



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

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF TRUSTEES

Development Academy of the Philippines
DAP Building
San Miguel Avenue, Pasig City

Qualified Opinion

We have audited the financial statements of the Development Academy of the Philippines (DAP), which comprised the statement of financial position as at December 31, 2017, and the statement of financial performance, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of this report, the accompanying financial statements present fairly, in all material respects, the financial position of Development Academy of the Philippines as at December 31, 2017, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles (GAAP).

Basis for Qualified Opinion

- 1) Accuracy, reliability and validity of Accounts Receivable in the amount of P242.618 million could not be established due to: a) results of confirmation showed variances totaling P72.225 million; and b) inclusion of abnormal/negative balances amounting to P1.277 million.
- 2) The Property, Plant and Equipment (PPE) account with a balance of P210.570 million as of December 31, 2017 was overstated by P11.238 million due to: a) non-provision of depreciation in the amount of P10.033 million on various projects of the Academy at the time these were available for use or upon completion; and b) inclusion of unserviceable/obsolete/defective equipment with carrying amount of P0.905 million.
- 3) The accuracy, validity and reliability of the year-end balance of Accounts Payable (A/P) totaling P151.711 million, could not be determined due to: a) variances in the results of confirmation totaling P7.934 million; b) inadequate maintenance of subsidiary ledgers (SLs); and c) inclusion of items which should not be part of A/P amounting to P75.240 million.

- 4) Results of confirmation of the Due to National Government Agency (NGAs) accounts showed variances totaling P29.662 million that cast doubts on the accuracy, reliability and validity of the account balance presented in the financial statements.
- 5) The Provision for Output VAT Year 2003 Onwards account year-end balance in the amount of P26.169 million was overstated by P6.529 million representing Output VAT from collected receivables which were not debited to the said account. Likewise, the accuracy, reliability and validity of the account were doubtful due to: a) inclusion of accounts with negative/ abnormal balances amounting to P2.599 million; and b) non-maintenance of subsidiary ledgers.
- 6) The accuracy, validity and reliability of the accounts Deferred Credits to Income and Consultancy Fees – Management Training and Consultancy amounting to P162.936 million and P276.932 million, respectively, were doubtful due to improper recording of billings and recognition of revenue.

We conducted our audit in accordance with Philippine Public Standards on Auditing. Our responsibilities under these standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the DAP in accordance with the ethical requirements that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Generally Accepted Accounting Principles (GAAP), 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 DAP'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 DAP or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Philippine Public Standards on Auditing 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

**Report on Supplementary Information Required Under
BIR Revenue Regulation 15-2010**

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes, duties, and license fees paid or accrued during the taxable year described in Note 24 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

COMMISSION ON AUDIT


ROSALIE D. SARMIENTO
OIC, Supervising Auditor
Audit Group H – Development, Media and Other Agencies
Cluster 6, Corporate Government Sector

June 13, 2018

DEVELOPMENT ACADEMY OF THE PHILIPPINES
STATEMENT OF FINANCIAL POSITION
As of December 31, 2017
(With corresponding figures for 2016)
(In Philippine Peso)

	Notes	2017	2016 (Restated)
ASSETS			
Current Assets			
Cash and Cash Equivalents	4.2/5	65,373,909	91,536,194
Investments	4.5/10	365,329,383	150,288,000
Trade and Other Receivables - Net	4.3/6	215,569,814	186,242,770
Inventories - Net	4.4/7	4,434,355	4,278,105
Prepaid Expenses	8	47,818,679	44,655,442
Other Current Assets	9	978,848	1,171,330
Total Current Assets		699,504,988	478,171,841
Non-current Assets			
Investments	4.5/10	165,007,000	140,007,000
Property and Equipment - Net	4.6/11	210,569,994	179,002,831
Research and Development		129,973	129,973
Other Non-Current Assets	12	400,478	400,478
Total Non-current Assets		376,107,445	319,540,282
TOTAL ASSETS		1,075,612,433	797,712,123
LIABILITIES			
Current Liabilities			
Payables	13	157,573,259	151,362,345
Inter-Agency Payables	14	193,302,521	13,200,827
Other Payables	15	43,497,283	48,830,749
Total Current Liabilities		394,373,063	213,393,921
Non-current Liabilities			
Deferred Credits	16	196,203,551	178,239,165
Other Long-Term Liabilities	17	60,946,980	51,633,960
Total Non-current Liabilities		257,150,531	229,873,125
TOTAL LIABILITIES		651,523,594	443,267,046
TOTAL ASSETS LESS TOTAL LIABILITIES		424,088,839	354,445,077
NET ASSETS/EQUITY			
EQUITY		424,088,839	354,445,077

The notes on pages 10 to 26 form part of these financial statements.

