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, 2025

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 30, 2026

MS. MA. ELENA A. NARCISO
Vocational School Superintendent
Isabela School of Arts and Trades
City of Ilagan, Isabela

Office of the Vocational School Superintendent
ISABELA SCHOOL OF ARTS AND TRADES
RECEIVED
No.:
By: LBAM
Date / Time: March 31, 2026

Dear Ms. Narciso:

Management Letter on the Audit of the
Technical Education and Skills Development Authority (TESDA)
Isabela School of Arts and Trades (ISAT)
For the Year-ended December 31, 2025

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 (PD No. 1445), we audited the accounts and operations of TESDA – Isabela School of Arts and Trades (ISAT), City of Ilagan, Isabela, for the year-ended December 31, 2025. The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain a 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) evaluate the extent of compliance with laws, rules and regulations as well as propriety and validity of transactions; (c) recommend measures to improve the efficiency and effectiveness of agency's operations; and (d) determine the extent of implementation of prior years' audit recommendations.

3. The deficiencies noted in the course of the audit were earlier communicated through Audit Observation Memoranda (AOM) and discussed with concerned agency officials and employees in an exit conference held on March 24, 2026. 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 (RO) No. II for Calendar Year (CY) 2025.

A. Introduction

4. The TESDA was established through the enactment of Republic Act No. 7796 otherwise known as the "Technical Education and Skills Development Act of 1994", which was signed into law by President Fidel V. Ramos on August 25, 1994. This Act aims to encourage the full participation of and mobilize the industry, labor, local government units and technical-vocational institutions in the skills development of the country's human resources.

5. The merging of the National Manpower and Youth Council (NMYC) of the Department of Labor and Employment (DOLE), the Bureau of Technical and Vocational Education (BTVE) of the Department of Education, Culture and Sports (DECS), and the Apprenticeship Program of the Bureau of Local Employment (BLE) of the DOLE gave birth to TESDA.

6. The fusion of the above offices was one of the key recommendations of the 1991 Report of the Congressional Commission on Education, which undertook a national review of the state of Philippine education and manpower development. It was meant to reduce overlapping in skills development activities initiated by various public and private sector agencies, and to provide national directions for the country's technical-vocational education and training (TVET) system. Hence, a major thrust of TESDA is the formulation of a comprehensive development plan for middle-level manpower based on the National Technical Education and Skills Development Plan. This plan shall provide for a reformed industry-based training program that includes apprenticeship, dual training system and other similar schemes.

7. Joint DECS-TESDA Memorandum Circular No. 1 was issued in consonance with the Special Provision No. 19 of the 1997 General Appropriation Act (GAA) effecting the transfer of ISAT's administration to TESDA. Subsequently, TESDA allocated some of its buildings for the secondary programs to be administered by the Department of Education (DepEd ISAT). The school vigilantly piloted principles and procedures of Competency-Based Training Delivery.

8. TESDA is mandated to:

a. Integrate, coordinate and monitor skills development programs;
b. Restructure efforts to promote and develop middle-level manpower;
c. Approve skills standards and tests;
d. Develop an accreditation system for institutions involved in middle-level manpower development;
e. Fund programs and projects for technical education and skills development; and
f. Assist trainers training programs.

Vision

9. *"The transformational leader in the technical education and skills development of the Filipino workforce."*

Mission

10. *"TESDA sets direction, promulgates relevant standards, and implements programs geared towards a quality-assured and inclusive technical education and skills development and certification system."*

Goals and Objectives

11. The TESDA's goals and objectives are:

- 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

12. At present, the training institution is headed by Ms. Ma. Elena A. Narciso, Vocational School Superintendent, 20 are in the Administrative Services Department and 46 are in the Instructional Services Department with nine (9) job orders.

Table 1. Manpower complement for CY 2025

Office/Division	Permanent	Job-orders	Total
Administrative/Finance	20	7	27
Academic	46	2	48
Total	**66**	**9**	**75**

Financial Highlights

13. For CY 2025 the agency received a total appropriation of ₱46,021,615.15. The current year appropriation comprises of (a) regular appropriations of ₱38,903,999.97 (b) automatic appropriation of ₱3,483,247.18 (c) Special Purpose Fund (SPF) of ₱3,571,160.00 and (d) continuing appropriation of ₱63,208.00. During the year, the agency received total allotments of ₱46,021,615.15 with obligations incurred of ₱46,021,615.15 leaving an unobligated allotment of ₱0.00. Details are shown in Table 2:

Table 2. Schedule of Appropriations, Allotments, Obligations Incurred and Unobligated Balance

Source of Funds	Appropriations	Allotments	Obligations Incurred	Unobligated Balance	
				Total	Reverted
	(In PhP)				
Current Year					
1. Regular	38,903,999.97	38,903,999.97	38,903,999.97	0.00	0.00
2. Automatic Appropriations	3,483,247.18	3,483,247.18	3,483,247.18		
a. RLIP	3,483,247.18	3,483,247.18	3,483,247.18	0.00	0.00
3. SPF	3,571,160.00	3,571,160.00	3,571,160.00		
a. MPBF	3,149,000.00	3,149,000.00	3,149,000.00	0.00	0.00
b. PGF	422,160.00	422,160.00	422,160.00	0.00	0.00
4. Continuing Appropriation	63,208.00	63,208.00	63,208.00	0.00	0.00
MOOE	63,208.00	63,208.00	63,208.00	0.00	0.00
Total	**46,021,615.15**	**46,021,615.15**	**46,021,615.15**	**0.00**	**0.00**

14. The financial position and financial performance for CY 2025, with comparative figures for CY 2024, are summarized in Table 3 and presented in detail in **Annexes A.2 and A.3**.

Table 3. Financial Position and Financial Performance for CYs 2025 and 2024

Particular	2025	2024	Increase/ (Decrease)	Percentage
Financial Condition				
Assets	92,754,628.14	81,388,643.62	11,365,984.52	13.96%
Liabilities	3,236,572.01	3,459,693.06	(223,121.05)	(6.45%)
Government Equity	89,518,056.13	77,928,950.56	11,589,105.57	14.87%
Financial Performance				
Revenue	39,737,893.44	31,738,500.40	7,999,393.04	25.20%
Current Operating Expenses	74,877,467.76	75,329,023.53	(451,555.77)	(0.60%)
Surplus/(Deficit) from Current Operations	(35,139,574.32)	(43,590,523.13)	8,450,948.81	19.39%
Net Financial Assistance/ Subsidy	46,694,042.31	46,103,642.78	590,399.53	1.28%
Surplus/(Deficit) for the period)	11,554,467.99	2,513,119.65	9,041,348.34	359.77%

15. The total Notice of Cash Allocation (NCA) received for Fund Cluster 01 amounted to ₱44,640,833.69 (**Annex C**)

16. **Operational Highlights**

Table 4. Major Accomplishments for CY 2025

Key Performance Indicator (KPI)	CY 2025 Physical Targets	Accomplishment as of December 31, 2025	Percentage of Accomplishment
MFO 1: TESD Policy Services			
Number of research and studies conducted	1	3	300%
MFO 2: Technical Education and Skills Development Regulatory Program			
Competency Assessment and Certification			
Number of skilled workers assessed for certification	N/A	1,631	
Number of persons certified	N/A	1,567	
Technical Education and Skills Development Programs			
No. of TTI Enrollees	3,124	3,827	122%
No. of TTI graduates	2,812	3,532	125%
75% graduates from technical education and skills development scholarship programs that are employed	544		96%
Training for Work Scholarship Program (TWSP)			
No. of TWSP subsidized enrollees			
No. of TWSP subsidized graduates			
Institution-based Training Program			
No. of enrollees	1,636	1,378	84%
No. of graduates	1,472	1,153	78%
Community-based Training Program			
No. of enrollees	1,488	2,449	165%
No. of graduates	1,340	2,379	178%
Trainers Development	50	55	110%
No. of learning facilitators trained TM			
Special Clients			
Drug Dependent	25		
Rebel Returnees	23	N/A	228%
Dependents of Killed –in-action (KIA) Wounded in Action	N/A	3	253%
Indigenous Peoples and Cultural Communities	N/A	117	
Overseas Filipinos (OFs)	N/A	41	

B. Summary of Recommendations

17. The following is the summary of recommendations on the significant deficiencies observed in the course of audit, the details of which are discussed in the Detailed Observations and Recommendations of this report:

For the non-restoration of stale and unreleased checks to Cash in Bank Account - ₱119,907.32

(1) The Accountant draw the necessary adjusting journal entry to revert to cash account all stale and unreleased checks at year-end to reflect the

correct balances of Cash in Bank-LCCA and the corresponding liability accounts.

For the overstatement in Inventory Accounts - ₱774,080.00

(2) The Accountant prepare and make the necessary adjusting entry to correct the overstated balance of the Inventory accounts by ₱774,080.00 and recognize the corresponding expenses for the same amount; and

(3) The Property Division regularly prepare and submit the inventory reports, i.e. ICS, RSPI, RPCI, RegSPI and RPCSP to the Accounting Office, and Audit Team, as needed.

For the unreconciled and unsupported balance of Construction in Progress (CIP) account - ₱2,196,377.53

(4) Reconcile the CIP balance of ₱4,340,026.14 with certified Statement of Work Accomplishment (SWA) and approved progress billings on a per-project basis;

(5) Record the necessary adjustments to reflect only supported and measurable construction costs;

(6) Ensure that no percentage completion is recognized without the certified SWA and billing;

(7) Enhance the Notes to FSs by disclosing project-level breakdown and reconciliation of CIP; and

(8) Implement periodic reconciliation between Engineering and Accounting units to ensure compliance with GAM for NGAs.

For the unreconciled PPE balances between Accounting and Property Records - ₱1,081,788.00

(9) Reconcile the PPE balances between the FSs and the RPCPPE and identify the causes of the ₱1,081,788.00 variance;

(10) Record the necessary adjustments, where appropriate, supported by relevant documentation, to correct any identified discrepancies; and

(11) Establish a periodic reconciliation with Property/Supply Units to ensure that PPE records are consistently aligned.

For the deficiencies on Notes to FSs

(12) The Accountant effect the corrections immediately in the Notes to FSs for the period ended September 30, 2025; and

(13) The same modifications and additions be considered and included in the Notes to FSs of the agency for the year-ended December 31, 2025.

For the non-restatement of Prior Period Errors - ₱39,277,265.33

(14) Prepare the adjusting journal entry to reclassify the stale and cancelled checks to the proper payable accounts totaling ₱119,633.72 and correct the beginning balance of the accumulated surplus/deficit balance under Sariling Sikap Program (SSP) Fund; and

(15) Effect the necessary corrections in the Comparative Statement of Changes in Net Assets/Equity, Statement of Financial Position and Statement of Financial Performance for the period ended September 30, 2025 and year-ended December 31, 2025.

For the incomplete maintenance of subsidiary ledgers (SLs) on significant accounts

(16) The Accountant prepare the SLs for all accounts with balances, reconcile control accounts with subsidiary records, and maintain regular monitoring to ensure accuracy of account balances.

For the delayed and/or non-submission of accounts under the SSP Fund

(17) The Accountant immediately submit the disbursement vouchers together with complete supporting documents totaling ₱3,132,715.70.

For the delayed submission of Liquidation Reports (LRs)

(18) The Accountant immediately submit to the Audit Team the LRs pertaining to June 2025 and September 2025 cash advances in accordance with Paragraph 5.3 of COA Circular No. 97-002. Likewise, the personnel designated to file the LRs should prepare a status monitoring report to facilitate the timely submission of LRs to the Audit Team.

Scholarship Training Programs

For the deficiencies in program registration

(19) The Unified TVET Program Registration and Accredited System (UTPRAS) Focal Person facilitate compliance with the minimum requirements on tools and equipment on registered Technical Vocational Education and Training (TVET) programs as provided under approved Training Regulations (TRs); and

(20) The Supply Officer conduct an actual inventory count of all tools and equipment and immediately issue the corresponding ICS/Property Acknowledgement Receipt (PAR) to the trainers and submit to the Audit Team for verification. Also, account all unserviceable tools and equipment and dispose them accordingly.

For the improper deposit, retention, and utilization of SSP Revolving Fund including GAA-Funded amounts

(21) Discontinue the deposit, recording, and retention under the SSP Revolving Fund of collections not derived from training-cum-production activities, and ensure that such collections are properly classified, accounted for separately, and remitted to the General Fund (GF) or other legally authorized funds, as applicable;

(22) Refrain from recognizing as SSP business income amounts received for the implementation of scholarship and assistance programs funded under the GAA, and account for such amounts;

(23) Ensure full and effective segregation of SSP and non-SSP funds by maintaining distinct bank accounts, accounting records, and cash-level controls, and by implementing monitoring mechanisms to prevent commingling of SSP and GF resources;

(24) Limit the utilization of the SSP Revolving Fund strictly to expenditures directly attributable to training-cum-production or SSP activities, and discontinue charging operating expenses that are not directly related to such activities; and

(25) Ensure that GAA-funded scholarship and assistance amounts, to the extent that such amounts represent government appropriations or subsidy-type transfers, are subjected to appropriation validity and reversion rules, and that unutilized balances with expired validity are reverted to the GF.

For the non-posting of performance bond

(26) The Bids and Awards Committee (BAC) and the Accountant explain why the contract proceeded and the contract amount paid even with the absence of the required performance security, for evaluation by the audit team.

For the issue of non-deduction of Expanded Withholding Tax (EWT) and withholding of retention fee beyond 50 percent accomplishment rate:

(27) The Accountant enforce the withholding of 2 percent EWT on all payments to contractors pursuant to Revenue Regulations (RR) No. 11-2018; and

(28) The Accountant cease the withholding of retention money once the cumulative accomplishment reaches 50 percent of the project value, provided the works are satisfactorily progressing.

C. Detailed Observations and Recommendations

Financial Audit

Accounting Errors and Omissions

18. **The Assets, Liabilities and Equity (including Income and Expenses) was misstated by an aggregate absolute amount of ₱1,787,974.64 which exceeded the overall planning materiality threshold amounting to ₱376,645.12. 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, 2025 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 International Public Sector Accounting Standards (IPSAS).**

19. Paragraph 15 of the IPSAS 1, Presentation of FS, describes FS as a structured representation of the financial position and financial performance of an entity. The standard further provides that the objectives of general-purpose FS are to provide information about the financial position, financial performance and cash flows of an entity that is useful to a wide range of users in making and evaluating decisions about the allocation of resources. Specifically, the objectives of general-purpose financial reporting in the public sector should be to provide information useful for decision-making, and to demonstrate the accountability of the entity for the resources entrusted

to it by:

a) Providing information about the sources, allocation, and uses of financial resources;
b) Providing information about how the entity financed its activities and met its cash requirements;
c) Providing information that is useful in evaluating the entity's ability to finance its activities and to meet its liabilities and commitments;
d) Providing information about the financial condition of the entity and changes in it; and
e) Providing aggregate information useful in evaluating the entity's performance in terms of service costs, efficiency and accomplishments.

20. Paragraph 27 of IPSAS 1 further states that the FS 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 IPSASs. The application of IPSASs, with additional disclosures when necessary, is presumed to result in financial statements that achieve a fair presentation.

21. Our audit of the FSs disclosed misstatements in several of its accounts, as shown in Table 5:

Table 5. Summary of Uncorrected Misstatements in the FSs

Observations	Amount of Under/(Overstatements) (Php)				ML Reference
	Asset		Liabilities	Equity (including Income and Expense accounts)	
	Cash	Inventory			
Cash					
Stale and unreleased checks not restored to Cash in Bank	119,907.32		119,907.32		Par. 22
Overstatement on Inventory Accounts		(774,080.00)		(774,080.00)	Par. 31
a. Total Misstatements per Account (Absolute Amounts)	**893,987.32**		**119,907.32**	**774,080.00**	
b. Total Misstatements	**1,787,974.64**				
c. Total Expenses as of December 31, 2024	**75,329,023.53**				
d. Overall Planning Materiality (0.5% of Total Expenses)	**376,645.12**				

Non-restoration of state and unreleased checks to Cash in Bank Account - ₱119,907.32

22. **Stale and unreleased checks amounting to ₱119,907.32 were not restored to Cash in Bank, LCCA but treated as outstanding checks, instead, contrary to Section 44, Chapter 6 and Section 56, Chapter 19 of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I, thus resulted in the understatement of the Cash in Bank-LCCA and the corresponding liability accounts by the same amount as at December 31, 2025.**

23. Section 44, Chapter 6 of the GAM for NGAs, Volume I provides that checks may be cancelled when they become stale, voided or spoiled. The depository bank considers a check stale, if it has been outstanding for over six months from date of issue or as prescribed.

24. Moreover, Section 56, Chapter 19 of the GAM for NGAs, Volume I provides that,

> *"A Schedule of Unreleased Commercial Checks shall be prepared by the Cashier for submission to the Accounting Division/Unit. All unreleased checks at the end of the year shall be reverted back to the cash accounts. A JEV shall be prepared to recognize the restoration of the cash equivalent to the unreleased checks and the recognition of the appropriate liability/payable account. The accounting entry for the restoration of the unreleased check to the cash account shall be a debit to "Cash in Bank, Local Currency Current" account with credit to the appropriate liability account. There shall be no physical cancellation of the checks. The JEV supporting such restoration shall form part of the supporting document to the financial statements to be submitted to COA at year end. At the start of the ensuing year, another JEV shall be drawn to reverse the previous entry made and recognize the availability of the checks for release. This procedure shall not apply to account "Cash-Modified Disbursement System (MDS)" since there is no actual cash with the GSBs."*

25. Audit of the Cash in Bank, LCCA account as at December 31, 2025 disclosed that the stale and unreleased checks amounting to ₱56,097.52 and ₱63,809.80, respectively, were deducted from its ending balance.

26. The said stale and unreleased checks were treated as outstanding checks in the Bank Reconciliation Statements (BRS) as at December 31, 2025 for the SSP Fund and were not reverted to the Cash in Bank-LCCA at year-end.

27. The outstanding checks amounting to ₱56,097.52 were already stale, being outstanding for over six months from date of issue. Moreover, unreleased checks amounting to ₱63,809.80 cannot be considered as payments because payments can only be valid upon the issuance of the corresponding check to the payee. Hence, the

deductions made from the Cash in Bank-LCCA with a total amount of ₱119,907.32 should be adjusted or reverted and the liability or obligation be set-up.

28. Consequently, the non-reversion of the stale and unreleased checks to cash in bank account at year-end resulted in the understatement of both the Cash in Bank-LCCA and the corresponding liability accounts by the same amount of ₱119,907.32.

29. **We recommended that the Accountant draw the necessary adjusting journal entry to revert to cash account all stale and unreleased checks at year-end to reflect the correct balances of Cash in Bank-LCCA and the corresponding liability accounts, to wit:**

Account Name	Debit	Credit
Cash in Bank - Local Currency, Current Account	119,907.32	
Accounts Payable		80,769.84
Due to Officers and Employees		39,137.48
To revert stale and unreleased checks to Cash in bank		

30. The Management acknowledged the audit recommendation. In compliance, the identified stale check was already adjusted in January 2026 through JEV No. GJ-SSP-2026-01-004, Likewise, all unreleased checks as of year-end were subsequently delivered to the respective payees in the following month. Furthermore, the Accountant committed to ensuring that all necessary adjustments are properly recorded and reflected in the books, including the appropriate disclosures in the Notes to FSs.

Overstatement in Inventory accounts - ₱774,080.00

31. **Semi-expendable Property accounts totaling ₱774,080.00, already issued to end-users, were not reclassified to the appropriate expense accounts due to non-preparation and non-submission by the Property Office of Inventory Custodian Slip (ICS), Report of Semi-Expendable Property Issued (RSPI), which resulted in the overstatement of Inventory accounts. Furthermore, the required Report on the Physical Count of Inventories (RPCI), Registry of Semi-Expendable Property Issued (RegSPI) and Report on the Physical Count of Semi-Expendable Property (RPCSP) were not prepared and submitted, which are not in keeping with Chapter 8 of the GAM for NGAS, Volume I and COA Circular No. 2022-004 dated May 31, 2022.**

32. The pertinent rules and regulations relative to the recognition of inventory accounts and corresponding expense accounts and the preparation of various inventory reports are as follows:

Rules and Regulations	Specific Requirements/Provisions
Chapter 8 of the GAM for NGAS, Volume I	Sec. 7. Recognition as an Expense. When inventories are sold, exchanged, or distributed, their carrying amount shall be recognized as an expense in the period in which the

Rules and Regulations	Specific Requirements/Provisions
	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. Sec. 10. Semi-expendable property. Tangible items below the capitalization threshold of P15,000 (COA Circular No. 2022-004 dated May 31, 2022 increased the capitalization threshold from below P15,000.00 to below P50,000.00) shall be accounted as semi-expendable property. a. Semi-expendable property which were recognized as PPE shall be reclassified to the affected accounts. b. These tangible items shall be recognized as expenses upon issue to the end-user Sec. 11. Accountability over Semi-expendable Property. ICS shall be issued to end-user of Semi- expendable Property to establish accountability over them. Accountability shall be extinguished upon return of the item to the Property and Supply Division/Unit or in case of loss, upon approval of the relief from property accountability. Sec. 17. The following records, forms and reports are prescribed for use: g. RSMI– shall be prepared by the Property and/or Supply Custodian based on the RIS and shall be used by the Accounting Division/Unit as basis in preparing the JEV to record the supplies and materials issued. i. RPCI– shall be used to report the physical count of supplies by type of inventory as at a given date. It shows the balance of inventory items per card and per count and shortage/overage, if any. These include the semi-expendable property wherein the issue is covered by ICS.
COA Circular No. 2022-004 dated May 31, 2022.	The RegSPI shall be maintained in the Property and/or Supply Division/Unit for each class of issued semi-expendable property. The property and/or Supply Custodian shall record promptly the issue, return, reissue, disposal, and other information about the property if returned and the description/information about the asset. It shall be maintained by fund. ICS shall be maintained continuously and recorded in sequential manner to keep track of any missing ICS.

