,711**	**14,864,892**	**691,452**	**(441,592)**	**209,259**

3.11. Some Other PPE items acquired five years ago were also not depreciated, undermining the fair presentation of PPE, which had a net book value of P17.324 million as of December 31, 2024.

Other observation

The General Services Division was not able to: (a) invite the Audit Team to witness the physical inventory-taking of PPE; and (b) prepare the Property Acknowledgement Reports for newly acquired motor vehicles and IT equipment. These lapses may result in issues concerning accountability, maintenance, returns, or replacement of assets, contrary to Section V.1 of COA Circular No. 80-124, in relation to Section 38, Chapter 10 of Government Accounting Manual (GAM) Volume I, and Section 21, Chapter 10 of GAM Vol. I.

Audit Team not notified of inventory-taking

3.12. Section 38, Chapter 10 of GAM Vol. I prescribes the conduct of physical count of PPE and the date of its submission to the Audit Team, to wit *"The entity shall have a periodic physical count of PPE, which shall be done annually and presented on the Report on the Physical Count of Property, Plant and Equipment (RPCPPE) (Appendix 71) as at December 31 of each year. This shall be submitted to the Auditor concerned not later than January 31 of the following year. Equipment found at station and losses discovered during the physical count shall be reported to the Accounting Division/Unit for proper accounting/recording."*

3.13. In connection thereto, Section V.1. of COA Circular No. 80-124 dated January 18, 1980 requires that *"a representative of the Auditor shall witness the inventory-taking."*

3.14. The GSD submitted the RPCPPE on February 28, 2025, a month beyond the reglementary deadline. The Audit Team did not witness the inventory-taking as they were not informed of its schedule, in violation of Item 5.4 of COA Circular No. 2020-006, which requires COA witness to the physical count.

Non-issuance of Property Acknowledgement Receipt (PAR) for newly acquired motor vehicles and IT equipment

3.15. Section 21, Chapter 10 of GAM Vol. I provides that:

Based on approved RIS, the Supply and/or Property Custodian shall prepare the Property Acknowledgement Receipt (PAR) (Appendix 71) to support the issue of property to end-user. The PAR shall be renewed at least every three years or every time there is a change in accountability or custodianship of the property.

3.16. In 2024, CITEM acquired vehicles and ICT equipment totaling P3.875 million, but PARs were not issued, citing staff shortages following the

Property Officer's retirement. Without PARs, accountability for the assets is not clearly established.

3.17. **We recommended, and Management agreed, to:**

a. **Direct the Controllership Division (CD) to:**

1. **Closely coordinate with the General Services Division (GSD) for timely and regular PPE reconciliation;**

2. **Investigate the negative balances in the PPE schedules;**

3. **Maintain the PPELC in accordance with Annex 8, GAM Vol. II; and**

4. **Prepare the necessary adjusting entries.**

b. **Assign additional personnel to the GSD to support asset management, and conduct capacity-building/training on proper asset management procedures.**

c. **Direct the GSD to:**

1. **Reflect PPE costs per Subsidiary Ledger and report accurate unit values in the RPCPPE;**

2. **Ensure RPCPPE only includes items classified as PPE per Annex C of COA Circular no. 2020-002;**

3. **Notify the Audit Team in advance of inventory-taking activities; and**

4. **Prepare and issue PARs for all newly acquired PPE;**

d. **Initiate the procedures outlined in COA Circular No. 2020-006 for the one-time cleansing and reconciliation of the GSD and CD records.**

4. **The fair presentation of the Trust Liabilities account, with a balance of P3.995 million as at December 31, 2024, could not be ascertained due to the absence of supporting documents for long-outstanding commitment and retention fees related to completed events, totaling P1.417 million. This creates uncertainty as to CITEM's obligation to refund the said amount, contrary to Paragraph 27 of the IPSAS 1 and Chapter 3 of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities.**

This is a reiteration, with updates, of the prior year's audit observation, as Management has not yet fully implemented the related audit recommendations.

4.1. Paragraph 27 of IPSAS 1 requires that information, in order to be useful, should faithfully represent the transactions, other events, and conditions in accordance with the definition and recognition criteria for assets, liabilities, revenue, and expenses set out in IPSAS.

4.2. Chapter 3 of the Conceptual Framework for GPFRPS requires several qualitative characteristics of useful information. One of these characteristics is verifiability/supportability that helps assure users that the information in the FS faithfully represents what it purports to represent.

4.3. The Trust Liabilities account reported a balance of P3.995 million as at December 31, 2024, with details presented in Table 11.

Table 11 – Composition of Trust Liabilities

Account Name	Amount
Trust Miscellaneous	2,605,656
Trust (CITEM Coop)	(38,962)
Trust (ACE)	39,550
Bail bond payable	1,354,452
Total - Trust Liabilities	**3,960,696**
Guaranty/Security Deposits Payable	**34,200**
Total	**3,994,896**

4.4. As shown in Table 11, a significant portion of the account pertains to the Trust - Miscellaneous sub-account, amounting to P2.606 million. The aging schedule of the account is presented in Table 12.

Table 12 – Schedule of Aging of Trust Miscellaneous

Period	Amount	Nature	Age
Commitment Fees			
2014	82,277.50	Commitment Fees	10
2015	138,895.07	Commitment Fees	9
2016	527,160.85	Commitment Fees	8
2017	598,537.70	Commitment Fees	7
2018	69,949.38	Commitment Fees	6
Sub-Total	**1,416,820.50**		
Participation fee			
2024	938,932.08	Mandatory fees for Gulfood	0
2023	5,824.21	Participation fee – Presidential Visit to Japan	1
2023	144,029.17	Participation fee – Presidential Visit to San Francisco	1
Sub-Total	**1,088,785.46**		
Funding support			
2024	24,275.76	Share in the project's total expenses for MAISON 2024	0
2023	(3,600)	Reimbursement of taxi fare for Anuga 2023 project	1
2023	800.00	Financial assistance pledged by CITEM employees	1
Sub-Total	**21,475.76**		
DBP Service Corp fund			
2021	**68,468.00**	Indemnification of repair & damages incurred during car accident of DBPSC assigned employee	3
Bid documents fee			
2024	**10,105.95**	Payment for bid documents to be used for BAC expenses	0
Total	**2,605,655.67**		

4.5. Commitment fees totaling P1.417 million, representing 54.37 percent of the total balance remained outstanding for six to ten years. These fees were categorized under Trust Liabilities, having been initially classified as "Retention Fees" and treated as refundable.

4.6. However, key supporting documents, such as office policies, internal memorandums, and contract applications related to the retention or commitment fees, were not available for review. The absence these documents raises uncertainty regarding the terms and conditions of the fees, particularly whether they are legally refundable or not. This lack of documentary evidence prevents the Audit Team from fully verifying the existence and validity of the obligation.

4.7. **We recommended, and Management agreed, to:**

a. **Direct the Controllership Division to make diligent efforts to locate the relevant documents related to the commitment fees. If, after exhaustive verification, and the liability cannot be established, consider closing the account and transferring the amount to the Accumulated Surplus/ (Deficit) account; and**

b. **Establish a clear policy governing the refundability or non-refundability of commitment fees, to ensure proper classification and consistent treatment of similar transactions in the future.**

5. **The fair presentation of the Accumulated Surplus/(Deficit) account, with a year-end balance of P511.454 million, could not be established due to: (a) inadequate disclosure of prior period adjustments totaling P12.133 million; and (b) unclear transactions and/or insufficient supporting documents in the total amount of P7.900 million, contrary to the requirements of Paragraph 27 of International Public Sector Accounting Standard (IPSAS) 1, in relation to Chapter 3 of the Conceptual Framework for General Purpose Financial Reporting for Public Sector Entities, and Paragraph 53 of IPSAS 3.**

5.1. Paragraph 27 of IPSAS 1 requires that information, in order to be useful, should faithfully represent the transactions, other events, and conditions in accordance with the definition and recognition criteria for assets, liabilities, revenue, and expenses set out in IPSAS.

5.2. Chapter 3 of the Conceptual Framework for GPFRPS requires several qualitative characteristics of useful information. One of these characteristics is verifiability/supportability that helps assure users that the information in the FS faithfully represents what it purports to represent.

5.3. In the accompanying BC of the Conceptual Framework, Paragraph BC 3.24 also states that while closely linked to faithful representation, verifiability is identified as a separate qualitative characteristic because information may faithfully represent economic and other phenomena even though it cannot be verified with absolute certainty.

