



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, 2018 and 2017, 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, 2018, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the Bases 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, 2018 and 2017 and of its financial performance and its cash flows for the years then ended in accordance with Philippine Public Sector Accounting Standards (PPSASs).

Bases for Qualified Opinion

The Cash In Bank account totalling P628.163 million was understated by P7.906 million due to non-recording of reconciling items representing unidentified deposits/collections from January 2017 to December 2018. Likewise, the year-end balance of the Due to Officers and Employees account amounting to P64.022 million as of December 31, 2018 was overstated by P55.589 million due to accruals made for Financial Performance Award and Performance Based Bonus amounting to P42.644 million and P12.945 million, respectively, which were not valid obligations. Moreover, the Unearned Revenue/Income account with total balance of P85.890 million as at December 31, 2018 still included already earned revenue/income from completed and terminated projects in the amounts of P18.000 million and P1.235 million, respectively, thus overstating the said account in the amount of P19.235 million and understatement of the Accumulated Surplus/(Deficit) by the same amount.

Also, the faithful representation of the balance of the Accounts Receivable account totalling P228.507 million as at December 31, 2018 was not established in view of the variance amounting to P46.299 million between the balance per books and the

confirmed balances from various government agencies and private clients, contrary to the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities. Had the variance been reconciled and adjusted, the balance of Accounts Receivable account could have been fairly presented in the financial statements

We conducted our audits in accordance with 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 PPSASs, 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.

Other Matters

In our report dated June 13, 2018, we expressed a modified opinion on the 2017 financial statements because: (a) the Property, Plant and Equipment (PPE) account with a balance of P210.570 million as of December 31, 2017 was overstated by P11.238 million due to non-provision of depreciation in the amount of P10.033 million and inclusion of unserviceable/obsolete/defective equipment with carrying amount of P0.905 million; (b) the accuracy, validity and reliability of the year-end balance of Accounts Payable (A/P) totaling P151.711 million could not be determined due to variances in the results of confirmation totaling P7.934 million and inclusion of items which should not be part of A/P amounting to P75.240 million; (c) the Provision for Output VAT Year 2003 Onwards account year-end balance in the amount of P26.169 million was overstated by P6.529 million representing Output VAT from collected receivables which were not debited to the said account; and (d) the accuracy, validity and reliability of the accounts Deferred Credits to Income and Consultancy Fees – Management Training and Consultancy amounting to P162.936 million and P276.932 million, respectively, were doubtful due to improper recording of billings and recognition of revenue.

Adjustments were made in the books to recognize depreciation of the PPE and the unserviceable/obsolete/defective pieces of equipment were derecognized in the books. Likewise, variances noted in the results of confirmation of the A/P were reconciled and items which should not be part of the A/P were already reclassified to their appropriate

accounts. Further, the provision for output VAT was adjusted and the Accounting Division recognized revenue in the proper reporting period in which services were rendered or at the time the deliverables were accepted by the clients. Accordingly, our present opinion on the restated 2017 financial statements, as presented herein is no longer modified concerning those matters.

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, 2018, required by the Bureau of Internal Revenue as disclosed in Note 35 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 PPSASs. Such supplementary information is the responsibility of management.

COMMISSION ON AUDIT


ROSALIE D. SARMIENTO
OIC - Supervising Auditor
Audit Group G – Development, Media and Other Agencies
Cluster 6-Social, Cultural, Trading, Promotional and Other Services
Corporate Government Sector

April 30, 2019

DEVELOPMENT ACADEMY OF THE PHILIPPINES
STATEMENTS OF FINANCIAL POSITION
As at December 31, 2018 and 2017
(In Philippine Peso)