Rules and Regulations	Specific Requirements/Provisions
	The RSPI shall be prepared by the Property and/or Supply Division/Unit to report/summarize all issued semi-expendable property (by semi-expendable property number) at least weekly. It shall be prepared by the Property and/or Supply Custodian based on the ICS and shall be used by the Accounting Division/ Unit as basis in preparing the journal entry voucher to recognize semi-expendable property issued. The RLSCSP shall be used to report the physical count of semi-expendable property, which are owned by the agency/entity, by type of property still in the custody of the Property and/or Supply Division/Unit as at a given date. It shows the balance if semi-expendable items per card and per count and shortage/overage, if any. It shall be prepared annually and by fund by the Inventory Committee.

33. Review of the financial statements as of December 31, 2025 disclosed that Semi-Expendable Office Equipment and Semi-Expendable Other Machinery and Equipment remained recorded under Inventory accounts despite having been issued to the end-users during the year. Consequently, no corresponding expense was recognized, which resulted in overstatement of inventory accounts amounting to ₱774,080.00. Details are as follows:

Overstated Inventory Accounts	Particulars	Amount	Understated Accounts
Semi-Expandable Office Equipment	Regular office supplies	₱96,680.00	Semi-Expandable Office Equipment Expense
Semi-Expandable Other Machinery and Equipment	Various Tools and Equipment issued to Trainers	677,400.00	Semi-Expandable Other Machinery and Equipment Expense
Total		**₱774,080.00**	

34. Verification of the ICS confirmed that the semi-expendable properties were issued to end-users as of December 31, 2025. However, the corresponding ICS and required reports such as RSPI, RPCI, RegSPI and RPCSP, which serve as basis for recording the issuance thru Journal Entry Voucher (JEV), were not submitted to the Accounting Division on or before closing of the books of accounts.

35. Inquiry with the Accountant and inspection of documents revealed that the Property Division was already submitting copies of RIS and RSMI for the other inventory accounts.

36. It is noted that the non-preparation and non-submission of various inventory reports by the Property Division has been a perennial issue. The Audit Team had

previously issued AOMs relative to these lapses and made numerous demands from them to comply with the prescribed rules and regulations but was left unheeded. It was noted, however, that the Supply Officer was newly appointed in July 2025 and was informed of the AOMs issued to the former Supply Officer.

37. The deficiency may be attributed to delays in the preparation and submission of the required inventory reports by the Property Division, as well as challenges in the implementation of prior audit recommendations. It was also noted that there was a transition in personnel following the recent appointment of a new Supply Officer.

38. This resulted in the overstatement of Inventory accounts and the corresponding understatement of expenses, which affected the fair presentation of the financial position and results of operations. In addition, the absence of the required inventory reports may limit the effectiveness of internal controls over government property and could expose the assets to potential risks such as loss or misuse.

39. **We recommended that:**

a. **The Accountant prepare and make the necessary adjusting entry to correct the overstated balance of the Inventory accounts by ₱774,080.00 and recognize the corresponding expenses for the same amount; and**

b. **The Property Division regularly prepare and submit the inventory reports, i.e. ICS, RSPI, RPCI, RegSPI and RPCSP to the Accounting Office, and Audit Team, as needed.**

40. During the exit conference, the management committed to prepare all the necessary documents as recommended.

Accounting Deficiencies

Unreconciled and unsupported balance of CIP account - ₱2,196,377.53

41. **The CIP balance of ₱4,340,026.14 disclosed in the Consolidated Notes to FSs is not reconciled with the total accomplishment of ₱2,143,648.61 reflected in the Schedule of CIP, and was partially unsupported by certified SWA, thereby affected the reliability and faithful presentation of the CIP account in the financial statements.**

42. Section 8, Chapter 10 of the GAM for NGAS, Volume I provides that CIP shall be recognized based on accumulated construction costs supported by certified accomplishment and progress billings.

43. The Consolidated Notes to FSs disclosed a CIP balance of ₱4,340,026.14 as of December 31, 2025. However, the Notes did not provide project-level breakdown nor reconciliation of the amount to certified SWA and approved progress billings.

44. The Schedule of CIP reflected three ongoing projects with reported percentage completion and computed accomplishment totaling ₱2,143,648.61. Out of the three projects, SWA were available only for two projects, while one project had no certified SWA due to non-submission of contractor billing. The details are shown in Table 6.

Table 6. Schedule of Construction-in-Progress – Project-Level Analysis

Project Name	Contract Amount (₱)	Percentage of Completion	Computed Accomplishment (₱)	SWA Available	Audit Remarks
Proposed Extension of SMAW / Construction Workshop	2,151,441.96	28.15%	605,608.83	Yes	For reconciliation with recorded CIP
Second (2nd) Phase – Incubation Facility	3,492,088.65	34.67%	1,210,207.14	Yes	For reconciliation with recorded CIP
Renovation of ECCD NC III Workshop & Storage Facilities	2,185,550.94	15.00%	327,832.64	No	No certified SWA due to non-submission of billing
Total Accomplishment per Schedule	**7,829,081.55**		**2,143,648.61**		

Table 7. Reconciliation of CIP per Notes vs. Schedule of CIP

Particulars	Amount (₱)	Audit Remarks
CIP Balance per Consolidated Notes to FS	4,340,026.14	No project-level disclosure in the Notes
Total Accomplishment per Schedule of CIP	2,143,648.61	Based on reported percentage of completion
Variance	**2,196,377.53**	Not reconciled to certified SWA and approved billings

45. The variance of ₱2,196,377.53 remained unexplained and unsupported by detailed disclosure or certified accomplishment reports.

46. The CIP balance was recorded and disclosed without full reconciliation to certified SWA and approved progress billings. Project-level details were not disclosed in the Notes to FSs.

47. There appears to be inadequate coordination between the Engineering Unit and Accounting Unit to ensure alignment between physical accomplishment, certified billings, and recorded CIP balances.

48. As a result of the unreconciled difference between the CIP balance of ₱4,340,026.14 disclosed in the Consolidated Notes to FSs and the total accomplishment of ₱2,143,648.61 reflected in the Schedule of CIP, the CIP account is exposed to a possible overstatement or understatement of ₱2,196,377.53. This variance remained

unexplained and is not supported by detailed reconciliation to certified SWA and approved progress billings.

49. Moreover, the reported accomplishment for the Renovation of ECCD NC III Workshop and Storage Facilities project amounting to ₱327,832.64 was not supported by a certified SWA due to non-submission of contractor billing, thereby rendered that portion of the reported accomplishment inadequately supported.

50. These conditions increased the risk that the financial statements did not faithfully present the actual stage of completion and accumulated cost of ongoing construction projects. The absence of project-level disclosure and reconciliation in the Notes further weakened transparency, limited audit trail, and impaired the reliability of the reported CIP balance.

51. **We recommended that the Accountant:**

a. **Reconcile the CIP balance of ₱4,340,026.14 with certified SWA and approved progress billings on a per-project basis;**

b. **Record necessary adjustments to reflect only supported and measurable construction costs;**

c. **Ensure that no percentage completion is recognized without certified SWA and billing;**

d. **Enhance the Notes to FSs by disclosing project-level breakdown and reconciliation of CIP; and**

e. **Implement periodic reconciliation between Engineering and Accounting units to ensure compliance with the GAM for NGAs.**

52. The CIP balance in the FSs included completed payments for the First Phase Construction of the Incubation Center, amounting to ₱3,496,654.40, and mobilization payments amounting to ₱843,371.74 for two ongoing projects: the Second Phase of the Incubation Center and the Extension of the SMAW/Construction Workshop. Meanwhile, the Schedule of CIP was based only on the Certified SWA received for the Proposed Extension of SMAW/Construction Workshop and the Second Phase - Incubation Facility as of January 27, 2026, and the mobilization payment made for the renovation of the ECCD NC III Workshop and Storage Facilities. Nevertheless, the Management acknowledged the observation and committed to strengthen coordination between the Engineering and Accounting Units.

Unreconciled PPE balances between Accounting and Property Records - ₱1,081,788.00

53. **Discrepancies between the balances reported in the FSs and those reflected in the RPCPPE, amounting to ₱1,081,788.00, indicated deficiencies in the recording, classification, and reconciliation of PPE accounts.**

54. Chapter 10 of the GAM for NGAs, Volume I, covers the accounting for PPE. Section 38 thereof requires the conduct of periodic physical count of PPEs. Any discrepancies found during the count shall be reported to the Accounting Division/Unit for proper accounting and recording.

55. Based on the Detailed Statement of Financial Position as of December 31, 2025, the total cost of Office Equipment, Communication Equipment and Motor Vehicles amounted to ₱33,308,852.64, while the total balance of these accounts per RPCPPE amounted to ₱32,227,064.64, resulted in a variance totaling ₱1,081,788.00 as shown below:

PPE Classification	Per Financial Statements (₱)	Per RPCPPE (₱)	Variance (₱) Overstated
Office Equipment	572,825.00	537,348.00	35,477.00
Communication Equipment	345,300.00	0.00	345,300.00
Motor vehicles	3,655,211.00	2,954,200.00	701,011.00
Total	**33,308,852.64**	**32,227,064.64**	**1,081,788.00**

56. Reconciliation of the PPE schedule provided by the Accountant and the RPCPPE showed that the following items were recorded by the Accountant but were not located by the Supply Officer during the physical verification of PPE:

PPE Classification	Description	Amount (₱)
Communication Equipment (TV and Radio)	No description	250,000.00
Communication Equipment (TV and Radio)	No description	95,300.00
Sub-Total Communication Equipment (TV and Radio)		**345,300.00**
Motor Vehicles	Toyota Tamaraw FX	85,011.00
Motor Vehicles	Mitsubishi Lancer	100,000.00
Motor Vehicles	Nissan Sentra	100,000.00
Motor Vehicles	Toyota Tamaraw FX	85,000.00
Motor Vehicles	Toyota Tamaraw FX	85,000.00
Motor Vehicles	Toyota Tamaraw Wagon	50,000.00
Motor Vehicles	Toyota M Cruiser	50,000.00
Motor Vehicles	Toyota Corolla	100,000.00
Sub-Total Motor Vehicles		**655,011.00**
Total		**1,000,311.00**
Unidentified Variance		**81,788.00**

57. The condition may be attributed to the absence of regular reconciliation procedures between accounting and property records, weak coordination between the Accounting Unit and the Property/Supply Unit. In addition, insufficient monitoring of

asset movements such as acquisitions and disposals contributed to the observed discrepancies.

58. As a result, the reliability of PPE balances reported in the FSs was affected. The discrepancies also increase the risk of unrecorded, missing, or unaccounted government assets and may result in inaccurate financial reporting. Moreover, the condition constituted non-compliance with the provisions of the GAM and applicable COA regulations.

59. **We recommended that the Accountant:**

a. **Reconcile the PPE balances between the FSs and the RPCPPE and identify the causes of the ₱1,081,788.00 variance;**

b. **Record the necessary adjustments, where appropriate, supported by relevant documentation, to correct any identified discrepancies; and**

c. **Establish a periodic reconciliation with Property/Supply Units to ensure that PPE records are consistently aligned.**

60. The Management acceded with the audit recommendation and ensured proper coordination of the offices involved.

Deficiencies on Notes to FSs

61. **Inconsistencies and omissions were noted in the Notes to FSs of the TESDA-ISAT for the period ended September 30, 2025, which are not consistent with the requirements of the International Public Sector Accounting Standards (IPSAS) 1 and the GAM for NGAs, thus diminishing the reliability and understandability of the financial statements taken as a whole.**

62. IPSAS 1 provides that financial statements are a structured representation of the financial position and financial performance of an entity. The objectives of general purpose financial statements are to provide information about the financial position, financial performance, and cash flows of an entity that is useful to a wide range of users in making and evaluating decisions about the allocation of resources. Specifically, the objectives of general purpose financial reporting in the public sector should be to provide information useful for decision making, and to demonstrate the accountability of the entity for the resources entrusted to it, by providing information about the sources, allocation, and uses of financial resources. Supplementary information, including non-financial statements, may be reported alongside the financial statements in order to provide a more comprehensive picture of the entity's activities during the period.

63. Moreover, the Notes to FSs provide additional information that is not presented on the face of the statement of financial position, statement of financial performance, statement of changes in net asset/equity or cash flow statements, but that is relevant to an understanding of any of them. Notes shall, as far as practicable, be presented in a systematic manner.

64. Hence, a fair presentation requires the agency to present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information and provide additional disclosures when compliance with the specific requirements in IPSASs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

65. The GAM for NGAs also provides the qualitative characteristics of financial reporting which include Understandability and Reliability. As stated in the GAM, "information is understandable when users might reasonably be expected to comprehend its meaning. For this purpose, users are assumed to have a reasonable knowledge of the entity's activities and the environment in which it operates, and to be willing to study the information." On the other hand, "reliability is a quality of information that is free from material error and bias, and can be depended on by users to represent faithfully that which it purports to represent or could reasonably be expected to represent."

66. In the audit of the financial statements of as at/for the period-ended September 30, 2025, we noted several inconsistencies, omissions and disclosures in the Notes to FSs, which should have been included and could have been further improved to align with the requirements of IPSAS and GAM for NGAs and enhance the understandability and reliability of the financial statements. It must be emphasized that the full and appropriate disclosure of the information is essential to help Management and other users clearly understand the Agency, its financial condition, and to rely thereon for informed decision-making.

67. **We recommended that the Accountant effect the corrections immediately in the Notes to FSs for the period ended September 30, 2025, as detailed and presented in the Annex of the Audit Observation Memorandum (AOM), to enhance the understandability and reliability of the financial statements.**

68. **We also recommended that the same modifications and additions be considered and included in the Notes to FSs of the agency for the year ended December 31, 2025 in conformity with the requirements of IPSAS 1 and related provisions of the GAM for NGAs.**

69. The Management acknowledged the observation and agreed to abide by the recommendations.

70. The review of the Notes to FS as of December 31, 2025, indicated significant compliance with the required disclosures, except for the presentation of Reconciliation of Net Cash Flows from Operating Activities to Surplus/(Deficit).

Non-restatement of Prior Period Errors

71. **The CY 2024 corresponding figures presented in the FSs for the period ended September 30, 2025 were not restated to reflect material prior period errors and adjustments, contrary to Section 42 (b) and 43, Chapter 19 of the GAM for NGAs, Volume I, which require retrospective restatement of comparative amounts when correcting material prior period errors.**

72. Under Section 42 (b) and 43, Chapter 19 of the GAM for NGAs, Volume I, material prior period errors shall be corrected retrospectively, either by restating the comparative figures for the period(s) affected or, when impracticable, by adjusting the opening balances of assets, liabilities, and net assets/equity for the earliest period presented. Retrospective restatement is required unless determination of the period-specific or cumulative effect is impracticable.

73. The Comparative Statement of Changes in Net Assets/Equity (SCNAE) for the period ended September 30, 2025 showed significant prior period errors and adjustments recognized in CY 2025; however, the corresponding CY 2024 comparative figures were not modified to reflect such adjustments, resulting in inconsistent and misleading comparative presentations. Summary is as follows:

Statement of Changes in Net Assets/Equity All Funds		
	2025	**2024**
Balance at January 1	₱35,785,053.05	₱32,453,698.58
Prior Period Errors	1,157,571.93	3,363.70
Other Adjustments	38,239,327.12	3,658,839.69
Restated Balance	**75,181,952.10**	**36,115,901.97**
Changes in Net Assets/Equity for the Calendar Year		
Surplus for the period	16,749,156.60	(330,848.92)
Balance at period end	**₱91,931,108.70**	**₱35,785,053.05**

74. Review of the financial statements disclosed that the CY 2025 prior period errors and other adjustments totaling ₱38,099,931.11 and ₱1,296,967.94 for GF and SSP Fund, respectively, included adjustments for unrecorded income, expenses and transfer of asset in prior years amounting to ₱38,099,931.11 and ₱1,177,334.22 for GF and SSP Fund, respectively. These adjustments should have been used to restate the corresponding CY 2024 figures rather than being recognized solely in CY 2025. Details are summarized as follows:

Particulars	Amount
General Fund:	
Transfer of ownership of the RTIC Building to TESDA-ISAT dated May 24, 2023	₱39,999,927.67
To record depreciation for CY 2023	(699,998.73)
To record depreciation for CY 2024	(1,199,997.83)
Net adjustment	**₱38,099,931.11**
SSP Fund:	
To correct receivable accounts for CY 2024	₱1,780,064.54
To correct inventory accounts for CY 2024	(734,438.29)
To correct other asset accounts for CY 2024	138,832.97
To correct payable accounts for CY 2024	(7,125.00)
Net adjustment	**₱1,177,334.22**
Total-All Funds	**₱39,277,265.33**

75. As summarized above, the adjustments included the transfer of ownership of the RTIC Building to TESDA-ISAT in 2023 and related depreciation for CYs 2023–2024, and various account corrections under the SSP Fund. These adjustments substantively relate to previous periods and therefore require the restatement of CY 2024 comparative figures in accordance with the GAM. These material adjustments pertaining to CYs 2023 and 2024 should have resulted in the restatement of the CY 2024 comparative amounts in the CY 2025 FSs, including the Statement of Financial Performance and the SCNAE. Failure to do so results in misstated comparative balances.

76. Further verification revealed that the total adjustments of ₱119,633.72 under SSP Fund for CY 2025 were erroneously recorded as adjustments to the beginning balance of the Accumulated Surplus/(Deficit). These amounts relate to stale and cancelled checks that should have been adjusted to appropriate payable accounts instead of being treated as prior period adjustments.

77. Accordingly, the Comparative Statement of Financial Position, Statement of Financial Performance, and Statement of Changes in Net Assets/Equity, for the period ended September 30, 2025 should reflect the restated CY 2024 balances adjusted for prior period errors and reclassification of payable-related adjustments, as illustrated below:

Statement of Financial Position All Funds		
	2025	**2024 (As restated)**
Assets		
Current Assets		
Cash and Cash Equivalents	17,485,718.11	6,987,456.20
Receivables	2,766,087.40	4,605,840.04
Inventories	3,005,066.67	2,943,286.67
Other Current Assets	164,169.00	138,832.97
Total Current Assets	**23,421,041.18**	**14,675,415.88**
Property, Plant and Equipment	69,097,352.68	63,829,707.95
Total Non-Current Assets	**69,097,352.68**	**63,829,707.95**
Total Assets	**92,518,393.86**	**78,505,123.83**
Liabilities		

Statement of Financial Position All Funds		
	2025	2024 (As restated)
Financial Liabilities	469,825.86	2,786,586.05
Inter-Agency Payables	225,593.02	639,919.40
Other Payables	11,500.00	16,300.00
Total Liabilities	**706,918.88**	**3,442,805.45**
Net Assets/Equity		
Accumulated Surplus/(Deficit)	91,811,474.98	75,062,318.38
Total Equity	**91,811,474.98**	**75,062,318.38**

Statement of Financial Performance All Funds		
	2025	2024 (As restated)
Revenue	**33,349,306.84**	**31,771,176.94**
Less: Current Operating Expenses		
Personnel Services	31,569,540.87	43,153,631.99
Maintenance and Other Operating Expenses	19,013,954.55	27,907,712.33
Financial Expenses	0.00	12,000.00
Non-Cash Expenses	0.00	3,049,871.05
Total Current Operating Expenses	**50,583,495.42**	**74,123,215.37**
Surplus/(Deficit) from Current Operations	**(17,234,188.58)**	**(42,352,038.43)**
Net Financial Assistance/Subsidy	33,983,345.18	41,998,525.90
Surplus/(Deficit) for the period	**16,749,156.60**	**(353,512.53)**

Statement of Changes in Net Assets/Equity All Funds		
	2025	2024 (As restated)
Balance at January 1	₱35,785,053.05	₱32,453,698.58
Prior Period Adjustments	39,277,265.33	42,962,132.33
Restated Balance	**75,062,318.38**	**75,415,830.91**
Changes in Net Assets/Equity for the Calendar Year		
Surplus/(Deficit) for the period	16,749,156.60	(353,512.53)
Balance at period end	**₱91,811,474.98**	**₱75,062,318.38**

78. Moreover, the prior period adjustments for CY 2025 and CY 2024 should be fully disclosed in the Notes to the FS, in compliance with the GAM and IPSAS 3 disclosure requirements. Failure to disclose such material adjustments impaired transparency and the fair presentation of the financial statements.

