



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

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

September 18, 2020

THE BOARD OF TRUSTEES

Development Academy of the Philippines
DAP Building, San Miguel Avenue,
Pasig 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 **Development Academy of the Philippines (DAP)**, for the years ended December 31, 2019 and 2018.

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

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

1. The faithful representation of the balance of the Accounts Receivable account in the financial statements in the carrying amount of P185.294 million as of December 31, 2019 was not established due to variances in absolute amount of P47.105 million between the balances per books and the confirmed balances from various government agencies, contrary to the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities and Paragraph 27 of International Public Sector Accounting Standard (IPSAS) 1.
2. The faithful representation of the balance of the Property, Plant and Equipment (PPE) account with carrying amount of P168.578 million as at December 31, 2019 was not established, contrary to the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities and Paragraph 27 of IPSAS 1, in view of: (a) variance of P36.167 million between the balances of PPE Ledger Cards (PPELCs) generated by the JEV PPE Monitoring System (JPMS) as against the General Ledger (GL) balances; (b) the Report on the Physical Count of PPE (RPCPPE) did not reflect the actual physical count of PPE items as of December 31, 2019 and was not prepared in the prescribed format under Appendix 73 of the Government Accounting Manual (GAM); and (c) disposed PPE items in the total amount of P2.293 million that were already dropped in the

books were still in the JPMS and were subjected to depreciation in the amount of P279,391.

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

- 1.1 Direct the Accounting Division to exert all efforts to review, analyze, and reconcile the Accounts Receivable account with their clients' records, and make the necessary adjustment in the books, if any.
- 2.1 Enhance the JPMS to generate the required PPELCs to support the GL balances of PPE sub-accounts and facilitate reconciliation of the Accounting and Property records.
- 2.2 Require the Inventory Committee to prepare the RPCPPE in the prescribed format per Appendix 73 of the GAM, and PPEs found at station and losses discovered during the physical count shall be reported to the Accounting Division for proper recording.
- 2.3 Direct the Accounting Division to exclude disposed PPEs from the JPMS so as to discontinue the computation of the depreciation on the disposed PPEs and prepare necessary adjusting entries to adjust the overstatement of the Depreciation account.

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

3. The slow implementation of the Intensified Abot Alam Program (IAAP) with total funding of P372.093 million as only P43.299 million or 11.64 per cent of the program's fund was utilized as of December 31, 2019, deprived the targeted beneficiaries in fully availing the benefits that could have been derived therefrom.
 - 3.1 We recommended that Management:
 - a. Strictly follow the set timelines in the implementation of the IAAP and refrain from extending the program's duration to avoid further delay in the execution thereof; and
 - b. Closely monitor the program's activities to ensure timely achievement of the objectives that it envisioned to realize based on set goals and commitments.
4. The procurements in CY 2019 of the consultancy services totaling P47.438 million were not in accordance with the Revised Implementing Rules and Regulations (RIRR) of Republic Act (RA) No. 9184, otherwise known as the Government Procurement Reform Act; thus, the Academy may have been deprived of the opportunity to secure consulting services at the most advantageous terms.

4.1 We recommended that Management:

- a. Stop the practice of hiring consultants without undergoing the procurement process set forth in RA No. 9184 and its RIRR; and
- b. Determine the appropriate mode of procurement to provide opportunity to procure consulting services at the most advantageous terms to the Academy.

5. The DAP, as implementer of various programs/projects, was not able to conduct public bidding or resorted to alternative method of procurement in the engagement of services of foreign partners in the study mission abroad and the procurement of international airfare tickets in the amounts of P23.151 million and of P2.737 million, respectively, contrary to RA No. 9184 and its RIRR.

5.1 We recommended that Management:

- a. Comply strictly with the provisions of RA No. 9184 and its RIRR on the procurement of goods and services; and
- b. Consolidate the purchase request for airfare of the participants per engage foreign location and travel period/dates and, if individual purchase of tickets could not be avoided, submit the necessary justification to show that resort to the same does not tantamount to splitting of contracts.

6. The DAP paid Representation and Transportation Allowance (RATA) totaling P5.571 million to 41 personnel designated to various positions despite the staffing pattern being implemented was not authorized/approved by the Department of Budget and Management (DBM), contrary to Section 8.3 of the National Budget Circular (NBC) No. 548 dated May 15, 2013. Likewise, the approved Fiscal Year (FY) 2019 Corporate Operating Budget (COB) of DAP showed that the amount of P2.856 million representing over provision of RATA was disapproved by the DBM.