	Note	2018	2017 (Restated)	01 January 2017 (Restated)
ASSETS				
Current Assets				
Cash and cash equivalents	8	631,522,243	63,911,378	91,536,194
Financial assets	9	49,499,808	365,329,383	150,288,000
Receivables - net	10	125,754,969	132,302,611	186,169,252
Inventories	11	3,899,348	4,434,355	4,278,104
Other current assets	15.1	18,870,540	20,488,755	24,891,033
		829,546,908	586,466,482	457,162,583
Non-Current Assets				
Financial assets	9	175,007,000	165,007,000	140,007,000
Receivables - net	10	106,350,730	78,815,569	910,905
Property, plant and equipment - net	12	171,490,278	210,569,994	179,002,831
Intangible assets	13	129,973	129,973	129,973
Deferred tax assets	14	27,817,299	29,800,892	21,009,258
Other non-current assets	15.2	400,478	400,478	400,478
		481,195,758	484,723,906	341,460,445
TOTAL ASSETS		1,310,742,666	1,071,190,388	798,623,028
LIABILITIES				
Current Liabilities				
Financial liabilities	16	106,858,057	53,890,380	145,253,940
Inter-agency payables	17	193,226,812	193,302,521	13,200,827
Trust liabilities	18	1,175,515	9,410,138	39,016,388
Deferred credits	19.1	12,286,506	15,962,698	128,237,542
Unearned revenue/income	19.2	32,036,079	105,382,997	-
Other payables	21	9,305,834	7,518,035	-
		354,888,803	385,466,769	325,708,697
Non-Current Liabilities				
Financial liabilities	16	43,378,236	127,819,613	-
Inter-agency payables	17	288,483,725	-	-
Trust liabilities	18	21,100,430	24,893,503	-
Deferred credits	19.1	12,362,554	17,304,958	30,218,128
Unearned revenue/income	19.2	53,854,088	57,552,898	-
Provision for leave credits	20	69,555,038	60,946,980	51,633,960
Other payables	21	1,768,091	1,675,607	9,814,361
		490,502,162	290,193,559	91,666,449
TOTAL LIABILITIES		845,390,965	675,660,328	417,375,146
NET ASSETS (TOTAL ASSETS LESS TOTAL LIABILITIES)		465,351,701	395,530,060	381,247,882
NET ASSETS/EQUITY				
Government equity	22	47,500,000	47,500,000	47,500,000
Donated capital	23	161,897,942	161,897,942	161,897,942
Accumulated surplus/(deficit)	24	255,953,759	186,132,118	171,849,940
TOTAL NET ASSETS/EQUITY		465,351,701	395,530,060	381,247,882

The notes on pages 11 to 49 form part of these financial statements.

DEVELOPMENT ACADEMY OF THE PHILIPPINES
STATEMENTS OF FINANCIAL PERFORMANCE
For the Years Ended December 31, 2018 and 2017
(In Philippine Peso)

	Note	2018	2017 (Restated)
REVENUE			
Service and business income	25	372,037,248	383,122,936
		372,037,248	383,122,936
LESS: CURRENT OPERATING EXPENSES			
Personnel services	26	229,157,346	231,168,135
Maintenance and other operating expenses	27	326,854,285	305,031,133
Financial expenses	28	51,472	246,147
Non-cash expenses	29	27,285,435	44,339,192
Total Current Operating Expenses		583,348,538	580,784,607
Deficit from Current Operations		(211,311,290)	(197,661,671)
Non-operating income/gain	30.1	498,421	30,038
Non-operating losses	30.2	(644,854)	(245,054)
Deficit before Subsidy		(211,457,723)	(197,876,687)
Subsidy from the national government	31	281,279,364	212,158,865
Net Surplus for the Period		69,821,641	14,282,178

The notes on pages 11 to 49 form part of these financial statements.

