



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 financial statements of the Development Academy of the Philippines (DAP), which comprise the statements of financial position as at December 31, 2023 and 2022, 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, 2023, 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 DAP as at December 31, 2023 and 2022, 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 and Accounts Receivable – Government accounts were overstated by P238.263 million and P22.064 million, respectively, while the Accumulated Surplus/(Deficit) account was understated by P216.199 million due to: a) inclusion of subsidies received for locally funded projects totaling P216.199 million; and b) recording of advance billings to clients of the contracted projects with uncompleted deliverables totaling P22.064 million, contrary to COA Circular No. 2020-002 on Revised Chart of Accounts for Government-Owned and Controlled Corporations, Paragraphs 19 and 44 of IPSAS 23, Paragraphs 14 and 19 of IPSAS 9, and Paragraph 27 of IPSAS 1.

Also, the faithful representation in the financial statements of the Receivables account as of December 31, 2023 amounting to P213.391 million with a net amount of P119.886 million could not be ascertained due to variances between the books and the confirmed balances totaling P57.070 million, contrary to Paragraph 27 of IPSAS 1, Paragraphs 3.10 and 3.11 of the Conceptual Framework for General Purpose Financial Reporting (CFGPFR) by Public Sector Entities and Paragraph 6.1 of COA Circular 2016-005.

Moreover, the faithful representation in the financial statements of the balance of the Property, Plant and Equipment (PPE) accounts amounting to P530.436 million with a carrying amount of P282.809 million was not established because of the following: a) various deficiencies noted in the Building and Other Structures account with carrying amount of P72.442 million, such as i) Other PPE items were still included in the Building and Other Structures account totaling P22.699 million; ii) PPE Ledger Cards and Property Cards were not maintained to substantiate the balance of the Building and Other Structure accounts; iii) inappropriate useful lives were used for depreciation of capitalized repairs, improvements, betterments and additions; and b) Eight unaccounted items were included in the Report on the Physical Count of PPE amounting to P0.614 million. Moreover, the PPE accounts have misstatements with an aggregate amount of P1.232 million which resulted from the following: a) overstatement of Machinery and Equipment and Accumulated Surplus/(Deficit) accounts by the same amount of P0.505 million due to non-recognition of impairment loss for unserviceable properties; b) overstatement of Accumulated Depreciation – Furniture and Fixtures and understatement of Accumulated Surplus/(Deficit) account by the same amount of P407,891 due to the overcharging of depreciation expense for the current year; and c) Overstatement of Other Supplies and Materials Inventory – In Transit account due to the reclassification of four PPE items totaling P319,321 previously recorded as Information and Communication Technology Equipment account which were acquired/delivered in January 2024, contrary to Paragraphs 3.10 and 3.11 of the CFGPFR by Public Sector Entities and Paragraph 27 of the IPSAS 1.

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, Plant 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 DAP in accordance with the Revised Code of Conduct and Ethical Standards for the Commission on Audit Officials and Employees (Code of Ethics) together 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 and the Code of Ethics. 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 May 3, 2023, we expressed a qualified opinion on the Calendar Years (CYs) 2022 and 2021 financial statements because the Cash and Cash Equivalents account with a balance of P1.118 billion as of December 31, 2022 was overstated by P173.840 million, while the Other Investment account was understated by the same amount due to the inclusion of short-term investments in the Cash in Bank account with terms ranging from 123 to 364 days, contrary to Paragraph 9 of IPSAS 2 - Cash Flow Statements. Likewise, disclosure on the short-term investment was not provided in the Notes to the Financial Statements, contrary to Paragraph 127 (b) of IPSAS 1 – Presentation of Financial Statements.

The short-term investments included in the Cash in Bank account with terms ranging from 123 to 364 days were reclassified in the Investment in Time Deposits-Local Currency account, which is the more appropriate account classification, in April 2023. Likewise, a disclosure on the matter was now provided in the Notes to the Financial Statements in compliance with Paragraph 127 (b) of IPSAS 1. Accordingly, our present opinion on the restated CY 2022 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 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, 2023, 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

Supervising Auditor

Audit Group G – Development, Media and Other Agencies 1

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

Corporate Government Audit Sector

May 6, 2024