79. **We recommended that the Accountant:**

a. **Prepare the adjusting journal entry to reclassify ₱119,633.72 stale and cancelled checks to the proper payable accounts and correct the beginning balance of the accumulated surplus/deficit balance under SSP Fund; and**

b. **Effect the necessary corrections in the Comparative Statement of Changes in Net Assets/Equity, Statement of Financial Position and Statement of Financial Performance for the period ended September 30, 2025 and year-ended December 31, 2025 to properly present prior**

period errors and other adjustments by restating the prior year balances of the affected accounts shown as corresponding figures for the current year financial statements in conformity with the requirements of Section 42(b) and 43, Chapter 19 of the GAM for NGAS, Volume I.

80. The Accountant agreed to abide by the audit recommendation.

81. Adjusting journal entries were prepared by the Accountant and forwarded to the Audit Team. On the other hand, the review of the financial statements as of December 31, 2025, showed significant compliance with the restatement of the CY 2024 figures, except for the accounts affected by the prior period error concerning the overpayment of wages for job orders amounting to ₱34,637.58.

Incomplete maintenance of SLs on Significant Accounts

82. **SLs were prepared only for nine SSP Fund accounts, disregarding the other significant accounts, contrary to Section 12, Chapter 2 of the GAM for NGAS, Volume I requiring SLs to be maintained as part of the books of accounts, due to inadequate procedures, resulted in unsupported balances and risk of misstatement, notwithstanding the timely submission of the FSs on January 20, 2026 for which the Accountant is commended.**

83. Section 12, Chapter 2 of the GAM for NGAs, Volume I provides that the books of accounts of National Government entities include SLs as part of the accounting records to support financial transactions and account balances.

84. The SLs prepared under the SSP Fund pertain to the following accounts: Accounts Payable, Accounts Receivable, Due from National Government Agencies, Due from Officers and Employees, Examination Fees, Information and Communications Technology Equipment, Inventory Held for Consumption, Motor Vehicles, and Receivable — Disallowances.

85. However, it was observed that SLs were not maintained for several other accounts, including accounts under the GF and other SSP accounts, resulted in the absence of detailed records necessary to substantiate control account balances and facilitate reconciliation.

86. The condition was attributed to the absence of established procedures to ensure the preparation and maintenance of SLs for all accounts. The Management explained that the SLs prepared were those usually requested by COA during audit, however, this practice resulted in several control accounts not being supported by subsidiary records.

87. The absence of SLs for several accounts resulted in unsupported account balances and limited audit trail, thereby increasing the risk of errors or misstatements remaining undetected and affecting the reliability and fair presentation of the FS.

88. **We recommended that the Accountant prepare the subsidiary ledgers for all accounts with balances, reconcile control accounts with subsidiary records, and maintain regular monitoring to ensure accuracy of account balances.**

89. The Management acknowledged the observation and agreed to abide by the recommendation.

Delayed and/or non-submission of accounts

90. **The Management did not submit, within the prescribed period, various paid Disbursement Vouchers (DVs) covering the period January to September 2025, under the SSP Fund totaling ₱3,132,715.70, contrary to Section 7 of COA Circular No. 2009-006 dated September 15, 2009. Likewise, submission of LRs to the Audit Team was not in accordance with Paragraph 5.3 of COA Circular No. 97-002 dated February 10, 1997, thereby hindered the audit team's ability to verify the validity, regularity, and propriety of transactions, and consequently delayed the completion of the audit.**

91. Section 7 of COA Circular No. 2009-006 provides the following:

> *Section 7.1- The head of the agency, who is primarily responsible for all government funds and property pertaining to his agency shall ensure that:*
>
> *a. the required financial and other reports and statements are submitted by the concerned agency officials in such form and within the period prescribed by the Commission; xxx"*
>
> *Section 7.2- **The Chief Accountant, Bookkeeper or other authorized official performing accounting and/or bookkeeping functions** of the audited agency shall ensure that, "the reports and supporting documents submitted by the accountable officers are immediately recorded in the books of accounts and **submitted to the Auditor within the first ten (10) days of the ensuing month**." (Emphasis and underscoring supplied)*

92. Likewise, Paragraph 5.3 of COA Circular No. 97-002 states that "***Within ten (10) days after receipt of the report and supporting documents from the AO**, the Accountant shall verify the report, record it in the books and **submit the same with all the vouchers/payrolls and supporting documents to the Auditor**. The cash advance shall be considered liquidated upon the recording thereof by the Accountant in the books of accounts although not yet audited by the COA auditor." (Emphasis supplied)*

A. Non-submission of paid DVs under the SSP Fund totaling ₱3,132,715.70

93. Post-audit disclosed that the prescribed timeline to submit the required monthly reports, including DVs and supporting documents, was not properly observed, as summarized in the table as follows:

Month	Reports	Date to be submitted	Date Submitted	Remarks
Janaury 2025	Financial Report GF	February 10, 2025	February 11, 2025	1 day of delay
	Financial Report SSP	February 10, 2025	February 17, 2025	7 days of delay
	Disbursement Voucher GF	February 10, 2025	February 28, 2025	18 days of delay
	Disbursement Voucher SSP	February 10, 2025	July 18, 2025	158 days of delay
February 2025	Financial Report GF	March 10, 2025	March 20, 2025	10 days of delay
	Financial Report SSP	March 10, 2025	March 20, 2025	10 days of delay
	Disbursement Voucher GF	March 10, 2025	March 18, 2025	8 days of delay
	Disbursement Voucher SSP	March 10, 2025	July 18, 2025	130 days of delay
March 2025	Financial Report GF	April 10, 2025	April 22, 2025	12 days of delay
	Financial Report SSP	April 10, 2025	April 22, 2025	12 days of delay
	Disbursement Voucher GF	April 10, 2025	May 6, 2025	26 days of delay
	Disbursement Voucher SSP	April 10, 2025	July 18, 2025	99 days of delay
April 2025	Financial Report GF	May 10, 2025	May 21, 2025	11 days of delay
	Financial Report SSP	May 10, 2025	May 21, 2025	11 days of delay
	Disbursement Voucher GF	May 10, 2025	May 19, 2025	9 days of delay
	Disbursement Voucher SSP	May 10, 2025	July 21, 2025	72 days of delay
May 2025	Financial Report GF	June 10, 2025	June 20, 2025	10 days of delay
	Financial Report SSP	June 10, 2025	June 20, 2025	10 days of delay
	Disbursement Voucher GF	June 10, 2025	June 25, 2025	15 days of delay
	Disbursement Voucher SSP	June 10, 2025	July 21, 2025	41 days of delay
June 2025	Financial Report GF	July 10, 2025	July 17, 2025	7 days of delay
	Financial Report SSP	July 10, 2025	July 17, 2025	7 days of delay
	Disbursement Voucher GF	July 10, 2025	July 21, 2025	11 days of delay
	Disbursement Voucher SSP	July 10, 2025	July 25, 2025	15 days of delay
July 2025	Financial Report GF	August 10, 2025	August 6, 2025	Okay
	Financial Report SSP	August 10, 2025	August 6, 2025	Okay
	Disbursement Voucher GF	August 10, 2025	August 6, 2025	Okay
	Disbursement Voucher SSP	August 10, 2025	August 22, 2025	12 days of delay
August 2025	Financial Report GF	September 10, 2025	September 9, 2025	Okay
	Financial Report SSP	September 10, 2025	September 10, 2025	Okay
	Disbursement Voucher GF	September 10, 2025	September 10, 2025	Okay
	Disbursement Voucher SSP	September 10, 2025	September 30, 2025	20 days of delay
September 2025	Financial Report GF	October 10, 2025		Not yet submitted to Audit Team
	Financial Report SSP	October 10, 2025		
	Disbursement Voucher GF	October 10, 2025	October 15, 2025	5 days of delay
	Disbursement Voucher SSP	October 10, 2025		Not yet submitted to Audit Team

94. It can be gleaned from the preceding table that the management incurred delays of up to 158 days relative to DV submission. Importantly, the Management did not submit various paid DVs under the SSP Fund totaling ₱3,132,715.70.

95. It is emphasized that DVs serve as the primary supporting documents for payments made by government agencies. The timely submission allows auditors to verify the legality and validity of transactions soon after payment; ensure proper utilization of public funds in accordance with existing laws, rules, and regulations; and facilitate accurate and timely audit reports, which serve as the basis for management decisions and accountability. It also reflects an agency's commitment to good

governance and adherence to financial control systems, ultimately strengthening public trust in government operations.

96. The delayed or non-submission of the paid DVs and supporting documents precluded the timely conduct of audit and consequently prevented the early detection and corrections of errors/deficiencies as well as the timely reporting of the audit results to the management.

B. Delayed submission of LRs

97. Under existing regulations, cash advances must, as a rule, be liquidated within the prescribed periods depending upon the nature and purpose of the cash advance (e.g., for salaries and wages, petty and field operating expenses, local travel, and foreign travel).

98. Anent thereto, a cash advance is considered settled and liquidated either by returning the money advanced if unspent, or by the presentation of regularly accomplished vouchers, giving satisfactory detail of the items thereon paid, which must be in accordance with the purpose for which the cash advance was granted, and further supported by proper receipts and other evidence of payment.

99. Audit, however, revealed that the LRs related to cash advances were submitted to the Audit Team with substantial delay, as summarized below:

Date of Grant of Cash Advance	Date of Submission of LRs to Audit Team
January 2025	October 24, 2025
February 2025	October 24, 2025
March 2025	October 30, 2025
April 2025	October 30, 2025
May 2025	October 30, 2025
June 2025	Not yet submitted
July 2025	October 13, 2025
August 2025	October 22, 2025
September 2025	Not yet submitted

100. It can be noticed that the LRs were just recently submitted by the management, contrary to the prescribed submission period of 10 days after the Accountant's receipt of the report and supporting documents from the accountable officers.

101. An inquiry with the Accountant revealed that the accountable officers have been submitting their respective liquidations on time. However, delays occur due to the late filing of documents by the personnel designated by the Finance Section to file the LRs, which consequently results in the late submission of the required reports to the Audit Team.

102. It is then emphasized that the timely submission of LRs is essential to ensure accurate financial monitoring, maintain accountability of funds, and facilitate prompt

audit. While there may be valid reasons for occasional delays, consistent late submission of liquidation reports may reflect lapses that could affect the efficiency of financial management and overall performance of the school. Likewise, continuous delays may hinder the timely validation of transactions.

103. For the non-submission of paid DVs under the SSP Fund:

a. We recommended that the Accountant immediately submit the disbursement vouchers together with complete supporting documents as part of compliance with Section 7 of COA Circular No. 2009-006, otherwise, further audit action may be considered, if necessary.

104. For the delayed submission of LRs

b. We recommended that the Accountant immediately submit to the Audit Team the LRs pertaining to June 2025 and September 2025 cash advances in accordance with Paragraph 5.3 of COA Circular No. 97-002. Likewise, the personnel designated to file the LRs should prepare a status monitoring report to facilitate the timely submission of LRs to the Audit Team.

105. The Management explained that the late submission of DVs and LRs was due to delays in returning vouchers from the Supply Office to the Finance Office, which hindered timely processing. Despite this, some reports were submitted on time. To address the issue, the Finance Office has strengthened monitoring and retrieval procedures to ensure timely submission and compliance with auditing requirements.

106. The audit team validated the submission of the DVs and LRs and noted that DVs under the SSP Fund totaling ₱340,613.68, and LRs totaling ₱351,425.00, remained unsubmitted as of March 19, 2026.

Other Audit Areas

Scholarship Training Programs

Deficiencies in program registration

107. **Nineteen (19) out of thirty-eight (38) registered TVET programs of TESDA – ISAT did not comply with the minimum tools and equipment requirements prescribed under the TRs for program registration which was not in accord with the RA No. 7796 and TESDA Circular No. 107, s. 2021, thus may have strongly affected the school's capacity in providing quality technical education and skills development to its learners.**

Also, deficiencies were noted in the proper handling and custody of tools and equipment issued to the trainers such as: (a) unserviceable tools and equipment remain undisposed and (b) tools and equipment issued to trainers were not supported with corresponding ICS/PAR thus posed the risk of unaccounted loss and unnecessary consumption of storage space.

108. Section 22 of Republic Act No. 7796 otherwise known as "TESDA Act of 1994" provides that: *"There shall be national occupational skills standards to be established by TESDA-accredited industry committees. The Authority shall develop and implement a certification and accreditation program in which private industry groups and trade associations are accredited to conduct approved trade tests, and the local government units to promote such trade testing activities in their respective areas in accordance with the guidelines to be set by the Authority."*

109. Furthermore, TESDA Circular No. 107, s. 2021 (Omnibus Guidelines on TVET Program Registration) provides that all registered TVET programs must strictly comply with the minimum requirements prescribed in the applicable Training Regulations, including tools, equipment, facilities, instructional materials, and training resources, both prior to issuance and throughout the validity of the Certificate of TVET Program Registration (CTPR).

110. Program registration is the process by which TVET programs are registered with TESDA. It is the first stage of the UTPRAS. Applying for program registration indicates intent of the institution to offer TVET programs. The registration process attests to the capacity of the Technical Vocational Institution (TVI) to deliver its stated curricula to learners against the **minimum standards prescribed in the TRs.** Registration begins with the program registration documentation submitted to TESDA by the applicant TVI. It also includes the conduct of periodic compliance audits to ensure continuing compliance to the requirements for program granted Certificate of TVET Program Registration (CTPR).

111. In CY 2024, it was communicated to the Management, through AOM No. 2025-002, that 20 out of 38 registered TVET programs did not comply with the minimum requirements on tools and equipment provided under the Training Regulations on program registration. In CY 2025, validation revealed that the 19 registered TVET programs remained not in compliance with the minimum requirements of tools and equipment. Audit observations are as follows:

1. Some tools and equipment were still not presented.
2. Some tools and equipment not yet presented were not supported with purchase request.
3. Some tools and equipment were personally owned by the trainer (not included in the inventory count).
4. Various tools and equipment were still shared with different TVET programs.

5. Unserviceable/damaged tools and equipment were presented and remain undisposed and in the custody of the trainer.
6. Tools and equipment issued in 2024 and prior years were still not properly supported with ICS/ PAR. Only the additional tools and equipment acquired in 2025 were supported with ICS/PAR.

112. The Supply Officer initiated the actual inventory count of the tools and equipment for the issuance of ICS/PAR; however, the process remained incomplete as of this date. Also, the Head of the Agency and UTPRAS Focal Person already instructed the trainers to prepare and submit purchase requests for the incomplete tools and equipment.

113. It is emphasized that the purpose of adhering to the approved TR is to ensure that TVET programs meet quality standards and industry requirements. These regulations serve as a framework for skills development and are designed to enhance employability, competitiveness, and lifelong learning among Filipino workers. These are standardized in order to define the minimum competencies, knowledge, skills and attitudes required for specific qualifications and to ensure consistency and uniformity in training delivery across accredited institutions. Further, these regulations are aligned with industry needs.

114. Further, unserviceable properties remained in the custody of the trainers should be accounted to the Property Custodian for proper disposal. Undisposed properties consumed unnecessary storage. Also, not all tools and equipment issued to trainers were supported with ICS/PAR, hence, lost items cannot be readily accounted for.

115. **We recommended that:**

a. The UTPRAS Focal Person facilitate compliance with the minimum requirements on tools and equipment on registered TVET programs as provided under approved Training Regulations; and

b. The Supply Officer conduct an actual inventory count of all tools and equipment and immediately issue the corresponding ICS/PAR to the trainers and submit to the Audit Team for verification. Also, account all unserviceable tools and equipment and dispose them accordingly.

116. The Management explained that the necessary documents were already submitted to COA for evaluation. They also added that some procurements were not made since there were programs which were about to be migrated/shifted to other programs.

Improper Deposit, Retention, and Utilization of SSP Revolving Fund Including GAA-Funded Amounts

117. **TESDA–ISAT deposited and retained funds under the SSP Revolving Fund that were not derived from training-cum-production activities, including GAA-funded scholarship and assistance amounts, and utilized SSP funds for expenditures not directly related to such activities, contrary to Executive Order (EO) No. 939 and COA-OBM-MOF Joint Circular (JC) No. 7-85.**

118. EO No. 939 dated March 2, 1984 authorizes the implementation of the SSP and allows the retention of income only when such income is derived from training-cum-production activities. The corresponding SSP Revolving Fund may be used exclusively for expenses directly related to such activities.

119. COA-OBM-MOF JC No. 7-85 dated July 9, 1985, which implements EO No. 939, requires that SSP activities be separate and distinct from GF activities and expressly prohibits the retention under the SSP of income that previously accrued to, or should accrue to, the GF. The Circular likewise limits the utilization of SSP Revolving Funds to expenditures necessary to carry out training-cum-production activities only.

120. The General Provisions of the General Appropriations Act (GAA) require that funds released for scholarship and subsidy-type programs be utilized solely for their intended purposes and be subject to appropriation validity and reversion rules. The GAM for NGAs likewise requires proper revenue recognition, segregation of funds, and faithful representation of financial transactions in the books of accounts and financial statements. Intra-government transfers and subsidy-type releases do not qualify as income for purposes of retention under the SSP Revolving Fund and must be accounted for in accordance with applicable laws and regulations governing fund classification and segregation.

121. Audit disclosed the following conditions involving the SSP Revolving Fund, which are not in compliance with EO No. 939, COA-OBM-MOF JC No. 7-85, the General Provisions of the GAA, and the GAM for NGAs:

a) Inappropriate deposit and retention of collections derived from other income-generating activities other than training-cum-production activities in the SSP Revolving Fund

122. The Notes to FS as of December 31, 2025 disclosed that *"Cash in Bank – Local Currency, Current Account consisted of the deposits made in the SSP Fund for income collected from training fees, scholarship fees, assessment fees, income from hotel and other income generating project."* Further, under Business Income, the Notes stated that *"School Fees represented collection from various scholarship programs implemented by TESDA-ISAT,"* and that *"Examination Fees were the amounts*

collected from TESDA Provincial Office and walk-in clients for the payment of Assessment Fees." These disclosures confirmed that SSP cash included scholarship-related collections and assessment fees collected in coordination with the TESDA Provincial Office. Scholarship program collections constituted government-funded assistance or subsidy-type inflows, while assessment fees represented regulatory certification activities rather than income derived from training-cum-production undertakings. Accordingly, these receipts represented GAA-funded or subsidy-type inflows for scholarship program hence, should have been accounted for separately and not retained as SSP business income, consistent with EO No. 939 and COA-OBM-MOF JC No. 7-85.

123. Audit likewise disclosed that TESDA-ISAT derived income from other income-generating projects (IGPs), such as Income from Hotels/Dormitories representing rental income from the TESDA-ISAT Hotel, and Other Business Income from other income-generating activities. In line with the intent of EO No. 939 and COA-OBM-MOF JC No. 7-85, only income directly generated from training-cum-production undertakings may be retained under the SSP Revolving Fund. To the extent that these IGP receipts were derived from auxiliary or commercial activities not directly attributable to training-cum-production operations, such amounts did not qualify for retention as SSP income. Consistent with government accounting principles, receipts not arising from training-cum-production activities should have been accounted for under the appropriate fund classification and maintained separately from the SSP Revolving Fund. The inclusion of such receipts in the SSP Fund without clear demonstration of their direct linkage to training-cum-production activities resulted in improper fund classification and commingling of funds with distinct legal bases.

b) Erroneous recording of GAA-funded scholarship and assistance amounts as SSP Income

124. The Notes to FS disclosed that scholarship-related collections formed part of the SSP cash balances. Audit noted that these amounts pertained to scholarship and assistance programs funded through government appropriations and were received for program implementation purposes. Consistent with the intent of EO No. 939 and COA-OBM-MOF JC No. 7-85, such amounts represented subsidy-type or intra-government transfers rather than income generated from training-cum-production activities. Although the Agency applied IPSAS 23 in recognizing revenue from non-exchange transactions in the financial statements, such accounting recognition did not authorize the retention of these GAA-funded amounts under the SSP Revolving Fund. Accordingly, these receipts should have been accounted for separately and not treated as SSP income for retention purposes.

