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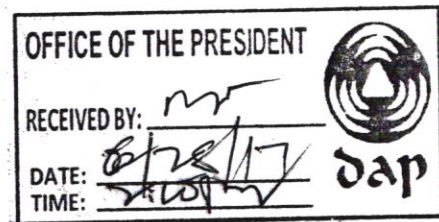


CORPORATE GOVERNMENT SECTOR
Cluster 6 – Social, Cultural, Trading, Promotional
and Other Services



June 23, 2017

Dr. ELBA S. CRUZ
President and CEO
Development Academy of the Philippines
DAP Building
San Miguel Avenue, Pasig City



Dear Dr. Cruz:

We are pleased to transmit our Annual Audit Report on the results of the audit of the accounts and transactions of the Development Academy of the Philippines (DAP) for the year ended December 31, 2016, pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines.

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

The auditor expressed an unmodified opinion on the fairness of presentation of the financial statements of DAP for the year 2016.

The significant observations and recommendations are as follows:

1. Audit of Accounts Payable (A/P) account of ₱181.259 million disclosed a discrepancy of ₱324,334.23 in the outstanding payable to a creditor, erroneous subsidiary ledgers (SLs); erroneous aging schedules; and existence of dormant accounts.

We recommended that Management:

- a. Analyze the individual balances of the A/P and update their respective SLs;
- b. Evaluate the academy's accounting system to determine the cause of deficiencies to improve the recording system;

- c. Maintain a proper aging schedule of A/P which will show only the list of creditors with their respective total balances and the corresponding days they are outstanding; and
 - d. Evaluate the dormant/long outstanding balances for possible reversion to Retained Earnings in accordance with the provisions of DBM and COA Joint Circular No. 99-6 and P.D. No. 1445.
2. Accrued revenue in the total amount of ₱12.824 million is still lodged in the balance of Accounts Receivable of ₱212.972 million and abnormal balances of ₱2.039 million and ₱1.511 million in the Receivable Accounts – Government and Receivable Accounts – Private, respectively.

We recommended that Management:

- a. Investigate/analyze the accounts receivable in relation to accrued income account and also accounts with abnormal balances and make the necessary adjustments to correct their balances; and
 - b. Prioritize collection of accounts that have material balances and dormant accounts which are long outstanding and if found uncollectible after exerting relentless effort, seek authority from the Commission on Audit (COA) for the write-off of these accounts in accordance with COA Circular No. 2016-05 dated December 19, 2016.
3. Recording of cash received through fund transfers from other government agencies and its utilization for the implementation of projects/programs were not in accordance with the provision of 4.2 of COA Circular No. 94-013 dated December 13, 1994 and COA Circular No. 2015-010 dated December 1, 2015 resulting in the overstatement of income and expense in the amount of ₱27.744 million and ₱25.342 million, respectively.

We recommended that Management adjust the books for the erroneous booking of income and expenses and to comply strictly with the provisions of 4.2 of COA Circular No. 94-013 and COA Circular No. 2015-010 in recording cash received through fund transfer and its utilization.

The other observations together with the recommended courses of action which were discussed by the Audit Team with concerned Management officials and staff during the exit conference conducted on June 8, 2017 are discussed in detail in Part II of the report.

We respectfully request that the recommendations contained in Parts II and III of the report be implemented and this Commission be informed of the actions taken thereon by accomplishing the Agency Action Plan and Status of Implementation Form (copy attached) and returning the same to us within 60 days from the date of receipt hereof.

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

Very truly yours,

COMMISSION ON AUDIT

By:


WILFREDO A. AGITO
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
The National Library
The UP Law Center
The COA Commission Central Library

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the 18 audit recommendations embodied in previous year's Annual Audit Report, 15 were fully implemented, one was partially implemented and two were not implemented.