5.4. As at December 31, 2024, the Accumulated Surplus/(Deficit) account reported a balance of P511.454 million, as detailed in Table 13.

Table 13 – Composition of Accumulated Surplus/(Deficit)

Account	Amount
Accumulated Surplus-Restricted	304,572,994
Accumulated Surplus-Unrestricted	206,881,340
Total	**511,454,334**

5.5. The Accumulated Surplus-Restricted account has been earmarked since 1997 for the purpose of acquiring or establishing a new office space for CITEM. The fund has since increased through investments and earnings and is currently deposited under the LBP HYSA.

5.6. On the other hand, the Accumulated Surplus-Unrestricted account represents the accumulation of operational income, prior period adjustments, and adjustments arising from changes in accounting policy, among others.

Inadequate disclosure of prior period adjustments

5.7. Adjustments related to prior years, totaling P12.113 million, were recorded as reductions to the Accumulated Surplus/(Deficit) account but were not adequately disclosed in the Statement of Changes in Net Assets/Equity (SCNAE). These were merely grouped under "Other Adjustments" without any narrative explanation or disaggregation in the Notes to the Financial Statements.

5.8. This practice, reportedly continued by the current CD personnel, contrary to paragraph 54 of IPSAS 3, which requires the disclosure of the nature of the prior period error, the circumstances that led to the error, and a description of how and from when the error was corrected.

5.9. Inadequate disclosure may mislead stakeholders about the financial impact and underlying reasons for the adjustments, potentially undermining confidence in the financial statements.

Unclear transactions and inadequate supporting documentation totaling P7.900 million

5.10. Audit revealed unclear recording practices and insufficient supporting documents for several transactions totaling P7.900 million, affecting the Accumulated Surplus/(Deficit) account.

5.11. A summary of the transactions affecting the Accumulated Surplus/(Deficit) balance is presented in Table 14, while a summary of transactions with unclear description and/or insufficient supporting documents is shown in Table 15.

Table 14: Summary of Transactions affecting Accumulated Surplus/(Deficit) Balance

PARTICULARS	Accumulated Surplus/(Deficit)		Total
	Restricted	Unrestricted	
Beginning Balance	**302,112,974.78**	**217,452,227.76**	**519,565,202.54**
Interest Income	**2,460,019.33**		**2,460,019.33**
Current year's income		**1,541,690.20**	**1,541,690.20**
Prior years'-related adjustments:		**(12,112,577.84)**	**(12,112,577.84)**
- *Adjustment on understated prior years' income*		*441,254.08*	*441,254.08*
- *Cash disbursement-related adjusting entries*		*1,464,906.74*	*1,464,906.74*
- *Cash receipt-related adjusting entries*		*7,334,332.16*	*7,334,332.16*
- *Closing of unutilized fund transfer*		*1,518,374.52*	*1,518,374.52*
- *Closing of the Excess Fund/Balance of Projects*		*4,054,366.40*	*4,054,366.40*
- *Correction of prior years' erroneous entry/ misposting of accounts*		*(260,379.74)*	*(260,379.74)*
- *Entries correcting double recording*		*(268,517.37)*	*(268,517.37)*
- *Unrecognized prior years' foreign exchange gain/loss*		*(3,882.63)*	*(3,882.63)*
- *Payment related to prior years' expenses (e.g. Collective Negotiation Agreement incentive , marketing-related expenses, etc.)*		*(2,378,552.25)*	*(2,378,552.25)*
- *PPE-related adjustments (e.g. disposal)*		*(934,599.61)*	*(934,599.61)*
- *Reduction of negative balance in trust liability accounts*		*(1,248,392.89)*	*(1,248,392.89)*
- *Reduction of overstated receivable*		*(602,188.10)*	*(602,188.10)*
- *Reversal of prior years' erroneous entry*		*100,133.78*	*100,133.78*
- *Semi-expendable-related adjustment*		*(11,865.00)*	*(11,865.00)*
- *Understatement of prior years' expenses (e.g. bank charges, personnel expenses, etc.)*		*(21,487,570.63)*	*(21,487,570.63)*
- *Setting up receivable based on COA's Notice of Disallowance*		*170,002.70*	*170,002.70*
TOTAL	**304,572,994.11**	**206,881,340.12**	**511,454,334.23**

Table 15: Summary of Transactions with unclear description and/or insufficient supporting documents

Nature	Amount	Remarks/ Discussion
Reduction of Prior Years' Receivable Without Adequate Basis and Justification.	P574,375.01	a
Difficulty in Validating Adjusting Entries about Prior Period's Transactions.	5,596,459.78	b
Recording of Notice of Disallowance with no Notice of Finality of Decision.	170,002.70	c
Non-Submission of Document Authorizing Closure of Account	1,503,052.25	d
Erroneous Use of Accounts and Lack of Supporting Documents	56,000.00	e
Total	**P7,899,889.74**	

5.12. These deficiencies impair the understandability, verifiability, and reliability of the financial records. Specifically:

a. ***Unjustified Reduction of Prior Years' Receivables.*** On April 30, 2024, a journal entry was made to adjust the actual collection from PhilExport for exhibition projects in CY 2021 and CY 2022, reducing the billed amount by P0.574 million to align with the actual payment received. However, no contract or valid document was presented to justify the reduction. A resolution from the Export Development Council (EDC) was submitted, but it merely authorized funding for CY 2023 and had no bearing on the billing adjustment. Further, confirmation from PhilExport indicated that their obligations pertained only to CY 2024, with no outstanding balances for prior years. These inconsistencies point to poor reconciliation and coordination between CITEM and PhilExport.

b. ***Lack of Documentation for Prior Period Adjustments***. Adjustments amounting to P5.596 million dating as far back as CY 2018, lacked copies of the original JEVs. This hindered the validation of transactions and impeded the efficient execution of audit procedures.

c. ***Premature Recording of Notice of Disallowance.*** The Accumulated Surplus/(Deficit) was credited by P170,002.70, setting up a receivable based on a Notice of Disallowance (ND). However, no Notice of Finality of Decision (NFD) was attached to support the validity of the entry. As clarified through further inquiry, the ND had not attained finality as of December 31, 2024. This is in violation of Section 22.6, Chapter V of COA Circular No. 2009-006, which mandates that the disallowance should be recorded only upon issuance of the NFD.

d. ***Non-Submission of Document Authorizing Closure of Account***. A journal entry was recorded to debit the Due to NGAs account and credit the Accumulated Surplus/(Deficit) by P1.503 million, supposedly to close excess funds from the Philippine Solo Exhibition, based on a confirmation letter from the Bureau of the Treasury (BTr). However, the subsidiary ledgers of affected accounts and correspondence reconciling CITEM and BTr balances were not attached, preventing audit validation.

e. ***Erroneous Use of Accounts and Lack of Supporting Documents.*** A journal entry was recorded to recognize a P56,000 collection from the Philippine Textile Research Institute for "Manila FAME October 2024," debiting the Accumulated Surplus/(Deficit) and crediting Due from NGA. However, no supporting documents were provided to validate this transaction.

5.13. These deficiencies were primarily due to inadequate monitoring of individual accounts and limited personnel in CD. These issues could have been prevented or at least minimized had the CITEM maintained a more structured record-keeping system, coupled with regular reconciliation of accounts.

Other observation

Significant internal control deficiencies in record-keeping and ledger maintenance relative to the Accumulated Surplus/(Deficit) account adversely affected the transparency and accuracy of its reported balance in CITEM's financial reports.

5.14. Appendix 5 of GAM Vol. II, specifically provides that General Ledger *"summarizes all transactions recorded in the General Journal (GJ) and special journal (e.g. Cash Receipt Journal (CRJ), Cash Disbursement Journal (CDJ), Check Disbursement Journal (CkDJ), etc.) maintained in the Accounting Division/Unit. The ledger sheet is arranged in the same order or sequence of the accounts appearing in the Revised Chart of Accounts (RCA). Postings to this ledger shall come directly from the General and Special Journals."* emphasis supplied.

5.15. In relation to this, page 161, Annex C of COA Circular No. 2020-002 dated January 28, 2020 (re: *Adoption of Updated RCA for Government Corporations*) described the "Accumulated Surplus/(Deficit) account as follows:

Account Title	*Accumulated Surplus/ (Deficit)*
Account Code	*30101010*
Normal Balance	*Credit (Debit)*
Description	*This account represents the cumulative results of normal and continuous operations of a non-Government Business Enterprise (non-GBE) including prior period effects of effects in accounting policy and errors, and other capital adjustments. This account is used to close the Revenue/Income and Expense Summary account.*

5.16. In line with the above provisions, review of CITEM's financial reports and ledgers disclosed the following deficiencies, along with the proposed changes to conform to relevant rules and regulations, as outlined in Table 16.