125. The recognition and retention of these amounts as SSP income are inconsistent with EO No. 939, COA-OBM-MOF JC No. 7-85, and the GAM. While intra-government transfers and subsidy-type releases may have been recognized in the

financial statements in accordance with applicable accounting standards, such accounting treatment did not confer authority to retain the amounts under the SSP Revolving Fund. The cited issuances limited the retention of SSP funds solely to income derived from training-cum-production activities and required proper segregation of funds and faithful representation of financial transactions. Accordingly, SSP Revolving Funds should have been maintained and accounted for separately and should not have included receipts that properly belonged to the GF or other legally authorized funds.

c) Ineffective segregation and commingling of funds

126. The accomplished ICQ for CY 2025 showed that segregation controls were not operating effectively. Specifically, management answered "NO" to the control questions, **"Are such fund transfers excluded from SSP income accounts?"** *(ICQ Item C2)*, **"Are accounting entries reviewed to ensure fund transfers are not treated as revenue?"** *(ICQ Item C3)*, and **"Is there a review mechanism to prevent unauthorized collections from being deposited to SSP accounts?"** *(ICQ Item B4)*. These responses indicated that internal controls designed to ensure the proper classification and segregation of SSP and non-SSP funds were not operating effectively, thereby allowed GAA-funded transfers and other non-SSP collections to be recognized and retained under the SSP Revolving Fund.

127. Meanwhile, GAA-funded scholarship and assistance amounts represented government-funded program or subsidy-type inflows received for program implementation. Consistent with EO No. 939 and COA-OBM-MOF JC No. 7-85, such amounts, unless directly attributable to training-cum-production activities, should have been accounted for separately from the SSP Revolving Fund. Their inclusion in SSP cash balances reflected ineffective segregation of funds and resulted in the commingling of resources governed by distinct legal bases and spending restrictions, thereby weakening controls over proper fund classification and accountability.

d) Improper use of SSP Funds for regular operating expenses

128. Review of the SSP Cash Disbursement Journal and supporting disbursement records for CY 2025 disclosed that operating expenditures, including advances for operation expenses, office supplies, traveling expenses, representation expenses, general services, and other MOOE accounts, were charged to the SSP Revolving Fund. These transactions indicated that SSP resources were utilized to finance expenditures that were not directly attributable to training-cum-production activities, contrary to the intended purpose of the SSP Revolving Fund under EO No. 939.

129. Section 3 of EO No. 939 limited the use of the SSP Revolving Fund to operational expenses incurred by virtue of training-cum-production activities. COA-OBM-MOF JC No. 7-85 likewise reiterated that SSP Funds could be used only for

expenses directly attributable to such activities. Accordingly, operating expenses pertaining to the general operations of the institution and not directly attributable to training-cum-production activities should not have been charged against the SSP Revolving Fund.

e) Non-observance of appropriation validity and automatic reversion of unexpended balance

130. By treating GAA-funded scholarship and assistance amounts as SSP income and retaining them in current accounts under the SSP Revolving Fund, such amounts were not subjected to the same appropriation validity controls governing appropriation validity and reversion applicable to GAA-funded transactions, thereby weakening monitoring and accountability over the use of government appropriations.

131. Section 70 of the General Provisions of the GAA and Section 28, Chapter 4, Book VI of EO No. 292 (Administrative Code of 1987) provided that appropriations were available only within their prescribed validity period, after which unobligated or undisbursed balances were required to revert to the General Fund unless otherwise provided by law. Accordingly, GAA-funded scholarship and assistance amounts, to the extent that they represented government appropriations or subsidy-type transfers, should have remained subject to appropriation validity and reversion rules and should not have been retained under a revolving fund mechanism such as the SSP without clear legal authority.

132. The condition was caused by management's reliance on TESDA Circular No. 054, s. 2024 in implementing SSP operations, which resulted in practices that broadened the scope of SSP utilization beyond the limitations expressly imposed under EO No. 939 and COA-OBM-MOF JC No. 7-85. This was further compounded by the absence of an effective internal review mechanism over SSP deposits and disbursements, as evidenced by the ICQ responses, which indicated that controls designed to ensure proper classification, segregation, and utilization of SSP funds were not operating effectively.

133. The continued deposit and retention of non-SSP collections under the SSP Revolving Fund impaired transparency and accountability, resulted in the commingling of funds governed by distinct legal bases, exposed GAA-funded amounts to the risk of utilization beyond their authorized purposes and validity periods, and undermined the perpetuating and self-liquidating nature of the SSP Revolving Fund as contemplated under EO No. 939.

134. **We recommended that the Management undertake the following:**

a. Discontinue the deposit, recording, and retention under the SSP Revolving Fund of collections not derived from training-cum-production activities, and ensure that such collections are properly

classified, accounted for separately, and remitted to the GF or other legally authorized funds, as applicable;

b. **Refrain from recognizing as SSP business income amounts received for the implementation of scholarship and assistance programs funded under the GAA, and account for such amounts in accordance with applicable provisions of the GAM governing subsidies, assistance, or other appropriate classifications;**

c. **Ensure full and effective segregation of SSP and non-SSP funds by maintaining distinct bank accounts, accounting records, and cash-level controls, and by implementing monitoring mechanisms to prevent commingling of SSP and GF resources;**

d. **Limit the utilization of the SSP Revolving Fund strictly to expenditures directly attributable to training-cum-production or SSP activities, and discontinue charging operating expenses that are not directly related to such activities; and**

e. **Ensure that GAA-funded scholarship and assistance amounts, to the extent that such amounts represent government appropriations or subsidy-type transfers, are subjected to appropriation validity and reversion rules, and that unutilized balances with expired validity are reverted to the GF in accordance with existing laws and regulations.**

135. The current practice of the agency is guided by TESDA Circular No. 054, s. 2024, which governs the generation and utilization of the SSP Fund of the TESDA Operating Units. The SSP Fund Generation is not limited to training-cum-production activities but also includes various authorized revenue streams. Collections from these authorized activities form part of the SSP framework and are deposited into a single SSP account with proper ledger segregation.

136. Remitting the collections to the GF will preclude the utilization of the funds for institutional development and operational requirements of the school. Also, since the school implements scholarship training programs and incurs operational costs, amounts received represent payment for services rendered in the implementation thereof and are treated as income.

137. The retention of funds is in accordance with the circular, which allows savings and collections to be carried forward and utilized to cover operational costs necessary for program implementation. The use of SSP funds to augment operating expenses was likewise justified due to limited MOOE, as authorized under the Circular. Such augmentation is expressly allowed under the Circular, particularly in cases where regular funds are insufficient to sustain operations.

138. The Audit Team acknowledge Management's explanation that the condition has historically been in compliance with TESDA Circular No. 054. S. 2024. However, EO

No. 939 and COA-OBM-MOF Joint Circular No. 7-85 provide that income retained under the SSP Revolving Fund shall be limited to those derived from training-cum-production activities, and require that SSP undertakings be separate and distinct from regular government operations. Nevertheless, pending the issuance of such amendments or updated legal bases, the existing provisions of EO No. 939 and COA-OBM-MOF Joint Circular No. 7-85 remain applicable.

Non-posting of Performance Security; Non-withholding of EWT

139. **The Construction of TESDA-ISAT Incubation Facilities with contract cost of ₱3,496,563.40 proceeded even without the posting of the required Performance Security, contrary to Section 39 of the 2016 Revised Implementing Rules and Regulations (IRR) of RA No. 9184.**

Furthermore, the non-withholding of the EWT from payments made to the contractor resulted in the release of excessive amounts and loss of government fund equivalent to the unwithheld taxes and overpayment of retention money totaling ₱43,798.04, contrary to RR No. 11-2018. Also, the school continued to withhold retention fee on progress billings even after the cumulative accomplishment of the project had exceeded 50 percent, contrary to the provisions of Annex "E," Item 6.1 of the IRR of RA No. 9184.

140. Audit of procurement and contract implementation documents revealed that the contract for the Construction of TESDA-ISAT Incubation Facilities was awarded with a contract amount of ₱3,496,563.40 funded under SSP 2024, with an Approved Budget for the Contract (ABC) of ₱3,500,000.00 and a contract duration of 120 calendar days.

a. Non-posting of Performance Security

141. Review of records disclosed that the winning contractor did not post the required Performance Security prior to the signing of the contract and issuance of the Notice to Proceed. Despite this, the contractor was allowed to commence project implementation, which is not in accordance with the procurement rules designed to safeguard the government's interest.

142. Section 39.1 of the 2016 Revised IRR of RA No. 9184 provides that:

> *"To guarantee the faithful performance by the winning bidder of its obligations under the contract in accordance with the Bidding Documents, it shall post a performance security* ***prior to the signing of the contract.*** *" (emphasis supplied)*

143. Further, it provides that the performance security shall be in an amount not less than the required percentage of the total contract price in accordance with the following schedule:

Form of Performance Security	*Minimum Amount as a Percentage of Total Contract Price*
a) Cash or cashier's/manager's check issued by a Universal or Commercial Bank. *For biddings conducted by LGUs, the cashier's/manager's check may be issued by other banks certified by the BSP as authorized to issue such financial instrument.*	*Goods and Consulting Services – Five percent (5%)* *Infrastructure Projects – Ten percent (10%)*
b. Bank draft/guarantee or irrevocable letter of credit issued by a Universal or Commercial Bank: Provided, however, That it shall be confirmed or authenticated by a Universal or Commercial Bank, if issued by a foreign bank. *For biddings conducted by LGUs, bank draft/guarantee, or irrevocable letter of credit may be issued by other banks certified by the BSP as authorized to issue such financial instrument.*	
c. Surety bond callable upon demand issued by a surety or insurance company duly certified by the Insurance Commission as authorized to issue such security.	*Thirty percent (30%)*

144. The required Performance Security equivalent to ₱1,048,969.02 (30% of the contract price), if it is in the form of a Surety Bond, was not posted by winning Contractor prior to the signing of the contract and project implementation.

145. Payments totaling ₱3,321,826.24 were already made to the contractor as the project was reported 100% completed per 3rd Quarter 2025 Government Programs, Projects and Activities (GPPAs).

146. Interview with the Accountant revealed that the posting of Performance Security was not enforced in this procurement and was not attached in the documents of the project.

147. The deficiency may be attributed to lapses in the enforcement of procurement control measures and oversight by the BAC and end-user unit in ensuring that the required performance bond was duly submitted before signing of the contract.

148. It is worth mentioning that the foregoing security was stated in the bidding documents of the project under Item 33.3 as follows:

"Failure of the successful Bidder to comply with the above-mentioned requirement shall constitute sufficient ground for the annulment of the award and forfeiture of the bid security, in which event the Procuring Entity shall have a fresh period to initiate and complete the post qualification of the second Lowest Calculated Bid. xxx"

149. It is also emphasized that COA Circular No. 2012-001 dated June 14, 2012 lays down the submission of performance security as one of the basic documentary requirements for all types of procurement through public bidding.

150. The absence of the required Performance Security constitutes a deviation from mandatory procurement requirements under RA No. 9184 and may render the transaction irregular under COA Circular No. 2012-003, which defines irregular expenditures as those incurred without adhering to established laws, rules, and regulations.

151. By proceeding with contract implementation and payment without the required Performance Security, TESDA-ISAT exposed public funds to potential loss in the event of contractor default. Such omission undermines the control measures meant to protect government interests and may subject the disbursement to audit disallowance.

152. Furthermore, the accountable officials who approved, certified, or allowed the transaction may be held personally liable under Section 43, Chapter 5, Book VI of Executive Order No. 292 (Administrative Code of 1987) and COA Circular No. 2012-003, for failure to exercise due diligence in ensuring compliance with procurement law.

153. Unless the agency can prove that the Performance Security was posted but not documented, or that the contractor fully completed the work with no loss to government, the liability remains.

b. Non-deduction of the Expanded Withholding Tax (EWT) and Withholding of the Retention Fee beyond fifty percent accomplishment rate of the contractor

154. Audit of the foregoing DVs for the Construction of TESDA-ISAT Incubation Facility implemented by the school disclosed that the 2 percent EWT was not deducted from contractor billings prior to release.

155. This practice contravenes the provisions of RR No. 2-98, as amended, which mandate all government agencies and local government units to act as withholding agents for income payments made to contractors and suppliers.

156. Presented below is an excerpt of payments made to the contractor per school's computation showing non-withholding of the EWT of two percent based on the gross billings (vat-exclusive):

Line	Description	Cumulative %	Incremental %	Gross Amount (₱)	Mobil. Recovery (₱)	Retention 10% (₱)	EWT 2% (₱)	VAT 5% (₱)	Net Payable (₱)
M	Mobilization (15%)			524,484.51	-	-		26,224.23	498,260.28
1	1st Progress Billing	42.44%	42.44%	1,484,064.69	222,591.23	-	-	74,203.23	1,187,270.23
2	2nd Progress Billing	69.00%	26.13%	913,562.40	13,704.78	239,762.71	-	40,784.04	619,310.88
3	Final Progress Billing	100.00%	31.43%	1,098,936.31	288,188.50	109,802.63	-	33,616.67	667,328.51
4	Retention Fee			349,656.34					349,656.34
	TOTAL	**100%**	**100%**	**3,496,563.40**	**524,484.51**	**349,565.34**	**-**	**174,828.17**	**3,321,826.23**

157. However, audit disclosed that the school should have withheld the EWT component shown as follows:

Line	Description	Cumulative %	Incremental %	Gross Amount (₱)	Mobil. Recovery (₱)	Retention 10% (₱)	EWT 2% (₱)	VAT 5% (₱)	Net Payable (₱)
M	Mobilization (15%)			524,484.51					524,484.51
1	1st Progress Billing	42.44%	42.44%	1,484,064.69	222,591.23	148,406.47	26,501.16	66,252.89	1,020,312.95
2	2nd Progress Billing	69.00%	26.13%	913,562.40	137,047.80		16,313.61	40,784.04	719,416.95
3	Final Progress Billing	100.00%	31.43%	1,098,936.31	164,845.48		19,623.86	49,059.66	865,407.31
4	Retention Fee			148,406.47					148,406.47
	TOTAL	**100%**	**100%**	**3,496,563.40**	**524,484.51**	**148,406.47**	**62,438.63**	**156,096.58**	**3,278,028.19**

Therefore:

Particulars	Amounts
Total Net Payment made to the contractor	3,321,826.23
Total Payments due to the contractor per audit	3,278,028.19
Overpayment	**43,798.04**

158. Section 2.57.2 (C) of RR No. 11-2018 provides:

> *"Income Payments Subject to Creditable Withholding Tax and Rates Prescribed Thereon. – Except as herein otherwise provided, there shall be withheld a creditable income tax at the rates herein specified for each class of payee from the following items of income payments to persons residing in the Philippines;*
>
> *(C) Income payments to certain contractors [formerly under letter (E)] – On gross payments to the following contractors, whether individual or corporate — Two percent (2%)"*

159. Section 251, National Internal Revenue Code (NIRC) mentioned that any person required to withhold any tax and who fails to withhold or remit the same shall, in addition to other penalties, be personally liable for the tax not withheld.

160. The deficiency was due to management's non-observance of existing BIR withholding regulations and lack of adequate review procedures by the Accounting prior to payment processing. As revealed in an interview, the Finance Section relied on the Program of Works of the project which only reflected mark-up for the Value Added Tax (VAT).

161. Meanwhile, audit of infrastructure project documents and contractor billings of the school disclosed that retention money equivalent to ten percent of the progress payments was continuously deducted even when the contractor's accomplishment had already reached above fifty percent, as evidenced by the 2nd and final billings.

162. This practice is inconsistent with Annex "E" – Contract Implementation Guidelines for the Procurement of Infrastructure Projects, Item 6.1 of the Revised IRR of RA No. 9184, which limits the withholding of retention money only until 50 percent of the value of works has been completed.

163. Annex "E" – Contract Implementation Guidelines for the Procurement of Infrastructure Projects, Item 6.1 of the Revised IRR of RA No. 9184 provides that:

> *"Progress payments are subject to retention of ten percent (10%) referred to as the "retention money." Such retention shall be based on the total amount due to the contractor prior to any deduction and shall be retained from every progress payment until fifty percent (50%) of the value of works, as determined by the procuring entity, are completed.* ***If, after fifty percent (50%) completion, the work is satisfactorily done and on schedule, no additional retention shall be made****; otherwise, the ten percent (10%) retention shall be imposed. (Emphasis supplied)*

164. The continued withholding beyond the allowable percentage also resulted in the over-retention of contractor payments.

165. As a result, the overpayment noted from the foregoing scenarios totaling ₱43,798.04 with details as follows:

On the non-withholding of EWT:

Particulars	Total Amount Withheld	Total Amount Per Audit	Difference
VAT 5%	174,828.17	156,096.58	(18,731.59)
EWT 2%	0.00	62,438.63	62,438.63
Total	**174,828.17**	**218,535.21**	**43,707.04**

On the overpayment of retention money:

Total Amount of retention money withheld	₱349,565.34
Total Amount of retention money returned	349,656.34
Difference	**91.00**

Summary:

On the non-withholding of EWT	43,707.04
On the overpayment of retention money	91.00
Total	**43,798.04**

166. ***On the non-posting of performance bond:***

We recommended that the BAC and the Accountant explain why the contract proceeded and the contract amount paid even with the absence of the required performance security, for evaluation by the audit team.

167. ***On the issue of non-deduction of EWT and withholding of retention fee beyond fifty percent accomplishment rate:***

We recommended that:

a. **The Accountant enforce the withholding of two percent EWT on all payments to contractors pursuant to RR No. 11-2018; and**

b. **The Accountant cease the withholding of retention money once the cumulative accomplishment reaches 50 percent of the project value, provided the works are satisfactorily progressing.**

168. In their comment dated November 3, 2025, the Management explained that the non-posting of the Performance Security resulted from a misinterpretation of the bonding requirements, as the Advance Payment Bond posted by the contractor was mistakenly considered as compliance with the required Performance Security. Management added that the project has already been completed and inspected in accordance with the approved plans and specifications, with no reported loss to the government, and committed to ensure strict compliance with procurement requirements in future projects.

169. The Management further explained that the non-withholding of the two percent EWT was due to lack of full awareness of the applicable withholding requirement, as the accounting personnel believed that the five percent VAT withholding already constituted the required tax deduction. Upon clarification during audit, management acknowledged the oversight and issued a demand letter to the contractor for reimbursement of the unwithheld tax, and committed to strengthen compliance with BIR and COA regulations to prevent recurrence. During the exit conference, the amount of ₱43,798.04 was already settled by the contractor as of November 2025.

Other Compliance Issues

Compliance with Gender and Development (GAD) requirements under the GAA and other pertinent laws

170. **GAD-related programs, activities, and projects were favorably implemented by the TESDA-ISAT in accordance with the General Provisions of the GAA for FY 2025 and PCW/NEDA/DBM Joint Circular No. 2012-1.**

171. The Management prepared its Annual GAD Plan for CY 2025 with the prescribed form pursuant to PCW/NEDA/DBM Joint Circular No. 2012-1. The total original appropriation per GAA 2025 as indicated in the GAD Plan and Budget amounted to ₱38,744,000.00 of which 5.27 percent or ₱2,040,437.00 of the total appropriation was utilized for the implementation of GAD activity and projects for 2025.

Table 8. Gender and Development Accomplishment for CY 2025

PAPs Objectives	Plans and Programs		Accomplishments	
	No. Activity	Budget	No. Activity	Expenditure
A. Client-focused	8	1,617,200.00	8	1,677,037.00
B. Organization Focused	3	320,000.00	3	363,400
Total	11	**1,937,200.00**	**11**	**2,040,437.00**
GAA Appropriation		38,744,000.00		38,903,999.97
Percentage		5%		5%

Compliance with laws and relevant rules and regulations governing mandatory deductions and contributions due to the BIR, GSIS, Pag-IBIG and PhilHealth

Table 9. Summary of Deductions and Remittances for CY 2025

Government Institution	Beginning Balance January 1, 2025	Total Withholdings/ Deductions	Total Remittances	Ending Balance December 31, 2025	Remarks
BIR	₱207,767.36	₱3,237,061.28	₱3,132,676.79	₱312,151.85	Remitted in January 2026
GSIS	378,288.54	7,924,640.66	7,605,883.26	697,045.94	The amount of ₱673,656.72 was remitted in January 2026. The remaining balance of ₱23,389.22 was only reflected in March 2026 billing.
Pag-IBIG	0.00	2,190,309.26	2,186,909.26	3,400.00	Scheduled for remittance in April 2026 due to late update of newly hired

Govern-ment Institution	Beginning Balance January 1, 2025	Total Withholdings/ Deductions	Total Remittances	Ending Balance December 31, 2025	Remarks
					employee's employer.
PhilHealth	53,863.50	1,468,401.65	1,515,595.49	6,669.66	Remitted in March 2026
Total	**₱639,919.40**	**₱14,820,412.85**	**₱14,441,064.80**	**₱1,019,267.45**	

172. For CY 2025, TESDA ISAT was compliant with laws and relevant rules and regulations governing mandatory deductions and contributions due to the BIR, GSIS, Pag-IBIG and PhilHealth.

