



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

MANAGEMENT LETTER

on the audit of

**TESDA ISABELA SCHOOL OF ARTS
AND TRADES
Calamagui 2nd, City of Ilagan, Isabela**

For the Year-Ended December 31, 2022



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
REGIONAL OFFICE NO. II
National Government Audit Sector – Cluster 5
Provincial Satellite Auditing Office
Brgy. Alibagu, City of Ilagan, Isabela

Office of the Auditor – Audit Team No. Team R2-14B

March 10, 2023

ADELINE P. BAARDE
OIC – Regional Supervising Auditor
NGAS Cluster 5 – Education and Employment
COA Regional Office No. 02
Tuguegarao City, Cagayan

Dear Madam:

We are pleased to transmit the Management Letter on the audit of Technical Education and Skills Development Authority (TESDA) Isabela School of Arts and Trades (ISAT) for the period January 1 to December 31, 2022, in compliance with Section 2, Article IX-D of the Philippine Constitution and Section 43 of P. D. 1145, otherwise known as the “Government Auditing Code of the Philippines”.

The attached report consists of the Detailed Observations and Recommendations which were earlier communicated through Audit Observation Memoranda (AOMs) with concerned TESDA-ISAT officials and employees, the Status of Implementation of Prior Years’ Audit Recommendations and the Audited Financial Statements.

Qualified Opinion

We have audited the financial statements of the TESDA ISAT, City of Ilagan, Isabela, which comprise of the Statement of Financial Position as at December 31, 2022, and the Statement of Financial Performance, Statement of Changes in Net Assets/Equity, Statement of Comparison of Budget and Actual Amounts, Statement of Cash Flows for the year then ended, and Notes to the Financial Statements, including the summary of significant accounting policies.

In our opinion, except for the effects of the matter 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 TESDA ISAT as at December 31, 2022 and 2021, and its financial performance, cash flows, changes in net assets/equity, and comparison of budget and actual amounts for the year then ended in accordance with the International Public Sector Accounting Standards (IPSASs).

Basis for Qualified Opinion

As discussed in Part II – Observations and Recommendations of this report, there were accounting errors which affected the fair presentation of the financial statements of the TESDA ISAT such as:

- a) Unadjusted receivables from Training and Assessment Fees – ₱1,684,170.70;
- b) Unrecorded disallowance that become final and executory – ₱733,300.60; and
- c) Unrecorded receipt and distribution of starter toolkits – ₱1,870,201.40 and ₱6,684,771.49, respectively.

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 Agency in accordance with the Revised Code of Conduct and Ethical Standards for Commission on Audit Official 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 for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

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 agency's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entity or its business activities to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

Very truly yours,



JOHN MARK B. RAGUINDIN
Audit Team Leader
R2-14B NGAS-5 Education and Employment



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
REGIONAL OFFICE NO. II
National Government Audit Sector – Cluster 5
Provincial Satellite Auditing Office
Brgy. Alibagu, City of Ilagan, Isabela

Office of the Auditor – Audit Team No. Team R2-14B

March 9, 2023

Mr. EDWIN P. MADARANG
Vocational School Superintendent
Isabela School of Arts and Trades
City of Ilagan, Isabela

Dear Sir:

**Management Letter on the Audit of the
Technical and Skills Development Authority (TESDA) –
Isabela School of Arts and Trades (ISAT)
For the period January 1, 2022 to December 31, 2022**

1. Pursuant to Section 2, Article IX-D of the Constitution of the Philippines and Section 43 of the Government Auditing Code of the Philippines (P.D. No. 1445), we have audited the accounts and operations of TESDA-ISAT for the year-ended December 31, 2022. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Those standards require that we plan and perform the audit to obtain reasonable basis for our conclusions.
2. The audit was conducted to: (a) verify the level of assurance that may be placed on management's assertions on the financial statements; (b) determine the extent of compliance with applicable laws, rules and regulations; (c) recommend agency improvement opportunities; and (d) determine the extent of implementation of prior year's audit recommendations.
3. Deficiencies noted in the course of the audit were earlier communicated through Audit Observation Memoranda (AOM) and discussed in an exit conference with concerned agency officials and employees on March 7, 2023. Their comments were incorporated in this Management Letter, where appropriate. The significant audit observations and recommendations shall be incorporated in the Regional Consolidated Management Letter (RCML) of the TESDA, Regional Office No. II for CY 2022.

Scholarship Program. Then Acting School Head, Igmedio S. Casticon, was officially appointed as the Vocational School Superintendent of ISAT.

10. During 2014, Significant gains were made in the institution's infrastructure and physical plant improvement, among the noticeable accomplishment were the student "kalapaw" services canteen, fabrication of whole basketball board/court, concreting and widening of roads linking the gate and the Administrative office, leveling and compacting of school ground and construction of retaining wall fronting the administration office, continuation of gate construction and perimeter front and rear fences.

Core Business

11. The institution is mandated to deliver the following functions namely;

- **Skills Training** - The institution utilizes the competency-based training delivery mode in all its programs enhanced with simulation practice, multi-media and supervised industry training.
- **Research and Development** - Survey results of researches conducted and monitoring of graduates are of great help in determining the employment and skills utilization rate of graduates.
- **Extension/Outreach** - This is an activity provided by the school to address livelihood skills /training needs of recipient communities.
- **Income Generating Enterprises** - The training cum-production scheme is maintained by all qualifications to augment meager MOOE of the institution
- **Competency Assessment** - As an accredited assessment center it caters to all job ready applicants/workers wishing to avail national competency assessment.

Vision

12. The institution is a producer of globally-competitive and disciplined workers responsive and contributory to the development of the country.

Mission

13. To provide excellent and world class technical-vocational education and training with integration of high moral standards for a viable workforce receptive to global needs.

Goals and Objectives

14. TESDA-ISAT aims to:

- To provide quality and relevant technical vocational education and training

- To conduct research and development to enhance technology/instruction
- To implement extension programs and services to uplift and support the economic growth of the community
- To develop, operate and manage income generating projects

Management

15. At present, the training institution is headed by a Vocational School Superintendent, 21 are in the Administrative Services Department and 38 are in the Instructional Services Department with 20 job orders.

Office/Division	Permanent	Job-orders	Total
Administrative/Finance	21	11	32
Academic	38	9	47
Total	59	20	79

Financial Highlights

16. For CY 2022 the Agency received a total appropriation of ₱35,317,971.78. The current year appropriation comprises of (a) regular appropriations of ₱32,426,449.78 (b) automatic appropriation of ₱2,704,022.00; and (c) Special Purpose Fund (SPF) of ₱187,500.00. During the year, the Agency received total allotments of ₱35,317,971.78 with obligations incurred of ₱35,254,684.28 leaving an unobligated allotment of ₱63,287.50 which was reverted. Details are as follows:

Source of Funds	Appropriations	Allotments	Obligations Incurred	Unobligated Balance	
				Total	Reverted
(In PhP)					
Current Year					
1. Regular	32,426,449.78	32,426,449.78	32,426,449.78	-	
2. Automatic Appropriations					
a. RLIP	2,704,022.00	2,704,022.00	2,640,734.50	63,287.50	63,287.50
3. SPF					
a. MPBF	187,500.00	187,500.00	187,500.00	-	-
b. PGF	-	-	-		
Total	35,317,971.78	35,317,971.78	35,254,684.28	63,287.50	63,287.50

17. For Sariling Sikap Program (SSP) Fund, the TESDA-Isabela School of Arts and Trades has a total collection/receipt as of December 31, 2022 amounting to ₱35,214,307.75 with payment of expenses incurred amounting to ₱29,370,097.62 leaving a balance of ₱5,844,210.13, as follows:

Sources of SSP Fund:	
School Fees – Regular Programs	₱255,000.00
School Fees – Scholarship	17,536,254.30

Examination Fees- Regular Programs	3,512,313.18
Examination Fees- Scholarship	4,524,458.00
Seminar/Training Fees	367,201.90
Rent/Lease Income	55,000.00
Income from Hostels/Dormitories and other Like facilities	171,370.00
Other Business Income	3,202,790.92
Others	5,589,919.45
Total Collection/Receipts	₱35,214,307.75
Application of Funds	
MOOE	₱26,739,737.62
Capital Outlay	2,630,360.00
Total Payments	29,370,097.62
Balances	₱ 5,844,210.13

18. The financial position and financial performance for CY 2022, with comparative figures for CY 2021, are summarized below and presented in detail in Annexes A.2 and A.3.

Particular	2022	2021	Increase/ (Decrease)	%
Financial Condition				
Assets	47,239,045.89	33,140,085.93	14,098,959.96	43%
Liabilities	4,369,047.61	3,352,424.33	1,016,623.28	30%
Government Equity	42,869,998.28	29,787,661.60	13,082,336.68	44%
Financial Performance				
Revenue	33,707,041.24	28,916,635.49	4,790,405.75	17%
Current Operating Expenses	73,029,005.86	58,032,904.22	14,996,101.64	26%
Surplus/(Deficit) from Current Operations	-39,321,964.62	-29,116,268.73	-10,205,695.89	35%
Net Financial Assistance/ Subsidy	51,734,895.43	29,983,539.16	21,751,356.27	73%
Surplus/(Deficit) for the period)	12,412,930.81	867,270.43	11,545,660.38	1331%

19. The total Notice of Cash Allocation (NCA) received for Fund Cluster 01 amounted to ₱35,026,019.61 (Annex C).

20. Operational Highlights

Key Performance Indicator (KPI)	CY 2022 Physical Targets	Accomplishment as of December 31, 2022	Percentage of Accomplish ment
MFO 1: TESD Policy Services			
Number of research and studies conducted	1	1	100%
MFO 2: Technical Education and Skills Development Regulatory Program			

Key Performance Indicator (KPI)	CY 2022 Physical Targets	Accomplishment as of December 31, 2022	Percentage of Accomplishment
Technical Education and Skills Development Programs			
No. of TTI Enrollees	3,654	4,957	136%
No. of TTI graduates	3,289	4,933	150%
75% graduates from technical education and skills development scholarship programs that are employed	1,549	1,450	136%
Training for Work Scholarship Program(TWSP)			
No. of TWSP subsidized enrollees	-	309	-
No. of TWSP subsidized graduates	-	240	-
Institution-based Training Program			
No. of enrollees	1,725	2,952	171%
No. of graduates	1,553	2,890	186%
Community-based Training Program			
No. of enrollees	865	2,005	232%
No. of graduates	779	2,043	262%
Trainers Development			
No. of learning facilitators trained TM	-	120	-
Special Clients			
Drug Dependent	25	80	320%
Rebel Returnees	25	4	16%
Dependents of Killed –in-action (KIA) Wounded in Action	2	13	650%
Indigenous Peoples and Cultural Communities	100	723	723%
Overseas Filipinos (OFs)	50	347	694%

B. Summary of Recommendations

21. For the significant deficiencies observed during the audit, we recommended that Management:

1. On the Accounting Errors and Omissions that Misstated the Financial Statements (FSs):
 - a. Instruct the Accountant to prepare adjusting entry to correct the overstated Accounts Receivable Account by ₱1,684,170.70;
 - b. Require the Scholarship and Assessment Focal Person to judiciously prepare the billings made to TESDA PO to include only valid claims of training and assessment fees;
 - c. Direct the Accounting Section to timely reconcile the Accounts Receivable from TESDA PO to ascertain the correctness and validity of their claims;

- d. Prepare adjusting entries to record the outstanding disallowance which become final and executory amounting to ₱733,300.60;
- e. Monitor the payments and the outstanding balance of the person's liable and ensure that their liability is settled prior to resignation, retirement or transfer;
- f. Instruct the Accountant to prepare adjusting entries to record the receipt and distribution of starter toolkits in CY 2022 amounting to ₱1,870,201.40 and ₱6,684,771.49, respectively. Henceforth, properly record the succeeding receipt and distribution of the toolkits;
- g. Require the Property Section to promptly submit to the Accounting Section copies of RIS on the receipt of toolkits and Acknowledgement Receipts on the issuance thereof for proper recording; and
- h. Restate the beginning balance of the Comparative FS on the affected accounts relative to the change in accounting policy on the increase in the capitalization threshold from P15,000.00 to P50,000.00 as provided in COA Circular No. 2022-004.

2. On the accounting deficiencies in the Notes to FS

Disclose in the Notes to Financial Statements relevant information on the breakdown/details of the accounts, the significant changes in the balances or the unchanged balances, and the reasons thereof, if any, as prescribed under existing rules and regulations, for the proper information and decision-making of all users of the FS and to establish the reliability thereof;

3. On the laxity in the granting and utilization of cash advance resulting in the accumulation of unliquidated cash advances – ₱191,972.50

- a. Stop the practice of granting additional cash advance unless the previous cash advance has been liquidated pursuant to Section 4.1.2 of COA Circular 97-002 dated February 10, 1997 to avoid accumulation of large amounts of unliquidated cash advances;
- b. Designate additional Special Disbursing Officer to act as an accountable officer and be granted cash advances in case the current Accountable Officer has unliquidated cash advances, if necessary;
- c. Stop the practice of granting cash advances to the Disbursing Officer that will eventually be transferred to another officials and employees of TESDA-ISAT in compliance with COA Circular 97-002 dated February 10, 1997; and

- d. Refrain the practice of payments thru cash advance instead of payment directly to suppliers to ensure that the corresponding taxes be withheld thereon.

4. On the non-posting of Notice of Award and Notice to Proceed – P2,652,620.75

- a. Require the BAC Secretariat to post in the PhilGEPS websites the Notices of Award and Notices to Proceed for the procurements done thru public bidding and all instances of alternative methods of procurement, except for contracts with ABC of Fifty Thousand Pesos (P50,000.00) and below; and
- b. Ensure that the printout copy of postings of Notices of Award and Notices of Proceed in the PhilGEPS website is included among the supporting documents for payment of procured goods and services.

5. On the invitation or request for price quotations not posted in PhilGEPS- P957,520.75

Require the BAC to observe strictly in its procurements the posting of the invitation or request for submission for price quotations/proposals in the PhilGEPS website and in the website of the entity, pursuant to the provisions of the Revised Implementing Rules and Regulations (IRR) of Republic Act 9184 (R.A.) No. 9184.