Table 16: Inconsistencies in Recording: CITEM's Practice vs. Required by Regulation

Existing Condition		Required by Regulation	Proposed Changes
1	To record entries in Accumulated Surplus/(Deficit), the Controllership Division (CD) uses Subsidiary Ledgers (SLs) for the following accounts: (i) Appraisal Capital-Building Fund (Account Code: 505re) with a balance of P304.573 million; and (ii) Retained Earnings (Account Code: 510 & SL Code: 3010101001) with a balance of P205.226 million	The account title and account code used must be in accordance with the prescribed Revised Chart of Accounts (RCA). Controlling Account in the GL shall be supported by details in the Subsidiary Ledgers (SL). *(Ref: Appendix 5 of GAM Vol. II, Instructions)*	CD should maintain a GL for Accumulated Surplus/(Deficit) Account—as controlling account, indicating its account code per RCA (i.e. 30101010); Considering that it consists of other 2 sub-accounts: (i) Restricted, & (ii) Unrestricted, SLs may be used to record transactions affecting each account. CD must refrain from using Account Titles and Account

<table>
<tr><th colspan="2">Existing Condition</th><th>Required by Regulation</th><th>Proposed Changes</th></tr>
<tr><td></td><td></td><td></td><td>Codes which are not prescribed under the updated RCA.</td></tr>
<tr><td>2</td><td>Inconsistencies: Financial Statements vs. Trial Balance vs. Subsidiary Ledgers (SL):
<table><tr><th>Financial Reports</th><th>Amount</th></tr><tr><td>Per Statement of Financial Position and Statement of Changes in Net Assets/Equity</td><td>P511,454,334.00</td></tr><tr><td>Per Trial Balance (TB)</td><td>P509,912,644.03</td></tr><tr><td>Per SL</td><td>P509,798,640.73</td></tr><tr><td>Variance (FS vs. TB</td><td>P1,541,669.97</td></tr><tr><td>Variance (FS vs. SL)</td><td>P 1,655,693.27</td></tr></table></td><td>The Pre-Closing Trial Balance shall be prepared after posting the Adjusting Journal Entries (AJE) in the General Journal (GJ) and the same to the GL. It shows the adjusted balances of all accounts as at a given period. This is also described/termed as the Adjusted Trial Balance. The TB shall be supported with the schedule of SL balances of the controlling account.
(Ref: Chapter 19 (Financial Reporting), Section 49 of Government Accounting Manual (GAM), Volume I)

The Post-Closing Trial Balance shall be prepared at the end of the year after preparing and posting the closing journal entries in the GJ and posting to the GL. Since revenue and expense accounts have been closed out, the only accounts with balances are balance sheet or real accounts.
(Ref: Chapter 19 (Financial Reporting), Section 58 of Government Accounting Manual (GAM), Volume I)</td><td>The Audit Team noted that the submitted Notes to FS, TB and SLs do not reflect the effect of all the year-end adjusting entries. Hence, CD should make the reconciliation, and prepare and post the necessary adjusting entries so that its financial reports will show the same adjusted balance.

CD should likewise prepare the required Pre-Closing and Post-Closing Trial Balance.</td></tr>
<tr><td>3</td><td>CD is not using the “Revenue and Expense Summary” account to close in the books all revenue/income accounts and all expense accounts of CITEM.</td><td><table><tr><td>Account Title</td><td>Revenue/Income and Expense Summary</td></tr><tr><td>Account Code</td><td>30301020</td></tr><tr><td>Normal Balance</td><td>Credit (Debit)</td></tr><tr><td>Description</td><td>This is an intermediary account used by the government corporation to close in the books all revenue/income accounts and all expense accounts. This account is closed to Accumulated Surplus/(Deficit) xxx</td></tr></table>(Ref: pg. 161 of Annex C of COA Circular No. 2020-002 dated January 28, 2020)</td><td>CD should maintain ledger for Revenue/Income and Expense Summary Account to use in closing all the revenue/income and expenses of CITEM to Accumulated Surplus/(Deficit) account.</td></tr>
<tr><td>4</td><td>CD is still using the Account Title “Retained Earnings” in its SL as equivalent to Accumulated Surplus/(Deficit)-Unrestricted Account</td><td><table><tr><td>Account Title</td><td>Retained Earnings/(Deficit)</td></tr><tr><td>Account Code</td><td>30701010</td></tr><tr><td>Normal Balance</td><td>Credit (Debit)</td></tr><tr><td>Description</td><td>This account represents the cumulative results of normal and continuous operations of a Government Business Enterprise (GBE) including prior period effects of changes in accounting policy and errors and other capital</td></tr></table></td><td>Considering that Retained Earnings account is for GBEs, CITEM which is a non-GBE should refrain from using this Account, and revise the Account Title of its GL/SL accordingly.</td></tr>
</table>

Existing Condition		Required by Regulation		Proposed Changes
			adjustments. This may also include funds set aside for various purposes in accordance with existing laws, rules and regulations. This account is used to close the Revenue/Income and Expense Summary Account	
		(Ref: pg. 162, Annex C of COA Circular No. 2020-002 dated January 28, 2020)		

5.17. The above observations were similarly attributed to staffing limitations within the CD.

5.18. The noted errors and deficiencies significantly affect the reliability and transparency of the financial reports, accuracy of account balances, and auditability of transactions.

5.19. These result in non-compliance with relevant accounting standards and government regulations, and impact the faithful representation of CITEM's financial position.

5.20. **We recommended that Management:**

a. Hire qualified personnel to fill vacant positions in the Controllership Division (CD), and consider temporary reassignments pending completion of the hiring process.

b. Direct the CD to:

1. Submit to the Audit Team the: (i) justifications and complete documentation for all prior period adjustments totaling P7.900 million; and (ii) Enhanced Notes to Financial Statements disclosing narrative explanations and itemized adjustments under the Accumulated Surplus/(Deficit) account;

2. Ensure accuracy in recording adjustment and payments, particularly in relation to fund transfers, collections, and corrections of erroneous entries;

3. Implement monthly reconciliation procedures to promptly detect and correct errors;

4. Maintain General Ledger for the Accumulated Surplus/(Deficit) and corresponding Subsidiary Ledgers for its sub-accounts;

5. Correct the use of account titles and codes in accordance with the Revised Chart of Accounts; and

6. Prepare both Pre-Closing and Post-Closing Trial Balances, properly reflecting all adjusting entries.

5.21. In response, Management provided the following comments:

a. The hiring of qualified personnel is underway. Pursuant to Executive Order No. 75, CITEM is implementing a reorganization plan. In the meantime, the HR unit is working to augment CD staffing.

b. CITEM is in the process of acquiring an accounting system with features such as SL maintenance. Pre- and post-closing trial balances are also being prepared.

c. Regarding the P5.596 million adjustment for CY 2018 transactions, retrieval of supporting documents is ongoing. Moving forward, affected accounts and supporting documents will be properly indicated and attached.

d. On the P170,002.70 ND recorded as receivable, Management noted that P94,400 was settled in CY 2024 and is considered final. The remaining P72,602 was recorded upon issuance of the ND in 2024.

e. For the P1.503 million in excess funds, SL copies have been submitted. A BTr confirmation indicated that CITEM has no outstanding obligation.

f. The P56,000 collection from PTRI was recorded through an adjusting entry in CY 2025.

5.22. As a rejoinder, the Audit Team acknowledged Management's ongoing actions and commitment to implement the recommendations. However, as regards the recognition of the ND as receivable without NFD, the Audit Team maintained that such entries are premature and non-compliant with COA Circular No. 2009-006. Settlement prior to finality does not substitute for the required NFD. In such cases, more appropriate accounts, such as Cash – Collecting Officer or Cash in Bank, should be used instead of Receivables. The Audit Team will continue to monitor Management's full compliance during the CY 2025 audit.

B. NON-FINANCIAL

6. CITEM incurred financial losses, missed opportunities for revenue generation, and experienced operational disruptions, while the government was deprived of the optimal use of its properties due to the following: (a) unfulfilled conditions stipulated in the lease contract between the National Government and private lessees; (b) hasty demolition of HallOne, CITEM's Investment Property, in 2018 to make way for the construction of a commercial building by the private lessee, which was subsequently abandoned few years later; and (c) precarious condition of CITEM's existing office building, contrary to Section 2 of Presidential Decree No. 1445.