REFERENCE	OBSERVATION	RECOMMENDATIONS	STATUS OF IMPLEMENTATION
1.AAR 2015 Audit Observation No. 1, Page 25	The Development Academy of the Philippines (DAP) was unable to comply with Section 10 of Republic Act (RA) 9184 also known as the Government Procurement Reform Act of 2003 as well as the documentary requirements of Commission on Audit (COA) Circular No. 2012-001 dated June 14, 2012 on the procurement of the Security Services for Calendar Year (CY) 2015 in the amount of ₱4.726 million.	a. Require the Bids and Awards Committee to formulate policies for the improvement of its procurement planning and conduct competitive bidding on the Academy's procurement of goods, services and infrastructure projects;	Fully Implemented
		b. Adhere to the documentary requirements of COA Circular No. 2012-001 and other applicable laws to support each transaction in the disbursements of government funds; and	Fully Implemented
		c. Submit the certified true copy of official receipts issued by the above-mentioned concerned government agencies as proof of remittance as well as certified true copy of attendance sheets of the security guards assigned to the Academy.	Fully Implemented
• DAP was unable to conduct public bidding for the hiring of security guards for CY 2015.			
• Disbursements for security services for CY 2015 amounting to ₱3.909 million were approved for payment despite incomplete supporting documents			
• required under Section 9.1.3.2 of COA Circular no. 2012-001 dated June 14, 2012.			
2.AAR 2015 Audit Observation No. 2, Page 27	DAP managed and utilized its resources within the bounds of their approved Corporate Operating Budget (COB) for CY 2015.	We recommended that Management continue to work and implement their plans, projects and programs within the approved appropriation that will result in a balanced budget and avoid overdraft.	Fully Implemented

REFERENCE	OBSERVATION	RECOMMENDATIONS	STATUS OF IMPLEMENTATION
3.AAR 2015 Audit Observation No. 3, Page 28	Project Cost in the amount of ₱2.4 million was fully recognized as income despite the Project being incomplete by 18.66 per cent equivalent to ₱447,952 as of December 31, 2015.	a. Recognize the revenue upon completion of the Project's activities deliverables. Adjust the books accordingly by reducing the revenue allocated to the remaining project activities and record the amount under Deferred Credits;	Fully Implemented
		b. Make final negotiation with PCAF whether the Project will be pushed through or not; if not, request PCAF to provide a waiver stating therein that DAP is free from any obligations relative to the unfinished project and the disposition of the remaining balance in the amount of ₱447,952; and	Fully Implemented
		c. Require project officers/personnel to closely monitor the status of project implementation to avoid any slippages and to take immediate and appropriate corrective measures, if any.	Fully Implemented
4.AAR 2015 Audit Observation No. 4, Page 30	Out of the 23 Quality Management System (QMS) related projects conducted by the DAP amounting to ₱17.872 million, only 84.56 per cent or ₱15.113 million were completed within the timeline as of year-end.	We recommended that Management require project officers/personnel to closely monitor and keep track of the status of project implementation. Prepare reports detailing the extent of project implementation and recommended corrective measures to have the project finish within timeline as stated in the contract.	Fully Implemented Monitoring system already in place. The Academy replied that it is upon the client's initiative to request time extension of the project's implementation within the allowed provision of the contract signed by both parties.

REFERENCE	OBSERVATION	RECOMMENDATIONS	STATUS OF IMPLEMENTATION
5.AAR 2015 Audit Observation No. 5, Page 34	The Academy complied with the provisions of Section 18, Rule No. III of the Implementing Rules and Regulations (IRR) of RA No. 7875, National Health Insurance Act of 2013, on the deduction and remittance of mandatory contributions. However, remittance reports were not in accordance with the mode as prescribed under PhilHealth Circular No. 025, series 2012.	In view of the foregoing, we recommended that Management continue the timely withholding and remittance of PhilHealth premium contributions and adopt the Electronic Premium Remittances System (EPRS) as stated in PhilHealth Circular No. 025, Series-2012, which includes the list of all employees and their PhilHealth numbers.	Fully Implemented The Academy has obtained the PhilHealth numbers of all its employees. Likewise, the Academy is now enrolled in the EPRS and using the system in the preparation and submission of the Employer's Remittance Report.
6.AAR 2015 Audit Observation No. 6, Page 35	Management has recognized in their accounting books various expenditures incurred as intangible assets under the account, Research and Development (292-100), resulting in deviation from the Philippine Public Sector Accounting Standard (PPSAS) No. 31.	We recommended that Management make necessary adjusting journal entries to reclassify the recorded expenditures and to recognize the future expenditures in relation to research and development as expense as mentioned in Paragraph 52 of PPSAS 31.	Not Implemented Though the account Research and Development were fully amortized as of December 31, 2016, the Academy still continue to capitalize various expenditures and under the account Research and Development instead of recording it as outright expense.
7.AAR 2015 Audit Observation No. 7, Page 37	Verification of Liquidation of Cash Advances granted disclosed the following: a. Vehicle rental payments totaling ₱189,800 for CY 2015 were supported only with Acknowledgement Receipts (ARs) or Reimbursement Expense Receipt (RERs). b. Supporting documents relative to the team building conducted on August 4 and 20, 2015 in the amount of ₱189,128.20 were incomplete.	a. Submit adequate documents to support liquidation of cash advances in order for us to validate/verify the reliability of the disbursements such as; (1) approved itinerary/trip ticket indicating the name of the passengers, the purpose of the travel, the destination with the corresponding time and dates; (2) justification for the necessity of hiring vehicles other than the ordinary mode of transportation; if feasible; (3) canvass from three suppliers/vehicle	Fully Implemented The Academy strictly reviews and validates the payment of reimbursable expenses charged in accordance with the Government Procurement Manual.