Enforcement of Suspensions, Disallowance and Charges

173. 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 (ND)/Notice of Charge (NC) for differences/balances resulting from the audit of the accounts. A Notice of Suspension (NS) 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.

174. The Statement of Audit Suspension, Disallowance and Charges as of December 31, 2025, showed an amount of ₱65,336.12 unsettled disallowances. Details is presented below:

Table 10. Statement of Audit Suspensions, Disallowances and Charges

	Beg. Balance (as of January 1, 2025)	This Period January 1, 2025 to December 31, 2025		Ending Balance (as of December 31, 2025)
		NS/ND/NC	NSSDC	
Notice of Suspension	₱0.00	₱0.00	₱0.00	₱0.00
Notice of Disallowance	238,829.69	29,321.60	202,815.17	65,336.12
Notice of Charge	0.00	0.00	0.00	0.00
Total	**₱238,829.69**	**₱29,321.60**	**₱202,815.17**	**₱65,336.12**

Table 11. Aging of Audit Disallowances as of December 31, 2025

ND No.	Date	Unsettled Amount as of 12/31/2025	Age	
			71 days	> 3 years
2022-001-SSP (19-21)	03/03/2022	₱36,014.52	-	36,014.52
2025-001-SSP	10/21/2025	29,321.60	29,321.60	
Total		**₱65,336.12**	**₱29,321.60**	**₱36,014.52**

D. Status of Implementation of Prior Years' Recommendations

175. We made a follow-up on the action taken by the Management to implement the recommendations of prior years and noted the following:

Table 12. Status of Implementation of Prior Years' Recommendations

Year Reported	Total No. of Outstanding Recommendations as of January 1, 2025	Status of Implementation as of December 31, 2025	
		Fully Implemented	Not Implemented
2024	24	18	6
2023	3	2	1
Total	**27**	**20**	**7**
Percentage	**100%**	**74%**	**26%**

176. The results of the validation of the implementation of prior years' recommendations are presented in **Annex B**.

E. Acknowledgement

177. 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.

178. We request that a status report on the actions taken on the audit recommendations be submitted within 60 days from the receipt hereof, using the attached form entitled Agency Action Plan and Status of Implementation (AAPSI), pursuant to Section 100 of the General Provisions of R.A. No. 12116, otherwise known as the General Appropriations Act (GAA) for Fiscal Year 2025.

Very truly yours,

COMMISSION ON AUDIT

By:

ADELINE P. BAARDE
Director III
Regional Supervising Auditor

Copy furnished:
Office of the Regional Director, COA RO 2
Office of the Regional Audit Team Leader, TESDA RO 2

ANNEXES

Annexes

A. Audited Financial Statements

A.1 Statement of Management Responsibility

A.2.1 Condensed Statement of Financial Position

A.2.2 Detailed Statement of Financial Position

A.3.1 Condensed Statement of Financial Performance

A.3.2 Detailed Statement of Financial Performance

A.4 Statement of Changes in Net Assets/Equity

A.5.1 Statement of Cash Flows

A.5.2 Detailed Statement of Cash Flows

A.6 Statement of Comparison of Budget and Actual Amount

A.7 Notes to Financial Statements

B. Status of Implementation of Prior Years' Audit Recommendations

C. Schedule of Notice of Cash Allocation Utilization-Regular Agency Fund

Annex A.1

Republic of the Philippines
Technical Education and Skills Development Authority
ISABELA SCHOOL OF ARTS AND TRADES
Calamagui 2nd, City of Ilagan, Isabela

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Technical Education and Skills Development Authority- Isabela School of Arts and Trades** is responsible for all the information and representations contained in the accompanying Statement of Financial Position as at **December 31, 2025** and the related Statement of Financial Performance, Statement of Cash Flows, Statement of Comparison of Budget and Actual Amounts, Statement of Changes in Net Assets/Equity and Notes to Financial Statements for the year ended. The financial statements have been prepared in conformity with the Philippine Public Sector Accounting Standards and generally accepted state accounting principles, and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized.

FLORRIANNE KATE A. BALUBAL
Accountant I
January 20, 2026

MA. ELENA A. NARCISO
Acting Vocational School Superintendent
January 20, 2026

Annex A.2.1

Technical Education and Skills Development Authority
Isabela School of Arts and Trades
City of Ilagan, Isabela

Statement of Financial Position
All Funds
As at December 31, 2025
(In PhP)

	Note	2025	2024 As Restated
ASSETS			
Current Assets			
Cash and Cash Equivalents	**5.1**	18,373,726.49	6,987,426.20
Receivables	**5.2**	410,425.11	4,588,300.07
Inventories	**5.3**	3,717,366.67	2,943,286.67
Other Current Assets	**5.4**	-	138,832.97
Total Current Assets		**22,501,518.27**	**14,657,845.91**
Noncurrent Assets			
Property, Plant and Equipment - Net	**5.5**	70,253,109.87	66,730,797.71
Total Noncurrent Assets		**70,253,109.87**	**66,730,797.71**
TOTAL ASSETS		**92,754,628.14**	**81,388,643.62**
LIABILITIES			
Current Liabilities			
Financial Liabilities	**5.6**	1,861,104.56	2,803,473.66
Inter-Agency Payables	**5.7**	1,019,267.45	639,919.40
Other Payables	**5.8**	356,200.00	16,300.00
Total Current Liabilities		**3,236,572.01**	**3,459,693.06**
Total Liabilities		**3,236,572.01**	**3,459,693.06**
NET ASSETS/EQUITY			
Accumulated Surplus/(Deficit)		89,518,056.13	77,928,950.56
Total Equity		**89,518,056.13**	**77,928,950.56**
TOTAL LIABILITIES AND NET ASSTS/EQUITY		**92,754,628.14**	**81,388,643.62**

This statement should be read in conjunction with the accompanying notes.

Annex A.2.2

Republic of the Philippines
ECHNICAL EDUCATION AND SKILLS DEVELOPMENT AUTHORITY
Region 02
ISABELA SCHOOL OF ARTS AND TRADES
City of Ilagan, Isabela

DETAILED STATEMENT OF FINANCIAL POSITION
ALL FUNDS
AS AT DECEMBER 31, 2025

	2025	2024 As Restated
ASSETS		
Current Assets		
Cash and Cash Equivalents	**18,373,726.49**	**6,987,426.20**
Cash in Bank-Local Currency	18,373,726.49	6,987,426.20
Cash in Bank-Local Currency, Current Account	18,373,726.49	6,987,426.20
Receivables	**410,425.11**	**4,588,300.07**
Loans and Receivable Accounts	11,550.00	135,323.00
Accounts Receivable	11,550.00	135,323.00
Other Receivables	398,875.11	4,452,977.07
Receivables-Disallowances/Charges	58,736.12	232,969.61
Due from Officers and Employees	31,423.99	176,831.06
Due from NGAs	308,715.00	4,043,176.40
Inventories	**3,717,366.67**	**2,943,286.67**
Inventory Held for Distribution	2,943,286.67	2,943,286.67
Office Supplies Inventory	-	-
Other Supplies and Materials Inventory	2,943,286.67	2,943,286.67
Semi-Expendable Machinery and Equipment	774,080.00	-
Semi-Expendable Office Equipment	96,680.00	-
Semi-Expendable Other Machinery and Equipment	677,400.00	-
Other Current Assets	**-**	**138,832.97**
Prepayments	-	138,832.97
Other Prepayments	-	138,832.97
Total Current Assets	**22,501,518.27**	**14,657,845.91**

Annex A.2.2

Republic of the Philippines
ECHNICAL EDUCATION AND SKILLS DEVELOPMENT AUTHORITY
Region 02
ISABELA SCHOOL OF ARTS AND TRADES
City of Ilagan, Isabela

DETAILED STATEMENT OF FINANCIAL POSITION
ALL FUNDS
AS AT DECEMBER 31, 2025

	2025	2024
Non-Current Assets		
Property, Plant and Equipment	**70,253,109.87**	**66,730,797.71**
Buildings and Other Structures	56,271,593.69	57,649,144.12
Buildings	58,684,118.67	58,684,118.67
Accumulated Depreciation-Buildings	(9,139,860.16)	(7,379,336.60)
Net Value	49,544,258.51	51,304,782.07
School Buildings	11,083,071.20	10,749,245.40
Accumulated Depreciation-School Buildings	(5,313,888.62)	(4,999,548.75)
Net Value	5,769,182.58	5,749,696.65
Other Structures	1,466,388.53	1,070,778.00
Accumulated Depreciation-Other Structures	(508,235.94)	(476,112.60)
Net Value	958,152.59	594,665.40
Machinery and Equipment	7,853,991.87	7,243,861.04
Office Equipment	572,825.00	572,825.00
Accumulated Depreciation-Office Equipment	(306,248.10)	(238,235.10)
Net Value	266,576.90	334,589.90
Information and Communication Technology Equipment	7,801,336.24	7,569,296.24
Accumulated Depreciation-Information and Communication	(3,996,795.15)	(3,454,526.76)
Net Value	3,804,541.09	4,114,769.48
Communication Equipment	345,300.00	345,300.00
Accumulated Depreciation-Communication Equipment	(248,706.00)	(186,552.00)
Net Value	96,594.00	158,748.00
Other Machinery and Equipment	20,934,180.40	19,678,880.40
Accumulated Depreciation-Other Machinery and Equipment	(17,247,900.52)	(17,043,126.74)
Net Value	3,686,279.88	2,635,753.66
Transportation Equipment	1,509,395.40	1,837,792.55
Motor Vehicles	3,655,211.00	3,655,211.00
Accumulated Depreciation-Motor Vehicles	(2,145,815.60)	(1,817,418.45)
Net Value	1,509,395.40	1,837,792.55
Furniture, Fixtures and Books	278,102.76	-
Furniture and Fixtures	295,854.00	-
Accumulated Depreciation-Furniture and Fixtures	(17,751.24)	-
Net Value	278,102.76	-
Construction in Progress	4,340,026.14	-
Construction in Progress-Buildings and Other Structures	4,340,026.14	-
Total Non-Current Assets	**70,253,109.87**	**66,730,797.71**
TOTAL ASSETS	**92,754,628.14**	**81,388,643.62**

Annex A.2.2

Republic of the Philippines
ECHNICAL EDUCATION AND SKILLS DEVELOPMENT AUTHORITY
Region 02
ISABELA SCHOOL OF ARTS AND TRADES
City of Ilagan, Isabela

DETAILED STATEMENT OF FINANCIAL POSITION
ALL FUNDS
AS AT DECEMBER 31, 2025

	2025	2024
LIABILITIES		
Liabilities		
Current Liabilities		
Financial Liabilities	**1,861,104.56**	**2,803,473.66**
Payables	1,861,104.56	2,803,473.66
Accounts Payable	1,772,971.33	1,400,207.71
Due to Officers and Employees	88,133.23	1,403,265.95
Inter-Agency Payables	**1,019,267.45**	**639,919.40**
Due to BIR	312,151.85	207,767.36
Due to GSIS	697,045.94	378,288.54
Due to PhilHealth	6,669.66	53,863.50
Due to Pag-IBIG	3,400.00	-
Other Payables	**356,200.00**	**16,300.00**
Other Payables	356,200.00	16,300.00
Total Current Liabilities	3,236,572.01	3,459,693.06
Total Liabilities	**3,236,572.01**	**3,459,693.06**
Total Assets less Total Liabilities	**89,518,056.13**	**77,928,950.56**
Net Assets/Equity		
Equity		
Government Equity	**89,518,056.13**	**77,928,950.56**
Accumulated Surplus/(Deficit)	89,518,056.13	77,928,950.56
Total Net Assets/Equity	**89,518,056.13**	**77,928,950.56**

Annex A.3.1

Technical Education and Skills Development Authority
Isabela School of Arts and Trades
City of Ilagan, Isabela

Statement of Financial Performance
All Funds
For the Year-ended December 31, 2025
(In PhP)

	Note	2025	2024 As Restated
Revenue			
Business Income	6.1	39,737,893.44	31,738,500.40
Total Revenue		**39,737,893.44**	**31,738,500.40**
Less: Current Operating Expenses			
Personnel Services	7	45,243,007.15	43,153,631.99
Maintenance And Other Operating Expenses	8	26,304,116.29	28,872,195.24
Financial Expenses		-	12,000.00
Non Cash Expense	9	3,330,344.32	3,291,196.30
Total Current Operating Expenses		**74,877,467.76**	**75,329,023.53**
Surplus/(Deficit) from Current Operations		**(35,139,574.32)**	**(43,590,523.13)**
Net Financial Assistance/Subsidy			
Net Financial Assistance/Subsidy	10	**46,694,042.31**	**46,103,642.78**
Surplus/(Deficit) for the period		**11,554,467.99**	**2,513,119.65**

This statement should be read in conjunction with the accompanying notes.

Annex A.3.2

Republic of the Philippines
TECHNICAL EDUCATION AND SKILLS DEVELOPMENT AUTHORITY
Region 02
ISABELA SCHOOL OF ARTS AND TRADES
City of Ilagan, Isabela

DETAILED STATEMENT OF FINANCIAL PERFORMANCE
ALL FUNDS
FOR THE YEAR ENDED December 31, 2025

	2,025.00	2024 As Restated
Revenue		
Business Income		
School Fees	21,062,438.80	13,765,741.50
Examination Fees	11,103,158.64	9,052,599.90
Seminar/Training Fees	774,540.00	1,789,912.50
Income from Hostels/Dormitories and Other Like Facilities	1,516,626.00	295,311.00
Other Business Income	5,281,130.00	6,834,935.50
Total Business Income	**39,737,893.44**	**31,738,500.40**
Total Revenue	**39,737,893.44**	**31,738,500.40**
Less: Current Operating Expenses		
Personnel Services		
Salaries and Wages		
Salaries and Wages-Regular	28,966,191.76	27,863,374.09
Total Salaries and Wages	**28,966,191.76**	**27,863,374.09**
Other Compensation		
Personal Economic Relief Allowance (PERA)	1,560,000.00	1,542,000.00
Representation Allowance (RA)	66,000.00	34,003.18
Transportation Allowance (TA)	31,193.99	30,000.00
Clothing/Uniform Allowance	455,000.00	462,000.00
Subsistence, Laundry and Quarters Allowance	10,920.00	31,800.00
Year End Bonus	2,423,981.71	2,439,969.00
Cash Gift	330,000.00	330,000.00
Other Bonuses and Allowances	-	600,000.00
Collective Negotiations Agreement	1,447,600.00	990,000.00
Productivity Enhancement Incentive	330,000.00	330,000.00
Performance Based Bonus	-	804,952.91
Bonus and Allowances-Mid year bonus	2,349,090.00	2,184,797.78
Total Other Compensation	**9,003,785.70**	**9,779,522.87**
Personnel Benefit Contributions		
Retirement and Life Insurance Premiums	3,483,247.18	3,280,422.53
Pag-IBIG Contributions	156,800.00	148,300.00
PhilHealth Contributions	734,201.17	659,412.50
Employees Compensation Insurance Premiums	78,600.00	77,600.00
Total Personnel Benefit Contributions	**4,452,848.35**	**4,165,735.03**
Other Personnel Benefits		
Terminal Leave Benefits	1,013,181.34	-
Loyalty Award Civilian	25,000.00	25,000.00
Other Personnel Benefits	1,782,000.00	1,320,000.00
Total Other Personnel Benefits	**2,820,181.34**	**1,345,000.00**
Total Personnel Services	**45,243,007.15**	**43,153,631.99**
Maintenance and Other Operating Expenses		
Traveling Expenses		
Traveling Expenses-Local	2,437,069.54	2,686,260.72
Traveling Expenses-Foreign	713,306.46	752,715.86
Total Traveling Expenses	**3,150,376.00**	**3,438,976.58**

Republic of the Philippines
TECHNICAL EDUCATION AND SKILLS DEVELOPMENT AUTHORITY
Region 02
ISABELA SCHOOL OF ARTS AND TRADES
City of Ilagan, Isabela

DETAILED STATEMENT OF FINANCIAL PERFORMANCE
ALL FUNDS
FOR THE YEAR ENDED December 31, 2025

	2,025.00	2024
Training and Scholarship Expenses		
Training Expenses	369,366.00	169,000.00
Scholarship Grants/Expenses	-	193,515.37
Total Training and Scholarship Expenses	**369,366.00**	**362,515.37**
Supplies and Materials Expenses		
Office Supplies Expenses	863,984.86	475,678.30
Accountable Forms Expenses	17,500.00	-
Fuel, Oil and Lubricants Expenses	706,053.69	1,089,074.25
Textbooks and Instructional Materials Expenses	7,404,460.51	13,267,031.18
Semi-Expendable Machinery & Equipment - Office Equipment Expenses	230,366.00	1,319,350.00
Semi-Expendable Machinery & Equipment - ICT Equipment Expenses	96,740.00	-
Semi-Expendable Other Machinery & Equipment Expenses	1,155,670.66	-
Semi-Expendable Furniture, Fixtures and Books Expenses	20,000.00	149,000.00
Other Supplies and Materials Expenses	3,115.00	71,000.00
Total Supplies and Materials Expenses	**10,497,890.72**	**16,371,133.73**
Utility Expenses		
Electricity Expenses	1,215,996.84	1,545,974.24
Total Utility Expenses	**1,215,996.84**	**1,545,974.24**
Communication Expenses		
Telephone Expenses	106,429.52	60,420.07
Internet Subscription Expenses	245,511.03	215,480.17
Cable, Satellite, Telegraph and Radio Expenses	43,135.71	13,000.00
Total Communication Expenses	**395,076.26**	**288,900.24**
Awards/Rewards and Prizes		
Awards/Rewards Expenses	34,000.00	-
Total Awards/Rewards and Prizes	**34,000.00**	**-**
Professional Services		
Other Professional Services	2,825,307.20	3,046,425.18
Total Professional Services	**2,825,307.20**	**3,046,425.18**
General Services		
Other General Services	2,244,845.80	2,223,286.38
Total General Services	**2,244,845.80**	**2,223,286.38**
Repairs and Maintenance		
Repairs and Maintenance-Land Improvements	98,116.76	-
Repairs and Maintenance-Infrastructure Assets	137,690.35	-
Repairs and Maintenance-Buildings and Other Structures	1,201,387.48	209,291.59
Repairs and Maintenance-Machinery and Equipment	61,054.00	3,150.00
Repairs and Maintenance-Transportation Equipment	165,053.05	241,109.33
Repairs and Maintenance-Furniture and Fixtures	2,925.00	-
Total Repairs and Maintenance	**1,666,226.64**	**453,550.92**
Taxes, Insurance Premiums and Other Fees		
Taxes, Duties and Licenses	-	33,120.18
Fidelity Bond Premiums	31,878.75	66,757.50
Insurance Expenses	17,379.91	27,843.56
Total Taxes, Insurance Premiums and Other Fees	**49,258.66**	**127,721.24**

Republic of the Philippines
TECHNICAL EDUCATION AND SKILLS DEVELOPMENT AUTHORITY
Region 02
ISABELA SCHOOL OF ARTS AND TRADES
City of Ilagan, Isabela

DETAILED STATEMENT OF FINANCIAL PERFORMANCE
ALL FUNDS
FOR THE YEAR ENDED December 31, 2025

	2,025.00	2024
Other Maintenance and Operating Expenses		
Advertising Expenses	48,000.00	24,000.00
Printing and Publication Expenses	-	24,000.00
Representation Expenses	669,303.85	920,887.00
Transportation and Delivery Expenses	1,494.00	600.00
Rent/Lease Expenses	-	20,000.00
Subscription Expenses	5,100.00	-
Other Maintenance and Operating Expenses	3,131,874.32	24,224.36
Total Other Maintenance and Other Operating Expenses	**3,855,772.17**	**1,013,711.36**
Total Maintenance and Other Operating Expenses	**26,304,116.29**	**28,872,195.24**
Financial Expenses		
Financial Expenses		
Bank Charges	-	12,000.00
Total Financial Expenses	**-**	**12,000.00**
Non-Cash Expenses		
Depreciation		
Depreciation-Buildings and Other Structures	2,106,986.76	2,154,735.74
Depreciation-Machinery and Equipment	877,209.17	763,063.42
Depreciation-Transportation Equipment	328,397.14	373,397.14
Depreciation-Furniture, Fixtures and Books	17,751.25	-
Total Depreciation	**3,330,344.32**	**3,291,196.30**
Total Non-Cash Expenses	**3,330,344.32**	**3,291,196.30**
Current Operating Expenses	**74,877,467.76**	**75,329,023.53**
Surplus (Deficit) from Current Operations	**(35,139,574.32)**	**(43,590,523.13)**
Financial Assistance/Subsidy from NGAs, LGUs, GOCCs		
Subsidy from National Government	40,613,592.00	35,237,594.07
Subsidy from other NGAs	2,165,776.62	2,059,123.13
Subsidy from RO/Staff Bureau	3,914,673.69	8,806,925.58
Total Financial Assistance/Subsidy from NGAs, LGUs, GOCCs	**46,694,042.31**	**46,103,642.78**
Net Financial Assistance/Subsidy	**46,694,042.31**	**46,103,642.78**
Surplus (Deficit) for the period	**11,554,467.99**	**2,513,119.65**

Annex A.4

Technical Education and Skills Development Authority
Isabela School of Arts and Trades
City of Ilagan, Isabela

Statement of Cahnges in Net Assets/ Equity
All Funds
For the Year-ended December 31, 2025
(In PhP)

	Note	2025	2024 As Restated
Balance at January 1		35,785,053.05	32,453,698.58
Changes in accounting policy			
Prior Period Adjustments/Unrecorded Income and Expenses	4	42,143,897.51	42,962,132.33
Other Adjustments:			
Restated balance		77,928,950.56	75,415,830.91
Add/(Deduct):			
Changes in Net Assets/Equity for the Calendar Year			
Surplus (Deficit) for the period		11,554,467.99	2,513,119.65
Others		34,637.58	
Balance at December 31		**89,518,056.13**	**77,928,950.56**

This statement should be read in conjunction with the accompanying notes.