This is a reiteration, with updates, of the audit observations noted in the 1996, 2013, and 2019 Annual Audit Reports (AARs), as the related audit recommendations have not been fully implemented.

6.1. Section 2 of Presidential Decree (PD) No. 1445 provides:

"It is the declared policy of the State that all resources of the government shall be managed, expended, or utilized in accordance with law and regulations, and safeguard against loss or wastage through illegal or improper disposition, with a view to ensuring efficiency, economy and effectiveness in the operations of government. The responsibility to take care that such policy is faithfully adhered to rests directly with the chief or head of the government agency concerned."

6.2. This declaration of policy was not faithfully adhered to in the light of the recent events which put CITEM's resources at a disadvantage.

6.3. As a backgrounder, Executive Order (EO) No. 989, dated October 10, 1984, established the Philippine Trade Exhibition Center (PTEC) to strengthen the Export Promotion Program through the institutionalization of a permanent trade exhibition facility.

6.4. Sec. 2 the said EO states that:

"Existing facilities of the Philippine Trade Exhibit located at Roxas Boulevard, Pasay City, Metro Manila, were transferred to, and shall be the capital/equity contribution of the National Food Authority; the landsite of the PTEC is hereby transferred to, and shall be part of the capital of Philippine Trade Exhibition Center, in consideration for which the government agencies in whose name the landsite is registered, shall receive as the other capital contributors, corresponding shares of stock."

6.5. Subsequently, Section 18(v) of EO No. 133, dated July 24, 1987, as amended by Section 4 of EO No. 242, provided for the merger of PTEC and CITEM Inc., with PTEC as the surviving entity. PTEC was later renamed CITEM.

6.6. In 1994, Republic Act (RA) No. 7844 or the "Export Development Act of 1994" was enacted. Section 15 mandated the establishment of Philippine Trade Centers which shall house the trade promotion offices and shall serve as permanent exhibit sites of the country's export products. It states that, *"In this regard, the government shall provide the land for the center, through a land grant or long-term lease to the accredited organization, and shall arrange financing for the construction of the trade complexes."*

6.7. To implementing this mandate, EO No. 289 was issued in 1995. The EO designated a reclaimed land, then occupied by CITEM, as the ideal site for the Philippine Trade Center (PTC). It authorized the Secretary of the DTI to execute a long-term lease with the accredited export organization (PhilExport), representing the interests of the export sector. The lease was set for three years, renewable, and assignable to the next accredited export organization of the EDC. The lease rate was fixed at P1,000 per year.

6.8. The EO specifically mandated that the leased land shall house the PTC and related facilities, including the World Trade Center (WTC), which would serve as a venue for international exhibitions to promote of Philippine products. It further provided that the accredited export organization may sublease land, with any income generated to be used solely for the development and promotion of exports, in accordance with RA No. 7844.

6.9. In 1996, a 50-year long-term lease contract was executed between the DTI Secretary, representing the Republic of the Philippines, and Private Lessee 1, and Private Lessee 2. On the same day, a Contract of Sub-lease was entered into between Private Lessee 1 and Private Lessor 2.

6.10. The leased property comprises approximately 49,997 square meters of government-reclaimed land under TCT No. 34966, collectively referred to as PTC lot. The lease is renewable for another 25 years and fixed at P1000 per year.

6.11. The purpose of the lease was to develop the WTC Complex to provide Philippine exporters with greater exposure to global markets. Under the lease and sublease agreements, Private Lessee 2 was obligated to constrict the WTC complex, including an office-cum-commercial building.

6.12. In 2017, the House Committee on Good Government and Public Accountability conducted an inquiry (House Bill Inquiry No. 1188), in aid of legislation, on the 50-year lease and sublease agreements. After several legislative sessions on the issue, the House Committee directed the concerned agencies (i.e. DTI, EDC, PhilExport, NDC and CITEM) to resolve the lease issue amicably.

6.13. CITEM was later informed that House inquiry had concluded on March 21, 2018. However, no official House Resolution was issued to formally document the outcome. If such a resolution exists, the Audit Team was not furnished a copy and thus remains uninformed of any final directives or resolutions.

Unfulfilled conditions stated in the lease contract between the National Government and private lessees.

6.14. The following are the salient points of the Lease Agreement entered into in 1996.

<u>Contract of Lease dated January 23, 1996 between the Republic of the Philippines (lessor), Private Lessee 1 (Lessee) and Private Lessee 2 (sub-lessee)</u>

ARTICLE II – SUB-LEASE OF THE LEASED PROPERTY

2.1 GRANT OF SUB-LEASE

The LESSEE hereby sub-lease the Leased Property in favor of the Sub-Lessee, under the terms and conditions herein stated and in the Contract of Sub-lease of the Leased Property in favor of the SUB-LESSEE.

2.2 USE BY THE SUB-LESSEE OF THE LEASED PROPERTY

The SUB-LESSEE will make use of the Leased Property as the site for the WTC Complex provided that a portion of the Leased Property shall be made available for the PTC.

ARTICLE III – TERM

3.1 TERM

Subject to the Provisions of Article 6.1 (b), the term of this Contract of Lease shall be for 50 years to commence from the date hereof, renewable for another 25 years at the option of the LESSEE by giving written notice thereof to the LESSOR.

ARTICLE IV – RENT

4.1 RENT

The LESSEE shall pay the LESSOR an annual rental for the Leased Property in the amount of P1,000.

On the same day of the Lease Agreement, Philexport and MECI entered into a contract of Sub-Lease. The following are the salient points of the said agreement.

WHEREAS:

B. As set out in the Contract of Lease, the SUB-LESSEE will establish in the Leased Property a World Trade Center Complex (the "WTC Complex") which will include an office cum commercial *building (the “building”). The LESSOR and SUB-LESSEE have agreed that the LESSOR intends to set up offices within the Building and that the LESSOR will contribute to the cost of the construction of the building in an amount proportionate to the cost that the space to be occupied by the LESSOR bears to the total cost of the building.*

ARTICLE I – SUB-LEASE OF THE LEASED PROPERTY

1.2 USED OF LEASED PROPERTY

The sub-lessee shall make use of the Leased Property for the construction of the WTC Complex, provided that a portion of the Leased Property is made available for the PTC in an approximate built-up floor area of 3,000 square meters and for the office space of the Sub-Lessor in an approximate built up floor area of 1,000 square meter. The responsibility for funding the cost of constructing the PTC shall be borne by the Lessor or the appropriate government agency

6.15. Additionally, the sublessee has to construct the following components of the WTC Complex, based on the sublease agreement:

a. 1st exhibition hall;
b. 2nd exhibition hall;
c. Commercial Building including the PTC;
d. Hotel;
e. Parking spaces;
f. Restaurants;
g. club facilities; and
h. other trade-related facilities

6.16. 29 years since the execution of the contracts, only the WTC exhibition hall and parking area have been constructed. The commercial building, hotel, club facilities, and other trade-related facilities remain unbuilt, depriving the government of the full intended benefits.

6.17. Although the revenues generated from the WTC Complex are meant to benefit the government by promoting exports under RA No. 7844, the incomplete development undermines this purpose. Compounding this issue, CITEM pays over P25 million annually to Private Lessee 2 for the use of the exhibition hall, while the government receives only P1,000 annually in lease payments. This disparity further disadvantages the government, especially in light of the unconstructed facilities.

Hasty demolition of HallOne in 2018, to make way for the construction of a commercial building, which was subsequently abandoned few years later

6.18. In 2018, CITEM, with Board approval (Board Resolution No. 2018-08-04) and represented by the DTI Undersecretary, entered into an undated MOA with Private Lessee 1, allowing the demolition of HallOne Building, a CITEM's Investment Property. The demolition, which cost P20 million in demolition and indemnity, was intended to make way for an office-cum-commercial building and condotel.

6.19. While excavation work began that same year, construction halted in 2019, leaving a large abandoned site adjacent to the Golden Shell Pavilion (GSP). This resulted in forgone rental income of approximately P2.350 million annually for CITEM and left a portion of government property idle and unusable.

Precarious condition of CITEM's existing office building, the GSP, delayed office relocation.

6.20. The GSP, a one-storey building constructed in 1979 and retrofitted for office use, now shows signs of structural distress. A Department of Public Works and Highways (DPWH) report dated August 8, 2024, highlighted critical structural issues. Among the key findings read:

> *Xxx*
>
> *4. Large through and through cracks (from floor finish to ceiling) were noted on the CHB partition walls at intermittent areas near the Executive Director's office which is adjacent to the large excavation.*
>
> *5. Ground cracks were seen on the adjacent building near the Golden Shell Pavilion. It is noted that there is pending excavation/foundation works at the adjacent building and possible causes of ground cracks.*

6.21. The National Historical Commission of the Philippines (NHCP), in its December 20, 2024 report, likewise recommended vacating the structure due to observed deformities. The NHCP also urged CITEM to conduct a comprehensive structural assessment to determine the full extent of the damage.