6.1 We recommended that Management:

- a. Stop the payment of RATA to positions that have no equivalent positions in the Agency's DBM-approved Organizational Structure and Staffing Pattern and without approved budget from the DBM;
- b. Request from DBM equivalent position/rank on the designated positions with Salary Grade (SG)-23 and below entitled to receive RATA; and
- c. Comply strictly with Section 8.3 of NBC No. 548 dated May 15, 2013 and other pertinent laws, rules and regulations.

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 September 4, 2020 are discussed in detail in Part II of the report. We also invite your attention to the prior year's partially and unimplemented audit recommendations embodied in Part III of the report.

In our transmittal letter of even date, we request the President and Chief Executive Officer of DAP 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 Management extended to the Audit Team, thus facilitating the completion of this report.

Very truly yours,

COMMISSION ON AUDIT

By:


CLEOTILDE M. TUAZON
Director IV
Cluster Director

Copy furnished:

The President of the Republic of the Philippines
The Vice President
The President of the Senate
The Speaker of the House of Representatives
The Chairperson – Senate Finance Committee
The Chairperson – Appropriations Committee
The Secretary of the Department of Budget and Management
The Governance Commission for Government-Owned or Controlled Corporations
The Presidential Management Staff, Office of the President
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DEVELOPMENT ACADEMY OF THE PHILIPPINES
STATEMENTS OF FINANCIAL POSITION
As at December 31, 2019 and 2018
(In Philippine Peso)

	Note	2019	2018 (As Restated)
ASSETS			
Current Assets			
Cash and cash equivalents	7	662,661,472	631,522,243
Financial assets	8	-	49,499,808
Receivables - net	9	147,697,278	122,050,644
Inventories	10	4,309,141	3,899,348
Other current assets	14.1	13,173,883	18,870,540
		<u>827,841,774</u>	<u>825,842,583</u>
Non-Current Assets			
Financial assets	8	214,633,486	175,007,000
Receivables - net	9	83,684,580	99,508,224
Property, plant and equipment - net	11	168,578,181	171,490,278
Intangible assets	12	706,424	129,973
Deferred tax assets	13	16,953,845	27,817,299
Other non-current assets	14.2	-	400,478
		<u>484,556,516</u>	<u>474,353,252</u>
TOTAL ASSETS		<u>1,312,398,290</u>	<u>1,300,195,835</u>
LIABILITIES			
Current Liabilities			
Financial liabilities	15	87,123,057	81,113,853
Inter-agency payables	16	34,418,735	193,226,812
Trust liabilities	17	1,266,681	1,175,515
Deferred credits	18.1	5,853,144	12,286,506
Unearned revenue/income	18.2	13,717,335	32,036,079
Other payables	20	19,841,653	9,305,834
		<u>162,220,605</u>	<u>329,144,599</u>
Non-Current Liabilities			
Financial liabilities	15	7,493,886	4,905,551
Inter-agency payables	16	393,790,075	288,483,725
Trust liabilities	17	15,534,611	21,100,430
Deferred credits	18.1	15,927,319	12,362,554
Unearned revenue/income	18.2	72,507,662	53,854,088
Provision for leave credits	19	79,073,704	69,555,038
Other payables	20	8,052,132	1,768,091
		<u>592,379,389</u>	<u>452,029,477</u>
TOTAL LIABILITIES		<u>754,599,994</u>	<u>781,174,076</u>
NET ASSETS (TOTAL ASSETS LESS TOTAL LIABILITIES)		<u>557,798,296</u>	<u>519,021,759</u>
NET ASSETS/EQUITY			
Government equity	21	47,500,000	47,500,000
Donated capital	22	161,897,942	161,897,942
Accumulated surplus/(deficit)	23	348,400,354	309,623,817
TOTAL NET ASSETS/EQUITY		<u>557,798,296</u>	<u>519,021,759</u>

The notes on pages 11 to 39 form part of these financial statements.

