



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, 2025 and 2024, 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, 2025, and notes to 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, 2025 and 2024, 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 faithful representation of the Receivables account, with a recorded balance of P301.058 million and a net realizable value of P206.939 million as at December 31, 2025 could not be ascertained due to the:

- a. Variances between the recorded balances in the books and the confirmed balances, totaling P17.636 million;
- b. Existence of receivables totaling P55.680 million that have remained outstanding for 10 years or more. These long-outstanding balances, although provided with an allowance for impairment, continue to be carried in the books without completion of the appropriate disposition or write-off procedures. This condition impairs the reliability and verifiability of both the gross Receivables accounts and the corresponding Allowance for Impairment, thereby affecting the fair presentation of the accounts and reducing the usefulness of the reported balances for informed decision-making; and

- c. Recognition of receivable and accrued revenue for subsidies related to fully implemented programs despite the absence of an enforceable claim over the said subsidies, contrary to Paragraphs 30 and 44 of IPSAS 23, resulted in the overstatement of Other Receivables – Projects and Accumulated Surplus/(Deficit) accounts both amounting to P90 million.

These deficiencies cast doubt on the reliability of the recorded balances, thereby affecting the fair presentation of the Receivables account in the financial statements, contrary to Paragraph 27 of IPSAS 1, Paragraphs 3.10 and 3.11 of Conceptual Framework for General Purpose Financial Reporting (CFGPFR) by Public Sector Entities (PSEs).

Also, the faithful representation of the balance of the Property, Plant and Equipment (PPE) accounts, with a total cost of P587.490 million and a carrying amount of P331.125 million, could not be established due to the following deficiencies:

- a. Non-maintenance of PPE Ledger Cards and Property Cards to substantiate the balance of the Building and Other Structures account;
- b. Inclusion in the Report on the Physical Count of PPE of 150 unaccounted items amounting to P13.271 million; and
- c. Inclusion of unsubstantiated land improvements amounting to P1.026 million, resulting in the overstatement of the Land account by the same amount.

These deficiencies cast doubt on the reliability of the recorded balances and affect the fair presentation of the PPE accounts in the financial statements, contrary to Paragraph 27 of IPSAS 1, Paragraphs 3.10 and 3.11 of the CFGPFR by PSEs.

Moreover, the faithful representation of the Due to Officers and Employees account amounting to P44.505 million as at December 31, 2025, could not be established due to the following:

- a. Inclusion of long-outstanding balances totaling P13.733 million for the last salaries of separated employees, which have remained unpaid for over three years due to incomplete or unprocessed clearance requirements; and
- b. Recognition of Performance-Based Bonus for Fiscal Year 2023 amounting to P9.183 million, despite the absence final validation and confirmation of eligibility from the Governance Commission for Government-Owned or Controlled Corporations, resulting in the overstatement of Due to Officers and Employees account and the corresponding understatement of Accumulated Surplus/(Deficit) account both by P9.183 million.

These deficiencies indicate that portions of the account may not represent present obligations and include prematurely recognized benefits, thereby affecting the reliability and faithful representation of the account balances in the financial statements, contrary to Paragraph 27 of IPSAS 1, and Paragraphs 3.10 and 3.11 of the CFGPFR by PSEs.

Furthermore, the correctness of the balance of the Deferred Tax Asset (DTA) account in the financial statements, amounting to P17.447 million as at December 31, 2025, could

not be ascertained due to the erroneous recording of tax-related transactions, resulting in the overstatement of DTA account by P17.447 million, and the understatement of Creditable Input Tax account by P1.407 million, and Withholding Tax at Source account by 16.040 million, contrary to Paragraphs 27 and 76 of IPSAS 1.

Lastly, the Unearned Revenue/Income and Accounts Receivable – Government accounts were overstated by P8.717 million and P5.975 million, respectively, while the Accumulated Surplus/(Deficit) account was understated by P2.742 million, due to the erroneous recording and improper accounting treatment of advance billings to clients for contracted projects, contrary to Paragraphs 14 and 19 of IPSAS 9, and Paragraph 27 of IPSAS 1, thereby affecting the fair presentation of the accounts in the financial statements.

We were not able to perform alternative audit procedures to determine if any adjustments to the Receivables, PPE and Due to Officers and Employees and DTA accounts 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.

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, 2025, 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

April 16, 2026