6. On the lack of proper procurement planning resorted to splitting of contract - P1,022,129.26

- a. Conduct proper planning in the procurement of goods and services and avoid splitting of requisition pursuant to the provisions of the Revised IRR of R.A. No. 9184 and COA Circular No. 2009-002 dated May 18, 2009; and
- b. Inform the BAC of all procurement transactions and shall see to it that competitive bidding is done except in conditions where alternative mode of procurement is applicable pursuant to Section 10, Rule IV of 2016 Revised IRR of R.A. of 9184.

7. On the undistributed starter toolkits in the custody of TESDA ISAT - P2,873,456.59

- a. Continue its efforts to locate the graduates entitled to the 398 unclaimed starter toolkits. However, for the 358 toolkits of unutilized slots, if no beneficiaries will be identified, the undistributed units under UAQTEA shall be used for community-based programs of TESDA ISAT or TESDA

Isabela PO while the undistributed units under STEP shall be utilized in accordance with TESDA Circular No. 64, series of 2021; and

- b. In coordination with the Regional Director and the Provincial Director, make representation with the concerned Department/s in the Central Office to discuss and address the issues and concerns on the receipt of toolkits and the distribution thereof to the beneficiaries, thus timely and effectively attain the objectives of the Scholarship Programs and avoid additional cost for storage and safekeeping.

8. On the objective on the creation of SSP Fund which was not fully achieved

- a. Make proper representation with TESDA Central Office to revisit the provisions of Executive Order (EO) No. 939 and its IRR, and to recommend necessary amendments, if warranted;
- b. Pending amendment to EO No. 939 and its IRR, strictly observe the existing guidelines for the SSP Program to fully achieve its purpose and objectives; and
- c. With the existing resources, revisit the possibilities of engaging into training-cum-production to be funded by its available SSP fund or any income generating activities as envisioned during the creation of the SSP Fund.

9. On the incomplete details shown in Transparency Seal

Update and enhance the Transparency Seal page contents, pattern the page's interface with the information required in Section 102 of GAA 2022 for ease of understanding and access in response to the right to information of the public.

C. Detailed Observations and Recommendations

I. Financial Audit

Accounting Errors and Omissions that Misstated the Financial Statements (FSs):

22. The Assets and Equity (including Income and Expenses) had misstatements overstating the year-end balances of said accounts by ₱5,765,440.19 which represents 12.20 percent and 13.45 percent of its total assets and equity, respectively. Also, the Comparative FS were not restated as a result of the change in accounting policy, thus the net adjustments in the Accumulated Surplus/(Deficit) in prior year amounting to ₱1,902,191.24 was not retrospectively applied. Except for the significant impact of such misstatements on the reported balances of the affected accounts, the

accompanying financial statements present fairly, in all material respects, the agency's financial position as at December 31, 2022 and its financial performance, cash flows, changes in net assets/equity, and comparison of budget and actual amounts for the year then ended in accordance with Section 15, Chapter 2 of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I.

23. Section 15, Chapter 02, of the GAM for NGAs, Volume I states that: "The FSs shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue, and expenses set out in PPSAS. The application of PPSAS, with appropriate disclosures, if necessary, would result in fair presentation of the FS."

24. Moreover, Section 111 of Presidential Decree (P.D.) No. 1445 provides that the accounts of the agency shall be kept in such detail as necessary to meet the needs of the agency and at the same time be adequate to furnish the information needed by the fiscal or control agencies of the government. The highest standards of honesty, objectivity and consistency shall be observed in the keeping of accounts to safeguard against inaccurate or misleading information. Section 112 thereof also states that each government agency shall record its financial transactions and operations conformably with generally accepted accounting principles and in accordance with pertinent laws and regulations.

25. Our audit of the TESDA-ISAT consolidated FSs disclosed misstatements in several of its accounts, as shown below:

Table 1. Summary of Uncorrected Misstatements in the FSs

Errors/Findings	Amount of (Over) Understatement in Pesos		ML Reference	
	Assets			Equity
	Accounts Receivable	Other Supplies & Materials for Dist.		
Unadjusted receivables from Training and Assessment Fees	(1,684,170.70)		(1,684,170.70) Table 2 & 3	
Unrecorded disallowance that become final and executory	733,300.60		733,300.60 Par. 36	
Unrecorded receipt of 400 sets of starter toolkits		1,870,201.40	1,870,201.40 Table 4	
Unrecorded distribution of 1,425 sets of starter toolkits		(6,684,771.49)	(6,684,771.49) Table 5	
Total Net (Over) Understatements				
	(950,870.10)	(4,814,570.09)		
Assets-Liabilities = Equity	(5,765,440.19)		(5,765,440.19)	
Financial Statement Balances	47,239,045.89		42,869,998.28	
Percent of Total Errors per Accounts Affected (Absolute Amount)	12.20%		13.45%	

26. We recommended that the Accountant effect the necessary adjustments on the errors and omissions, among others, the erroneous recording of transactions as well as misclassifications of accounts to correct the reported balances of affected accounts in the Financial Statements and observe the proper recording, adjustments and reclassifications of accounts and transactions, and that all transactions should be supported by necessary documentations in accordance with the GAM and other existing accounting rules and regulations.

Accounts Receivable

Unadjusted receivables from Training and Assessment Fees- P1,684,170.70

27. The balance of Accounts Receivable Account of TESDA ISAT is overstated by P1,684,170.70 due to invalidated billings of training and assessment fees of TESDA Isabela Provincial Office, thus overstating the assets and revenue accounts affecting the fair presentation of its financial statements as at December 31, 2022 which is not in keeping with Chapters 2 and 5 of the GAM for NGAs, Volume I.

28. Section 27 of the GAM for NGAs, Volume I provides that, *“Financial Statements shall present fairly the financial position; financial performance, and cash flow of an entity. Fair presentation requires the faithful representation of the effects of the transactions, other events and conditions in accordance with definitions and recognition criteria for assets, liabilities, revenue and expenses set out in IPSASs.”*

29. Meanwhile, Chapter 2 Section 32 of the same Manual I states that:

“Sec. 32. Recognition of an Asset. An asset shall be recognized in the financial position when and only when (a) it is probable that the future economic benefits will flow to the entity; and (b) the asset has a cost or value that can be measured reliably.”

30. Also, Chapter 5 Section 7a of the said Manual provides for the *Recognition and Measurement of Revenue from Exchange Transaction*:

*“Revenue shall be recognized when it is probable that future economic benefits or service potential will flow to the entity and these benefits can be measured reliably.
X x x . . .”*

31. TESDA ISAT is conducting trainings and assessments for TESDA Isabela PO scholars to determine whether they are competent or not on the different qualification programs. Administrative and financial procedures in the implementation of the TESDA scholarship programs require that payment of training costs be made upon completion of the training programs. The implementing units such as the TESDA-ISAT is required to submit to the TESDA Isabela PO the documents such as billing statements, duly approved

26. We recommended that the Accountant effect the necessary adjustments on the errors and omissions, among others, the erroneous recording of transactions as well as misclassifications of accounts to correct the reported balances of affected accounts in the Financial Statements and observe the proper recording, adjustments and reclassifications of accounts and transactions, and that all transactions should be supported by necessary documentations in accordance with the GAM and other existing accounting rules and regulations.

Accounts Receivable

Unadjusted receivables from Training and Assessment Fees- P1,684,170.70

27. The balance of Accounts Receivable Account of TESDA ISAT is overstated by P1,684,170.70 due to invalidated billings of training and assessment fees of TESDA Isabela Provincial Office, thus overstating the assets and revenue accounts affecting the fair presentation of its financial statements as at December 31, 2022 which is not in keeping with Chapters 2 and 5 of the GAM for NGAs, Volume I.

28. Section 27 of the GAM for NGAs, Volume I provides that, *“Financial Statements shall present fairly the financial position; financial performance, and cash flow of an entity. Fair presentation requires the faithful representation of the effects of the transactions, other events and conditions in accordance with definitions and recognition criteria for assets, liabilities, revenue and expenses set out in IPSASs.”*

29. Meanwhile, Chapter 2 Section 32 of the same Manual I states that:

“Sec. 32. Recognition of an Asset. An asset shall be recognized in the financial position when and only when (a) it is probable that the future economic benefits will flow to the entity; and (b) the asset has a cost or value that can be measured reliably.”

30. Also, Chapter 5 Section 7a of the said Manual provides for the *Recognition and Measurement of Revenue from Exchange Transaction*:

“Revenue shall be recognized when it is probable that future economic benefits or service potential will flow to the entity and these benefits can be measured reliably. X x x . . .”

31. TESDA ISAT is conducting trainings and assessments for TESDA Isabela PO scholars to determine whether they are competent or not on the different qualification programs. Administrative and financial procedures in the implementation of the TESDA scholarship programs require that payment of training costs be made upon completion of the training programs. The implementing units such as the TESDA-ISAT is required to submit to the TESDA Isabela PO the documents such as billing statements, duly approved

Trainee's profile, daily attendance sheet or in lieu thereof, Learner's Achievement Monitoring Report with Certification under Oath of the scholars' completion of training and TESDA copy of Scholarship Grant Certificates. After training and conduct of assessment, TESDA ISAT sends billings to TESDA PO for the corresponding fees chargeable against the latter.

32. The Financial Statement as of December 31, 2022 of TESDA ISAT showed an amount of ₱4,568,134.70 Accounts Receivable from TESDA PO. However, verification and reconciliation of the billings on the training and assessments conducted during CY 2022 with TESDA PO revealed that the recorded Accounts Receivable of TESDA ISAT is overstated by ₱1,684,170.70. Detailed breakdown is as follows:

33. **Overstated billings of Training Cost - ₱758,203.70**

Table 2. Schedule of Unadjusted Receivables from Training Fees CY 2022

Scholarship Program	RQM Code	Qualification Program	Start of Training	End of Training	Amount
2021 UAQTEA	RQM1-2021-UAQD-0231-1-1Y2S	Diploma in Civil Eng. Tech. (1st yr/2ND sem)	09/20/2021	02/09/2022	₱79,600.00
2021 UAQTEA	RQM1-2021-UAQD-0231-2-1Y2S	Diploma in Electrical Eng. Tech. (1st yr/2ND sem)	09/20/2021	02/09/2022	238,800.00
2021 UAQTEA	RQM1-2021-UAQD-0231-10-2Y2S	Diploma in Electrical Eng. Tech. 2nd yr/2ND sem)	09/20/2021	02/09/2022	258,700.00
2021 UAQTEA	RQM1-2021-UAQD-0231-17-3Y2S	Diploma in Electrical Eng. Tech. 3rd yr/2ND sem)	09/20/2021	02/09/2022	179,100.00
2022 UAQTEA	RQM2-2022-UAQD-0231-7-2Y1S	Diploma in Electrical Eng. Tech. 2nd yr/1st sem)	06/06/2022	10/18/2022	130,292.50
2022 UAQTEA	RQM2-2022-UAQD-0231-9-3Y1S	Diploma in Civil Engineering Technology (3RD yr/1st Sem)	06/06/2022	10/18/2022	367,622.00
TWSP	RQM23-2021-TWSP-0231-14	Electrical Installation and Maintenance NC II	03/21/2022	05/04/2022	126,462.00
TWSP	RQM23-2021-TWSP-0231-16	SMAW NC II	03/21/2022	05/10/2022	243,408.00
TWSP	RQM23-2021-TWSP-0231-15	Driving NC II	04/25/2022	05/16/2022	98,100.00
TWSP	RQM2-2022-TWSP-0231-0040	BARISTA NC II	04/11/2022	06/16/2022	99,184.00
TWSP	RQM3-2022-TWSP-0231-0007	HAIRDRESSING NC II	6/13/2022	10/13/2022	156,135.50
TWSP	RQM2-2022-TWSP-0231-0041	Conduct Training Need Analysis (Leading to Trainers Methodology Level II)	06/23/2022	06/30/2022	65,268.00
TWSP	RQM2-2022-TWSP-0231-0045	Design and Develop Maintenance System (Leading to Trainers Methodology Level II)	04/25/2022	05/06/2022	54,000.00
TWSP	RQM22-2022-TWSP-0231-0002	Driving NC II (Vehicle is provided by assessment center)	12/05/2022	12/23/2022	125,350.00
TTSP	RQM3-2022-TTSP-0231-0015	EIM NC II	06/13/2022	07/15/2022	117,429.00
STEP	RQM2-2021-STEP-0231-51	CARPENTRY NC II	04/07/2022	06/07/2022	312,398.00

Scholarship Program	RQM Code	Qualification Program	Start of Training	End of Training	Amount
STEP	RQM3-2022-STEP-0231-0010	PROCESS FOOD BY SUGAR CONCENTRATION	5/16/2022	09/06/2022	76,000.00
Total Validated Billings					2,727,849.00
Recorded A/R from Training Cost					3,486,052.70
Difference (overstated A/R)					(P758,203.70)

34. **Overstated billings of Assessment Fees - P925,967.00**

Table 3. Schedule of Unadjusted Receivables from Assessment Fees CY 2022

Scholarship Program	RQM Code	Qualification Program	Actual Date of Assessment	Amount
2022 UAQTEA	RQM2-2022-UAQD-0231-27-2Y1S	Cookery NC II(DIPLOMA)	17-Nov-2022; 20-Jan-2023	P7,800.00
STEP	RQM4-2022-STEP-0231-0032	DRESSMAKING NC II	11/10-12/2022	33,700.00
TTSP	RQM3-2022-TTSP-0231-0015	EIM NC II	11/5-7/2022	42,527.00
TTSP	RQM3-2022-TTSP-0231-0011	DRIVING NC II	11/24-25/2022	15,510.00
TTSP	RQM10-2022-TTSP-0231-0001	DRIVING NC II	11/25-26/2022	15,510.00
TTSP	RQM10-2022-TTSP-0231-0002	DRIVING NC II	11/6,19,20,27/2022	17,758.00
TWSP RO	RQM2-2022-TWSP-0231-0040	Barista NC II	06/15/2022	23,310.00
Total Validated Billings				156,115.00
Recorded A/R from Assessment Fees				1,082,082.00
Difference (overstated A/R)				(P925,967.00)

35. Our verification and reconciliation of Accounts Receivable of TESDA ISAT from TESDA Isabela PO revealed that various billings were invalidated due to the following reasons:

- a. Dropped students were included in the billed training cost;
- b. Students with incomplete attendance or absent were added in the computation of training cost;
- c. Billings of assessment fees includes regular students who are not scholars of TESDA PO;
- d. Double entries of scholars were included in the list of assessed students;
- e. The payments made by TESDA PO for 2021 UAQTEA composed of training and assessment fees but applied by TESDA ISAT as payment to training cost only; and
- f. Funds were already reverted to the National Treasury for assessments made after the validity of the approved RQMs.