Annex A.5.1

Technical Education and Skills Development Authority
Isabela School of Arts and Trades
City of Ilagan, Isabela

Statement of Cash Flows
All Funds
For the Year Ended December 31, 2025
(In PhP)

	2025	2024 As Restated
Cash Flow from Operating Activities:		
Cash Inflows:		
Receipt of Notice of Cash Allocation	44,640,833.69	39,951,611.70
Collection of service and business income	13,807,318.39	16,207,133.00
Collection of Receivables	30,951,092.25	17,399,056.16
Other Receipts	216,394.88	
Adjustments	126,843.38	384,463.25
Total Cash Inflows	**89,742,482.59**	**73,942,264.11**
Cash Outflows:		
Payment of Expenses	51,844,167.13	49,699,765.97
Remittance of Personnel Benefit Contributions and Mandatory Deductions	20,243,318.70	18,915,810.97
Other Disbursements	157,680.00	235,737.94
Total Cash Outflows	**72,245,165.83**	**68,851,314.88**
NET CASH PROVIDED BY OPERATING ACTIVITIES	**17,497,316.76**	**5,090,949.23**
CASH FLOW FROM INVESTING ACTIVITIES		
Cash Outflow:		
Purchase/Construction of Property, Plant and Equipment	6,111,016.47	1,584,791.19
NET CASH USED IN INVESTING ACTIVITIES	**(6,111,016.47)**	**(1,584,791.19)**
INCREASE IN CASH AND CASH EQUIVALENTS	**11,386,300.29**	**3,506,158.04**
Cash and Cash Equivalents at January 1	6,987,426.20	3,481,268.16
Cash and Cash Equivalents at December 31	**18,373,726.49**	**6,987,426.20**

This statement should be read in conjunction with the accompanying notes.

Annex A.5.2

Republic of the Philippines
TECHNICAL EDUCATION AND SKILLS DEVELOPMENT AUTHORITY
Region 02
ISABELA SCHOOL OF ARTS AND TRADES
City of Ilagan, Isabela

STATEMENT OF CASH FLOWS
ALL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025

	2025	2024 As Restated
Cash Flows From Operating Activities		
Cash Inflows		
Receipt of Notice of Cash Allocation	44,640,833.69	39,951,611.70
Receipt of Notice of Cash Allocation	40,726,160.00	35,249,803.00
Receipt of Notice of Transfer of Cash Allocation	3,914,673.69	4,701,808.70
Collection of Income/Revenues	13,807,318.39	16,207,133.00
Collection of tax revenue		
Collection of service and business income	13,807,318.39	16,207,133.00
Collection of Receivables	30,951,092.25	17,399,056.16
Collection of receivable from audit disallowances	197,140.05	396,097.16
Collection of other receivables	30,753,952.20	17,002,959.00
Other Receipts	216,394.88	-
Refund of overpayment of Maintenance and Other Operating Exp	211,745.88	-
Receipt of refund of cash advances	4,649.00	-
Adjustments	126,843.38	384,463.25
Restoration of cash for cancelled/lost/stale checks/ADA	122,796.36	380,615.51
Other adjustments-Inflow	4,047.02	3,847.74
Total Cash Inflows	**89,742,482.59**	**73,942,264.11**
Cash Outflows		
Payment of Expenses	51,844,167.13	49,699,765.97
Payment of personnel services	23,008,393.44	21,118,188.61
Payment of maintenance and other operating expenses	26,007,786.93	27,879,928.76
Payment of financial expenses	-	12,000.00
Payment of expenses pertaining to/incurred in the prior years	2,827,986.76	689,648.60
Remittance of Personnel Benefit Contributions and Mandatory Dedu	20,243,318.70	18,915,810.97
Remittance of taxes withheld not covered by TRA	963,554.84	736,586.17
Remittance to GSIS/Pag-IBIG/PhilHealth	9,901,417.21	10,320,206.73
Remittance of other payables	9,378,346.65	7,859,018.07
Other Disbursements	157,680.00	235,737.94
Refund of excess income	157,680.00	223,529.00
Reversal of Unutilized NCA	-	12,208.94
Total Cash Outflows	**72,245,165.83**	**68,851,314.88**

Net Cash Provided by Operating Activities	**17,497,316.76**	**5,090,949.23**
Cash Flows from Investing Activities		
Cash Outflows		
Purchase/Construction of Property, Plant and Equipment	6,111,016.47	1,584,791.19
Construction of buildings and other structures	729,436.33	-
Construction in progress	4,340,026.14	-
Purchase of other property, plant and equipment	1,041,554.00	1,584,791.19
Total Cash Outflows	**6,111,016.47**	**1,584,791.19**
Net Cash Used In Investing Activities	**(6,111,016.47)**	**(1,584,791.19)**
INCREASE IN CASH AND CASH EQUIVALENTS	**11,386,300.29**	**3,506,158.04**
Cash and Cash Equivalents, January 1	6,987,426.20	3,481,268.16
Cash and Cash Equivalents, December 31	**18,373,726.49**	**6,987,426.20**

Annex A.6

Technical Education and Skills Development Authority
Isabela School of Arts and Trades
City of Ilagan, Isabela

Statement of Comparison of Budget and Actual Amount
All Funds
For the Year-ended December 31, 2025

Particulars	Notes	Budgeted Amounts		Actual Amounts on Comparable Basis	Difference Final Budget and Actual
		Original	Final		
RECEIPTS					
Services and Business Income		-	-	-	-
Assistance and Subsidy		38,744,000.00	46,021,615.15	46,021,615.15	-
Others		-	-	-	-
Total Receipts		**38,744,000.00**	**46,021,615.15**	**46,021,615.15**	**-**
PAYMENTS					
Personnel Services		36,581,000.00	45,243,007.15	45,243,007.15	-
Maintenance and Other Operating Expenses		2,163,000.00	778,608.00	778,608.00	-
Capital Outlay		-	-	-	-
Total Payments		**38,744,000.00**	**46,021,615.15**	**46,021,615.15**	**-**
NET RECEIPTS/PAYMENTS		**-**	**-**	**-**	**-**

This statement should be read in conjunction with the accompanying notes.

Republic of the Philippines
TECHNICAL EDUCATION AND SKILLS DEVELOPMENT AUTHORITY
Region 02
ISABELA SCHOOL OF ARTS AND TRADES
Calamagui 2nd, City of Ilagan

ALL FUNDS
NOTES TO FINANCIAL STATEMENTS
For the year-ended December 31, 2025

1. General Information/Agency Profile

The financial statements of Isabela School of Arts and Trades-Technical Education and Skills Development Authority (ISAT-TESDA) were authorized for issue on January 20, 2026 signed by the Head of Agency/Authorized Representative as shown in the Statement of Management's Responsibility for Financial Statements signed by Ms. Ma. Elena A. Narciso, Acting Vocational School Superintendent.

In 1979, a consortium disintegrated ISAT's college department and gave birth to Isabela State University. ISAT retained the secondary level's management through the then Principal Manuel Q. Damasco. After a comprehensive evaluation and approval of Department of Education, Culture and Sports, the school started offering post-secondary and non-degree courses. Joint DECS-TESDA Memo Circular No. 1 was issued in consonance with provision No. 19 of the 1997 General Appropriation Act (GAA) effecting the transfer of ISAT's administration to TESDA. Subsequently, TESDA allotted some of its buildings and lot where the structures stand, for the secondary programs to be administered by the Department of Education (DepEd-ISAT).

2. Statement of Compliance and Basis of Preparation of Financial Statements

The financial statements have been prepared in accordance with and comply with the International Public Sector Accounting Standards (IPSAS) issued by the Commission on Audit per COA Resolution No. 2020-001 dated January 9, 2020.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The financial statements are presented in Philippine peso, which is the Agency's functional and presentation currency. The Statement of Cash Flows is prepared using the direct method.

In accordance with IPSAS 1, a complete set of financial statements has been prepared as follows:

- Statement of Financial Position;
- Statement of Financial Performance;
- Statement of Changes in Net Assets/Equity;
- Statement of Cash Flows;
- Statement of Comparison of Budget and Actual Amounts; and

- Notes to the financial statements, comprising a description of the basis of preparation and presentation of the statements, a summary of significant accounting policies, and other relevant information.

The financial statements have been prepared in compliance with the Unified Accounts Code Structure (UACS), RCA, and Government Accounting Manual (GAM).

3. Summary of Significant Accounting Policies

3.1 IPSAS 1 - Basis of accounting

The financial statements are prepared on an accrual basis in accordance with the IPSAS.

3.2 IPSAS 2 – Cash and Cash Equivalents

Cash and cash equivalents comprise of cash on hand under the custody of the Cashier and cash at bank deposited with Land Bank of the Philippines under the Sariling Sikap Program (SSP) Fund.

3.3 Financial instruments

a. Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset. The institution determines the classification of its financial assets at initial recognition.

The TESDA-ISAT financial assets include due from other National Government Agencies (NGAs) and Inter-Agency receivables.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification.

Derecognition

TESDA-ISAT derecognizes a financial asset or, where applicable, a part of a financial asset or part of an Agency of similar financial assets when:

- The rights to receive cash flows from the financial asset have expired or is waived
- The Agency has transferred its rights to receive cash flows of the financial asset and/or retain the contractual rights to receive the cash

flows of the financial asset but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement that have met all conditions.

b. Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The institution determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

The Agency's financial liabilities include trade and other payables, Inter-Agency payables and Due to Officers and Employees

Subsequent measurement

The measurement of financial liabilities depends on their classification.

Derecognition

A financial liability is derecognized when:

- The obligation specified in the contract is discharged, cancelled or expires.
- An exchange between an existing borrower and lender of debt instruments with substantially different terms shall be accounted for as extinguishment of an original liability and a recognition of financial liability.

3.4 IPSAS 12 - Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Agency.

Semi-expendable property are tangible items costing below the capitalization threshold of P50,000.00, to be used in the operations of the agency and not intended for resale in the ordinary course of business. Its expected life is more than one accounting period, and are recognized as expense upon issuance to end-users. Repairs and maintenance are recognized as expense in the period they are incurred.

3.5 IPSAS 17 - Property, Plant and Equipment

Recognition

An item is recognized as property, plant, and equipment (PPE) if it meets the characteristics and recognition criteria as a PPE.

The characteristics of PPE are as follows:

- tangible items costing P50,000.00 and above;
- are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- are expected to be used during more than one reporting period.

An item of PPE is recognized as an asset if:

- It is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- The cost or fair value of the item can be measured reliably.

Measurement at Recognition

An item recognized as property, plant, and equipment is measured at cost.

A PPE acquired through non-exchange transaction is measured at its fair value as at the date of acquisition.

The cost of the PPE is the cash price equivalent or, for PPE acquired through non-exchange transaction its cost is its fair value as at recognition date.

Cost includes the following:

- Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- Expenditure that is directly attributable to the acquisition of the items; and
- Initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired, or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Measurement After Recognition

After recognition, all property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

When significant parts of property, plant and equipment are required to be replaced at intervals, the TESDA-ISAT recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major repair/replacement is done, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

All other repair and maintenance costs are recognized as expense in surplus or deficit as incurred.

Depreciation Method

Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognized as expense unless it is included in the cost of another asset.

Initial Recognition of Depreciation

Depreciation of an asset begins when it is available for use such as when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

For simplicity and to avoid proportionate computation, the depreciation is for one month if the PPE is available for use on or before the 15th of the month. However, if the PPE is available for use after the 15th of the month, depreciation is for the succeeding month.

Depreciation Method

The straight-line method of depreciation shall be adopted.

Estimated Useful Life

TESDA - ISAT uses the Schedule on the Estimated Useful Life of PPE by classification prepared by Commission on Audit.

The institution uses a residual value equivalent to ten (10%) of the cost of the PPE.

The estimated useful lives of the asset classes that make up property, plant and equipment are provided in the table below: (COA Circular No. 2017-004)

Asset Class	Estimated useful life
Land	Not Applicable
Land Improvement	10 years
Buildings and Other Structures	30 years
Other Structures	5-10 years
Machinery and Equipment	5-15 years
Transportation Equipment	5-15 years
Furniture, fixtures, and Books	2-15 years
Other Property, Plant and Equipment	2-15 years

Impairment

An asset's carrying amount is written down to its recoverable amount, or recoverable service amount, if the asset's carrying amount is greater than its estimated recoverable service amount.

Derecognition

The Agency derecognizes items of property, plant and equipment and/or any significant part of an asset upon disposal or when no future economic benefits or service potential is expected from its continuing use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the surplus or deficit when the asset is derecognized.

3.6 Leases

TESDA-ISAT as a lessee

Finance Lease

Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Agency also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Agency will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Agency. Operating lease payments are recognized as an operating expense on a straight-line basis over the lease term unless another systematic basis is representative of the time pattern of the lessee's benefit.

TESDA-ISAT as a lessor

Finance Lease

The Agency recognizes Finance Lease Receivable at an amount equal to the net investment in the lease and finance revenue based on a pattern reflecting a constant periodic rate of return on the net investment in the lease. Initial direct costs such as commissions, legal fees, and internal costs are included in the initial measurement of the Finance Lease Receivable and reduce the amount of revenue recognized over the lease term.

Operating Lease

Lease revenue from operating lease is recognized on a straight-line basis over the lease term unless another systematic basis is representative of the time pattern in which benefit derived from the lease assets are diminished. Initial direct costs, such as finder's fees and legal expenses, incurred in negotiation and arranging the operating lease arrangement are added to the carrying amount of the leased asset and recognized as expense over the lease term on the same basis as the lease revenue. Contingent rents are recognized as revenue in the period in which they are earned.

The depreciation policy for PPE is applied to similar assets leased by the entity.

3.7 Provisions

Provisions are recognized when the Agency has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Agency expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying

economic benefits or service potential will be required to settle the obligation, the provisions are reversed.

3.8 Changes in accounting policies and estimates

The Agency recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

The Agency recognizes the effects of changes in accounting estimates prospectively by including in surplus or deficit.

The Agency correct material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by:

- Restating the comparative amounts for prior period(s) presented in which the error occurred; or
- If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

3.9 IPSAS 23 - Revenue from non-exchange transactions

Recognition and Measurement of Assets from Non-Exchange Transactions

An inflow of resources from a non-exchange transaction, other than services in-kind, that meets the definition of an asset are recognized as an asset if the following criteria are met:

- It is probable that the future economic benefits or service potential associated with the asset will flow to the entity; and
- The cost or carrying amount of the asset can be measured reliably.

An asset acquired through a non-exchange transaction is initially measured at its carrying amount as at the date of acquisition.

Recognition Revenue from Non-Exchange Transactions

An inflow of resources from a non-exchange transaction recognized as an asset is recognized as revenue, except to the extent that a liability is also recognized in respect of the same inflow.

As Agency satisfies a present obligation recognized as a liability in respect of an inflow of resources from a non-exchange transaction recognized as an asset, it reduces the carrying amount of the liability recognized and recognize an amount of revenue equal to that reduction.

Measurement of Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions is measured at the amount of the increase in net assets recognized by the entity.

Measurement of Liabilities on Initial Recognition from Non-Exchange Transactions

The amount recognized as a liability in a non-exchange transaction is the best estimate of the amount required to settle the present obligation at the reporting date.

Taxes

Taxes and the related fines and penalties are recognized when collected or when these are measurable and legally collectible. The related refunds, including those that are measurable and legally collectible, are deducted from the recognized tax revenue.

Gifts and Donations

The Agency recognizes assets and revenue from gifts and donations when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Goods in-kind are recognized as assets when the goods are received, or there is a binding arrangement to receive the goods. If goods in-kind are received without conditions attached, revenue is recognized immediately. If conditions are attached, a liability is recognized, which is reduced, and revenue recognized as the conditions are satisfied.

Transfers

The Agency recognizes an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset, except those arising from services in-kind.

Services in-Kind

Services in-kind may but is not required to recognized as asset and revenue considering the complexity of the determination of and recognition of asset and revenue and the eventual recognition of expenses.

Transfers from other government entities

Transferred assets are measures at their fair value as at the date of acquisition.

3.10 Revenue from Exchange transactions

Revenue shall be measured at the fair value of the consideration received or receivable. Revenue is recognized when it is probable that the future economic benefits or service potential will flow to TESDA-ISAT and when these benefits can be measured reliably.

3.11 Budget information

The annual budget is prepared on a cash basis and is published in the government website.

A separate Statement of Comparison of Budget and Actual Amounts (SCBAA) was prepared since the budget and the financial statements were not prepared on comparable basis. The SCBAA was presented showing the original and final budget and the actual amounts on comparable basis to the budget. Explanatory comments are provided in the notes to the annual financial statements.

3.12 Employee benefits

The employees of TESDA-ISAT are member of the Government Service Insurance System (GSIS), which provides life and retirement insurance coverage.

The Agency recognizes expenses for accumulating compensated absences when these are paid (commuted or paid as terminal leave benefits). Unused entitlements that have accumulated at the reporting date are not recognized as expense. Non-accumulating compensated absences, like special leave privileges, are not recognized.

3.13 Related Parties

TESDA-ISAT regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the TESDA-ISAT, or vice versa.

Members of key management were regarded as related parties and comprise the members of the Financial and Management Committee of TESDA-ISAT, such as:

Name	**Position/Designation**
Ma. Elena A. Narciso Acting	Vocational School Superintendent
Engr. Elmer A. Bartolome	Vocational Instruction Supervisor
Jeana Cryzela T. Aquino	Administrative Officer IV
Florrianne Kate A. Balubal	Accountant I
Elsa A. Munsayac	Tourism Sector Supervisor
Francisco B. Narag Jr.	Diploma Sector Supervisor
Bhelynda A. Gonzales	Health Sector Supervisor
Rodelio B. Tinaza	Hard Trades Supervisor

Rose Ann Valdez Acting Cashier

4. Prior Period Adjustments

Fundamental errors of prior years are corrected using the accumulated surplus (deficit) account. Errors affecting the current year's operation are charged to the current year's account.

