

EXECUTIVE SUMMARY

A. Introduction

The Film Development Council of the Philippines (FDCP) was created by virtue of Republic Act (RA) No. 9167 on June 7, 2002 to establish and implement a cinema evaluation system, develop an incentive and reward system for Filipino producers based on merit and to provide assistance to quality films invited for exhibition/competition abroad to encourage global competitiveness. The Philippine Film Export Services Office (PFESO) of FDCP was likewise created by virtue of Executive Order (EO) No. 674 dated October 30, 2007. It is mandated to maximize the country’s comparative advantage as a location site for international movie and television, enhance linkages and collaboration with foreign film producers and to encourage foreign television and movie makers to produce their films in the country.

On April 17, 2012, Administrative Order (AO) No. 26 was issued directing all departments, agencies and offices of the National Government, including government-owned or controlled corporations to turn-over their existing original copies of films and other audiovisual negatives, prints, or digital files, including but not limited to movie films, documentaries and animation to the FDCP-National Film Archive of the Philippines (NFAP) for care, preservation and reconstruction.

FDCP is presently headed by Ms. Mary Liza B. Diño as Chairperson and assisted by an Executive Director. As of December 31, 2018, the manpower complement totaled 74, of which 20 were on permanent status, 52 were under contract of service and 2 were consultants. It operates under 10 units namely: Administrative and Finance; Education and Cultural Engagement; Inter-Agency Relation; Cinema Evaluation and Coordination; Events and Promotions; Office of the Chairman; Programming-Cinematheque and CineLokal; Research and Monitoring; National Film Archive and the International and Local Festivals Unit.

B. Operational Highlights

The following are the highlights of FDCP reported accomplishments for CY 2018:

Organizational Outcomes / Performance Indicator	FY 2018 Target	FY 2018 Accomplishment	Percentage of Accomplishment
Local Films Quality Upgraded			
Film Industry Promotion and Development Program	Outcome Indicators		
	1. Ratio of quality films shown to number of films produced	5:6	5:6 100

Organizational Outcomes / Performance Indicator		FY 2018 Target	FY 2018 Accomplishment	Percentage of Accomplishment
	2. Percentage of films given awards from those provided assistance	20	30%	150
	3. Percentage increase in film workers provided employment over the previous year	5	6	120
Output Indicators				
	1. Percentage of local films which applied for Cinema Evaluation Board (CEB) grading	80	87	109
	2. Percentage of films graded "A" or "B" within the prescribed period	85	90	106
	3. Percentage of stakeholders who rate the promotional events as good or better	90	90	100
Film Heritage Preserved and Protected				
Film Heritage Preservation Program	Outcome Indicators			
	1. Percentage of growth in archives holdings	5	0.25	5
	2. Percentage of recoverable films made available for public viewing	0.5	0.5	100
	3. Percentage of persons viewing the preserved films who rate the quality of preservation as good or better	96	96	100

Organizational Outcomes / Performance Indicator	FY 2018 Target	FY 2018 Accomplishment	Percentage of Accomplishment
Output Indicators			
1. Number and percentage of films evaluated and considered for restoration	1% of 25,500	1% of 24,969	98
2. Number of audio-visual elements deposited and managed in the Archives	25,500	25,031	98
3. Number of films restored	1	3	300

C. Financial Highlights

The financial position, financial performance and sources and utilization of funds of FDCP for CY 2018 with corresponding figures for CY 2017 are as follows:

Particulars	2018 (₱)	2017 (₱)
Financial Position		
Assets	338,530,114.11	264,408,690.04
Liabilities	4,369,162.56	3,108,744.85
Net Assets/Equity	334,160,951.55	261,299,945.19
Financial Performance		
Revenue/Income	162,275,060.59	93,643,678.73
Current Operating Expenses	177,441,223.41	134,636,114.65
Net Financial Assistance/Subsidy	164,591,082.83	69,772,928.87
Losses	(9,293.24)	(6,458.57)
Surplus/(Deficit)	149,415,626.77	28,774,034.38
Sources and Utilization of Fund		
Appropriations	197,284,338.00	173,699,537.00
Allotments	185,954,014.00	161,816,607.00
Obligations	183,992,166.85	161,110,292.28
Disbursements	180,421,814.62	161,110,292.28
Unobligated Allotments	1,961,847.15	706,314.72

The Statement of Appropriations, Allotments, Obligations, Disbursements and Balances for CY 2018 is shown in Annex A.

D. Scope of Audit

The audit was conducted to: a) ascertain the level of assurance that may be placed on the Management's assertion on the financial statements; b) determine the propriety of transactions as well as extent of compliance on the applicable laws, rules and regulations; c) recommend agency improvement opportunities; and d) determine the extent of implications of prior year's audit recommendations. Moreover, the audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs).

E. Auditor's Report on the Financial Statements

The auditor rendered a qualified opinion on the fairness of the presentation of the Financial Statements (FSs) of FDCP as at December 31, 2018 due to the following observations:

1. The balance of the Leased Assets Improvements, Buildings account was overstated by the net amount of ₱5,702,809.89 due to inclusion of the cost of various improvements made on the office space previously rented by the FDCP totaling ₱6,689,824.13 and erroneous entries for the repairs/improvements on Cinematheque centers; and
2. The erroneous recording of the producers' shares on amusement taxes and of the remittance of said shares resulted in the understatement of the reported liabilities by ₱109,349,198.32, overstatement of revenues by the same amount, and overstatement of expenses by ₱60,464,509.08, contrary to Paragraph 27 of the Philippine Public Sector Accounting Standards (PPSAS), Volume 1, thus rendered FDCP's financial statement unreliable.