REFERENCE	OBSERVATION	RECOMMENDATIONS	STATUS OF IMPLEMENTATION
	c. Lead time between the receipt of liquidation documents from the Accountable Officer (AO) and its recording was not in accordance with Section 5.3 of COA Circular No. 1997-002.	owners; (4) photocopy of the valid identification card of the driver with signature, contact numbers, the Certificate of Registration of the vehicle hired, Land Transportation Office (LTO) issued Official Receipt (OR) and driver's license;	
	d. Accountable Officers (AOs) are given additional cash advances despite of its unsettled liquidation balance.	b. Submit required documents to support the team building and justify why the approved itinerary was not followed;	Fully Implemented
		c. Strictly enforce liquidation of all cash advances immediately after purposes for which they were granted have been served or period allotted for their liquidation whichever comes first;	Fully Implemented
		d. Refrain from granting additional cash advances to AOs with unsettled cash advances;	Not Implemented DAP will be granting a maximum of two cash advances for those who travel frequently and with no sufficient time to liquidate the first cash advance.
		e. Enforce the use of DAP transaction form to strengthen the control in the liquidation of cash advances; and	Fully Implemented
		f. Institute appropriate legal sanctions against Accountable Officer (AO) who fails to liquidate cash advances within the period prescribed by law and regulations.	Fully Implemented The Academy institute sanctions for AOs who do not liquidate their cash advances on the required date.

REFERENCE	OBSERVATION	RECOMMENDATIONS	STATUS OF IMPLEMENTATION
8.AAR 2015 Audit Observation No. 8, Page 40	Certain deficiencies were noted relative to CY 2015 Gender and Development (GAD) activities:	a. Create GAD Focal Point and conduct trainings on gender sensitivity and gender-responsive planning before undertaking GAD Planning and Budgeting; and	Fully Implemented Special Order No. SO-2016-363 was release on November 3, 2016 creating the DAP GAD Focal Point Core Team
	a. DAP has not constituted its GAD Focal Points (GFPS) contrary to IRR of the Magna Carta of Women.	b. Strictly comply with provisions of PCW, NEDA and DBM Joint Circular No. 2012-01 and fomulate GAD plan and budget and incorporate GAD programs, activities and projects to the Academy's operations. Be aware and conscious that the aforementioned are already integrated in DAP operation, their cost to be totaled to comprise the five per cent requirement.	Partially Implemented With the release of SO towards the end of 2016, the Academy where not able to submit to Philippine Commission on Women (PCW) the GAD Plan and Budget for CY 2016. Several sessions on GAD programs, such as Gender Briefing, Gender Sensitivity and Awareness Seminar have already been conducted as part of capacity building of identified GAD Focal Point Core Team Members.
	b. The members of the GAD Focal Point (GFP) did not undergo GAD training which was not in conformity with Section 37 of the IRR of the Magna Carta of Women.		
	c. DAP was unable to fomulate its GAD plans and budget for CY 2015 contrary to the PCW-NEDA-DBM Joint Circular No. 2012-01.		
	d. Cost of GAD related activities amounted only to 0.04853 per cent of the total corporate operating budget.		