36. TESDA ISAT failed to regularly reconcile with TESDA Isabela PO the billings made by the former to the latter resulting in the overstatement of Accounts Receivable by ₱1,684,170.70. Also, the Scholarship and Assessment focal person in charge of the billing of training and assessment fees did not inform promptly the Accounting Section of the discrepancies and invalidated billings made to TESDA PO.

37. The Management should ensure that billings made to TESDA Isabela PO are accurate to include those training and assessment fees actually conducted to the scholars of TESDA PO to prevent invalidated billings. These invalidated billings resulted in the overstatement of assets and revenue totaling to ₱1,684,170.70, thus affecting the fair presentation of the agency's Financial Reports.

38. **We recommended that Management:**

- a. **Instruct the Accountant to prepare adjusting entry to correct the overstated Accounts Receivable Account by ₱1,684,170.70 as follows:**

<i>Account Title</i>	<i>Dr</i>	<i>Cr</i>
School Fees	₱758,203.70	
Examination Fees	925,967.00	
Accounts Receivable		₱1,684,170.70

- b. **Require the Scholarship and Assessment Focal Person to judiciously prepare the billings made to TESDA PO to include only valid claims of training and assessment fees; and**
- c. **Direct the Accounting Section to timely reconcile the Accounts Receivable from TESDA PO to ascertain the correctness and validity of their claims.**

39. Management instructed the Assessment and Registrar Office to provide a copy of the billing to the Accounting Office once received by TESDA PO as this will be the basis of the Accounting Office in recording valid Accounts Receivables. Furthermore, the Management instructed the Accountant to prepare the necessary adjustments for the derecognition of invalid claims and reminded the Accountant to have a monthly reconciliation with TESDA PO to avoid misstatements in the financial reports.

Unrecorded disallowance that become final and executory - ₱733,300.60

40. **Notice of Disallowance totaling ₱871,822.40 which become final and executory and of which an amount of ₱733,300.60 remained unpaid representing double compensation on payments of Assessor's honoraria from the Sariling Sikap Program (SSP) were unrecorded as of December 31, 2022 contrary to Chapter 6 of the GAM, Volume I and COA Circular No. 2009-006, thus understating the assets and revenue accounts affecting the fair presentation of the financial statements.**

41. Section 46, Chapter 6 of the GAM Volume I provides that: *“Disallowances shall be taken up in the books of accounts only when they become final and executory. The Accountant shall prepare the JEV to take up the Receivable-Disallowances/Charges and credit the appropriate account for the current year or Accumulated Surplus/(Deficit) account if pertaining to expenses of previous years.”*

42. Meanwhile, COA Circular No. 2009-006 dated September 15, 2009 *Prescribing the use of the Rules and Regulations on Settlement of Accounts* provides for the following Rules:

Section 4. Definition of Terms

Xxx...

4.18 Notice of Finality of Decision (NFD) – a written notification that a decision of the COA has become final and executory

Xxx...

Section 22. Notice of Finality of Decision

22.1 A decision of the Commission Proper, ASB, Director or Auditor upon any matter within their respective jurisdiction; if not appealed as herein provided, shall become final and executory”

43. Notice of Disallowance (ND) No. 2022-001-SSP (19-21) dated March 3, 2022 amounting to ₱871,822.40 was issued pertaining to double compensation on the payments of Assessors’ honoraria from the Sariling Sikap Program (SSP) Fund from November 2019 to July 2021. There being no appeal or motion for reconsideration filed within the reglementary period, the Audit Team issued NFD No. 2022-001 dated October 5, 2022 which was received by the persons liable in various dates of October 2022. As of December 31, 2022, the outstanding balance of the said ND amounted to ₱733,300.60. Details is shown below:

Amount Disallowed	₱871,822.40
Less: Settlements	<u>138,521.80</u>
Balance as of December 31, 2022	₱733,300.60

44. The Accounting Section failed to record in the book of accounts the above disallowance despite the issuance of the NFD resulting in the understatement of the Receivable – Disallowance/Charges Account and Accumulated Surplus by ₱733,300.60. Meanwhile, settlements received were directly credited to Accumulated Surplus Account instead of Trust Liabilities-Disallowance/Charges Account.

45. Moreover, failure to record the above disallowance could pose risk of not being able to monitor the outstanding unpaid disallowances of the persons liable in cases of retirement, resignation or transfer.

46. We recommended that Management require the Accountant to:

- a. Prepare adjusting entries to record the outstanding disallowance which become final and executory amounting to ₱733,300.60 as follows:

<i>Account Title</i>	<i>Dr</i>	<i>Cr</i>
Receivable – Disallowance/Charges	₱733,300.60	
Accumulated Surplus/(Deficit)		₱733,300.60

- b. Monitor the payments and the outstanding balance of the persons liable and ensure that their liability is settled prior to resignation, retirement or transfer.

47. Management instructed the Accountant to prepare an adjusting entry to record the outstanding disallowance and to monitor all future payments, update the outstanding balance and ensure that their liability is settled prior to resignation, retirement or transfer.

Inventory

Unrecorded receipt and distribution of starter toolkits - ₱1,870,201.40 and ₱6,684,771.49, respectively

48. Receipt of 400 sets of starter toolkits and distribution of 1,425 thereof in CY 2022 amounting to ₱1,870,201.40 and ₱6,684,771.49, respectively, were not recorded in the books, resulting in misstatements in the asset, income and expense accounts of the financial statements at year-end, contrary to pertinent provisions of the GAM for NGAs, Volumes I and III.

49. Chapter 8 of the GAM for NGAs, Volume I, covers the definition, recognition, measurement, cost formulas to be used and related disclosure requirement for inventories. This includes specific guidelines and procedures on acquisition, issue, disposal and impairment of inventory and defines the benchmark for those tangible items not enough to be considered as PPE.

50. Section 2, Chapter 8 of the same manual defines inventories, among others as “assets in the form of materials or supplies to be consumed or distributed in the rendering of services”, while Section 7 states that “when inventories are sold, exchanged, or distributed, their carrying amount shall be recognized as an expense in the period in which

the related revenue is recognized. If there is no related revenue, the expense is recognized when the goods are distributed or the related service is rendered."

51. Section 2, Chapter 8 of the same manual defines inventories, among others as "assets in the form of materials or supplies to be consumed or distributed in the rendering of services", while Section 7 states that "when inventories are sold, exchanged, or distributed, their carrying amount shall be recognized as an expense in the period in which the related revenue is recognized. If there is no related revenue, the expense is recognized when the goods are distributed or the related service is rendered."

52. Meanwhile, GAM for NGAs, Volume III or the Revised Chart of Accounts, contains the list and description of accounts that will enable the agencies to properly recognize and present their financial statements and provides, among others:

a. *Other Supplies and Materials for Distribution*
10402990

Debit

This account is used to recognize the cost of purchased/acquired inventories not falling under any of the specific inventory accounts held for distribution. Credit this account for issuance to end-users or transfers.

b. *Training Expenses*
50202010

Debit

This account is used to recognize the costs incurred for the participation/attendance in and conduct of trainings, conventions and seminars/workshops. It includes training fees, honoraria of lecturers, cost of handouts, supplies, materials, meals, snacks and all other training related expenses. This account shall be closed to the Revenue and Expense Summary account.

c. *Subsidy from Central Office*
40301060

Credit

This account is used to recognize amount of subsidy received by the Regional Office/Staff Bureau/Operating Unit from the Central Office. This account shall be closed to the Revenue and Expense Summary account.

53. Starter Toolkits are tools and equipment related to the training of scholars as one of their entitlements which they can utilize for self-employment or entrepreneurial activities. These toolkits form part of the fixed costs included in the Schedule of Costs per qualification that shall be adopted in the implementation of TESDA services to meet the objectives of the scholarship programs. The procurement of toolkits was conducted at the National Level for distribution to TESDA-RO and ultimately to the intended beneficiaries via the Operating Units.

54. Unrecorded receipt of 400 sets of starter toolkits - **₱1,870,201.40**

55. Verification of the Request Issue Slips (RIS) of Starter Toolkits received by TESDA ISAT showed that 400 sets of toolkits were received from TESDA Regional Office No. 02 in CY 2022 for 2018 Universal Access to Quality Tertiary Education (UAQTEA) and 2021 Special Training for Employment Program (STEP). The details are shown below:

Table 4. Schedule of Unrecorded Toolkits Received as of CY 2022

Particulars	No. of toolkits Received	Unit Costs	Total Amount
2018 Universal Access to Quality Tertiary Education Act (UAQTEA)			
Beauty Care Services (Nail Care) NC II (July 2022)	125	4,959.50	₱619,937.50
Domestic Work NC II (November 2022)	25	4,249.96	106,249.00
Sub-Total 2018 UAQTEA	150		726,186.50
2021 Special Training for Employment Program (STEP)			
Service Engine Components (Leading to Automotive Servicing NC II)	20	5,393.86	107,877.20
Service Motorcycle/Small engine System (Leading to Motorcycle/Small Engine Servicing NC II)	10	2,323.40	23,234.00
Shielded Metal Arc Welding (SMAW NC I)	55	6,527.50	359,012.50
Tailoring NC II	50	5,674.69	283,734.50
Prepare and Cook Hot Meals (Leading to Cookery NC II)	20	1,586.21	31,724.20
Process Food by Fermentation and Pickling (Leading to Food Processing NC II)	25	4,185.81	104,645.25
Process Food by Salting, Curing and Smoking (Leading to Food Processing NC II)	25	4,055.00	101,375.00
Bread Making (Leading to Bread and Pastry Production NC II)	25	3,797.57	94,939.25
Cookery NC II	20	1,873.65	37,473.00
Sub-Total 2021 STEP	250		1,144,014.90
Grand Total	400		₱1,870,201.40

56. Unrecorded distribution of 1,425 sets of starter toolkits - **₱6,684,771.49**

57. Meanwhile, the distributions of 1,425 sets of starter toolkits to the recipients of various qualifications programs for FY 2018-2021 amounting to ₱6,684,771.49 in CY 2022 were not recognized in the books. Details is provided below:

Table 5. Schedule of Unrecorded Toolkits Distributed as of CY 2022

Particulars	Unit Costs	Number of Toolkits Distributed	Amount
2018 Universal Access to Quality Tertiary Education Act (UAQTEA)			
Automotive Servicing NC I	4,496.59	40	₱179,863.60
Automotive Servicing NC II	5,039.08	29	146,133.32
Bartending NC II	1,589.55	37	58,813.35
Beauty Care Services (Nail Care) NC II (July 2022)	4,959.50	114	565,383.00
Bread and Pastry Production NC II	5,490.63	170	933,407.10
Caregiving NC II	1,559.00	25	38,975.00
Carpentry NC II	4,339.04	75	325,428.00
Computer System Servicing NC II	1,271.67	51	64,855.17
Cookery NC II	2,102.97	94	197,679.18
Dressmaking NC II	5,066.20	114	577,546.80
Driving NC II	3,396.68	89	302,304.52
Domestic Work NC II (November 2022)	4,249.96	25	106,249.00
Electronics Products Assembly and Servicing NC II	1,415.19	68	96,232.92
Electrical Installation and Maintenance NC II	1,938.64	100	193,864.00
Food and Beverage Services NC II	5,620.00	65	365,300.00
Front Office Servicing NC II	1,242.62	45	55,917.90
Hairdressing NC II	3,287.10	42	138,058.20
Housekeeping NC II	3,986.52	56	223,245.12
Housekeeping NC III	5,420.00	123	666,660.00
Machining NC II	1,596.84	53	84,632.52
Masonry NC II	1,753.60	50	87,680.00
Motorcycle Small Engine Servicing NC II	3,420.69	26	88,937.94
Plumbing NC II	1,333.87	29	38,682.23
RAC Servicing NC II (DomRac)	5,984.39	75	448,829.25
Shielded Metal Arc Welding NC I	7,159.51	99	708,791.49
Shielded Metal Arc Welding NC II	6,887.63	93	640,549.59
Tailoring NC II	4,658.63	32	149,076.16
Transport RAC Servicing NC II	7,282.59	50	364,129.50
Sub-Total 2018 UAQTEA		1869	7,847,224.86
2020 Universal Access to Quality Tertiary Education Act (UAQTEA)			
Electrical Installation and Maintenance NC II	3,925.74	25	98,143.50
Electronics Products Assembly and Servicing NC II	3,113.43	25	77,835.75
Automotive Servicing NC II	8,825.35	24	211,808.40
Barista NC II	4,330.00	20	86,600.00
Bread and Pastry Production NC II	6,253.22	50	312,661.00

Particulars	Unit Costs	Number of Toolkits Distributed	Amount
Cookery NC II	2,102.97	25	52,574.25
Dressmaking NC II	8,540.00	25	213,500.00
Driving NC II	4,540.46	75	340,534.50
Masonry NC II	2,086.99	25	52,174.75
Organic Agriculture Production NC II	7,066.58	77	544,126.66
RAC Servicing (DomRAC) NC II	9,340.71	24	224,177.04
Housekeeping NC II	4,913.61	22	108,099.42
Plumbing NC II	2,371.32	25	59,283.00
Shielded Metal Arc Welding (SMAW NC II)	11,727.10	26	304,904.60
Electrical Installation and Maintenance NC III	3,024.88	25	75,622.00
Sub-Total 2020 UAQTEA		493	2,762,044.87
2019 Special Training for Employment Program (STEP)			
Electrical Installation and Maintenance NC II	1,537.89	20	30,757.80
Bread and Pastry Production NC II	3,434.41	25	85,860.25
Automotive Servicing NC I	2,985.68	22	65,684.96
Carpentry NC II	3,354.43	63	211,329.09
Service Motorcycle/Small engine System (Leading to Motorcycle/Small Engine Servicing NC II)	3,894.40	50	194,720.00
Shielded Metal Arc Welding (SMAW) NC I	5,255.64	25	131,391.00
Tailoring NC II	6,527.44	75	489,558.00
Sub-Total 2019 STEP		280	1,209,301.10
2020 Special Training for Employment Program (STEP)			
Service Engine Components (Leading to Automotive Servicing NC II)	5,393.86	20	107,877.20
Service Motorcycle/Small engine System (Leading to Motorcycle/Small Engine Servicing NC II)	6,379.84	10	63,798.40
Shielded Metal Arc Welding (SMAW NC I)	10,693.95	35	374,288.25
Tailoring NC II	8,161.00	48	391,728.00
Prepare and Cook Hot Meals (Leading to Cookery NC II)	1,560.00	16	24,960.00
Process Food by Fermentation and Pickling (Leading to Food Processing NC II)	4,185.81	24	100,459.44
Process Food by Salting, Curing and Smoking (Leading to Food Processing NC II)	4,055.00	23	93,265.00
Bread Making (Leading to Bread and Pastry Production NC II)	4,674.53	25	116,863.25
Cookery NC II	2,269.87	20	45,397.40
Sub-Total 2020 STEP		221	1,318,636.94
2021 Special Training for Employment Program (STEP)			