6.22. The large abandoned excavation adjacent to the GSP is likely a contributing factor to its structural deterioration. In response, CITEM is exploring alternative office space options, including leasing, purchase, or new construction. However, these options involve substantial costs and regulatory challenges. A Technical Working Group (TWG) has been formed, but no solution has yet been implemented.

6.23. EO No. 294, amending EO No. 289, entitles CITEM to indemnify from Private Lessee 1 for fixed improvements such as HallOne and the GSP that were damaged or demolished in the course of the development.

6.24. Despite these challenges, no progress has been made in constructing the planned government office building. A significant portion of the leased land remains idle. Had a portion of the land been allocated to CITEM, it could have been utilized its P304.573 million building funds (as discussed in Observation 7) to construct its own office and exhibit hall.

6.25. Thus, CITEM has suffered financial losses, missed opportunities for revenue generation, and experienced operational disruptions, while the government has been deprived of the optimal use of its prime real estate assets. Despite the House inquiry, the Audit Team has not found any documents evidencing legal actions initiated by CITEM to compel compliance with the lease conditions. No negotiation or agreement has been pursued to reallocate a portion of the idle land to CITEM.

6.26. Moreover, it is emphasized that the DTI Secretary serves as the Chairperson of CITEM's Governing Board and is authorized under EO 289 to execute contracts[1]. Given CITEM's direct disadvantage, it is within its rights, through its Governing Board, to demand performance of the lease obligations and protect government interests.

6.27. CITEM Management further informed the Audit Team that efforts to escalate the matter have been made, but no guidance or resolution has yet been received from the relevant authorities.

6.28. **We recommended that Management:**

a. **Elevate matter to the Governing Board, particularly to the DTI Secretary, who serves both as the Chairperson of CITEM and the Government's representative in the Lease Agreement;**

b. **Submit to the Audit Team a report on the actions taken and those planned by CITEM, through its Board of Governors, concerning the unfulfilled conditions of the Lease Agreement;**

c. **If necessary, initiate legal action to compel the lessees to comply with the terms of the Lease Agreement and claim indemnity from Private Lessees as provided under EO No. 294, to ensure that CITEM is compensated for demolished or damaged improvements, including HallOne and GSP; and**

d. **Through the DTI Secretary, renegotiate the Lease Agreement and formally request that a portion of the idle and undeveloped property be allocated to CITEM to facilitate the construction of its's own office building and exhibition halls.**

6.29. Management commented as follows:

a. The matter has been elevated to DTI on separate occasions:

a.1. In 1997, when the issue was initially brought by COA, it was referred to DTI, given its roles as signatory of the long-term lease, Chairman of the EDC, and Chairman of CITEM Governing Board;

[1] Section 2, Executive Order No. 289, dated December 13, 1995

a.2. In 2017, when the issue resurfaced during a legislative inquiry in the House of Representatives, then DTI Secretary Ramon Lopez appeared before the House Committee to address the matter; and

a.3. In November 2024, when the similar issues were raised through a Senate inquiry filed by Senator Pimentel, the DTI Secretary, through Senator Villar, was present and personally attended the hearing.

b. With respect to actions taken through CITEM's Governing Board, the matter was brought to the attention of the Board during its regular meeting on November 15, 2024, for their information and to provide updates on the developments.

c. As to initiation of legal actions to compel lessees to fulfill the conditions under the Lease Agreement, and to renegotiate the exclusion of a portion of the leased lot, these concerns were raised by CITEM in September 2024 with the Office of the President through the Office of the Executive Secretary.

d. CITEM had made several recommendations on the matter, including regaining ownership of the NG property, pre-termination of the lease and sublease agreements, issuance of a new Executive Order, and the amendment or cancellation of the existing contract, among others.

e. As of this date, the Office of the Solicitor General, the Office of the Executive Secretary, and the Office of the President are evaluating the recommendations and possible courses of action submitted by CITEM, taking into consideration the legal implications and impacts stakeholders.

6.30. As a rejoinder, the Audit Team acknowledged Management's actions in addressing the issues raised. However, to effectively monitor compliance with the audit recommendations, the Audit Team further recommended Management **provide copies of formal communications between CITEM and the concerned agencies to enable Audit Team to stay informed of the ongoing developments related to this observation.**

7. CITEM has taken initial steps to address the concerns previously raised regarding the P304.573 million restricted funds. However, the absence of an official document or policy outlining a comprehensive and actionable plan, including clear specifications, timelines, targets, cost estimates, and a cost-benefit analysis for the utilization of the Fund, undermines the rationale for maintaining the restriction and contravenes Section 2 of Presidential Decree No. 1445, which mandates the effective and efficient use of government resources for their intended purpose.

This is a reiteration, with updates, of the prior year's audit observation as Management has not yet fully implemented the related audit recommendations.

7.1. Section 2 of the PD 1445 provides:

As a declared policy of the state, all resources of the government should be managed, expended or utilized in accordance with law and regulations and safeguarded against loss or wastage through illegal or improper disposition, with a view to ensuring efficiency, economy and effectiveness in the operations of the government. The responsibility to take care of such policy rests directly with the chief or head of the government agency concerned.

7.2. As a backgrounder, the Restricted Building Fund was established in 1997 when CITEM received a combined amount of P96 million from the Social Security System and Philippine National Bank as a relocation assistance for vacating Philtrade Halls 2-7, which formerly served as CITEM's office. The CITEM Board restricted the use of the fund solely for establishing a new office space.

7.3. Subsequently, through Board Resolution No. 08-971107, the fund was increased by P19.850 million, representing retained earnings at that time, bringing the total to P115.850 million. The fund was earmarked for acquiring office space in Private Lessee 2's proposed commercial building. However, the said building has yet to be completed, as discussed in Observation No. 6.

7.4. Later, the DTI issued a directive to consolidate all its attached agencies bureaus, and organizations into a single building under the ONE DTI Building Project. Thus, CITEM was restricted not to pursue its independent building project/office space project. Consequently, the fund remained unutilized. To date, there is no concrete documentation reflecting the status of the ONE DTI Building Project, nor is there a signed MOA among DTI and its attached organizations, bureaus and agencies. Additionally, no progress reports have been provided following the retirement of the DTI representative previously overseeing the project.

7.5. As of December 2024, due to investment income and accrued interest, the fund has grown to P304.573 million. The fund is currently deposited under the LBP HYSA.

7.6. During the CITEM's Board of Governors' regular meeting on November 15, 2024, the following were resolved:

a. The restricted retained earnings and its accruing interests shall be exclusively allocated as the Building Fund for the CITEM's Office; and

b. CITEM, through its TWG, will conduct feasibility study covering the following aspects:

b.1. Available options for office space acquisition or development;

b.2. Key implementation timelines
b.3. Cost Estimates for each option.

c. In the initial study of the TWG, the following options were presented to the Board:

c.1. Purchase of 911 sqms of Ready-For-Occupancy space in a multi-storey, mixed-use development building;

c.2. Office Lease with the following rate and area for bare one whole floor:

Table 17 – Leasing Capacity of 300 Million

Particulars	MAAX (across Mall Of Asia)	ILAND (along Macapagal, left side of Double Dragon Plaza)	TRIUM (along Gil Puyat, near LRT 1 Buendia)
Floor size	2,000 sqm	2,880 sqm	2,384 sqm
Monthly rate	P2.1 million	P2.93 million	P1.98 million
Annual rate	P25.32 million	P35.182 million	P23.8 million
Total no. of years	**11. 8**	**8.5**	**12.6**

c.3. Other Alternative Options:

i. Acquisition of a lot and construction of new building;
ii. Renovation or retrofitting of the current building (Golden Shell Pavilion), if the cost is less than 60% of the estimated cost of a new structure;
iii. Entering into a usufruct arrangement.

7.7. However, no cost estimates or cost-benefit analysis were submitted for any of the proposed options, limiting the Board's ability to make informed decisions.

7.8. Further inquiry revealed that, while personnel have been assigned to the TWG, no official Office Order has been issued to formalize its composition and mandate. The Office Order has been pending approval since November 20, 2024. Hence, no comprehensive study or in-depth analysis has been completed to date, hindering CITEM's ability to finalize a concrete action plan for utilization of the Building Fund.

