



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, 2021 and 2020, the statements of financial performance, statements of changes in net assets/equity, statements of cash flows for the years then ended, statement of comparison of budget and actual amounts for the year ended December 31, 2021, 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, 2021 and 2020, 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 fair presentation in the financial statements of the Receivables account amounting to P157.346 million with the net realizable value of P76.392 million could not be ascertained due to: a) variance totaling P50.730 million between the book and confirmation balance of 22 sample accounts; b) unrecorded payments of clients made thru direct deposits and/or bank transfers totaling P18.057 million; c) accounts amounting to P10.634 million are with pending request for write-off; and d) the amount of P451,242 are prior years' receivables from resigned/separated employees without provision for impairment, contrary to Paragraph 27 of IPSAS 1.

Likewise, the faithful representation in the financial statements of the Unearned Revenue/Income account amounting to P308.772 million as of December 31, 2021, could not be ascertained due to the discrepancies between the General Ledger/Schedule and Subsidiary Ledger balances amounting to P22.524 million and the non-adjustment of the penalty charges in prior years of P4.464 million which was erroneously credited to the account contrary to Paragraph 27 of IPSAS 1.

Moreover, the faithful representation of the Property, Plant and Equipment (PPE) account balance recorded in the books was doubtful in view of the following: (a) variance of P11.117 million between the General Ledgers balances of the Machinery and Equipment sub-accounts and Furniture and Fixtures account and PPE Ledger Cards, contrary to Paragraph 27 of IPSAS 1; and (b) motor vehicle donated by United Nations Development Program in CY 2009 was valued at P1 in the books, contrary to Section 12 of Government Accounting Manual Volume I.

We were not able to perform alternative audit procedures to determine if any adjustments to the Receivables, Other Unearned Revenue/Income, likewise on the Property and Equipment 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.

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 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 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, 2021, 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



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Corporate Government Sector

April 12, 2022