F. Significant Observations and Recommendations

The following are the other significant audit observations and corresponding recommendations which were discussed with Management officials concerned, details of which are further discussed in the Part II of this report. Management views and comments were incorporated in the report, where appropriate.

1. Past due amusement taxes aggregating ₱141,345,088.14 remained unremitted to FDCP at year-end from both active theater operators and those who have ceased operations, contrary to Section 27 (d), Article 8 of the Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 9167, thus, deprived the FDCP and film producers to utilize said monies in their operations.

We recommended and Management agreed to:

- a. compel the erring cinema operators to immediately remit the past due amusement taxes to FDCP. Henceforth, require them to remit the full

amount of amusement tax collected for graded films, without the need of invoice/billing, within the prescribed period;

- b. exert utmost efforts to locate the whereabouts of the operators/proprietors of the closed cinemas and require them to settle their accounts. If proved futile, request authority from COA to write-off said accounts in accordance with COA Circular 2016-005 dated December 29, 2016; and
 - c. discontinue the practice of sending liaison officer to cinema operators in Metro Manila but require the latter, instead, to bring/send the checks to FDCP to avoid additional expenditures.
2. The balance of advance payments to Procurement Service – Department of Budget and Management (PS-DBM) totaling ₱353,186.96 was unreliable due to unsupported balance of ₱32,444.24 and discrepancy of ₱36,118.97 between the records of FDCP and PS-DBM. Moreover, Management’s failure to request the refund or offsetting/application of the excess advance payments to subsequent purchases resulted in the unutilized funds of ₱320,742.72.

We reiterated our recommendation that Management require the:

- a. the Accountant to -
 - i. exert utmost efforts to locate the documents pertaining to the reconciling items of ₱32,444.24; and
 - ii. conduct periodic reconciliation of the accounting records with the DBM-PS so that discrepancy, if any, could be accordingly acted upon; and
 - b. the Head of the Administration and Finance Division to –
 - i. request from PS-DBM the refund of the unutilized advances of ₱320,742.72 for the Cinema Theater Seats and Sound System and Motor Vehicles and to deposit to BTr ; and
 - ii. regularly monitor the advance payments and ensure that the balance of previous advances are fully exhausted before granting further advance payments in order to prevent accumulation of unutilized funds.
3. Payment of travel tax amounting to ₱166,860.00 for foreign travels of the FDCP’s and other government agencies’ personnel to attend international film festivals/markets as well as those private participants whose fares were paid by the FDCP was not in keeping with the pertinent provision of Presidential Decree (PD) No. 1183.

We recommend that Management request refund of said travel tax from the Tourism Infrastructure and Enterprise Zone Authority (TIEZA) and henceforth, secure travel tax exemption certificate from TIEZA for all the participants in international film festivals/markets.

4. Plane fare of the consultant amounting to ₱72,581.44 which was deemed part of the contract cost was shouldered by the agency, hence, considered unnecessary expenditures.

We recommended that Management require the Consultant to refund the cost of plane tickets paid by the agency amounting to ₱72,581.44 or to apply the same to his unpaid services, if there is any.

5. The prescribed monthly Report on Accountability for Accountable Forms (RAAFs) for Cinematheque Centers' movie tickets was not prepared by the Accountable Officer (AO), thus, the receipts and issuances of tickets could not be properly monitored.

We recommended that Management require the Marketing Officers to prepare the prescribed monthly RAAF for the movie tickets and submit the same to the Office of the Auditor.

6. Management engaged the services of a private entity for the printing of movie tickets without securing the certification from the recognized government printers (RGPs) as required under Section 22 of the General Provisions (GP) the General Appropriations Act (GAA) for Fiscal Year (FY) 2018.

We recommended that Management engage the services of RGP for the printing of movie tickets or secure a certification from the latter if it is unable to serve the FDCP's requirements.

7. Management failed to fully exercise the discretionary powers vested to the FDCP under Section 28, Article 9 of the IRR of RA No. 9167 to enforce the collection of receivables from the erring cinema operators/proprietors, thus the unremitted amusement tax to the agency since it started operations in 2003 accumulated to ₱141,345,088.14.

We recommended that the Management impose the provisions of penalty on the non-payment of amusement tax as provided under RA No. 9167.

8. The FDCP failed to comply with the mandatory requirement of allocating at least five percent of the total appropriations for GAD programs, projects and activities contrary to Section 36 (a) of RA No. 9710 or the Magna Carta of Women. Moreover, the agency failed to submit the GAD Plan and Budget (GPB) and the Accomplishment Report to the Philippine Commission on

Women (PCW) for review and endorsement contrary to PCW-DILG-DBM-NEDA Joint Memorandum Circular (JMC) No. 2013-01, as amended by PCW-DILG-DBM-NEDA JMC No. 2016-01 dated January 12, 2016, thus, preventing the PCW from conducting review of the same.

We recommended that Management:

- a. allocate at least 5 per cent of the total annual budget for the implementation of GAD-related activities as required under Section 36 (a) of RA No. 9710 or the Magna Carta of Women; and
- b. require the GAD Focal Point System to prepare and submit the GPB and Accomplishment Report to PCW in accordance with PCW-DILG-DBM-NEDA JMC No. 2013-01, as amended by PCW-DILG-DBM-NEDA JMC No. 2016-01 dated January 12, 2016.

G. Implementation of Prior Year's Audit Recommendation

Of the 22 prior year's audit recommendations contained in the CY 2017 Annual Audit Report (AAR), 17 were implemented, three were partially implemented and two were not implemented. The details are presented in Part III of this report.