Particulars	Unit Costs	Number of Toolkits Distributed	Amount
Service Engine Components (Leading to Automotive Servicing NC II)	5,393.86	20	107,877.20
Service Motorcycle/Small engine System (Leading to Motorcycle/Small Engine Servicing NC II)	2,323.40	10	23,234.00
Shielded Metal Arc Welding (SMAW NC I)	6,527.50	35	228,462.50
Tailoring NC II	5,674.69	48	272,385.12
Prepare and Cook Hot Meals (Leading to Cookery NC II)	1,586.21	16	25,379.36
Process Food by Fermentation and Pickling (Leading to Food Processing NC II)	4,185.81	24	100,459.44
Process Food by Salting, Curing and Smoking (Leading to Food Processing NC II)	4,055.00	23	93,265.00
Bread Making (Leading to Bread and Pastry Production NC II)	3,797.57	25	94,939.25
Cookery NC II	1,873.65	20	37,473.00
Sub-Total 2021 STEP		221	983,474.87
Grand Total of Starter Toolkits Distributed		3084	14,120,682.64
<i>Amount Recorded per Books</i>		1659	7,435,911.15
Unrecorded starter toolkits distributed in CY 2022		1425	₱6,684,771.49

58. Reference from Table 5 showed that there were no journal entries made to recognize receipt of the starter toolkits for CY 2022 amounting to ₱1,870,201.40. It was also observed that the recorded toolkits only pertain to starter toolkits received in CY 2021. Consequently, the related expenses pertaining to the distribution of starter toolkits to the beneficiaries amounting to ₱6,684,771.49 were not also recognized. Inquiry revealed that the failure of the Accounting Section to record these transactions were attributed to the delay of the Property Section to furnish copies of RIS on the receipt of toolkits and Acknowledgement Receipts on the issuance thereof to the Accounting Section for proper recording.

59. In reference to TESDA Memorandum No. 17, series of 2016 on JEV for Accounting of Toolkits, the following are the recommended entries:

Recommended entry:	Recorded entry in TESDA-ISAT books
<u>Receipt of Toolkits for CY 2022 from TESDA-RO to TESDA-ISAT</u> Other Supplies and Materials for Dist. ₱1,870,201.40 Subsidy from Central Office ₱1,870,201.40	None

Recommended entry:	Recorded entry in TESDA-ISAT books
<i>Distribution of Toolkits from TESDA-ISAT</i>	
Training Expense P14,120,682.64	Training Expense P7,435,911.15
Other Supplies and Materials for Dist. P14,120,682.64	Other Supplies and Materials for Dist. P7,435,911.15

60. Failure to record the receipt and distribution of the starter toolkits resulted in the understatement of the following accounts at year-end:

Other Supplies and Materials for Distribution	P4,814,570.09
Training Expense accounts	6,684,771.49
Subsidy from Central Office	<u>1,870,201.40</u>
Total Misstatements	<u>P13,369,542.98</u>

61. Moreover, this could pose risk of not being able to monitor the remaining inventory still under custody of the training center and the possibility of loss of the assets. Nevertheless, we commend the training center for keeping the toolkits complete and in a safe and secured storage area.

62. This is a reiteration of a prior year's audit observation.

63. We recommended Management to:

- a. Instruct the Accountant to prepare adjusting entries to record the receipt and distribution of starter toolkits in CY 2022 amounting to P1,870,201.40 and P6,684,771.49, respectively. Henceforth, properly record the succeeding receipt and distribution of the toolkits following the aforementioned entries:

<i>Account Title</i>	<i>Dr</i>	<i>Cr</i>
Other Supplies and Materials for Dist.	P1,870,201.40	
Subsidy from Central Office		P1,870,201.40
<i>To recognize the receipt of Toolkits from TESDA-RO to TESDA-ISAT</i>		

<i>Account Title</i>	<i>Dr</i>	<i>Cr</i>
Training Expense	P6,684,771.49	
Other Supplies and Materials for Dist.		P6,684,771.49
<i>To recognize the distribution of Toolkits from TESDA-ISAT to the beneficiaries</i>		

- b. Require the Property Section to promptly submit to the Accounting Section copies of RIS on the receipt of toolkits and Acknowledgement Receipts on the issuance thereof for proper recording.

64. The management instructed the Accountant to make the necessary adjusting entry to record the receipt and distribution of the starter toolkits in CY 2022. Further, the Accountant will coordinate with the Supply Officer so that succeeding transactions are properly monitored and recorded.

Comparative FS

Non-restatement of CY 2021 FS

65. The beginning balance of the PPE Accounts in the Comparative FS were not restated as a result of the change in accounting policy, thus the net adjustments in the Accumulated Surplus/(Deficit) in prior year amounting to ₱1,902,191.24 was not retrospectively applied contrary to the provision of the GAM for NGAs-Volume I and COA Circular No. 2022-004 dated May 31, 2022.

66. Section 111 (1) of P.D. No. 1445 states that: *“The accounts of an agency shall be kept in such detail as is necessary to meet the needs of the agency and at the same time be adequate to furnish the information needed by fiscal or control agencies of the government.”*

67. Chapter 19 of GAM Volume I provides that:

“Sec. 7. Fair Presentation and Compliance with PPSAS. Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue, and expenses set out in PPSASs. The application of PPSASs, with additional disclosures when necessary, is presumed to result in financial statements that achieve a fair presentation.

Xxx...

Sec. 38. Accounting for Changes in Accounting Policies. An entity shall account for a change in accounting policy resulting from the initial application of a PPSAS in accordance with the specific transitional provisions, if any. When an entity changes an accounting policy upon initial application of a PPSAS that does not include specific transitional provisions applying to that change, it shall apply the change retrospectively, except to the extent that it is impracticable to determine either the period-specific effects or the cumulative effect of the change. When a change in accounting policy is applied retrospectively, the entity shall adjust the opening balance of each affected component of net assets/equity for the earliest period presented, and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied.”
(emphasis supplied)

68. Further, COA Circular No. 2022-004 dated May 31, 2022 provides for the *Guidelines on the Implementation of Section 23 of the General Provisions of Republic Act (RA) No. 11639 also known as the General Appropriations Act (GAA) for Fiscal Year (FY) 2022 relative to the increase in the capitalization threshold from P15,000.00 to P50,000.00.* Among its salient provision states that:

“4.6 A change in accounting policy requires retrospective application. The entity shall adjust the opening balance of each affected component of net assets/equity for the earliest period presented, and the other comparative amounts disclosed for each prior period presented as if the new accounting policy has always been applied. It means that the entity shall restate the amounts for prior period/s in the comparative financial statements to reflect the change in accounting policy.”

69. Review of the Comparative FS and the accompanying Notes revealed that the agency made the corresponding adjustments on the reclassification of PPE Accounts relative to the increase in the capitalization threshold from P15,000.00 to P50,000.00 as discussed in the Notes disclosure on item 8. *Property, Plant and Equipment* but were not in explained in item 3. *Summary of Significant Accounting Policies.* Also, the adjustments made were reflected under JEV Nos. GJ-SSP-2022-12-017 and MDS-2022-12-015. However, contrary to the above provisions, the agency failed to retrospectively apply the change in accounting policy by restating the opening balance of each affected accounts in the financial statement of prior year but reflected the adjustments in the current year balances, thus the net effect on the Accumulated Surplus/(Deficit) in prior year amounting to P1,902,191.24 were all reflected in CY 2022. The correct restated balances of the affected accounts in the beginning of the year should be as follows:

PPE Account	31-Dec-21		Difference
	Per FS	As Restated	
Buildings and Other Structures	30,504,214.40	30,504,214.40	0.00
Office Equipment	996,281.89	141,500.00	854,781.89
Other Machineries and Equipment	22,129,980.50	18,656,770.40	3,473,210.10
Information and Communications Technology Equipment	4,495,647.87	3,389,821.24	1,105,826.63
Communication Equipment (TV and Radio)	602,073.92	345,300.00	256,773.92
Furniture and Fixtures	256,950.00	0.00	256,950.00
Books	90,000.00	0.00	90,000.00
Motor Vehicle	1,583,011.00	1,583,011.00	0.00
Sub-Total	60,658,159.58	54,620,617.04	6,037,542.54
Accumulated Depreciation:			
Buildings and Other Structures	8,085,324.81	8,085,324.81	0.00
Office Equipment	642,171.80	58,335.00	583,836.80
Other Machineries and Equipment	16,050,024.40	13,493,364.94	2,556,659.46

Information and Communications Technology Equipment	3,396,925.08	2,838,151.11	558,773.97
Communication Equipment (TV and Radio)	189,301.07	0.00	189,301.07
Furniture and Fixtures	231,255.00	0.00	231,255.00
Books	15,525.00	0.00	15,525.00
Motor Vehicle	957,738.48	957,738.48	0.00
Sub-Total	29,568,265.64	25,432,914.34	4,135,351.30
Net-effect of adjustments of Accumulated Surplus/(Deficit)			1,902,191.24

70. It is emphasized that the objective of the financial statements is to provide information on financial position, financial performance and cash flows of an entity that are useful for decision-making, and to demonstrate the accountability of the entity for the resources entrusted to them. Also, an important implication of the characteristic of comparability is that users need to be informed of the policies employed in the preparation of financial statements, changes to those policies, and the effects of those changes. Failure of the agency to restate the beginning balance of the FS contradicts the accounting principle on comparability and faithful representation, thus affecting the fair presentation of the FS.

71. **We recommended that the Management require the Accountant to restate the beginning balance of the Comparative FS on the affected accounts relative to the change in accounting policy on the increase in the capitalization threshold from P15,000.00 to P50,000.00 as provided in COA Circular No. 2022-004.**

72. The management instructed the Accountant to restate the beginning balance of the Comparative FS relative to the change in accounting policy.

Deficiencies in the Notes to FS

73. **The Notes to Financial Statements (Notes to FS) did not include information on the breakdown or details of the accounts, the significant changes in the balances or unchanged balances, and the reasons thereof which was not in keeping with existing rules and regulations, hence, did not/could not serve the intended purposes of proper information and decision-making for the users of the FS depriving users thereof with right information that could be considered useful in making effective decisions and informed judgments on the agency's resources.**

74. Chapter 2 Sec. 29 of the of the GAM for NGAs-Volume I provides that: *"The Notes to FSs contain information in addition to that presented in the SFP, SFPer, SCNA/E, SCF and SCBAA. Notes provide narrative descriptions or disaggregation of items disclosed in those FSs and information about items that do not qualify for recognition in those statements."*

75. It is noteworthy that the Notes to FS disclosed information on the accounting policies and procedures adopted and implemented for cash and cash equivalents,

depreciation, impairment, derecognition, changes in accounting policies and estimates, revenue recognition, donations, transfers, budget, and employee benefits. Also, the Notes to FS showed the balances of the different accounts (assets, liabilities, income and expenses) in comparative figures (CYs 2021 and 2022).

76. However, review of the Notes to FS of the agency revealed that the balances of the accounts were simply presented in table form or a summary of the amounts in the comparative Statements of Financial Position and Statements of Financial Performance. Relevant information on the breakdown or details of the accounts, the significant increases/decreases or unchanged balances, and the reasons thereof, if any, were not indicated.

77. These information are necessary for the users of the FS as prescribed under Section 111 (1) of PD No. 1445 and GAM for NGAs-Volume I. Without them, the Notes to FS were incomplete and, therefore, do not or could not serve the intended purposes of proper information and decision-making for all the users of the FS. As such, the reliability of the FS could not be readily and fully ascertained.

78. **We recommended that the Management require the Accountant to disclose in the Notes to Financial Statements relevant information on the breakdown/details of the accounts, the significant changes in the balances or the unchanged balances, and the reasons thereof, if any, as prescribed under existing rules and regulations, for the proper information and decision-making of all users of the FS and to establish the reliability thereof.**

79. The management instructed the Accountant to disclose in the Notes to FS relevant information on the breakdown/details of the accounts, the significant changes in the balances or the unchanged balances and the reason thereof, if any.

II. Compliance Audit

Laxity in the granting and utilization of cash advance resulting in the accumulation of unliquidated cash advances – P191,972.50

80. **Inadequate control system in the granting and utilization of cash advances resulted in the accumulation of outstanding cash advances amounting to P191,972.50 caused by: a) granting of additional cash advances despite non-liquidation of the previously granted cash advance; and b) transferring of cash advance from one accountable officer to another contrary to Section 89 of P.D. 1445 and COA Circular No. 97-002.**

81. ***Granting of additional cash advance despite non-liquidation of the previously granted advances***

82. Section 89 of P.D. No. 1445 provides that: *“No cash advance shall be given unless for a legally authorized specific purpose. A cash advance shall be reported on and liquidated as soon as the purpose for which it was given has been served. No additional cash advance shall be allowed to any official or employee unless the previous cash advance given to him is first settled or a proper accounting thereof is made.”*

83. Furthermore, COA Circular No. 97-002 dated February 10, 1997 requires the following rules and regulations on the granting, utilization and liquidation of cash advances:

“X x x ...

4.1.2 No additional cash advances shall be allowed to any official or employee unless the previous cash advance given to him is first settled or a proper accounting thereof is made.

X x x ...