DEVELOPMENT ACADEMY OF THE PHILIPPINES
STATEMENTS OF FINANCIAL PERFORMANCE
For the Years Ended December 31, 2019 and 2018
(In Philippine Peso)

	Note	2019	2018 (As Restated)
REVENUE			
Service and business income	24	328,613,493	368,332,923
		328,613,493	368,332,923
LESS: CURRENT OPERATING EXPENSES			
Personnel services	25	289,483,439	222,386,971
Maintenance and other operating expenses	26	319,044,463	309,557,109
Financial expenses	27	63,932	51,852
Non-cash expenses	28	25,532,533	27,285,435
Total Current Operating Expenses		634,124,367	559,281,367
Deficit from Current Operations		(305,510,874)	(190,948,444)
Non-operating income/gain	29.1	402	498,421
Non-operating losses	29.2	(753,205)	(644,854)
Deficit before Subsidy		(306,263,677)	(191,094,877)
Subsidy from the national government	30	345,040,214	281,279,364
Net Surplus for the Period		38,776,537	90,184,487

The notes on pages 11 to 39 form part of these financial statements.

DEVELOPMENT ACADEMY OF THE PHILIPPINES
STATEMENTS OF CHANGES IN NET ASSETS/EQUITY
For the Years Ended December 31, 2019 and 2018
(In Philippine Peso)

	Accumulated surplus/(deficit) Note 23	Government equity Note 21	Donated capital Note 22	Total
BALANCE AT JANUARY 1, 2018	186,132,118	47,500,000	161,897,942	395,530,060
Adjustments:				
Add/(Deduct):				
Reclassification/adjusting entries	31,332,471	-	-	31,332,471
Closing of non-moving accounts	(7,958,929)	-	-	(7,958,929)
Reclassification/adjusting entries	9,933,670	-	-	9,933,670
RESTATED BALANCE AT JANUARY 1, 2018	219,439,330	47,500,000	161,897,942	428,837,272
Changes in net assets/equity for CY 2018				
Add/(Deduct):				
Surplus/(Deficit) for the period	90,184,487	-	-	90,184,487
RESTATED BALANCE AT DECEMBER 31, 2018	309,623,817	47,500,000	161,897,942	519,021,759
Changes in net assets/equity for CY 2019				
Add/(Deduct):				
Surplus/(Deficit) for the period	38,776,537	-	-	38,776,537
BALANCE AT DECEMBER 31, 2019	348,400,354	47,500,000	161,897,942	557,798,296

The notes on pages 11 to 39 form part of these financial statements.

DEVELOPMENT ACADEMY OF THE PHILIPPINES
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2019 and 2018
(In Philippine Peso)

	Note	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Inflows			
Collection of revenues		96,713,774	380,662,907
Receipt of assistance/subsidy		250,777,703	230,164,000
Collection of receivables		312,799,488	290,346,655
Receipt of inter-agency fund transfers		31,587,196	274,570,424
Trust receipts		2,733,810	555,689
Other receipts		18,585,284	4,251,905
Total Cash Inflows		713,197,255	1,180,551,580
Adjustments		12,980,828	-
Adjusted Cash Inflows		726,178,083	1,180,551,580
Cash Outflows			
Payment of expenses		498,197,379	741,445,561
Payment of other payables		28,002,234	46,560,595
Purchase of inventories		12,478,571	12,348,965
Grant of cash advances		14,146,489	23,395,108
Prepayments		1,550,013	1,349,868
Payment of accounts payable		42,829	-
Remittance of personnel benefits, contributions and mandatory deductions		90,938,137	82,555,979
Other disbursements		16,752,855	-
Release of inter-agency fund transfers		46,656,967	6,988,985
Total Cash Outflows		708,765,474	914,645,061
Net Cash Provided by/(Used in) Operating Activities		17,412,609	265,906,519
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Inflows			
Receipt of interest earned		7,816,441	9,436,695
Proceeds from matured investments/ redemption of long-term investments		96,385,396	1,491,187,995
Total Cash Inflows		104,201,837	1,500,624,690
Cash Outflows			
Purchase of property, plant and equipment		10,216,907	14,829,455
Purchase of investments		79,609,941	1,184,582,601
Total Cash Outflows		89,826,848	1,199,412,056
Net Cash Provided by/(Used in) Investing Activities		14,374,989	301,212,634
Net Increase/(Decrease) in Cash and Cash Equivalents		31,787,598	567,119,153
Effects of exchange rate changes		(648,369)	491,712
Cash and Cash Equivalents, January 1		631,522,243	63,911,378
Cash and Cash Equivalents, December 31	7	662,661,472	631,522,243

The notes on pages 11 to 39 form part of these financial statements.