7.9. Meanwhile, Management has initiated steps to assess and address the condition of its current office, the GSP:

a. Coordinated with the DPWH to conduct an ocular inspection and assess the structural, electrical, and plumbing conditions, including the preparation of engineering plans, specifications, designs and drawings of the GSP (*Ref: CITEM's request letter dated July 15, 2024*);

b. Requested the assistance of the National Commission for Culture and the Arts (NCCA), to survey, document, and determine whether the GSP qualifies as a "Heritage Structure" (*Ref: CITEM's letter dated October 9, 2024*), pursuant to DPWH's recommendation;

c. The NCCA, in its response dated November 7, 2024, referred the request to the NHCP, for further evaluation, noting that the GSP does not qualify as a work of a National Artist, Important Cultural Property, or National Cultural Treasure;

d. The results of the NHCP report dated December 20, 2024 are detailed under Observation No. 6.

7.10. While the Audit Team commended Management's initial actions, the absence of a formal, comprehensive TWG plan remains a concern. The TWG plan should detail the specifications of proposed options, realistic timelines and key milestones, budget estimates and funding mechanisms, cost-benefit analyses, compliance with regulatory requirements, and consideration of DPWH and NHCP recommendations. The lack of such a plan casts uncertainty regarding the appropriateness and continued restriction of the funds, which may run counter to the principles of sound fiscal management under Section 2 of PD No. 1445, mandating the efficient and effectiveness use of government resources.

7.11. **We recommended that Management:**

a. Through the TWG, conduct a cost-benefit analysis of all identified options, including renovation, new construction, leasing, etc., and consult relevant regulatory bodies to determine: (i) budgetary implications, and possible supplemental budget allocation; (ii) operational costs and feasibility of each option; and (iii) required regulatory clearances and permits;

b. Prioritize compliance with DPWH and NHCP recommendations to ensure the safety, legality, and suitability of any future facility; and

c. Require the TWG to submit regular progress reports to management, which should, in turn, be presented to the Board to facilitate informed, transparent, and timely decision-making.

7.12. Management acknowledged the urgency of the issue and provided the following updates:

a. Although the formal Office Order was not issued immediately, the TWG has been functioning since its inception and has submitted several progress reports;

b. Three main options were identified: (i) lease of office space; (ii) construction of a building on the current site; (iii) purchase of existing office property, or a combination thereof;

c. Delays in progress have been attributed to external factors, including slow responses from coordinating offices;

d. The approval of the Board is required before further exploration of each option's viability;

e. The TWG has conducted ocular inspections to identify viable facilities;

f. Structural assessments of GSP (part of a 4.9-hectare property) remains under legal review, including examination of Executive Orders and lease/sublease agreements among DTI, PhilExport, and the World Trade Center;

g. A potential usufruct arrangement is being explored with other government agencies that may have unutilized lots for possible development;

h. An additional TWG on immediate transfer has been formed due to GSP's deteriorating condition;

i. Management is targeting the first semester of CY 2025 to vacate GSP and transfer to the most cost-efficient and feasible interim facility; and

j. In light of the emergency, Management has opted to rent an office space, with rental expenses to be charges against the Building Fund.

7.13. The Audit Team acknowledged Management's concrete steps, including the formation of TWGs, exploration of viable options, and coordination with relevant agencies. These actions demonstrate Management's intent to resolve long-standing issues. However, the absence of a formalized, time-bound, and well-documented strategic plan hampers the effective monitoring and delays decision-making. A clear and accountable roadmap is necessary to ensure the optimal and lawful utilization of the Restricted Building Fund.

8. CITEM has yet to initiate the required procedures under COA Circular No. 2023-008 and formally request the write-off of receivables totaling P2.441 million, which have remained inactive or non-moving in the books for over ten years and are deemed to have a remote possibility of collection.

Moreover, persistent issues in the management of receivables, including unclear identification of debtors and the absence of effective collection mechanisms, are contrary to the provisions of Section 10.2 of the same Circular. These deficiencies increase the risk for bad debts, compromise the

accuracy of financial reporting, and may potentially deprive CITEM of additional funds that could be otherwise be utilized for its operations.

Dormant accounts totaling P2.441 million

8.1. COA Circular No. 2023-008 dated August 17, 2023, amending COA Circular No. 2016-005, was issued to fast track the cleansing of dormant accounts of government agencies for the fair presentation of accounts in the financial statements. In accordance with the guidelines provided therein, CITEM Management may request the write-off of the dormant receivables provided that all the requisites under Section 8.2 of the said circular are satisfied.

8.2. Moreover, Section 10.1 prescribes the monitoring of dormant accounts through the quarterly submission of Schedules of Dormant Accounts (SDA) by the Head of the Accounting Unit to the Audit Team Leader/Supervising Auditor on or before the 15th day of the ensuing month. This will ensure determination of the existence of dormant accounts.

8.3. Section 5.7 of the same COA Circular defined dormant receivable accounts as "*accounts which balances remained inactive or non-moving in the books of accounts for ten (10) years or more and where settlement/collectability could no longer be ascertained".*

8.4. Examination of records from CY 2014 to present disclosed that various sub-accounts, namely, suppliers, operational charges, rentals, and bank accounts, totaling P2.401 million have been inactive for at least 10 years. Thus, these are considered dormant receivable accounts in accordance with the applicable provisions of COA Circular No. 2023-008.

8.5. Likewise, receivables under the Other Receivables sub-account and the resigned employees sub-account, amounting to P33,255 and P6,778, respectively, have been outstanding for over 10 years. Collectively, these resulted in total dormant receivable accounts amounting to P2.441 million, representing 41 percent of the total receivable account balance and fully covered by an allowance for impairment losses.

8.6. In CY 2022, Management filed a letter request for write-off of various dormant receivables totaling P226,027. Of this amount, P177,174 was found to be compliant with COA Circular No. 2016-005, the then prevailing guideline for write-off of accounts. Consequently, the Audit Team authorized the partial write-off.

8.7. Two years later, the CITEM submitted another request for the write-off of dormant receivables totaling P0.765 million supported by a list of companies certified by the Chief Accountant and approved by the Executive Director, along with returned mail evidencing undelivered demand letters.

8.8. However, the Audit Team found that the request lacked the necessary documents required under Section 8.2, as listed in Annex 8 of COA Circular

No. 2023-008, to justify approval. As a result, the request was denied under COA-CITEM Decision No. 2024-01 dated October 31, 2024. CITEM was advised that the may be refiled for reconsideration, in line with Section 8.5 of the same circular, once all requirements are fulfilled. However, as at December 31, 2024, no new request has been submitted.

8.9. Additionally, the required quarterly SDA was not submitted to the Audit Team, contrary to Section 10.1 of COA Circular no. 2023-008.

8.10. Inquiry with the CD revealed that retrieving or locating of the necessary supporting documents has posed a significant challenge. Moreover, the newly assigned accountant is reportedly unfamiliar with the prevailing COA guidelines on the write-off for dormant accounts.

8.11. As a result, a gross amount of P2.441 million continues to be presented in the financial statements, despite its dormancy. The continued retention of these long outstanding balances impairs the accuracy and reliability of the in reflecting the true status of receivables.

Absence of a systematic collection and monitoring policy may potentially deprive CITEM of additional funds that can be utilized for its operations.

8.12. Section 10.2 of the COA Circular No. 2023-008 prescribes that the Head of Accounting Unit shall "*ensure that current transactions and those below ten years are properly documented and <u>appropriately acted upon immediately to avoid being dormant</u>. If the AO fail to settle his/her accountabilities despite the demand, the action could either be salary deduction or filing of appropriate cases".* (emphasis ours)

8.13. It was noted in audit ambiguity in the nature of certain transactions, specifically, whether these represent expenses charged to funding assistance or amounts refundable to CITEM.

8.14. Moreover, the inability to identify the debtor or accountable party for receivables raise concerns over enforceability and recoverability, increasing the risk of bad debt and indicating deficiencies in operational inefficiency.

8.15. Despite a collection efficiency rate of over 50 percent, the CD does not have a clearly established collection and monitoring policy, which may lead to additional receivables becoming dormant, contrary to Section 10.2 of COA Circular No. 2023-008 and Section 2 of PD No. 1445.

8.16. The ability to convert receivables into cash is a critical to maintaining healthy cash flow. Thus, maintaining a systematic, proactive approach to receivables management is essential. Agency heads and governing boards duty-bound to prudently exercise their authority over financial resources by ensuring adequate and timely monitoring and collection.