5.8 All cash advances shall be fully liquidated at the end of each year. Except for petty cash fund, the AO shall refund any unexpended balance to the Cashier/Collecting Officer who will issue the necessary official receipt. X x x...”

84. The audit team conducted a monitoring and examination of all cash advances granted and liquidated under the name of the Disbursing Officer/Cashier and revealed that several cash advances from various Funds (Regular Agency Fund, Special Trust Fund and Trust fund) were granted to the Accountable Officer despite the previously unliquidated cash advance. Details is shown in **Annex D** and summarized below:

Period	Cash Advance	Liquidation	Running Balance
January 1-31, 2022	45,665.00	45,665.00	0.00
February 1-28, 2022	2,236,911.87	2,112,751.87	124,160.00
March 1-31, 2022	741,342.43	768,702.43	96,800.00
April 1-31, 2022	541,805.82	557,840.82	80,765.00
May 1-31, 2022	915,789.96	730,874.96	265,680.00
June 1-30, 2022	811,662.87	833,632.87	243,710.00
July 1-31, 2022	703,788.07	830,200.07	117,298.00
August 1-31, 2022	1,010,896.99	889,435.99	238,759.00
September 1-30, 2022	764,544.56	515,920.54	487,383.02
October 1-31, 2022	599,300.36	928,273.38	158,410.00
November 1-30, 2022	791,066.16	842,716.16	106,760.00
December 1-31, 2022	989,469.75	1,096,229.75	0.00
Total	10,152,243.84	10,152,243.84	Average: P191,972.50

85. These cash advances were granted for the payment of textbooks and instructional materials, National Competency assessments, contractual/job-order payroll, catering services, seminar and school programs, supplies, meals and snacks and other various operating expenses.

86. The continuous granting of cash advances despite the non-liquidation thereof resulted in the accumulation of huge amount of accountability and late submission of liquidation reports.

87. **We recommended that Management:**

- a) **Stop the practice of granting additional cash advance unless the previous cash advance has been liquidated pursuant to Section 4.1.2 of COA Circular 97-002 dated February 10, 1997 to avoid accumulation of large amounts of unliquidated cash advances; and**
- b) **Designate additional Special Disbursing Officer to act as an accountable officer and be granted cash advances in case the current Accountable Officer has unliquidated cash advances, if necessary.**

88. The management allowed the granting of additional cash advance to the Disbursing Officer despite non-liquidation of previously granted advances due to voluminous transaction from catering services and conduct of National Competency Assessment for the payments of textbook and instructional materials. However, the management make sure that cash advances be liquidated once the purpose was served. Likewise, the management agreed to the recommendation to have additional Special Disbursing Officer to be bonded so as to avoid the accumulation of large number of advances.

89. ***Transfer of accountability of cash advance to another TESDA-ISAT officers and employees***

90. Section 4.1.6 of COA Circular 97-002 provides that, "*Transfer of cash advance from one Accountable Officer (AO) to another shall not be allowed.*"

91. Evaluation of the cash advances granted to the Accountable Officer disclosed that there were transfer of accountability from one Disbursing Officer to another TESDA-ISAT officials and employees totaling to ₱5,638,940.92. Details is shown in **Annex E**.

92. It can be gleaned from the table that the transfer of Cash Advances was attributable to various purchase of textbooks and instructional materials, supplies needed for National Competency Assessments, catering services, and other activities and programs of the school.

93. Interview with the Accountable Officer revealed that most of the cash advances granted to her were transferred to the program/project proponent or instructor who requested the need of cash and the latter will submit receipts to the Accountable Officer

for the preparation of liquidation reports. It was revealed that the delay in the submission of liquidation reports is attributable to the delay in the submission of supporting documents by the program/project proponents or instructors whose cash advances were transferred to them.

94. It is emphasized that cash advances are granted only for legally specific purpose and that the purpose of special cash advances is for current operating expenditures of the agency field office or activity of the agency undertaken in the field when it is impractical to pay the same by check, such as: salaries, wages and allowances and maintenance and other operating expenses.

95. Further, verification of the items cash advanced by the Accountable Officer should have been procured through the ordinary process of procurement and not through cash advance/reimbursement basis. It is apparent that the use of cash advance as a means to purchase items instead of direct payment to suppliers is frequently being resorted to and thus could result in its abuse. It should be emphasized that government funds must be utilized efficiently, economically and effectively for the benefit of the public. As a result, the price may not be the most advantageous to the Agency. Moreover, this manner of payment on cash advance basis deprived the Bureau of Internal Revenue of the withholding taxes that may be collected and/or due thereon.

96. Ultimately, transfer of cash advance would pose additional burden on the Accountable Officer to promptly liquidate her various accountability which would increase the likelihood in the accumulation of outstanding cash advances.

97. **We recommended that Management:**

- a. **Stop the practice of granting cash advances to the Disbursing Officer that will eventually be transferred to another officials and employees of TESDA-ISAT in compliance with COA Circular 97-002 dated February 10, 1997; and**
- b. **Refrain the practice of payments thru cash advance instead payment should be made directly to suppliers to ensure that the corresponding taxes are withheld thereon.**

98. The management committed to ensure that future cash advances will not be transferred to another employee of TESDA ISAT. Also, the management will adhere to the procurement process that all purchases be paid directly to the suppliers and withhold the corresponding taxes.

Non-posting of Notice of Award and Notice to Proceed – P2,652,620.75

99. **Notice of Award and Notice to Proceed for the procurement of goods totaling P2,652,620.75 were not posted in the PhilGEPS website which is not in accord with**

the provisions of the Revised IRR of RA No. 9184, thus transparency of awarded government contracts was not achieved.

100. Among the principles governing the GOP procurement provided in Section 3 of the 2016 Revised IRR of RA 9184 is as follows:

“e. Public monitoring of the procurement process and the implementation of awarded contracts with the end in view of guaranteeing that these contracts are awarded pursuant to the provisions of the Act and this IRR, and that all these contracts are performed strictly according to specifications.”

101. Sections 37.1.6, 37.4.2 and 54.3 of the same IRR provides that:

“37.1.6 The BAC, through the Secretariat, shall post, within three (3) calendar days from its issuance, the Notice of Award in the PhilGEPS, the website of the Procuring Entity, if any, and any conspicuous place in the premises of the Procuring Entity.

Xxx...

37.4.2 The Procuring Entity, through the BAC Secretariat, shall post a copy of the Notice to Proceed and the approved contract in the PhilGEPS and the website of the Procuring Entity, if any, within fifteen (15) calendar days from the issuance of the Notice to Proceed.

Xxx...

54.3 In all instances of alternative methods of procurement, the BAC, through the Secretariat, shall post, for information purposes, the notice of award, contract or purchase order, including notice to proceed if necessary, in the PhilGEPS website, the website of the Procuring Entity concerned, if available, and at any conspicuous place reserved for this purpose in the premises of the Procuring Entity, except for contracts with ABC of Fifty Thousand Pesos (P50,000.00) and below.

102. Our audit of the disbursement vouchers disclosed that procurements of various supplies, materials and equipment totaling to P2,652,620.75 were not supported with proof of postings of Notice of Award and Notice to Proceed in the PhilGEPS. Likewise, there was no certification from BAC Secretariat that such documents were posted in any conspicuous place in the premises of the procuring entity. Details are shown below:

Check Date	Check No.	Payee	PO No.	PO Date	Amount
18-May-22	1388459	RN ENTERPRISES	2022-05-221	05/17/2022	P60,000.00
12-May-22	1388422	PENDING'S CONST. SUPPLY	2022-04-169	04/25/2022	88,150.00
29-Jun-22	1388636	TEES REPUBLIKA PRINT LINE	2022-06-257	06/29/2022	286,000.00
19-Jul-22	1388726	MV-Jing Enterprises	2022-07-267	07/07/2022	91,680.00

Check Date	Check No.	Payee	PO No.	PO Date	Amount
19-Jul-22	1388727	MV-Jing Enterprises	2022-07-268	07/07/2022	64,500.00
19-Jul-22	1388728	TONY REFRIGERATION AND	2022-07-280	07/18/2022	60,000.00
26-Jul-22	1388773	MV-Jing Enterprises	2022-07-286	07/20/2022	113,500.00
26-Jul-22	1388779	TONY REFRIGERATION AND AIRCONDITIONING SERVICE CENTER	2022-07-292	07/22/2022	70,000.00
09-Aug-22	1388892	EVEREST RATTAN CRAFTS & FURNITURE PLUS APPLIANCES	2022-07-265	07/06/2022	134,244.00
30-Aug-22	1388960	Fixie Computer Ventures	2022-07-296	07/26/2022	67,050.00
13-Sep-22	1389041	TONY REFRIGERATION AND AIRCONDITIONING SERVICE CENTER	2022-07-356	09/06/2022	60,000.00
20-Oct-22	1389239	A9 Commercial	Unnumbered	10/19/2022	61,440.00
04-Nov-22	1389272	Fixie Computer Ventures	2022-10-402	10/07/2022	366,000.00
04-Nov-22	1389273	3MGT TRADING	2022-10-387	10/07/2022	84,645.00
04-Nov-22	1389274	3MGT TRADING	2022-10-392	10/07/2022	206,510.00
04-Nov-22	1389275	3MGT TRADING	2022-10-389	10/07/2022	52,850.00
04-Nov-22	1389276	3MGT TRADING	2022-10-391	10/07/2022	75,015.00
04-Nov-22	1389277	3MGT TRADING	2022-10-390	10/07/2022	109,150.00
07-Nov-22	1389292	Fixie Computer Ventures	2022-10-402	10/11/2022	59,900.00
22-Nov-22	1389376	3MGT TRADING	2022-10-406	10/13/2022	116,010.00
22-Nov-22	1389382	3MGT TRADING	2022-10-435	10/25/2022	122,199.00
22-Nov-22	1389384	3MGT TRADING	2022-10-429	10/24/2022	68,177.75
07-Dec-22	1389450	MV-JING ENTERPRISES	2022-10-396	10/10/2022	95,000.00
07-Dec-22	1389450	MV-JING ENTERPRISES	2022-10-395	10/10/2022	140,600.00
Total					₹2,652,620.75

103. The Audit Team accessed the PhilGEPS profile of the agency to verify the postings made and it was observed that there were no postings of Notice of Award and Notice to Proceed for FY 2022 and prior years. Inquiry with the BAC Secretariat confirmed the non-posting of the same in the PhilGEPS as admitted by the BAC Secretary.

104. The failure of the Agency to post the Notices of Award and Notices to Proceed defeats the purpose of monitoring, transparency and accountability objective of the procurement law and the Agency's full compliance with the procurement process was not assured.

105. **We recommended that Management:**

- a. **Require the BAC Secretariat to post in the PhilGEPS websites the Notices of Award and Notices to Proceed for the procurements done thru public bidding and all instances of alternative methods of procurement, except**

**for contracts with ABC of Fifty Thousand Pesos (P50,000.00) and below;
and**

- b. Ensure that the printout copy of postings of Notices of Award and Notices to Proceed in the PhilGEPS website is included among the supporting documents for payment of procured goods and services.**

106. The management called the attention of the BAC to review and follow the policy on procurement processes to avoid deficiencies like failure to post the Notice of Award and/or Notice to Proceed. Further, the management will ensure that for succeeding transactions, they will comply with the postings requirement of RA 9184 and submit copies thereof.

Invitation or request for price quotations not posted in PhilGEPS- P957,520.75

107. **The agency failed to post the invitation or request for submission for price quotations/proposals in the PhilGEPS website and in the website of the agency for various procurements with amounts exceeding P50,000.00 totaling to P957,520.75 which is not in keeping with the prescribed procedure on alternative modes of procurement as provided in Section 54.2 of the 2016 Revised IRR of R.A. No. 9184.**

108. Section 54.2 of R.A. No. 9184 provides that, *“For alternative methods of procurement, the Procuring Entity may dispense with the advertisement in the newspaper and posting requirement as prescribed in Section 21.2.1 of this IRR.*

For the following modalities, however, the BAC, through its Secretariat, shall post the invitation or request for submission of price quotations/proposals in the PhilGEPS website, the website of the Procuring Entity concerned, if available, and at any conspicuous place reserved for this purpose in the premises of the Procuring Entity for a period of at least three (3) calendar days:

- 1. Section 49 Limited Source Bidding;*
- 2. Section 52.1(b) Shopping for ordinary office supplies and equipment not available in DBM-PS (for ABC above Fifty Thousand Pesos (P50,000.00));*
- 3. Section 53.1 Two Failed Biddings;*
- 4. Section 53.9 Small Value Procurement (For ABC above Fifty Thousand Pesos (P50,000.00)); and*
- 5. Section 53.11 NGO Participation”*

109. Based on the review of approved Purchase Orders, it was noted that there were several purchase orders executed by the agency amounting to P957,520.75 made through the alternative modes of procurement with ABC above P50,000.00 as shown in the table below:

Check Date	Check No.	Particulars	PO No.	PO Date	Amount
18-May-22	1388459	Training materials in Carpentry NC II	2022-05-221	05/17/2022	P60,000.00
26-Jul-22	1388773	Payment for Other Machineries and Equipment	2022-07-286	07/20/2022	113,500.00
09-Aug-22	1388892	Payment for Semi-Expendable Office Equipment	2022-07-265	07/06/2022	134,244.00
30-Aug-22	1388960	Improvement of School facilities	2022-07-296	07/26/2022	67,050.00
13-Sep-22	1389041	Office Equipment Replacement of Aircon in Finance Office	2022-07-356	09/06/2022	60,000.00
20-Oct-22	1389239	Payment for Repairs and Maintenance - School Buildings	Unnumbered	10/19/2022	61,440.00
07-Nov-22	1389292	Payment for ICT Equipment For Prime-HRM and HR use	2022-10-402	10/11/2022	59,900.00
22-Nov-22	1389376	Other Machineries and Equipment	2022-10-406	10/13/2022	116,010.00
22-Nov-22	1389382	Semi-Expendable Other Machineries & Equipment for UTPRAS Registration PV System installation NC II	2022-10-435	10/25/2022	122,199.00
22-Nov-22	1389384	Semi-Expendable Other Machineries & Equipment for Automotive Servcing (Electrical Repair) NC II Inspection Requirement	2022-10-429	10/24/2022	68,177.75
07-Dec-22	1389450	Other Machineries and Equipment Application of Accreditation as Assessment Center	2022-10-396	10/10/2022	95,000.00
Total					P957,520.75

110. The invitation or request for submission for price quotations/proposals of the above procurements amounting to P957,520.75 were not posted in the PhilGEPS website and in the website of the Entity.

