



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

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF TRUSTEES

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

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of the Development Academy of the Philippines (DAP), which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of financial performance, statements 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, 2020, 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 Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the DAP as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Basis for Qualified Opinion

The Unearned Revenue/Income account with a balance of P325.417 million as of December 31, 2020 was overstated by P18.517 million due to: (a) non-adjustment (debit) of the said account for earned revenue from completed projects in Calendar Year (CY) 2020 totaling P3.186 million; and (b) recording in the said account of penalty charges for the delayed payment of the office space rental from a lessee amounting to P15.331 million, instead of Rent/Lease Income account, contrary to Paragraph 19 of IPSAS 9.

Also, the faithful representation in the financial statements of the Receivables account with net book value of P123.599 million as of December 31, 2020 was not established due to variances between: (a) the books and the confirmed balances from the agencies/clients totaling P6.523 million; and (b) the General Ledger (GL) and the schedule of receivables amounting to P3.690 million, which remained unreconciled at year-end, contrary to Paragraph 27 of IPSAS 1. Likewise, no Allowance for Impairment was provided for the receivables from other government agencies totaling P7.134 million

which have been dormant for more than ten (10) years, contrary to Paragraph 68 of IPSAS 29.

We were not able to perform alternative audit procedures to determine if any adjustments to the Receivables account are necessary due to the status of records of the DAP's Accounting Division.

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 the DAP 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 Matter

In our report dated September 4, 2020, we expressed a qualified opinion on the CYs 2019 and 2018 financial statements because 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 in view of the: (a) variance of P36.167 million between the balances of PPE Ledger Cards generated by the JEV PPE Monitoring System (JPMS) as against the GL balances; (b) Report on the Physical Count of PPE did not reflect the actual physical count of PPE items as of December 31, 2019; 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.

The variance in CY 2019 of P36.167 million between the PPE Ledger Cards generated by the JPMS as against the GL balances decreased to P2.412 million in CY 2020 due to system enhancements. Likewise, the Report on the Physical Count of PPE already reflected the actual physical count of PPE items as of December 31, 2020. Moreover, the disposed PPE items in the total amount of P2.293 million were already removed from the JPMS and the depreciation in the amount of P279,391 was adjusted in the books. Accordingly, our present opinion on the restated CY 2019 financial statements 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 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 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 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 part of an audit in accordance with ISSAIs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement 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 a material misstatement 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 DAP'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 DAP'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 the DAP to cease to continue as a going concern.
- Evaluate the overall presentation, 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, 2020, required by the Bureau of Internal Revenue as disclosed in Note 34 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



SUZETTE G. PORNALES

OIC - Supervising Auditor

Audit Group G – Development, Media and Other Agencies

Cluster 6-Social, Cultural, Trading, Promotional and Other Services

Corporate Government Sector

June 7, 2021