8.17. **We recommended, and Management agreed, to:**

a. Direct the Controllership Division to:

1. Seek clarification from the COA Central Office as to whether requests for write-off will still be accepted beyond the one-year period prescribed under COA Circular 2023-008 dated August 17, 2023; and

2. Strictly comply with Section 10.2 of COA Circular No. 2023-008 and prepare the SDA for submission to the Audit Team on or before 15th day of the ensuing month

b. Establish a formal collection and monitoring policy to enhance collection efforts for overdue receivables and coordinate with the Legal Unit initiate legal remedies, if warranted.

GENDER AND DEVELOPMENT (GAD)

9. CITEM's GAD Plan and Budget for CY 2024, totaling P71.859 million or 36.75 percent of the total Corporate Operating Budget of P195.557 million, was not endorsed by Philippine Commission on Women (PCW) due to the unsuccessful submission of the report through the Gender Mainstreaming Monitoring System. Likewise, the GAD Accomplishment Report was not submitted to PCW due to delays in finalizing the report. These non-submissions are contrary to the provisions of PCW-National Economic and Development Authority-Department of Budget and Management Joint Circular No. 2012-01, as well as PCW Memorandum Circular Nos. 2023-02 and 2024-005.

9.1. Section 35 Paragraph 2 of the General Appropriations Act, FY 2024, provides:

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

9.2. Paragraph 8.2 of PCW-National Economic and Development Authority (NEDA) – Department of Budget and Management (DBM) Joint Circular No. 2012-01 provides that the GAD Focal Point Systems of the agency shall review all submitted GAD Plan and Budget (GPB) and as needed, provide comments or recommendations for revision. The GFPS shall then submit the final GPB and the corresponding GAD Accomplishment Report (AR) to PCW for review and endorsement.

9.3. Sections 1.2.5.1 of the PCW Memorandum Circular (MC) No. 2023-02 set forth the required endorsement of the GPB by the PCW, to wit:

PCW shall endorse the FY 2024 GPB if (1) the minimum five percent (5%) GAD Budget requirement has been met, and (2) the entries in the GPB are compliant with the comments and/or recommendations of PCW following the provisions of the MCW and relevant guidelines on GAD Planning and Budgeting;

9.4. Meanwhile, Section 1.0 of the PCW MC No. 2024-05 requires the preparation and submission of the FY 2024 GAD AR through the Gender Mainstreaming Monitoring System (GMMS) Version 2 or 3 by February 25, 2025.

9.5. In CY 2024, CITEM prepared the GPB and attempted to submit it through GMMS. However, the submission failed due to system errors and as such, the GPB was neither received nor endorsed by PCW.

9.6. The GAD focal person explained that the technical issues encountered with GMMS had already been raised to PCW in prior years, but no resolution was provided. Given the recurring nature of these issues, the GAD focal person could have alternatively submitted the GPB directly to PCW, in hard copy or electronic form, to comply with the submission requirements.

9.7. Likewise, the GAD Accomplishment Report (AR) was not submitted to PCW within the reglementary period specified under Section 1.0 of the PCW MC No. 2024-05, thereby precluding the verification of GPB implementation and evaluation of fund utilization.

9.8. GAD focal person informed the Audit Team that the relevant reports used as references in preparing the AR were not readily available and in fact were continuously being updated. To ensure an accurate and reliable report, the focal person had to revise the AR to reflect the updated data. Consequently, as of this date, the GAD AR has still not been submitted to PCW.

9.9. **We recommended, and Management agreed, to:**

a. **In cases of system errors in GMMS, consider submitting the GPB directly to PCW, to ensure receipt and endorsement of the report; and**

b. **Henceforth, ensure the timely preparation and submission of GAD-related documents in accordance with the provisions of PCW-NEDA-DBM Joint Circular No. 2012-01, and other relevant PCW guidelines on GAD plans, budgets, and accomplishment reports.**

COMPLIANCE WITH TAX LAWS

10. CITEM was found non-compliant with the BIR Revenue Regulation No. 7-2024 on Invoicing requirements, as uncollected service income recorded as Accounts Receivables was not issued a corresponding charge/credit invoice. Instead, invoices were issued only upon receipt of cash payment by the Cashier, which may prevent exhibitors from claiming input tax on their transactions.

10.1. Revenue Regulation (RR) No. 7-2024 dated March 22, 2024 outlined the implementing rules on the Registration procedures and Invoicing Requirements as provided in the RA No. 11976, otherwise known as the "Ease of Paying Taxes Act", which took effect on April 27, 2024.

10.2. Section 2 thereof defines Invoice as "*written account evidencing the sale of goods and/or services issued to customers in the ordinary course of trade or business. This includes Sales Invoice, Commercial Invoice, Cash Invoice, Charge/Credit Invoice, Service Invoice, or Miscellaneous Invoice. Xxx"*

10.3. Section 3 of the same RR provides the Invoicing Requirements, to wit:

All VAT-registered persons and those required to register for VAT shall comply with the following:

Invoicing Requirements

1. *A VAT-registered person shall issue a duly registered VAT invoice, for every sale, barter, exchange or lease of goods or properties, and for every sale, barter or exchange of services regardless of the amount of the transaction.*

2. *A VAT Invoice shall be issued as evidence of sale of goods and/or properties and sale of services and/or leasing of properties issued to customers in the ordinary course of trade or business, <u>whether cash sales or on account (credit)</u>, which shall be the basis of the output tax liability of the seller and the input tax claim of the buyer.* (emphasis supplied)

10.4. As a VAT-registered government agency, CITEM is required to issue a VAT invoice for every service rendered, regardless of whether the payment has been received. This invoice serves as the basis of for determining CITEM's output tax liability, pursuant to the requirements of RR No. 7.2024, CITEM recorded P5.689 million in output VAT.

10.5. However, review of the documents revealed that while output VAT related to receivables was recorded in the books, the corresponding VAT invoices were not issued promptly. Instead, invoices were generated only upon payment, contrary to the invoicing requirements set forth in RR No. 7-2024. The lack of timely issuance of VAT invoices may prevent exhibitors from claiming input VAT, thereby creating compliance risks and potential disallowances for the concerned parties.

10.6. **We recommended, and Management agreed, to comply with the invoicing requirements under RR No. 7-2024 by issuing VAT invoices at the time of transaction, regardless of payment status.**

11. Additionally, CITEM has been withholding taxes on salaries and wages and other benefits accruing to its officers and employees and payments for goods and services, which have been remitted to the BIR within the reglementary period. For CY 2024, total remittances to the BIR amounted to P 17.424 million. However, there are unremitted taxes of P0.874 million from prior years.

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

12. The CITEM is compliant with the timely remittances of contributions to the PhilHealth and Pag-IBIG pursuant to PhilHealth Circular No. 0001, series of 2014; and Section 3 of Rule 7 of the IRR of Pag-IBIG Law, respectively.

12.1. However, CITEM received demand letters from the GSIS dated June 5, 2024 and July 29, 2024, regarding the non-payment of compulsory premium contributions for the due months October 2007 to November 2023, totaling to P2.920 million, as well as the unremitted loan repayment for the Emergency Loan (EML) account availed of by a CITEM employee, amounting to P20,000, which was granted on May 29, 2020. These omissions are contrary with Section 14 of the Revised Implementing Rules and Regulations of RA No. 8291.

SUMMARY OF UNSETTLED SUSPENSIONS, DISALLOWANCES AND CHARGES

13. As at December 31, 2024, there were no unsettled audit suspensions and charges. However, unsettled audit disallowances amounted to P5.085 million, with details and status presented in Table 18.