111. Non-compliance with the IRR had defeated the purpose of the law on transparency and competitiveness in the procurement process and in the implementation of procurement contracts through the wide dissemination of bid opportunities and participation of pertinent non-government organizations.

112. This is a reiteration of the prior year's audit observation.

113. We recommended that Management require the BAC to observe strictly in its procurements the posting of the invitation or request for submission for price quotations/proposals in the PhilGEPS website and in the website of the entity, pursuant to the provisions of the Revised IRR of R.A. No. 9184.

114. The management required the BAC to post invitation or request for submission for price quotations/proposals in the PhilGEPS website. Otherwise, the BAC is required submit justifications for failing to do so.

Lack of proper procurement planning resorted to splitting of contract - P1,022,129.26

115. Lack of procurement planning for the purchase of various instructional materials resulted in the adoption of alternative mode of procurements with an aggregate amount of P1,022,129.26 contrary to Section 10, Rule IV and Section 54.1, Rule XVI of 2016 Revised IRR of RA No. 9184 thus, deprived the agency of the opportunity to take advantage of possible bulk discounts or lowest responsive offer.

116. Rule II, Section 7.1 of R.A. No. 9184 provides that, *“All procurement shall be within the approved budget of the Procuring Entity and should be meticulously and judiciously planned by the Procuring Entity. Consistent with government fiscal discipline measures, only those considered crucial to the efficient discharge of governmental functions shall be included in the Annual Procurement Plan (APP). For purposes of this IRR, a procurement project shall be considered crucial to the efficient discharge of governmental functions if it is required for the day-to-day operations or is in pursuit of the principal mandate of the Procuring Entity concerned.”*

117. Section 10, Rule IV of the 2016 Revised IRR of RA 9184 also provides that, *“All procurement shall be done through competitive bidding, except as provided in Rule XVI of this IRR”*

118. Further, Rule XVI, Section 48.2 of the same Act states that, *“In accordance with Section 10 of this IRR, as a general rule, the Procuring Entities shall adopt competitive bidding as the general method of procurement and shall see to it that the procurement program allows sufficient lead time for such competitive bidding. Alternative methods of procurement shall be resorted to only in highly exceptional cases provided for in this Rule.”*

119. Moreover, Section 54.1 of the same Act states that, *“Splitting of Government Contracts is not allowed. Splitting of Government Contracts means the division or breaking up of GoP contracts into smaller quantities and amounts, or dividing contract implementation into artificial phases or sub-contracts for the purpose of evading or circumventing the requirements of law and this IRR, particularly the necessity of competitive bidding and the requirements for the alternative methods of procurement.”*

120. Likewise, Section 6.8 of COA Circular No. 2009-002 dated May 18, 2009 provides among the duties and responsibilities of agency officials that, *“See that no splitting of requisitions, purchase orders, vouchers and the like, is resorted to, in order to circumvent the control measures provided in this circular and other laws and regulations. For this purpose, a project funded under a single obligating authority and implemented in several phases by the same or different contractor shall be deemed splitting of contract.”*

121. Audit of the disbursement vouchers pertaining to the procurement of instructional materials needed for Unified TVET Program Registration and Accreditation System (UTPRAS) and for National Certification (NC) programs revealed that P1,022,129.26 were procured through shopping or Small Value Procurement. Details is shown below:

Check Date	Check No.	Payee	PO No.	PO Date	Amount
04-Nov-22	1389273	3MGT TRADING	2022-10-387	10/07/2022	₱84,645.00
04-Nov-22	1389274	3MGT TRADING	2022-10-392	10/07/2022	206,510.00
04-Nov-22	1389275	3MGT TRADING	2022-10-389	10/07/2022	52,850.00
04-Nov-22	1389276	3MGT TRADING	2022-10-391	10/07/2022	75,015.00
04-Nov-22	1389277	3MGT TRADING	2022-10-390	10/07/2022	109,150.00
04-Nov-22	1389278	3MGT TRADING	2022-10-388	10/07/2022	9,865.00
22-Nov-22	1389376	3MGT TRADING	2022-10-406	10/13/2022	116,010.00
04-Nov-22	1389283	A9 Commercial	2022-10-385	10/06/2022	31,270.00
22-Nov-22	1389377	3MGT TRADING	2022-10-410	10/18/2022	21,091.00
22-Nov-22	1389382	3MGT TRADING	2022-10-435	10/25/2022	122,199.00
22-Nov-22	1389383	3MGT TRADING	2022-10-407	10/13/2022	40,810.00
22-Nov-22	1389384	3MGT TRADING	2022-10-429	10/24/2022	68,177.75
22-Nov-22	1389385	3MGT TRADING	2022-10-411	10/18/2022	44,367.00
22-Nov-22	1389386	3MGT TRADING	2022-10-434	10/25/2022	40,169.51
Total					₱1,022,129.26

122. The above procurements of instructional materials were used for the UTPRAS and for National Certification Programs of the School. It can be gleaned from the table that the instructional materials were purchased within a short duration or about the same time. It was also observed that except for A9 Commercial, the procurements of instructional materials were all procured from 3MGT Trading based in Metro Manila.

123. It is emphasized that the BAC has the crucial role in the procurement planning and is responsible in securing the lowest price and obtaining the best and most advantageous offer for the government. Likewise, the BAC shall prepare a Procurement Monitoring Report (PMR) in the form prescribed by the GPPB10. The PMR shall cover all procurement activities specified in the APP, whether ongoing and completed, from the holding of the pre-procurement conference to the issuance of notice of award and the approval of the contract, including the standard and actual time for each major procurement activity. However, the BAC did not conduct procurement planning and/or meeting and cause the preparation of PMR despite various procurements already made by the School. Hence, its inefficiency and ineffectiveness will directly and seriously hinder the achievement of procurement objectives of the entity.

124. The lack of procurement planning for the purchase of instructional materials resulted in the adoption of alternative mode of procurements thru shopping or SVP which ultimately resulted in the splitting of requisitions. Thus, depriving the agency of the opportunity to take advantage of possible bulk discounts or obtain the lowest responsive offer if the procurements were done through public bidding.

125. We recommended that Management:

- a. Conduct proper planning in the procurement of goods and services and avoid splitting of requisition pursuant to the provisions of the Revised IRR of R.A. No. 9184 and COA Circular No. 2009-002 dated May 18, 2009; and
- b. Inform the BAC of all procurement transactions and shall see to it that competitive bidding is done except under conditions where alternative mode of procurement is applicable pursuant to Section 10, Rule IV of 2016 Revised IRR of RA 9184.

126. The management informed the BAC to conduct proper procurement planning to comply with the rules set forth under RA 9184 to avoid splitting of contract on the succeeding transactions.

Undistributed starter toolkits in the custody of TESDA ISAT - ₱2,873,456.59

127. 756 starter toolkits in the total amount of ₱2,873,456.59 pertaining to implemented scholarship programs in FYs 2018-2021 remained undistributed to the graduates as at December 31, 2022 which was not in keeping with pertinent provisions of TESDA Circular No. 18, series of 2022, TESDA Circular No. 64, series of 2021, and TESDA Circular No. 11, series of 2020, thus the delay in the use thereof by the intended beneficiaries for self-employment or entrepreneurial activities and the incurrence of additional costs for storage and safekeeping.

128. TESDA Circular No. 18, series of 2002, provides, among others:

TESDA sets out various Scholarship Programs and activities to bring into fruition its ultimate goal of Peace & Order, Increased Productivity, Uplifting the Image of TVET, and Poverty Reduction. Among these programs is STEP and UAQTEA.

The Universal Access to Quality Tertiary Education (UAQTEA) is a program established through Republic Act No. 10931 providing for free tuition and other school fees in State Universities and Colleges (SUCs), Local Universities and Colleges (LUCs) and state run Technical Vocational Institutions (STVIs); establishing the Tertiary Education Subsidy and Student Loan Program (SLP); and strengthening the Unified Student Financial Assistance System for Tertiary Education (UniFAST).

On the other hand, Special Training for Employment Program (STEP) is one of the social equity programs of TESDA. It is a community-based training program that seeks to address the specific skill needs of the communities and promote employment, through entrepreneurial, self-employment, and service-oriented activities.

Under these programs, TESDA Scholars are entitled to the starter toolkits. The Circular defines starter toolkits as set of tools and equipment related to the completed training program by a beneficiary which can be used for self-employment or entrepreneurial activities. The toolkits shall be distributed to the scholars upon graduation and shall be evidenced by an Acknowledgement Receipt.

129. Meanwhile, TESDA Circular No. 011, series of 2020 dated January 23, 2020 entitled the Omnibus Guidelines for TESDA Scholarship Programs also states that *“Unutilized/unclaimed starter toolkits due to reasons such as inability to locate the graduates after the training; trainees dropping out; and scholarship slots without enrollees shall be used for community-based programs of the TTIs.”*

130. TESDA Circular No. 64, series of 2021 dated July 9, 2021 or the Guidelines on the Distribution of Unclaimed/Undistributed Started Toolkits Under STEP states that *“the accounted unclaimed/undistributed starter toolkits shall be deducted from the total targets of the toolkits to be procured on the succeeding year. The starter toolkits that have remained unclaimed/undistributed for six (6) months from the distribution date shall be re-distributed to other beneficiaries on the succeeding year provided that the Barangay Captain concerned shall issue a Certification that the original beneficiary is not or no longer a resident of the barangay/locality and has left no forwarding address. The undistributed/unclaimed starter toolkits shall be awarded to beneficiaries who have completed the related qualification/training.”*

131. We have reviewed the distribution of starter toolkits to graduates of the FYs 2018 and 2020 Universal Access to Tertiary Education (UAQTEA) and FYs 2019-2021 Special Training for Employment Program (STEP) of TESDA ISAT, Isabela.

132. At present, the procurement of all toolkits is centralized in TESDA Central Office. The requirements for the whole year are estimated based on the approved National Qualification Map (NQM) and are being procured one-time.

133. Based on records, TESDA ISAT, Isabela received 3,840 toolkits for various qualification programs offered for FYs 2018-2021. As at December 31, 2022, out of the total 3,840 toolkits, 3,084 toolkits were distributed to the scholars leaving an undistributed balance of 756 units, broken down as follows:

Scholarship Program	No. of Toolkits Received from RO	No. of Toolkits Distributed	Balance (undistributed)	Year toolkits were received from RO
STEP 2018	0	0	0	<i>No deliveries</i>
STEP 2019	344	280	64	2021
STEP 2020	250	221	29	2021
STEP 2021	250	221	29	2022
UAQTEA 2018	2325	1730	595	2021
UAQTEA 2018	150	139	11	2022

Scholarship Program	No. of Toolkits Received from RO	No. of Toolkits Distributed	Balance (undistributed)	Year toolkits were received from RO
UAQTEA 2019	0	0	0	<i>No deliveries</i>
UAQTEA 2020	521	493	28	
UAQTEA 2021	0	0	0	<i>No deliveries</i>
TOTAL	3840	3084	756	

134. The 756 undistributed toolkits amounted to P2,873,456.59 (Annex F).
135. The above data revealed that toolkits were only distributed 1-4 years after the training was completed. The above toolkits were directly transferred by the Regional Office to the implementers/TESDA Technology Institutions (TTIs) to facilitate immediate distribution to the beneficiaries.
136. As regards the delayed distribution, it was explained that the delays can be attributed to the late procurement of the toolkits in the TESDA Central Office and the time spent to deliver them to the different regions nationwide. The toolkits for an applicable year were procured generally the following year. There were also reported cases of failure of bidding and legal issues which resulted in the non-completion of the procurement in the case of STEP 2018 and UAQTEA 2019. Due to the centralized procurement, there is reason to believe that considerable time was spent in the delivery of the toolkits to the different regions nationwide.
137. Further, with respect to the delivery of the toolkits to the beneficiaries, considerable time and effort was consumed. It is to be noted, though, that, out of the 756 undistributed toolkits, 358 units pertain to unutilized slots attributable to unimplemented programs, no enrollees, and dropouts and thus, no identified recipients. The remaining 398 undistributed toolkits were due to graduates that could not easily be located after the training for reasons such as employment abroad, transfer of residence, death and other circumstances, among others. Management, though, is currently coordinating with the Barangays to locate them or reach out to them.
138. The delay in the distribution of starter toolkits caused delay in the provision to and the availment by the beneficiaries of the intended purposes and benefits such as for their self-employment or entrepreneurial activities. Moreover, the undistributed toolkits require additional costs for storage and, if not properly stored, may be vulnerable to loss and deterioration.
139. **We recommended that Management:**
- a. **Continue its efforts to locate the graduates entitled to the 398 unclaimed starter toolkits. However, for the 358 toolkits of unutilized slots, if no beneficiaries will be identified, the undistributed units under UAQTEA shall be used for community-based programs of TESDA ISAT or TESDA**

Isabela PO while the undistributed units under STEP shall be utilized in accordance with TESDA Circular No. 64, series of 2021; and

- b. In coordination with the Regional Director and the Provincial Director, make representation with the concerned Department/s in the Central Office to discuss and address the issues and concerns on the receipt of toolkits and the distribution thereof to the beneficiaries, thus timely and effectively attain the objectives of the Scholarship Programs and avoid additional cost for storage and safekeeping.

140. The management asserted that they will coordinate with TESDA Isabela Provincial Office on how to properly dispose the unclaimed toolkits for community-based trainings. Also, they will communicate with the proper authority the noted issues and concerns on the receipts and distributions of toolkits.

The objective on the creation of SSP Fund was not fully achieved

141. **The purpose and objective of the Sariling Sikap Program (SSP) established under Executive Order No. 939 was not fully achieved due to the failure of TESDA ISAT to create and engage in various training-cum-production activities which are self-sustaining and self-liquidating.**

142. Executive Order (EO) No. 939 dated March 2, 1984 entitled "Directing the National Manpower and Youth Council (NMYC), now TESDA, to Implement the Sariling Sikap Program using its Existing Resources" provides, among others:

Section 1. The NMYC (now TESDA) shall engage in various training-cum-production activities including but not limited: (a) training other than basic skills training; b) trade testing (assessment and certification); (c) use of training equipment and facilities; (d) consultancy and technical services; and (e) repair and maintenance services.