DEVELOPMENT ACADEMY OF THE PHILIPPINES
STATEMENTS OF CHANGES IN NET ASSETS/EQUITY
For the Years Ended December 31, 2018 and 2017
(In Philippine Peso)

	Accumulated surplus/(deficit) Note 24	Government equity Note 22	Donated capital Note 23	Total
BALANCE AT JANUARY 1, 2017	145,047,135	47,500,000	161,897,942	354,445,077
Adjustments:				
Add/(Deduct):				
Unrecorded receivable for 2014 and below	910,905			910,905
Closing of non-moving accounts payable	6,108,405			6,108,405
Error in recording of subsidy income for CY 2011	19,783,495	-	-	19,783,495
RESTATED BALANCE AT JANUARY 1, 2017	171,849,940	47,500,000	161,897,942	381,247,882
Changes in net assets/equity for CY 2017				
Add/(Deduct):				
Surplus/(Deficit) for the period	14,282,178	-	-	14,282,178
RESTATED BALANCE AT DECEMBER 31, 2017	186,132,118	47,500,000	161,897,942	395,530,060
Changes in net assets/equity for CY 2018				
Add/(Deduct):				
Surplus/(Deficit) for the period	69,821,641	-	-	69,821,641
BALANCE AT DECEMBER 31, 2018	255,953,759	47,500,000	161,897,942	465,351,701

The notes on pages 11 to 49 form part of these financial statements.

DEVELOPMENT ACADEMY OF THE PHILIPPINES
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2018 and 2017
(In Philippine Peso)

	Note	2018	2017 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Inflows			
Collection of revenues		380,662,907	406,582,687
Receipt of assistance/subsidy		230,164,000	285,262,000
Collection of receivables		290,346,655	337,790,311
Receipt of inter-agency fund transfers		274,570,424	-
Trust receipts		555,689	143,316,425
Other receipts		4,251,905	3,239,438
Total Cash Inflows		1,180,551,580	1,176,190,861
Cash Outflows			
Payment of expenses		741,445,561	801,033,020
Payment of other payables		46,560,595	20,103,785
Purchase of inventories		12,348,965	16,716,988
Grant of cash advances		23,395,108	13,355,474
Prepayments		1,349,868	1,235,963
Remittance of personal benefits, contributions and mandatory deductions		82,555,979	93,252,916
Release of inter-agency fund transfers		6,988,985	-
Total Cash Outflows		914,645,061	945,698,146
Net Cash Provided by/(Used in) Operating Activities		265,906,519	230,492,715
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Inflows			
Receipt of interest earned		9,436,695	6,716,739
Proceeds from matured investments/ redemption of long-term investments		1,491,187,995	1,247,318,019
Total Cash Inflows		1,500,624,690	1,254,034,758
Cash Outflows			
Purchase of property, plant and equipment		14,829,455	25,550,861
Purchase of investments		1,184,582,601	1,486,583,582
Total Cash Outflows		1,199,412,056	1,512,134,443
Net Cash Provided by/(Used in) Investing Activities		301,212,634	(258,099,685)
Net Increase/(Decrease) in Cash and Cash Equivalents		567,119,153	(27,606,970)
Effects of exchange rate changes		491,712	(17,846)
Cash and Cash Equivalents, January 1		63,911,378	91,536,194
Cash and Cash Equivalents, December 31	8	631,522,243	63,911,378

The notes on pages 11 to 49 form part of these financial statements.

DEVELOPMENT ACADEMY OF THE PHILIPPINES
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
For the Year Ended December 31, 2018
(In Philippine Peso)

	Note	Budgeted Amount		Actual Amounts on Comparable Basis	Difference Final Budget and Actual
		Original	Final		
RECEIPTS					
Service and business income	25	705,581,505	705,581,505	372,037,248	333,544,257
Assistance and subsidy	31	964,962,000	964,962,000	281,279,364	683,682,636
Total Receipts		1,670,543,505	1,670,543,505	653,316,612	1,017,226,893
PAYMENTS					
Personnel services	26	288,674,863	284,346,000	229,157,346	55,188,654
Maintenance and other operating expenses	27	588,422,000	581,660,000	326,854,285	254,805,715
Capital outlay		740,704,000	740,704,000	35,509,521	705,194,479
Total Payments		1,617,800,863	1,606,710,000	591,521,152	1,015,188,848
NET RECEIPTS/PAYMENTS		52,742,642	63,833,505	61,795,460	2,038,045

The notes on pages 11 to 49 form part of these financial statements.