The financial statements of 2024 have been restated to correct this error:

Particulars	2025		2024	
	Effect on Accounts	Debit (Credit)	Effect on Accounts	Debit (Credit)
A. To record building account due to transfer of ownership documents received only in 2025	Increase in Accumulated Surplus/(Deficit)	(39,999,927.67)	Increase in Accumulated Surplus/(Deficit)	(39,999,927.67)
	Increase in Building	39,999,927.67	Increase in Building	39,999,927.67
B. To record depreciation for the RTIC Building for the year 2023	Decrease in Accumulated Surplus/(Deficit)	699,998.73	Decrease in Accumulated Surplus/(Deficit)	699,998.73
	Increase in Accumulated Depreciation-Building	(699,998.73)	Increase in Accumulated Depreciation-Building	(699,998.73)
C. To record depreciation for the RTIC Building and ICT Equipment for the year 2024	Decrease in Accumulated Surplus/(Deficit)	1,441,323.08	Increase in Depreciation Expense	1,441,323,08
	Increase in Accumulated Depreciation-Building/ICT Equipment	(1,441,323.08)	Increase in Accumulated Depreciation – Building/ICT Equipment	(1,441,323,08)
D. To record ICT Equipment due to transfer of ownership received in 2025	Increase in ICT Equipment	3,142,415.00	Increase in ICT Equipment	3,142,415.00
	Increase in Accumulated Surplus/(Deficit)	(3,142,415.00)	Increase in Subsidy from Regional Office/Staff Bureau	(3,142,415.00)
E. To record receivable from employees due to overpayment of traveling expenses	Increase in Receivable	14,636.57	Increase in Receivables	14,636.57
	Increase in Accumulated Surplus/(Deficit)	(14,636.57)	Decrease in Traveling Expenses	(14,636.57)
F. To record payable due to unrecorded other maintenance and	Decrease in Accumulated Surplus/(Deficit)	7,125.00	Increase in Other Maintenance and Operating Expenses	7,125.00

Particulars	2025		2024	
	Effect on Accounts	Debit (Credit)	Effect on Accounts	Debit (Credit)
operating expenses for inventories delivered	Increase in Accounts Payable	(7,125.00)	Increase in Accounts Payable	(7,125.00)
G. To record payable to assessors honoraria for the assessment conducted in 2024	Decrease in Accumulated Surplus/(Deficit)	16,917.60	Increase in Other Professional Expenses	16,917.60
	Increase in Accounts Payable	(16,917.60)	Increase in Accounts Payable	(16,917.60)
H. To record receivable from supplier due to overpayment of textbooks and instructional materials	Increase in Accounts Receivable	500.00	Increase in Accounts Receivable	500.00
	Increase in Accumulated Surplus/(Deficit)	(500.00)	Decrease in Textbooks and Instructional Materials Expenses	(500.00)
I. To correct entry made for mobilization paid to contractor	Increase in Other Pre-Payment	138,832.97	Increase in Other Pre-Payment	138,832.97
	Increase in Accumulated Surplus/(Deficit)	(138,832.97)	Decrease in Repair and Maintenance - Buildings	(138,832.97)
J. To record unrecorded Assessment Fees, School Fees and Other Business Income for the year 2024	Increase in Due from NGAs	2,006,389.00	Increase in Due from NGAs	2,006,389.00
	Increase in Accumulated Surplus/(Deficit)	(2,006,389.00)	Increase in Examination Fees	(1,933,016.00)
			Increase in School Fees	(68,373.00)
			Increase in Other Business Income	(5,000.00)
K. To correct error in recording inventories	Decrease in Office Supplies Inventory	(35,274.80)	Decrease in Office Supplies Inventory	(35,274.80)
	Increase in Accumulated Surplus/(Deficit)	35,274.80	Increase in Office Supplies Expense	35,274.80
L. To correct error in recording Semi-Expandable Office Equipment	Decrease in Semi-Expandable Office Equipment	(1,319,350.00)	Decrease in Semi-Expandable Office Equipment	(1,319,350.00)

Particulars	2025		2024	
	Effect on Accounts	Debit (Credit)	Effect on Accounts	Debit (Credit)
	Decrease in Accumulated Surplus/(Deficit)	1,319,350.00	Increase in Semi-Expandable Office Equipment Expense	1,319,350.00
M. To correct error in recording Semi-Expandable Furniture and Fixtures Inventory	Decrease in Semi-Expandable Furniture and Fixtures Inventory	(149,000.00)	Decrease in Semi-Expandable Furniture and Fixtures Inventory	(149,000.00)
	Decrease in Accumulated Surplus/(Deficit)	149,000.00	Increase in Semi-Expandable Furniture and Fixtures Expenses	149,000.00
N. To record distributed toolkits to scholars	Decrease in Accumulated Surplus/(Deficit)	193,515.37	Increase in Scholarship Expense	193,515.37
	Decrease in Other Supplies	(193,515.37)	Decrease in Other Supplies	(193,515.37)
O. To record received toolkits from Provincial Office	and Materials Inventory		and Materials Inventory	
	Increase in Other Supplies and Materials Inventory	962,701.88	Increase in Other Supplies and Materials Inventory	962,701.88
	Increase in Accumulated Surplus/(Deficit)	(962,701.88)	Increase in Subsidy from Regional Office/Staff Bureau	(962,701.88)
P. To correct error in collections of receivables from LGU	Decrease in Accounts Receivable	(23,261.00)	Decrease in Accounts Receivable	(23,261.00)
	Decrease in Accumulated Surplus/(Deficit)	23,261.00	Decrease in Examination Fees	23,261.00
Q. To correct entry due to error in billing from 2024	Increase in Due from NGAs	68,373.00	Increase in Due from NGAs	68,373.00
	Increase in Accumulated Surplus/(Deficit)	(68,373.00)	Increase in School Fees	(68,373.00)
R. To correct entry due to error in billing from 2024	Decrease in Due from NGAs	30,466.00	Decrease in Due from NGAs	30,466.00
	Decrease in Accumulated Surplus/(Deficit)	(30,466.00)	Decrease in Examination Fees	(30,466.00)

Particulars	2025		2024	
	Effect on Accounts	Debit (Credit)	Effect on Accounts	Debit (Credit)
S. To correct receivable due to billed assessment fees not paid due to expired RQM	Decrease in Accumulated Surplus/(Deficit)	334,579.00	Decrease in Examination Fees	334,579.00
	Decrease in Due from NGAs	(334,579.00)	Decrease in Due from NGAs	(334,579.00)
Total Increase in the opening balance of	Accumulated Surplus/(Deficit)	**42,143,897.51**	Accumulated Surplus/(Deficit)	**39,299,928.94**
			Total Increase in Surplus (Deficit)	**2,843,968.57**

5. Supporting Information to the Statement of Financial Position

5.1 Cash and Cash Equivalents

Particulars	2025	2024
Cash in Bank - Local Currency, Current Account - Land Bank of the Philippines (LBP)	18,373,726.49	6,987,426.20
Total Cash and Cash Equivalent	**18,373,726.49**	**6,987,426.20**

Cash in Bank – Local Currency, Current Account consists of the deposits made in the SSP Fund for income collected from training fees, scholarship fees, assessment fees, income from hotel and other income generating project. The significant increase in the balance of Cash in Bank.

The significant increase in the account balance was mainly due to the substantial collection of scholarship fees covering training and assessment fees received from the Provincial Office. This amount also includes payments for receivables from previous years which were collected during the current period, resulting in a higher balance in the Cash in Bank – Local Currency, Current Account

5.2 Receivables

Particulars	2025	2024
Loans and Receivables:		
Account Receivable	11,550.00	135,323.00
Other Receivables:		
Receivable – Disallowances/Charges	58,736.12	232,969.61
Due from Officers and Employees	31,423.99	176,831.06
Due from NGAs	308,715.00	4,043,176.40
Total Receivables	**410,425.11**	**4,588,300.07**

Accounts Receivable represent amounts due from the head of each TESDA operating units of Isabela Province for the amount paid for the gift given to Secretary Benitez and his DDG during his visit to the province.

Due from Officers and Employees represent amount due from job order employees who were employed as permanent but was paid as job order. Due from NGAs represent amounts due from other agency for the billed Training Fees and Assessment fee conducted at TESDA-ISAT.

5.2.1 Aging/Analysis of Receivables

Aging of Receivables as at December 31, 2025 is as follows:

Accounts	Total	Past Due		
		<30 days	30-60 days	>60 days
Accounts Receivable	11,550.00	0.00	0.00	11,550.00
Due from Officers and Employees	31,423.99	31,423.99	0.00	0.00
Due from NGAs	308,715.00	308,715.00	0.00	0.00

5.3 Inventories

Particulars	2025	2024
Inventory Held for Distribution:		
Other Supplies and Materials for Distribution	2,943,286.67	2,943,286.67
Semi-Expendable Machinery and Equipment:		
Semi-Expandable Office Equipment	96,680.00	0.00
Semi-Expandable Other Machinery and Equipment	677,400.00	0.00
Total Inventories	**3,717,366.67**	**2,943,286.67**

Other Supplies and Materials for Distribution represents the cost of undistributed toolkits of Scholars as of December 31, 2025. Semi-Expandable Machinery and Equipment and Semi-Expandable Other Machinery and Equipment accounts represent items for issuance to the corresponding end-users.

Accounts	2025
Other Supplies and Materials for Distribution	
Carrying Amount, January 1, 2025	2,943,286.67
Additions/Acquisitions	0.00
Expensed during the year	0.00
Carrying Amount, December 31, 2025	**2,943,286.67**
Semi-Expandable Office Equipment	
Carrying Amount, January 1, 2025	0.00
Additions/Acquisitions	327,046.00
Expensed during the year	230,366.00
Carrying Amount, December 31, 2025	**96,680.00**
Semi-Expandable ICT Equipment	
Carrying Amount, January 1, 2025	0.00
Additions/Acquisitions	96,740.00
Expensed during the year	96,740.00

Accounts	2025
Carrying Amount, December 31, 2025	**0.00**
Semi-Expandable Other Machinery and Equipment	
Carrying Amount, January 1, 2025	0.00
Additions/Acquisitions	1,833,070.66
Expensed during the year	1,155,670.66
Carrying Amount, December 31, 2025	**677,400.00**
Semi-Expandable Furniture, Fixtures and Books	
Carrying Amount, January 1, 2025	0.00
Additions/Acquisitions	20,000.00
Expensed during the year	20,000.00
Carrying Amount, December 31, 2025	**0.00**

5.4 Prepayments

Particulars	2025	2024
Other Prepayments	0.00	138,832.97
Total Prepayments	**0.00**	**138,832.97**

Other Prepayment pertains to the 15% Mobilization paid to contractor for the Rehabilitation of Flooring of the FBS/Bartending, Hairdressing, Nail Care and Conference Hall

5.5 Property, Plant and Equipment

	Buildings	School Building	Other Structure	Office Equipment	Other Machineries and Equipment	ICT Equipment
Carrying Amount - January 01, 2025	51,304,782.07	5,749,696.65	594,665.40	334,589.90	2,635,753.66	4,114,769.48
Additions/Acquisitions/Adjustments	0.00	333,825.80	395,610.53	0.00	1,255,300.00	232,040.00
Total	**51,304,782.07**	**6,083,522.45**	**990,275.93**	**334,589.90**	**3,891,053.66**	**4,346,809.48**
Depreciation (As per Statement of Financial Performance)	1,760,523.56	314,339.86	32,123.34	68,013.00	204,773.79	542,268.39
Carrying Amount, December 31, 2025	**49,544,258.51**	**5,769,182.59**	**958,152.59**	**266,576.90**	**3,686,279.87**	**3,804,541.09**

	Furniture and Fixture	Communication on Equipment	Motor Vehicles	Construction in Progress	TOTAL
Carrying Amount - January 01, 2025	0.00	158,748.00	1,837,792.55	0.00	66,730,797.71
Additions/Acquisitions/Adjustments	295,854.00	0.00	0.00	4,340,026.14	6,852,656.48
Total	**295,854.00**	**158,748.00**	**1,837,792.54**	**4,340,026.14**	**73,583,454.19**

Depreciation (As per Statement of Financial Performance)	17,751.24	62,154.00	328,397.14	0.00	3,330,344.32
Carrying Amount, December 31, 2025	**278,102.76**	**96,594.00**	**1,509,395.40**	**4,340,026.14**	**70,253,109.87**

	Buildings	**School Building**	**Other Structure**	**Office Equipment**	**Other Machineries and Equipment**	**ICT Equipment**
Gross Cost (Asset Account Balance per Statement of Financial Position)	58,684,118.67	11,083,071.20	1,466,388.53	572,825.00	20,934,180.40	7,801,336.24
Less: Accumulated Depreciation	9,139,860.16	5,313,888.62	508,235.94	306,248.10	17,247,900.52	3,996,795.15
Carrying Amount, December 31, 2025 (As per Statement of Financial Position)	**49,544,258.51**	**5,769,182.58**	**958,152.59**	**266,576.90**	**3,686,279.88**	**3,804,541.09**

	Furniture and Fixture	**Communication on Equipment**	**Motor Vehicles**	**Construction in Progress**	**TOTAL**
Gross Cost (Asset Account Balance per Statement of Financial Position)	295,854.00	345,300.00	3,655,211.00	4,340,026.14	109,178,311.18
Less: Accumulated Depreciation	17,751.24	248,706.00	2,145,815.60	0.00	38,925,201.31
Carrying Amount, December 31, 2025 (As per Statement of Financial Position)	**278,102.76**	**96,594.00**	**1,509,395.40**	**4,340,026.14**	**70,253,109.87**

The following shows the status of Property, Plant and Equipment as of December 31, 2025 under the 2025 Report on Physical Count of Property, Plant and Equipment.

Account Title	**Fully Depreciated**		**Not Fully Depreciated**		**Total Acquisition Cost**
	Serviceable	**Un-serviceable**	**Serviceable**	**Un-serviceable**	
Buildings	0.00	0.00	58,684,118.67	0.00	58,684,118.67
School Buildings	271,250.00	0.00	10,811,821.20	0.00	11,083,071.20
Other Structures	0.00	0.00	1,466,388.53	0.00	1,466,388.53

Account Title	Fully Depreciated		Not Fully Depreciated		Total Acquisition Cost
	Serviceable	Un-serviceable	Serviceable	Un-serviceable	
Other Machinery and Equipment	18,505,070.40	0.00	2,429,110.00	0.00	20,934,180.40
Office Equipment	97,895.00	0.00	474,930.00	0.00	572,825.00
ICT Equipment	3,409,821.24	0.00	4,391,515.00	0.00	7,801,336.24
Furniture and Fixtures	0.00	0.00	295,854.00	0.00	295,854.00
Motor Vehicle	250,000.00	805,011.00	2,600,200.00	0.00	3,655,211.00
Communication Equipment	0.00	0.00	345,300.00	0.00	345,300.00
Construction in Progress	0.00	0.00	0.00	4,340,026.14	4,340,026.14
Total	**22,534,036.64**	**805,011.00**	**81,499,237.40**	**4,340,026.14**	**109,178,311.18**

The land was acquired through Presidential Proclamation no. 84 for school site purposes on June 22, 2026. However, the title has not been formally transferred to TESDA-ISAT and still considered public land under government administration. The Property, Plant and Equipment of TESDA-ISAT includes idle ICT Equipment with carrying amount of P315,350.13 and expected to be used in future operations. Additionally, TESDA-ISAT continues to utilize fully depreciated PPE with carrying cost of P1,938,053.53 that remain functional and contribute to operations. Moreover, P80,501.00 carrying cost of motor vehicle are held for disposal.

5.6. Payables

Particulars	2025	2024
Accounts Payable	1,772,971.33	1,400,207.71
Due to Officers and Employees	88,133.23	1,403,265.95
Total Payables	**1,861,104.56**	**2,803,473.66**

Accounts Payable pertains to due and demandable obligations arising from unpaid supplies and other materials, general services and various maintenance and other operating expenses.

Due to Officers and Employees account pertains to unpaid representation and transportation allowance, subsistence allowance, step increments, over deduction of GSIS and salary differential of various officers and employees as of December 31, 2025.

5.7 Inter-Agency Payables

Particulars	2025	2024
Due to BIR	312,151.85	207,767.36
Due to GSIS	697,045.94	378,288.54
Due to PhilHealth	6,669.66	53,863.50
Due to Pag-IBIG	3,400.00	0.00
Total Inter-Agency Payables	**1,019,267.45**	**639,919.40**

Due to BIR is remitted on January 9, 2026. The Due to GSIS was remitted on January 10, 2026, while Due to HDMF, and Due to PHIC will be remitted the following month respectively.

5.8 Other Payables

Other payables account amounting to ₱356,200.00 as of December 31, 2025 and ₱16,300.00 as of December 31 2024 pertains to unpaid share for collective negotiation agreements and other payables.

Supporting Information to the Statement of Financial Performance

6. Revenue

6.1 Business Income

Particulars	2025	2024
School Fees	21,062,438.80	13,765,741.50
Examination Fees	11,103,158.64	9,052,599.90
Seminar/Training Fees	774,540.00	1,789,912.50
Income from Hotels/Dormitories and Other Like Facilities	1,516,626.00	295,311.00
Other Business Income - Others-IGP	5,281,130.00	6,834,935.50
Total	**39,737,893.44**	**31,738,500.40**

School Fees represent collection from various scholarship programs implemented by TESDA-ISAT. Examination Fees are the amounts collected from TESDA Provincial Office and Walk-In Clients for the payment of Assessment Fees. Income from Hotels/Dormitories are the rental income of TESDA-ISAT Hotel. While Other Business Income pertains to amount collected from the Catering Services and other Income Generating Project of TESDA-ISAT.

The significant increase is attributed to the higher allocation received by the institution for the UAQTEA Scholarship Fund from the Provincial Office, covering both training and assessment fees. In addition, the Diploma Programs which commenced in 2024 and concluded in 2025 were billed only in the current year upon completion of the training program, resulting in the recognition of the related income during the period.

7. Personnel Services

The summary of personnel services is as follows:

Particulars	2025	2024
Salaries and Wages	28,966,191.76	27,863,374.09
Other Compensation	9,003,785.70	9,779,522.87
Personnel Benefit Contributions	4,452,848.35	4,165,735.03
Other Personnel Benefits	2,820,181.34	1,345,000.00
Total Personnel Services	**45,243,007.15**	**43,153,631.99**

7.1 Salaries and Wages

Particulars	2025	2024
Salaries and Wages-Regular	28,966,191.76	27,863,374.09
Total Salaries and Wages	**28,966,191.76**	**27,863,374.09**

7.2 Other Compensation

Particulars	2025	2024
Personal Economic Relief Allowance (PERA)	1,560,000.00	1,542,000.00
Representation Allowance (RA)	66,000.00	34,003.18
Transportation Allowance (TA)	31,193.99	30,000.00
Clothing/Uniform Allowance	455,000.00	462,000.00
Subsistence Allowance, Laundry and Quarters Allowance	10,920.00	31,800.00
Year End Bonus	2,423,981.71	2,439,969.00
Cash Gift	330,000.00	330,000.00
Other Bonuses and Allowances – Anniversary Bonus	0.00	600,000.00
Collective Negotiations Agreement	1,447,600.00	990,000.00
Productivity Enhancement Incentives	330,000.00	330,000.00
Performance Based Bonus	0.00	804,952.91
Bonus and Allowances-Mid Year Bonus	2,349,090.00	2,184,797.78
Total Other Compensation	**9,003,785.70**	**9,779,522.87**

The Other Bonuses and Allowances pertains to the bonus received by the employees on 30th TESDA Anniversary.

7.3 Personnel Benefit Contributions

Particulars	2025	2024
Retirement and Life Insurance Premiums	3,483,247.18	3,280,422.53
Pag-ibig Contributions	156,800.00	148,300.00
PhilHealth Contributions	734,201.17	659,412.50
Employees Compensation Insurance Premiums	78,600.00	77,600.00
Total Personnel Benefit Contributions	**4,452,848.35**	**4,165,735.03**

7.4 Other Personnel Benefits

Particulars	2025	2024
Terminal Leave Benefits	1,013,181.34	0.00
Loyalty Award - Civilian	25,000.00	25,000.00
Other Personnel Benefits:	1,782,000.00	1,320,000.00
Total Other Personnel Benefits	**2,820,181.34**	**1,345,000.00**

Terminal Leave Benefits represents the monetary value of accumulated leave credits paid to employees upon retirement and separation from service. The increase in terminal leave benefit was due to the payment of terminal leave benefit to two (2) employees who retired and one (1) who resigned during the year.

The increase in other personnel benefits for the year was due to the granting of medical allowance to government employees beginning 2025.

7.5 Employee Future Benefits

The TESDA-ISAT and its employees contribute to the Government Service Insurance System (GSIS) in accordance with RA 8291. The GSIS administers the plan, including payment of pension benefits to employees to whom the act applies. The principal benefit package of the GSIS consists of compulsory and optional life insurance, retirement, separation, and Employee's Compensation (EC) benefits.

8. Maintenance and Other Operating Expenses

The summary of maintenance and other expenses is as follows:

Particulars	2025	2024
Traveling Expenses	3,150,376.00	3,438,976.58
Training and Scholarship Expenses	369,366.00	362,515.37
Supplies and Materials Expenses	10,497,890.72	16,371,133.73
Utility Expenses	1,215,996.84	1,545,974.24
Communication Expenses	395,076.26	288,900.24
Awards/Rewards and Prizes	34,000.00	0.00
Professional Services	2,825,307.20	3,046,425.18
General Services	2,244,845.80	2,223,286.38
Repairs and Maintenance	1,666,226.64	453,550.92
Taxes, Insurance Premiums and Other Fees	49,258.66	127,721.24
Other Maintenance and Operating Expenses	3,855,772.17	1,013,711.36
Total Maintenance and Other Operating Expenses	**26,304,116.29**	**28,872,195.24**

8.1 Traveling Expenses

Particulars	2025	2024
Traveling Expenses-Local	2,437,069.54	2,686,260.72
Traveling Expenses-Foreign	713,306.46	752,715.86
Total Traveling Expenses	**3,150,376.00**	**3,438,976.58**

Traveling Expenses during the year were made pursuant to approved TESDA orders, covering authorized official travels undertaken during the year. The decrease in traveling expenses is attributed to the limited travel authority granted to employees during the last semestral period, resulting in reduced travel-related expenditures during the period.