Section 2. All income derived from these activities shall be deposited in the Revolving Fund.

Section 3. The fund shall be used to pay operational expenses incurred including payment of honoraria of personnel involved.

Section 4. The fund shall be considered perpetuating and self-liquidating. As differentiated from the usual General Fund, any savings under SSP Fund shall not be reverted to the Bureau of Treasury.

Section 5.1. "In line with the self-reliance concept called for in the issuance of EO No. 939 for the Sariling Sikap Program, the NMYC shall undertake activities under the Program which are separate and distinct from those undertaken and funded

from the General Fund. Consequently, activities undertaken and funded by the Revolving Fund shall be different from the existing activities of the agency.”

143. TESDA ISAT is maintaining SSP Fund and the funds were generated mainly from collected School Fees from trainings conducted under the Scholarship Programs covered by approved Qualification Maps and Examination Fees on the assessments conducted to scholars. Additional revenues were also derived from training and seminar fees, income from hostel, catering fees, rental fees and training-cum-production activities.

144. Review of the Statement of Financial Performance for CYs 2021 and 2022 for Sariling Sikap Program (SSP) of TESDA-ISAT disclosed total income of ₱28,916,635.49 and ₱33,707,041.24, respectively, broken down as follows:

Account	CY 2022	%	CY 2021	%
School Fees	₱21,913,448.00	65.01%	₱20,740,209.49	71.72%
Examination Fees	8,000,364.18	23.73%	6,533,677.00	22.59%
Sub-total	29,913,812.18	88.75%	27,273,886.49	94.32%
Seminar/Training Fees	364,068.14	1.08%	146,900.00	0.51%
Rent/Lease Income	55,000.00	0.16%	0.00	0.00%
Income from Hostels/Dormitories and Other Like Facilities	171,370.00	0.51%	275,250.00	0.95%
Other Business Income	3,202,790.92	9.50%	1,220,599.00	4.22%
Sub-total	3,793,229.06	11.25%	1,642,749.00	5.68%
Total Business Income	₱33,707,041.24	100%	₱28,916,635.49	100%

145. As shown above, the bulk of the total business income of the Agency for CYs 2021 and 2022 were derived from school fees consisting of 71.72 percent and 65.01 percent, respectively and examination fees consisting of 22.59 percent and 23.73 percent, respectively.

146. The School Fees are income derived from the conduct of various skills Scholarship Programs based on the approved Qualification Maps. It is allocated based on its reported absorptive capacity among Technological Vocational Institutions (TVIs) or private schools and TESDA Technological Institutions (TTIs) like TESDA ISAT. Once the training is conducted/completed, corresponding cost of training fees are billed to the TESDA Isabela Provincial Office. The payments of trainings fees are based on a standard rate/cost per training slot. The rate used is the same to both TVIs and TTIs.

147. These payments are sourced from the Regular Fund 101 released by TESDA Regional Office II to TESDA Provincial Office. Upon collection, TESDA ISAT records these as income in the SSP and deposits to the SSP current account.

148. Further, the bulk of the total business income for CYs 2021 and 2022 of ₱27,273,886.49 and ₱29,913,812.18 represent collections from TESDA Provincial Office for training and assessments for various scholarships while only meager portion was derived from other income generating activities. The details are as follows:

Particulars	Recorded Income	Scholarship*	%	Other Sources	%
CY 2022					
School Fees	21,913,448.00	21,657,173.00		256,275.00	
Examination Fees	8,000,364.18	4,557,001.00		3,443,363.18	
Total -CY 2022	29,913,812.18	26,214,174.00	87.63%	3,699,638.18	12.37%
CY 2021					
School Fees	20,740,209.49	20,701,234.49		38,975.00	
Examination Fees	6,533,677.00	3,408,992.00		3,124,685.00	
Total- CY 2021	27,273,886.49	24,110,226.49	88.59%	3,163,660.00	11.41%
<i>*Collections from TESDA Isabela PO's General Fund</i>					

149. As shown above, considering the low percentages of 11.41 percent and 12.37 percent for collections from other sources, TESDA ISAT did not fully engage in other capability building program aside from the basic trainings being offered by TESDA.

150. The whole concept of EO 939 is the optimum utilization of the Agency's resources which will produce outputs/products which can be sold and derive income therefrom, making itself self-reliant. Hence, it is understood that the Sariling Sikap Program may conduct training-cum-production activities using its own fund and resources, separate and distinct from the activities performed under the Regular Fund – the Regular Scholarship Program.

151. Management confirmed that, indeed, TESDA ISAT relies heavily on SSP Funds in sustaining their operations and that they may not be able to continue their operations effectively if the trainings will be discontinued. We stand that TESDA ISAT should continue to conduct training consistent with its mandate and the funding for TTIs should be coursed through regular appropriation. In the case of TESDA ISAT, the budget of TTIs should be shown as part of the Approved Regular Fund or Fund 101 of the Regional Office and be allocated to the different TTIs under its jurisdiction based on its reported Absorptive Capacity.

152. Consequently, having given less attention to or having engaged less in trainings-cum-production activities, the intended purpose and objective of the SSP program was not fully achieved.

153. **We recommended that Management:**

- a. **Make proper representation with TESDA Central Office to revisit the provisions of Executive Order (EO) No. 939 and its IRR, and to recommend necessary amendments, if warranted;**
- b. **Pending amendment to EO No. 939 and its IRR, strictly observe the existing guidelines for the SSP Program to fully achieve its purpose and objectives; and**

- c. **With the existing resources, revisit the possibilities of engaging into training-cum-production to be funded by its available SSP fund or any income generating activities as envisioned during the creation of the SSP Fund.**

154. The Management contends that this practice has been in place for all TTIs and have been currently applying the same in accordance with the instruction of TESDA. Also, the Management had already made plans on engaging into various training-cum-production activities to generate more income under the SSP Fund. Nonetheless, the noted observations will be communicated to TESDA Central Office thru proper channels.

Incomplete details shown in Transparency Seal

155. **The Transparency Seal on the TESDA – ISAT website does not strictly contain the relevant information as provided under Section 102 of the General Provisions of General Appropriation Act of 2022 and DBM National Budget Circular No. 542 dated August 29, 2012, thus making key government information about operations of the agency not practically accessible to the public, and participatory governance, transparency and accountability were not achieved.**

156. Section 102 of the General Provisions of the General Appropriation Act of 2022 provides that: *To enhance transparency and enforce accountability, all agencies of the government shall maintain a Transparency Seal to be posted on their websites. The Transparency Seal shall contain the following:*

- (i) the agency's mandates and functions, names of its officials with their position and designation, and contact information;*
- (ii) approved budgets and corresponding targets, immediately upon approval of this Act;*
- (iii) modifications made pursuant to the general and special provisions in this Act;*
- (iv) annual procurement plan/s and contracts awarded with the winning supplier, contractor or consultant;*
- (v) major activities or projects categorized in accordance with the 0+10 point socioeconomic agenda and their target beneficiaries;*
- (vi) status of implementation, evaluation or assessment reports of said programs or projects;*
- (vii) Budget and Financial Accountability Reports;*
- (viii) People's Freedom to Information (FOI) Manual signed by head of agency, Agency Information Inventory, 2020 and 2021 FOI Summary Report, and 2020 and 2021 FOI Registry; and*
- (ix) annual reports on the status of income authorized by law to be retained or used and be deposited outside of the National Treasury, which shall include the legal basis for its retention or use, the beginning balance, income collected and its sources, expenditures, and ending balance for the preceding fiscal year.*

The heads of the agencies and their web administrators or their equivalent shall be responsible for ensuring compliance with this Section.

157. Further, DBM National Budget Circular No. 542 dated August 29, 2012 provides the Rationale of the Transparency Seal that it aims to leverage the internet to make key information on each particular unit of the government, more accessible to the public.

158. The official website of the agency at <https://www.tesdaisat.com.ph/> was accessed and the Agency's disclosures of its mandate, operations, and activities were evaluated. On its main homepage, the Transparency Seal can be accessed easily by navigating the Good Governance tab, which further links the user to a page containing indexes as follows:

- I. The agency's mandates and functions, names of its official with their position and designation and contact information.
- II. Annual Report
- III. Major Programs and Projects Classified by Major Final Output
- IV. Program / Project Beneficiaries as identified in the applicable special provision
- V. Annual Procurement Plan, Contracts / Suppliers / Consultant
- VI. Citizen's Charter
- VII. 7. Quality Management System
- VIII. TESDA Additional Transparency Compliance
- IX. AGENCY ACTION PLAN AND STATUS OF IMPLEMENTATION

159. These sections when chosen link the users to pop-up pages of a particular report or information, however, examining the webpage contents - information, reports, and documents were not updated and not patterned completely with the required features and disclosures of the Transparency Seal. The following were not updated or posted in the Transparency Seal page, to wit:

1. Financial Plan for CY 2021
2. Budget Execution Document (BED) 1, BED 2 and BED 3 for CY 2021
3. Budget and Financial Accountability Reports (BFARs) for CY 2019-2021
4. Budget Accountability Reports (BAR) for CY 2019-2021
5. Approved Budget for CY 2019-2022
6. Supplemental Annual Procurement Plan for CY 2018-2019
7. Contracts Awarded and Names of Suppliers/Consultant/Contractors for CY 2018-2022
8. Procurement Monitoring Report for CY 2022
9. COA Annual Audit Report for CY 2018-2021
10. List of Pending/Decided Cases FY 2019-2022, if any (If none, should indicate Not Applicable/None)
11. Aging of Cash Advances for CY 2020-2021

12. Status of Cash Advance for CY 2020-2021
13. Financial Statements for CY 2019-2021
14. There was also no posting about People's Freedom to Information (FOI) Manual signed by head of agency, the Agency Information Inventory, 2020 and 2021 FOI Summary Report, and 2020 and 2021 FOI Registry.
15. No link/information available annual reports on the status of income authorized by law to be retained or used and be deposited outside of the National Treasury, if any.

160. The foregoing incomplete/insufficient postings on the Transparency Seal page of the Agency defeat the purpose of enhancement of transparency, enforcement of public accountability and further limited access of the public to key information about the Agency's operations, activities and financial status.

161. **We recommended that management update and enhance the Transparency Seal page contents, pattern the page's interface with the information required in Section 102 of GAA 2022 for ease of understanding and access in response to the right to information of the public.**

162. The Management had already started updating the Transparency Seal page contents on the agency website and ensure strict compliance with in Section 102 of GAA 2022.

Gender and Development

163. **TESDA-ISAT did not formulate Gender and Development (GAD) Plan that requires a minimum of five percent (5%) of their approved appropriations for CY 2022 as mandated by Section 34 of the General Provisions of the GAA for FY 2022 and Section 6.1 PCW/NEDA/DBM Joint Circular No. 2012-1, thereby limiting the process and benefits that may address gender issues.**

164. Section 34 of the General Provisions, GAA FY 2022 states that *all agencies of the government shall formulate a Gender and Development (GAD) Plan designed to address gender issues within their concerned sectors or mandate.*

Xxx...

The GAD Plan shall be integrated in the regular activities of the agencies, which shall be 5% of their budgets for this purpose, activities currently being undertaken by agencies which relate to GAD or those that contribute to poverty alleviation, economic empowerment especially of marginalized women, protection, promotion, and fulfillment of women's human rights, and practice of gender-responsive governance are considered sufficient compliance with said requirement. Utilization of GAD budget shall be evaluated based on the GAD performance indicators identified by said agencies. Xxx...

165. Also, Section 6.1 of PCW-NEDA-DBM Joint Circular No. 2012-01 states that, "At least five percent (5%) of the total agency budget appropriations authorized under the annual GAA shall correspond to activities supporting GAD plans and programs. The GAD budget shall be drawn from the agency's maintenance and other operating expenses (MOOE), capital outlay (CO), and personal services (PS). It is understood that the GAD budget does not constitute an additional budget over an agency's total budget appropriations."

166. TESDA ISAT had an approved appropriation for CY 2022 amounting to ₱31,850,000.00 however, a total of ₱86,500.00 representing 5% of the total MOOE budget appropriations were only allocated for GAD activities instead of the 5% of the approved appropriations or the amount of ₱1,592,500.00. Presented below are the following GAD activity and projects for CY 2022 of TESDA ISAT:

Gender Issues of GAD Mandate	GAD Activity	Total Agency Approved Budget (Php)	Total/Actual Cost Expenditures (Php)
Low enrollment of women in non-traditional skills training programs based on Phil. TVET Statistics 2014-2019	Develop and adopt a Communication/IEC Plan advocating for women's participation in Non-traditional and priority sectors.	2,000.00	2,000.00
	Massive dissemination of IEC materials advocating for women's participation in NTT/STEAM- related sectors through frontline services during National Women's Month, End-VAWC and other yearly advocacy campaigns	7,000.00	7,000.00
	Post-Training Assistance provided to women graduates from various Scholarship Programs.	16,500.00	16,500.00
	Conduct a Community Based Training Programs including various scholarship programs in non-traditional sectors	20,000.00	20,000.00
TESDA to promote a gender-fair TVET through development and enhancement of gender-sensitive curriculum and gender-sensitive learning materials as stated in the MCW section 16 A.1 and A.2	Conduct free TESDA Online Program (TOP) to female beneficiaries in the ff. non-traditional and priority sectors: Agriculture, Automotive, Electrical and Electronics, and Information and Communication Technology.	5,000.00	5,000.00

Gender Issues of GAD Mandate	GAD Activity	Total Agency Approved Budget (Php)	Total/Actual Cost Expenditures (Php)
TESDA to provide training assistance for repatriated women OFWs in support to the "Bayanihan to Heal as One Act" (Republic Act No. 11469) and the Magna Carta of Women, Section 27 A.2	Monitor the provision of Training Assistance for Repatriated women OFWs through the "TESDA Abot OFW" program.	5,000.00	5,000.00
Low skilled, low paying and oppressive labor of women workers in local employment related to household services, manufacturing, etc.	Monitor the conduct of Free Competency Assessment and Certification for Workers (CACW) Program.	2,000.00	2,000.00
Implement skills training programs based on the needs of beneficiaries in conflict-affected (CAA) and post-conflict affected (PCAA) or PAMANA (Payapa at Masaganang Pamayanan) areas as mandated in PCW-OPAPP JC No. 2014-01 contributing to the National Action Plan on Women, Peace and Security (NAPWPS)	Monitor the number of women and girls in post conflict-affected/vulnerable areas who were provided with skills training through Scholarship Programs.	2,000.00	2,000.00
Presidential Proclamation No. 227 s. 1988 provides for all government agencies to "observe the Month of March as Women's Role in History Month" and Proclamation No. 1172 s. 2006 declares "November 25 to December 12 as the 18-day Campaign to End Violence Against Women and Children (VAWC).	Conduct various activities in support of the National Women's Month Celebration (NWMC) and End-Violence against Women and Children (VAWC) Campaign.	27,000.00	105,000.00
Total		86,500.00	164,500.00

167. We recommended and management agreed to allocate at least five percent of their appropriation for GAD fund and ensure full utilization of the amount for the implementation of GAD plans and programs pursuant to Section 34 of the General

Provisions of the GAA for FY 2022 and Section 6.1 of PCW-NEDA-DBM Joint Circular No. 2012-01.