DEVELOPMENT ACADEMY OF THE PHILIPPINES
STATEMENT OF FINANCIAL PERFORMANCE
For the Year Ended December 31, 2017
(With corresponding figures for 2016)
(In Philippine Peso)

	Notes	2017	2016 (Restated)
INCOME			
General Income			
Consultancy/Research Fees		276,931,859	324,999,134
Income from Operation of Restaurants/Canteen		43,309,430	43,283,377
Income from Operation of Dormitories/Cottages		33,159,774	35,595,105
Rent Income		23,935,174	15,098,879
Other Service Income		796,629	1,112,891
Miscellaneous Income		2,695,376	1,970,175
GROSS INCOME		380,828,242	422,059,561
EXPENSES			
Personal Services			
Salaries and Wages	21	131,753,715	105,437,967
Other Compensation		41,930,062	38,345,121
Personnel Benefits Contribution		17,939,404	14,620,824
Other Personnel Benefits		33,516,794	26,076,860
Total Personal Services		225,139,975	184,480,772
Maintenance and Other Operating Expenses			
Professional Services	22	124,147,793	167,217,621
Training and Scholarship Expenses		53,104,057	77,575,702
Supplies and Materials Expenses		52,548,088	53,662,596
Utility Expenses		17,962,702	18,202,317
Travelling Expenses		11,626,648	20,780,939
Communication Expenses		7,799,900	9,584,636
Repairs and Maintenance Expenses		6,013,007	16,648,609
Rent Expenses		4,663,505	4,483,195
Advertising Expenses		2,070,896	2,462,489
Taxes, Insurance Premiums and Other Fees		2,037,429	1,901,787
Extraordinary and Miscellaneous Expenses		271,781	461,672
Other Maintenance and Other Operating Expenses		23,769,392	22,964,997
Total Maintenance and Other Operating Expenses		306,015,198	395,946,560
Non-Cash Expenses		25,430,152	22,994,532
TOTAL EXPENSES		556,585,325	603,421,864
INCOME (LOSS) FROM OPERATION		(175,757,083)	(181,362,303)
Other Income (Expenses)			
Interest Income		6,716,739	4,079,968
Gain on Forex/(Loss) on Forex/Sale of Assets		(215,017)	62,845
Total Other Income		6,501,722	4,142,813
Financial Expenses		(62,547)	(43,272)
NET INCOME (LOSS) BEFORE SUBSIDY		(169,317,908)	(177,262,762)
SUBSIDY FROM THE NATIONAL GOVERNMENT	23	212,158,865	249,841,277
NET INCOME		42,840,957	72,578,515

The notes on pages 10 to 26 form part of these financial statements.

DEVELOPMENT ACADEMY OF THE PHILIPPINES
STATEMENT OF CHANGES IN EQUITY
For the Year Ended December 31, 2017
(With corresponding figures for 2016)
(In Philippine Peso)

	Notes	2017	2016 (Restated)
GOVERNMENT EQUITY			
Balance, Beginning/End of the Year	18	47,500,000	47,500,000
DONATED CAPITAL			
Balance, Beginning/End of the Year	19	161,897,942	161,897,942
RETAINED EARNINGS			
Balance, Beginning of the Year, As Restated	20	171,849,940	72,468,620
Net Income		42,840,957	72,578,515
Balance, End of the Year, As Restated		214,690,897	145,047,135
EQUITY		424,088,839	354,445,077

The notes on pages 10 to 26 form part of these financial statements.

DEVELOPMENT ACADEMY OF THE PHILIPPINES
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2017
(With corresponding figures for 2016)
(In Philippine Peso)

	2017	2016 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Receipts from Customers	1,177,653,391	1,140,345,441
Cash Paid to Suppliers and Employees	(945,698,145)	(1,018,657,261)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	231,955,246	121,688,180
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Proceeds from Investments Maturities	1,246,542,199	1,205,314,955
Placements in Short-Term Investments	(1,461,583,582)	(1,291,389,000)
Proceeds of Matured/ Placements in Treasury Bonds	(24,224,180)	581,865
Acquisition of Property, Plant and Equipment	(25,550,861)	(34,602,649)
Interest Income	6,716,739	4,079,968
NET CASH USED IN INVESTING ACTIVITIES	(258,099,685)	(116,014,861)
UNREALIZED FOREIGN EXCHANGE GAIN (LOSS)	(17,846)	466,354
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(26,162,285)	6,139,673
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	91,536,194	85,396,521
CASH AND CASH EQUIVALENTS, END OF YEAR	65,373,909	91,536,194

The notes on pages 10 to 26 form part of these financial statements.

DEVELOPMENT ACADEMY OF THE PHILIPPINES
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT
For the Year Ended December 31, 2017
(With corresponding figures for 2016)
(In Philippine Peso)

Particulars	Notes	Original Budget	Final Budget	Actual Amount	Difference Final Budget and Actual
REVENUE					
Service and Business Income		658,232,289	658,232,289	380,828,242	277,404,047
Assistance and Subsidy	23	553,480,000	553,480,000	212,158,865	341,321,135
Others (Non-Operating Revenue)		5,097,711	5,097,711	6,501,722	(1,404,011)
Total Receipts		1,216,810,000	1,216,810,000	599,488,829	617,321,171
PAYMENTS					
Personal Services	21	270,309,000	270,309,000	225,139,975	45,169,025
Maintenance and Other Operating Expenses	22	805,796,000	805,796,000	306,015,198	499,780,802
Capital Outlay		112,860,000	112,860,000	11,591,201	101,268,799
Financial Expenses				62,547	(62,547)
Total Payments		1,188,965,000	1,188,965,000	542,808,921	646,156,079
NET RECEIPTS/PAYMENTS		27,845,000	27,845,000	56,679,908	(28,834,908)

The notes on pages 10 to 26 form part of these financial statements.