Table 18 - Summary of Unsettled Audit Disallowances

ND No./Date	Particulars	Amount	Remarks/Status
ND 12-001-416/136/793- (11-12)/ 11-12-12	Consultancy Services	P1,613,390.00	With Petition for Review to the Commission Proper
ND 14-01-(11-13)/ 02-07-14	Professional Fee	782,958.47	With Petition for Review to the Commission Proper
ND 14-002-101-(12)/ 02-10-14	Travel Expenses	201,108.12	With Petition for Review to the Commission Proper
ND 15-001-101- (11-12)/ 05-28-15	Payment of Signage	2,202,506.19	With Petition for Review to the Commission Proper
ND 15-001-795-(11-13)/ 08-19-15	Payment of Honorarium	115,000.00	With Notice of Finality of Decision
ND No. 24-001-001-(23)/06-07-24	Extraordinary and Miscellaneous Expense (EME)	45,612.63	With Notice of Finality of Decision
ND No. 24-002-001-(22)/ 06-07-24	EME	26,990.00	With Notice of Finality of Decision

ND No./Date	Particulars	Amount	Remarks/Status
ND No. 24-003-001-(23)/ 06-07-24	EME	78,361.75	Amount offset by Management with the last salary of the concerned former employee; No NSSDC issued yet
ND No. 24-004-001-(23)/ 06-25-24	EME	19,038.32	Amount offset by Management with the last salary of the concerned former employee; No NSSDC issued yet
Total		**P5,084,965.48**	

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

Of the 29 audit recommendations embodied in the prior year's Annual Audit Report (AAR), 18 were fully implemented and 11 were not yet implemented. Details as follows:

Reference	Observations	Recommendations	Actions Taken/ Comments
AAR 2023			
Financial			
Audit Observation (AO) No. 1, page 46	The faithful representation in the financial statements of the Property, Plant, and Equipment (PPE) account with a carrying value of P15.284 million as of December 31, 2023 could not be ascertained due to: a) non-derecognition of the disposed unserviceable items with a carrying amount of P0.614 million; b) items found during the physical count but not recorded in the books amounting to P475,355; c) recorded items with a total net book value of P211,032 were not found; d) other various errors noted with net amount of P211,243; e) discrepancy in the costing in the amount of P0.911 million; f) unreconciled variance of P0.583 million between the balance per books and Report on Physical Count of PPE (RPCPPE); and g) semi-expendable properties with a net book value of P118,650 were still included in the PPE account, contrary to Paragraph 27 of International Public Sector Accounting Standard 1 and COA Circular No. 2022-004 dated May 31, 2022. Moreover, there were	We recommended and Management agreed to:	
		a. Instruct the CD to:	
		a.1 Coordinate closely with the GSD on the timely and regular reconciliation of the PPE account;	Fully Implemented
		a.2 Prepare the necessary adjusting entries on the following:	
		i. Derecognition of disposed PPE items with a total carrying amount of P0.614 million;	Not Implemented. Reiterated with updates, as discussed under Part II – Observation and Recommendation No. 4 of this Report.
		ii. Unrecorded Other PPE and ICT equipment in the total amount of P475,355;	Not Implemented
		iii. Erroneous entries totaling P211,243; and	Not Implemented

Reference	Observations	Recommendations	Actions Taken/ Comments
	PPE items not included in the RPCPPE; and various unserviceable PPE not included in the Inventory and Inspection Report of Unserviceable Property contrary to COA Circular No. 2020-006 dated January 31, 2020.	iv. Semi-expendable properties included in the PPE totaling P118,650.	Fully Implemented
		b. Instruct the GSD to:	
		b.1. Correct the RPCPPE to only include items of PPE;	Fully Implemented
		b.2. Prepare the corresponding IIRUP for the unserviceable PPEs for their subsequent disposal;	Fully Implemented
		b.3. Consider the costing of PPE per SL when preparing the RPCPPE to reflect the accurate unit value of each item included therein; and	Not Implemented
		b.4. For those items found at the station but not recorded in the books and vice-versa, follow the guidelines and procedures in COA Circular No. 2020-06 on the one-time cleansing of PPE Account.	Not Implemented
AO No. 2, page 51	The accuracy and reliability of the Accounts Receivable – Participation Fees account with a carrying amount of	We recommended and Management agreed to: a. Direct the CD to:	

Reference	Observations	Recommendations		Actions Taken/ Comments
	P15.869 million as of December 31, 2023 are doubtful due to: a) negative balances in the total amount of P3.989 million; b) absence of supporting schedule and documents for long outstanding receivables related to local events amounting to P6.763 million; and c) variances from results of confirmation totaling P0.775 million. Likewise, the account is materially misstated due to undistributed collections in the total amount of P6.858 million which are recorded in this account instead of the Other Payable account, contrary to Paragraph 27 of IPSAS 1 and COA Circular No. 2020-002 dated January 28, 2020.	a.1	Trace the cause of the negative balance and prepare the necessary correcting entries;	Not Implemented Reiterated with updates, as discussed under Part II – Observation and Recommendation No. 2 of this Report.
		a.2	Retrieve the documents relative to the receivables without subsidiary records to substantiate its balance;	Not Implemented
		a.3	Maintain SL of the AR PF Local account in accordance with the GAM Volume II forms to substantiate and monitor the receivables account properly;	Not Implemented
		a.4	Write a letter to the Landbank to request details of the bank credits;	Fully Implemented
		a.5	Reclassify the undistributed collections to the Other Payable account; and	Fully Implemented
		a.6	Send Statement of Account to exhibitors with outstanding balances.	Not Implemented

Reference	Observations	Recommendations	Actions Taken/ Comments
		b. Issue an office policy on the collection process through wire transfer or direct deposit and instruct the project officer to disseminate the same to stakeholders.	Fully Implemented
AO No. 3, page 56	The fair presentation of the Trust Liability account with a balance of P9.262 million as of December 31, 2023 could not be ascertained due to: a) the absence of documents of the collected commitment fees on completed events amounting to P1.417 million; and b) existence of unreconciled negative/abnormal balances on various accounts with an accumulated amount of P1.117 million contrary to Paragraph 27 of the IPSAS 1.	We recommended and Management agreed to instruct the CD to:	
		a. Review and retrieve their records on commitment fee and provide the necessary adjusting entries;	Not Implemented Reiterated with updates, as discussed under Part II – Observation and Recommendation No. 5 of this Report.
		b. Evaluate further the cause of the negative balance and ensure that it will be adjusted accordingly; and	Fully Implemented
		c. Ensure that all entries are supported with complete documents.	Fully Implemented
AO No. 4, page 59	The fair presentation of the Due to National Government Agencies account with a balance of P3.880 million as of December 31, 2023 could not be ascertained due to the variance of P1.503 million in the results of confirmation on long outstanding accounts and absence of record to establish the existence of the recorded obligation, contrary to Paragraph 27 of IPSAS 1.	We recommended and Management agreed to revert the excess funds from BTr amounting to P1.503 million to the Accumulated Surplus and initiate the refund of the excess fund to NCCA amounting to P43,448.	Fully Implemented

Reference	Observations	Recommendations	Actions Taken/ Comments
Other Observations			
AO No. 5, page 58	The restriction on the supposed building fund amounting to P302.113 million as of December 31, 2023 for more than 25 years with no concrete plans and specific timelines for its utilization is contrary to the basic policy of the government on the effective and efficient management of resources.	We recommended Management to:	
		a. Submit to the Audit Team the Board Resolutions and supporting documents related to the set-up, additions and withdrawals from the restricted fund;	Fully Implemented
		b. Assess the propriety of retaining the restrictions on the building fund;	Fully Implemented
		b.1 If Management decides to continue with the restriction:	
		i. Come up with a concrete plan in the construction and/or purchase of office building showing the significant timelines and cost, and endorsed the same to the Board of Directors (BOD) for approval; and	Not Implemented Reiterated with updates, as discussed under Part II – Observation and Recommendation No. 8 of this Report.
		ii. Excess amount between the restricted fund and the estimated cost should be released from restrictions; and	Fully Implemented
		b.2 If Management finds that the	Fully Implemented

Reference	Observations	Recommendations	Actions Taken/ Comments
		amount should no longer be restricted, endorse such recommendation to the BOD for their approval.	
		c. Ensure that all funds of CITEM are effectively, efficiently and economically utilized.	Fully Implemented
AO No. 6, page 63	The CY 2023 Gender and Development (GAD) Plan and Budget of CITEM was not endorsed by the Philippine Commission on Women (PCW); and there was no Accomplishment Report prepared by the GAD Focal Point Systems, contrary to PCW-National Economic and Development Authority-Department of Budget and Management Joint Circular No. 2012-01 and PCW Memorandum Circular Nos 2022-03 and 2023-005.	We recommended that Management:	
		a. Direct the GAD Focal Point System to:	
		a.1 Supply the needed information to comply with the comment/recommendation of the PCW and request for reconsideration to resubmit the GPB for review in accordance with Section 1.2.5.2;	Fully Implemented
		a.2 Complete the GAD Accomplishment Report and submit to the PCW for review and furnish a copy to the Audit Team;	Fully Implemented
		b. Henceforth, ensure the timely preparation and submission of the GAD	Fully Implemented

Reference	Observations	Recommendations	Actions Taken/ Comments
		related documents and comply with provisions of the Magna Carta of Women and relevant guidelines on GAD Planning and Budgeting.	