Programs/projects for senior citizens and persons with disability

168. The agency conducted a livelihood training and skills upgrading for Senior Citizens and Persons with Disability. There were 128 Senior Citizens and 4 Persons with Disability who were benefited in this Livelihood Skills Training of the school.

Person with Disability

Program /Projects/ Activities(PPAs)	Actual Amount Utilized	No. of PWD's Beneficiaries			Remarks
		Male	Female	Total	
Tailoring NC II	₱3,500.00	0	1	1	Speech Impairment
Standard First Aid Training	2,500.00	0	1	1	Orthopaedic (Musculoskeletal) disability from injury
Computer System Servicing NC II	35,406.00	0	1	1	Psychosocial Disability
Driving NC II	5,450.00	1	0	1	Visual Disability (Right eye injured due to accident)
Total	₱46,856.00	1	3	4	

Senior Citizen

Program /Projects/ Activities(PPAs)	Actual Amount Utilized	No. of Senior Citizen Beneficiaries
Bread and Pastry Production NC II	₱16,968.00	1
Cookery NC II	19,465.00	1
Driving NC II	5,450.00	4
Carpentry NC II	15,642.00	6
Masonry NC II	10,215.00	7
Trainers Methodology	8,300.00	4
Food Processing NC II	21,145.00	3
COC - Dressmaking and Pattern Making	300.00	2
COC - Fish Processing	350.00	12
COC - Corn Processing	250.00	3
COC - Banana Processing	300.00	21
COC - Bread and Pastry making	350.00	15
COC - Meat Processing	400.00	23

Program /Projects/ Activities(PPAs)	Actual Amount Utilized	No. of Senior Citizen Beneficiaries
COC – Noodle Making	250.00	7
COC - Soap Making	250.00	13
COC – Theoretical Driving Course	250.00	1
Total	₱99,885.00	123

Compliance with Tax Laws

169. For CY 2022, ISAT complied religiously with Revenue Regulation No. 2-98 on the withholding and remittance of taxes.

170. The Statement of Financial Position under SSP Funds as of December 31, 2022 disclosed a balance of Due to BIR of ₱158,133.06 which was remitted in January 2023 with details below:

Month 2022	Tax Withheld		Remittance of BIR			Balances
	Current	Total	Date	Check No.	Amount	
	(In Php)	(In Php)			(In Php)	(In Php)
Sariling Sikap Program Fund						
Beg. Bal.	156,750.03	156,750.03				156,750.03
January	5,480.89	5,480.89				162,230.92
February	58,713.62	58,713.62				220,944.54
March	54,662.85	54,662.85	10-Mar-22	1388164 to 66	220,944.54	54,662.85
April	45,342.83	45,342.83	Apr 4,8, 2022	1388267 to 68, 94	54,662.85	45,342.83
May	33,616.52	33,616.52	10-May-22	1388402 to 04	45342.83	33,616.52
June	45,298.83	45,298.83	06-Jun-22	1388507 to 09	33,616.52	45,298.83
July	86,585.80	86,585.80	08-Jul-22	1388692 to 94	45,298.83	86,585.80
August	72,466.85	72,466.85	04-Aug-22	1388849 to 51	86,585.80	72,466.85
Sept.	94,193.18	94,193.18	06-Sep-22	1389009 to 11	72,466.85	94,193.18
Oct.	42,624.35	42,624.35	10-Oct-22	1389186 to 88	94,193.18	42,624.35
Nov.	87,660.90	87,660.90	10-Nov-22	1389327 to 30	42,624.35	87,660.90
Dec.	158,133.06	158,133.06	07-Dec-22	1389444 to 46	87,660.90	158,133.06
Total	947,951.11	789,818.05				158,133.06

171. In addition, taxes withheld from the General Fund which were remitted thru the TRA disclosed a balance of Due to BIR of ₱346,091.90 as of December 31, 2022 which was remitted in January 2023, with details below:

Month 2022	Tax Withheld				Remittance of BIR		Balances
	From Suppliers	From Compensation	Total	Date	TRA No.	Amount	
	(In Php)				(In Php)		
Beginning Balance		249,285.06	249,285.06	1/7/2022	30152022580143	249,285.06	-
January		139,136	139,136	2/3/2022	30152022592208	139,136.00	-
February		139,136	139,136	3/7/2022	30152022613859	139,136.00	-
	2,694.02		2,694.02	3/7/2022	30152022612937	2,694.02	-
March		148,244	148,244	4/4/2022	30152022628430	148,244.00	-
	10,388.46		10,388.46	4/4/2022	30152022628586	10,388.46	-
April		141,413	141,413	5/5/2022	30152022648824	141,413.00	-
May		149,635	149,635	6/3/2022	30152022665395	149,635.00	-
June		142,018	142,018	7/8/2022	30152022684803	142,018.00	-
	5,104.01		5,104.01	7/8/2022	30152022684745	5,104.01	-
July		142,018	142,018	8/4/2022	30152022700838	142,018.00	-
August		145,370	145,370	9/1/2022	30152022718450	145,370.00	-
September		139,193	139,193	10/6/2022	30152022736034	139,193.00	-
October		139,193	139,193	11/3/2022	30152022747842	139,193.00	-
November		144,299	144,299	12/3/2022	30152022765967	144,299.00	-
December		346,091.90	346,091.90				346,091.90
Total	18,186.49	2,166,759.73	2,184,946.22			1,838,854.32	346,091.90

172. We commended Management's efforts to comply with the BIR Regulation and encouraged continued timely withholding of taxes and remittance thereof.

Compliance with Government Insurance System (GSIS) (RA No. 8291)

173. The TESDA-ISAT withheld the GSIS premium contributions of its employees in CY 2021 and remitted the same to GSIS, in compliance with Republic Act No. 8291.

174. Section 14.1 of the IRR of R.A 8291 requires each government agency to remit directly to the GSIS the employees' and government agency's contributions within the first ten (10) days of the calendar month following the month to which the contributions apply. The remittance by the government agency of the contributions to the GSIS shall take priority over and above the payment of any and all obligations, except salaries and wages of its employees.

175. For CY 2021, GSIS premium contributions and loan amortization amounted to ₱6,790,875.67 of which ₱6,790,875.67 was remitted to GSIS during CY 2022, leaving a zero unremitted balance with details below:

Month	Amount	Date Remitted	LDDAP/CHK No.	Amount	Balance
Beg. Balance	549,111.76	Jan 10, 2022	101-2022-01-08	546,153.22	2,958.54
January	501,733.95	Feb 07, 2021	101-2022-02-04	500,448.33	1,285.62
February	501,733.95	Mar 03, 2022	101-2022-03-01	503,019.57	-1,285.62
March	558,805.45	Mar 17, 2022	101-2022-03-13	488,033.29	70,772.16
		Mar 17, 2022	MDS-2022-03-007	-2,958.54	-2,958.54
April	515,926.53	Apr 28, 2022	101-2022-04-010	580,234.93	-64,308.40
		Apr 28, 2022	MDS-2022-04-008	-1,235.60	-1,235.60
May	561,244.41	May 31, 2022	101-2022-05-12	558,324.32	2,920.09
June	518,726.73	Jun 24, 2022	101-2022-06-08	525,037.30	6,310.57
July	518,699.14	Jul 07, 2022	101-2022-07-004	515,180.00	3,519.14
		Jul 18, 2022	MDS-2022-07-005	2,959.74	-2,959.74
August	529,063.96	Aug 30, 2022	101-2022-08-004	526,855.94	2,208.02
		Aug 22, 2022	MDS-2022-08-010	3,573.57	-3,573.57
September	523,819.39	Sep 19, 2022	101-2022-09-04	523,664.20	155.19
October	517,489.30	Oct 25, 2022	101-2022-10-04	517,634.15	-144.85
November	497,357.39	Nov 16, 2022	101-2022-11-004	499,319.13	-1,961.74
	3,272.86				3,272.86
December	493,890.85	Dec 20, 2022	101-2022-12-004	494,932.72	-1,041.87
Total	6,790,875.67	-		6,790,875.67	0.00

176. The balance noted herein pertains to contributions deducted from the step increments of employees. The Accountant was advised to coordinate with the GSIS Billing and Collection Unit to update the employees' contributions and consequently effect its immediate remittance.

Compliance with Home Development Mutual Fund Law of 2009 (RA No. 9679)

177. The TESDA-ISAT withheld the HDMF premium contributions and loan amortizations of its employees in CY 2022 and remitted the same to HDMF in compliance with Republic Act No. 9679.

178. Section 3 Rule VII of RA 9679 requires that all employers shall remit to the Fund their contributions and the contributions of their covered employees as well as the latter's loan amortizations or payments to the Fund, as provided for under Section 2 of this Rule, when applicable, within fifteen (15) days from the date the same were collected unless another period is previously agreed upon between the employer and the Fund, or within such periods as the Fund may prescribe otherwise. The Fund may prescribe a different remittance schedule for Filipinos employed by foreign based employers depending on the nature of their contracts or manner of their deployment abroad.

179. For CY 2021, HDMF premium contributions and loan amortizations aggregating ₱1,795,999.12 of which ₱1,795,999.12 was remitted to HDMF during CY 2021 leaving zero unremitted balance of with details below:

Month	Amount	Date Remitted	LDDAP/CHK No.	Amount	Balance
Beg. Ba.	3,500				3,500
January	149,213.74	Jan 28, 2021	101-2021-01-03	149,713.74	-500
February	155,523.06	Feb 10, 2021	101-2021-02-03	153,323.06	2,200
March	155,123.06	Mar 18, 2021	101-2021-03-03	157,648.85	-2,525.79
April	152,796.10	Apr 20, 2021	101-2021-04-03	151,970.31	825.79
May	151,970.31	May 17, 2021	101-2021-05-03	151,970.31	-
June	171,170.31	Jun 17, 2021	101-2021-06-03	167,870.31	3,300
July	155,468.93	Jul 13, 2021	101-2021-07-03	155,468.93	-
August	155,468.93	Aug 10, 2021	101-2021-08-03	152,168.93	3300
September	137,295.37	Sep 10, 2021	101-2021-09-03	133,995.37	3300
October	134,999.71	Oct. 12, 2021	101-2021-10-03	144,899.71	-9,900
November	126,399.71	Nov. 10, 2021	101-2021-11-03	129,899.71	-3500
December	147,069.89	Dec. 27, 2021	101-2021-12-03	147,069.89	-
Total	1,795,999.12			1,795,999.12	-

Enforcement of Suspensions, Disallowance and Charges

180. COA Circular No. 2009-006 dated September 5, 2009 prescribes the use of the 2009 Rules and Regulations on the Settlement of Accounts (RRSA). It provides among others, that the Auditor shall issue a Notice of Disallowance/Notice of Charge for differences/balances resulting from the audit of the accounts. A Notice of Suspension may be issued pending compliance with various requirements for transactions which may result in pecuniary loss to the government. The suspensions, disallowances and charges existing at the effectivity of these Rules, which is "October 6, 2009" shall continue to be monitored and enforced by COA.

181. The Statement of Audit Suspension, Disallowance and Charges as of December 31, 2021, showed an amount of ₱733,300.60 unsettled disallowances. Details is presented below:

	Beg. Balance (as of January 1, 2022)	This Period January 1, 2022 to December 31, 2022		Ending Balance (as of December 31, 2022)
		NS/ND/NC	NSSDC	
Notice of Suspension	₱0.00	₱0.00	₱0.00	₱0.00
Notice of Disallowance	0.00	871,822.40	138,521.80	733,300.60
Notice of Charge	0.00	0.00	0.00	0.00
Total	₱0.00	₱871,822.40	₱138,521.80	₱733,300.60

D. Status of Implementation of Prior Years Recommendations

182. We made a follow-up on the action taken by the Isabela School of Arts and Trades to implement the recommendations of prior years and noted the following:

Year Reported	Total No. of Outstanding Recommendations as of January 1, 2022	Status of Implementation as of December 31, 2022		
		Fully Implemented	Not Implemented	Reiterated
2021	19	16	1	2
Total	19	16	1	2
Percentage	100	84.21%	5.26%	10.53%

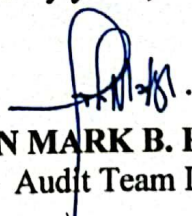
183. The results of the validation of the implementation of prior year's recommendations are presented in **Annex B**.

E. Acknowledgement

184. We wish to express our appreciation to the Management and staff of TESDA ISAT City of Ilagan, Isabela, for the cooperation and assistance extended to our audit team during the audit.

185. We request that a status report on the actions taken on the audit recommendations be submitted within 60 days from the receipt hereof, pursuant to Section 97 of the General Provisions of R.A. No. 11639, otherwise known as the "General Appropriations Act for FY 2022" using the attached form entitled Agency Action Plan and Status of Implementation (AAPSI) as required under COA Memorandum No. 2014-002 dated March 18, 2014.

Very truly yours,


JOHN MARK B. RAGUINDIN
Audit Team Leader

Copy furnished:
Office of the Regional Director, COA RO 2
Office of the Regional Supervising Auditor, NGAS-5 COA RO 2
Office of the Regional Audit Team Leader, TESDA RO 2