8.2 Training and Scholarship Expenses

Particulars	2025	2024
Training Expenses	369,366.00	169,000.00
Scholarship Grants/Expenses	0.00	193,515.37
Total Training and Scholarship Expenses	**369,366.00**	**362,515.37**

Training expenses represent costs incurred to enhance employees' skills and competencies. The amount was due to the payment of registration fees for trainings attended by employees, as well as expenses related to the conduct of seminars and trainings within the institution. The increase in training expenses is attributed to the conduct of various training activities, as employees were sent to trainings in line with the institution's target of providing training opportunities to all personnel as part of its performance objectives.

8.3 Supplies and Materials Expenses

Particulars	2025	2024
Office Supplies Expenses	863,984.86	475,678.30
Accountable Forms Expenses	17,500.00	0.00
Fuel, Oil and Lubricants Expenses	706,053.69	1,089,074.25
Textbooks and Instructional Materials Expenses	7,404,460.51	13,267,031.18
Semi-Expendable Machinery & Equipment - Office Equipment Expenses	230,366.00	1,319,350.00
Semi-Expendable Machinery and Equipment – ICT Expenses	96,740.00	0.00
Semi-Expendable Other Machinery and Equipment Expenses	1,155,670.66	0.00
Semi-Expendable Furniture, Fixtures and Books Expenses	20,000.00	149,000.00
Other Supplies and Materials Expenses	3,115.00	71,000.00
Total Supplies and Materials Expenses	**10,497,890.72**	**16,371,133.73**

Textbooks and Instructional Materials Expenses represents the supplies and materials used for training and assessment purposes. The significant decrease was due to the reclassification of catering services expenses to other maintenance and other operating expenses. Additionally, increase in semi-expandable expenses other machinery and Equipment expenses was due to payment for the tools and equipment of different qualifications in compliance to the minimum training regulation set by TESDA.

8.4 Utility Expenses

Particulars	2025	2024
Electricity Expenses	1,215,996.84	1,545,974.24
Total Utility Expenses	**1,215,996.84**	**1,545,974.24**

The connection to City of Ilagan Water District was terminated because TESDA – ISAT uses a submersible water pump as a primary source of water supply.

8.5 Communication Expenses

Particulars	2025	2024
Telephone Expenses	106,429.52	60,420.07
Internet Subscription Expenses	245,511.03	215,480.17
Cable, Satellite, Telegraph and Radio Expenses	43,135.71	13,000.00
Total Communication Expenses	**395,076.26**	**288,900.24**

8.6 Awards/Rewards and Prizes

Particulars	2025	2024
Awards/Rewards Expenses	34,000.00	0.00
Total Awards/Rewards and Prizes	**34,000.00**	**0.00**

Awards/Rewards expenses represent the cost of items granted in recognition of employees' loyalty and years of service. The amount pertains to the mementos given to the loyalty awardees during the year.

8.7 Professional Services

Particulars	2025	2024
Other Professional Services	2,825,307.20	3,046,425.18
Total Professional Services	**2,825,307.20**	**3,046,425.18**

Other Professional Services represents Honoraria of Assessors and payment to other professionals for the services rendered to TESDA- ISAT.

8.8 General Services

Particulars	2025	2024
Other General Services	2,244,845.80	2,223,286.38
Total General Services	**2,244,845.80**	**2,223,286.38**

Other General Services represents the amount paid to Job Order Employees and other general services received by TESDA-ISAT.

8.9 Repairs and Maintenance

Particulars	2025	2024
Repairs and Maintenance-Land Improvements	98,116.76	0.00
Repairs and Maintenance-Infrastructure Assets	137,690.35	0.00
Repairs and Maintenance-Buildings and Other	1,201,387.48	209,291.59

Particulars	2025	2024
Structures		
Repairs and Maintenance-Machinery and Equipment	61,054.00	3,150.00
Repairs and Maintenance-Transportation Equipment	165,053.05	241,109.33
Repairs and Maintenance-Furniture and Fixtures	2,925.00	0.00
Total Repairs and Maintenance Expenses	**1,666,226.64**	**453,550.92**

The significant increase in repairs and maintenance expenses is attributed to the conduct of necessary repair and rehabilitation works on facilities, equipment, and other assets to ensure their continued functionality and safety. Moreover, a substantial portion of the expenses was incurred for the repair and improvement of facilities used for the institution's income-generating projects, particularly the catering services, which required upgrading and maintenance to support operations and service delivery.

8.10 Taxes, Insurance Premiums and Other Fees

Particulars	2025	2024
Taxes, Duties and Licenses	0.00	33,120.18
Fidelity Bond Premiums	31,878.75	66,757.50
Insurance Expenses	17,379.91	27,843.56
Total Taxes, Insurance Premiums and Other Fees	**49,258.66**	**127,721.24**

Fidelity Bond Premium represents the cost of securing bonds for accountable officers and authorized personnel. The expense was incurred due to the bonding of newly designated signatories for vouchers.

8.11 Other Maintenance and Operating Expenses

Particulars	2025	2024
Advertising Expenses	48,000.00	24,000.00
Printing and Publication Expenses	0.00	24,000.00
Representation Expenses	669,303.85	920,887.00
Transportation and Delivery Expenses	1,494.00	600.00
Rent/Lease Expense	0.00	20,000.00
Subscription Expenses	5,100.00	0.00
Other Maintenance and Operating Expenses	3,131,874.32	24,224.36
Total Other Maintenance and Operating Expenses	**3,855,772.17**	**1,013,711.36**

Other Maintenance and Operating Expenses represents amounts incurred for the catering services and other maintenance and operating activities. The significant increase in Other MOOE is attributed to the reclassification of catering expenses to this account, as these are not considered part of the training-cum-production activities of the institution for the current year. Moreover, the significant decrease in representation expenses is due to fewer official functions and activities during the period, as well as the implementation of cost-saving measures, resulting in reduced spending.

9. Non-Cash Expenses

9.1 Depreciation

Particulars	2025	2024
Depreciation-Buildings and Other Structures	2,106,986.76	2,154,735.74
Depreciation-Machinery and Equipment	877,209.17	763,063.42
Depreciation-Transportation Equipment	328,397.14	373,397.14
Depreciation-Furniture, Fixtures and Books	17,751.25	0.00
Total Depreciation	**3,330,344.32**	**3,291,196.30**

10. Net Financial Assistance/Subsidy

10.1 Financial Assistance/Subsidy from NGAs, LGUs, GOCCs

Particulars	2025	2024
Subsidy from National Government	40,613,592.00	35,237,594.07
Subsidy from other NGAs	2,165,776.62	2,059,123.13
Subsidy from Regional Offices and Central Office	3,914,673.69	8,806,925.58
Total Financial Assistance/Subsidy from NGAs,	**46,694,042.31**	**46,103,642.78**

Net Financial Assistance/Subsidy	**46,694,042.31**	**46,103,642.78**

11. Status of funds, appropriations, allotments, obligations and balances

Particulars	Allotment Received	Adjustment (Realignment)	Adjusted Allotment	Obligation Incurred	Unobligated Balance
A. Current Year Budget					
PS	33,489,000.00	5,179,599.97	38,668,599.97	38,668,599.97	0.00
MOOE	2,163,000.00	(1,447,600.00)	715,400.00	715,400.00	0.00
Total	**35,652,000.00**	**3,731,999.97**	**39,383,999.97**	**39,383,999.97**	**0.00**
B. Automatic Appropriation					
PS	3,092,000.00	391,247.18	3,483,247.18	3,483,247.18	0.00
Total	**3,092,000.00**	**391,247.18**	**3,483,247.18**	**3,483,247.18**	**0.00**
C. Special Purpose Funds					
PS	0.00	3,091,160.00	3,091,160.00	3,091,160.00	0.00
Total	**0.00**	**3,091,160.00**	**3,091,160.00**	**3,091,160.00**	**0.00**
D. Continuing Appropriations					
MOOE	0.00	63,208.00	63,208.00	63,208.00	0.00
Total	**0.00**	**63,208.00**	**63,208.00**	**63,208.00**	**0.00**
Grand Total	**38,744,000.00**	**7,277,615.15**	**46,021,615.15**	**46,021,615.15**	**0.00**

12. Related Party Transactions

Entity	Relationship	Types of Transactions	Amount
TESDA – Provincial Office	Common Entity	School Fees	22,933,441.20
		Examination Fees	7,685,688.00
		Receivables	308,715.00
		Payables	53,477.00

13. Key Management Personnel

The institution is headed by Ma. Elena A. Narciso as Acting Vocational School Superintendent. The personnel compliment isdivided into two departments, the Instruction and the Administrative. The Instruction Department is headed by Elmer Bartolome as Vocational Instruction Supervisor (VIS) while the Administrative Department is headed by Jeana Cryzela T. Aquino as Administrative Officer IV.

14. Key Management Personnel Compensation

The aggregate remuneration of two department heads as well as other officials who have ability to exert control individually or jointly, or to exercise significant influence over the TESDA-ISAT, or vice versa, are as follows:

Particulars	Aggregate Remuneration
Salaries and Wages	1,530,276.00
Other Compensation	387,046.00
Personnel Benefit Contributions	226,690.02
Total Other Personnel Benefits	**2,144,012.02**

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

We have followed up the actions taken by the agency to implement the prior years' audit recommendations and the results are as follows:

Year Reported	Total No. of Outstanding Recommendations as of January 1, 2025	Status of Implementation as of December 31, 2025	
		Fully Implemented	Not Implemented
2024	24	18	6
2023	3	2	1
Total	**27**	**20**	**7**
Percentage	**100%**	**74%**	**26%**

The details of our validation are presented hereunder:

Audit Observations and Recommendations	**Reference**	**Management's Action**	**Status of Implementation Results of Auditor's Validation**
Six (6) TESDA – ISAT personnel who attended trainings and seminars abroad in CYs 2021-2024 incurring ₱338,800.05 travelling expenses failed to implement the post learning and development activities, contrary to TESDA Circular No. 038, s. 2024, thus defeated the purpose in consistently enhancing the workforce of TESDA employees and possible wastages of government funds. We have recommended that the Head of Agency: 1. Make representations to proper channels in the TESDA Regional/Central Office on the implementation of the TREAP; and 2. Require the six (6) employees to submit TDOR and evidence/documentation on the conduct of the REAP immediately after its implementation.	AOM No. 2025-001 (2021-2024) dated January 10, 2025	The Management issued Memorandum No. 073, s. 2025 requiring the concerned trainers to submit the REAP with complete attachments and their TDOR. Furthermore, the Management committed to ensure that there will be no occurrence of the same in the future and instructed the HRMO to monitor the training attended by the trainers.	**Fully Implemented** The Management communicated with Regional Office. **Fully Implemented**

Audit Observations and Recommendations	Reference	Management's Action	Status of Implementation Results of Auditor's Validation
Otherwise, institute the sanctions to those employees who failed to implement the TREAP within six (6) months after the attendance to the program as provided under Item IX of TESDA Circular No. 038, s. 2024, as appropriate.			Copies of TDOR and TREAP were submitted to audit team.
Twenty (20) out of thirty-eight (38) registered Technical Vocational Education and Training (TVET) programs of TESDA – ISAT did not comply with the minimum requirements on tools and equipment provided under the Training Regulations on program registration which is not in accord with the R.A. No. 7796 and TESDA Circular No. 107, s. 2021, thus the school's capacity in providing quality technical education and skills development to its learners was compromised. **Also, deficiencies were noted in the proper handling and custody of tools and equipment issued to the trainers such as: (a) tools and equipment issued to trainers were actually used and assigned to other qualification programs, (b) unserviceable tools and equipment remained undisposed and (c) tools and equipment issued to trainers were not issued with corresponding ICS/PAR hence posed risks to unaccounted loss and unnecessary consumption of storage space.** We have recommended that the: 3. UTPRAS Focal Person facilitate compliance with the minimum requirements on tools and equipment on registered TVET programs as provided under approved Training Regulations; and 4. Property and Supply Officer conduct an actual inventory count of all tools and equipment and immediately issue the corresponding ICS/PAR and submit to the Audit Team for verification. Also,	AOM No. 2025-002 (2024) dated January 13, 2025	The UTPRAS focal person closely monitored the implementation of corrective actions to ensure full compliance with the required standards. The Property and Supply Officer was scheduled to complete the physical inventory count and documentation within the prescribed timeline. Disposal of unserviceable tools and equipment will be carried out in accordance with government disposal procedures. The Management committed to enhance its internal processes to uphold the quality of technical education and skills development provided to the learners.	**Not Implemented** Reiterated in AOM No. 2026-006 and included in ML 2025 **Not Implemented** Reiterated in AOM No. 2026-

Audit Observations and Recommendations	Reference	Management's Action	Status of Implementation Results of Auditor's Validation
account all unserviceable tools and equipment and disposed them accordingly.			006 and included in CY 2025 ML.
Advance payment made to a contractor amounting to ₱146,139.97 was not supported with irrevocable standby letter of credit of equivalent value or surety bond callable upon demand pursuant to Item 4 of Annex E of the Revised IRR of RA 9184, thus posed possible loss should the contractor remiss its obligations. 5. We have recommended that the management discontinue granting advance payment of fifteen percent mobilization cost on contracts entered into unless such requests are duly supported with an irrevocable standby letter of credit from a commercial bank, bank guarantee or a surety bond callable upon demand issued by a surety or an insurance company duly licensed by the Insurance Commission pursuant to Annex E of the Revised IRR of RA 9184.	AOM No. 2025-003 (2024) dated February 26, 2025	The management committed to adhere to the recommendation and instructed the Finance Department to discontinue granting advance payment of fifteen percent mobilization costs on contracts entered into unless such requests are duly supported with the required documents to the Revised IRR of RA 9184. Also, the project was fully completed by the end of January 2025. Furthermore, the Finance Department has confirmed that the fifteen percent advance payment for the mobilization cost made on December 26, 2024 was recouped from the payment of the first billing dated January 22, 2025.	**Fully Implemented** Management discontinued the granting of advance payment without the required supporting documents.
Improper safekeeping and delayed distribution of starter toolkits resulted in the loss of 87 toolkits and damage and deterioration of three (3) tablets, contrary to Sec. 2 of PD No. 1445, thus, defeated the purpose of the procurement and the ultimate objective of toolkits provisions to scholars resulting in wastage of government resources. We have recommended that the Management:	AOM No. 2025-004 (2024) dated February 26, 2025	The Supply Officer conducted an internal review and assessment of the reported issues regarding the safekeeping of the starter toolkits. A designated storage area has been in place to properly safekeep the toolkits. Also, the Supply Officer had	

Audit Observations and Recommendations	Reference	Management's Action	Status of Implementation Results of Auditor's Validation
6. Provide a proper and secure storage area for unclaimed starter toolkits; 7. Locate the missing toolkits and immediately present to the Audit Team for verification, otherwise other audit action may be warranted; and 8. Coordinate with TESDA RO for the strict compliance with TESDA Order No. 16 s. 2025.		already started locating the missing toolkits by reviewing the Acknowledgement Receipts and the results of the verification will be communicated to the Audit Team.	**Fully Implemented** The toolkits were properly and securely stored. **Not Implemented** The missing toolkits were still not presented. **Not Implemented** There was no written communication to the RO.
Lapses on the completed contracts of service for the preparation of Architectural Design, Electrical Design and Structural Analysis and Design for the Construction of Incubation Facility totaling ₱48,000.00 were noted such as: a) contract agreements were made and executed only in CY 2025; b) no Official Receipts/Invoices as proof of payments were submitted; c) advance payments were made prior to rendition of service and d) the procurement did not undergo the proper procurement process, which are not in compliance with Sections 4(6) and 88 PD No. 1445 and COA Circular 2004-006 dated September 9, 2004 and Revised IRR of RA 9184. We have recommended that: 9. The Management submit justifications on the lapses noted on the payment of professional fees totaling ₱48,000.00. Should the justification be not found reasonable, another audit action may be warranted; and 10. The Accountant ensure that all disbursement of government funds are properly supported with complete supporting documents and check	AOM No. 2025-005 (2024) dated February 27, 2025	a. The payment of professional fees totaling P48,000.00 for the preparation of Architectural Design, Electrical Design and Structural Analysis and Design for the Construction of Incubation Facility was made as it was presented in the Terms of Reference submitted to the Accounting Office. Moreover, Acknowledgement Receipt was submitted as proof of payment of the agency as it was the document forwarded to the Accounting Office after the payment has been made to the contractor/supplier. b. The management adhered to the	**Fully Implemented** The Management has submitted justification. **Fully Implemented**

Audit Observations and Recommendations	Reference	Management's Action	Status of Implementation Results of Auditor's Validation
payments are only prepared after the rendition of service/delivery of goods by the contractor/supplier.		recommendation and instructed the Accounting Department to ensure that all disbursement of government funds are properly supported with supporting documents and check payments are only prepared after the rendition of service/delivery of goods by the contractor/supplier. And to ensure the accuracy and completeness of supporting documents submitted to the Accounting Office, management requires that all transaction includes an attached Quality Assurance Slip (QAS), which must be duly certified by the originating office and verified by the responsible officials that all attached documents are proper and complete before payment.	The Management has implemented additional controls such as requiring QAS.
Disbursements under the SSP Fund totaling to ₱2,588,699.84 were made despite incomplete signatures in the supporting documents and/or non-submission of the required attachments to support the transactions contrary to Sections 4, 123 & 124 of PD No. 1445 and Section 36 Chapter 2 of the GAM for NGAs, Volume I, hence, Management's assertions on proprietary and validity of the transactions could not be fully ascertained.	AOM No. 2025-006 (2024) dated February 28, 2025	a. In order not to impede transactions and to expedite payments to its suppliers, the management issued checks despite the unsigned and/or incomplete supporting documents of the disbursement vouchers.	

Audit Observations and Recommendations	Reference	Management's Action	Status of Implementation Results of Auditor's Validation
We have recommended that: 11. The Management provide explanations/justifications on the disbursements with unsigned and/or incomplete supporting documents, otherwise other audit action is warranted; 12. The Accounting Office ensure that all disbursements of government funds are properly supported with signed and complete supporting documents and check payments are only prepared after ensuring that all supporting documents are proper and complete.		b. The Management will adhere to the recommendation and instructed the Accounting Office to ensure that all disbursements of government funds are properly supported with signed and complete supporting documents and check payments are only prepared after ensuring that all supporting documents are proper and complete. Moreover, the management has introduced the QAS as a basis of the disbursing officer that all documents submitted are proper and complete before payment. The QAS must be certified by the originating office that documents submitted for payment are complete. The QAS and the supporting documents will then be submitted to the Accountant for verification of the accuracy and completeness of the attached documents. Following this, the documents will be forwarded to the disbursing officer, who will prepare the Disbursement Voucher and Budget	**Fully Implemented** Management has submitted justification. **Fully Implemented** Sample DVs were supported with complete documents. The Management has implemented additional controls such as requiring QAS.

Audit Observations and Recommendations	Reference	Management's Action	Status of Implementation Results of Auditor's Validation
		Utilization Request Status for the approval by the relevant officials. Once all signatories have approved the transaction, the disbursing officer will proceed with the preparation of the check.	
The delayed completion of UAQTEA Diploma Programs of TESDA – ISAT resulted in the expiration of 2023 GAA Funds of TESDA Isabela PO totaling ₱2,385,897.40 contrary to Section 2 of PD No. 1445, Republic Act No. 11936 and National Budget Circular No. 590, thus, the Training Cost, Training Support Fund and Assessment Fees may no longer be reimbursed/refunded from the Provincial Office. We have recommended that: 13. That the Management provide explanations/justifications on the extension of training duration beyond the validity of funds of the realigned UAQTEA Diploma Programs granted by TESDA Isa PO; and 14. The Registrar Office strictly follow the implementation of the training duration within the validity period of the funds and in cases of revision of training period, formally request for the approval of TESDA Isa PO. Also, inform the financial analyst of TESDA Isa PO of any changes in the training period.	AOM No. 2025-007 (2024) dated March 4, 2025	The need for an extension was due to unforeseen circumstances, particularly the suspension of classes due to "force majeure" events, specifically a series of typhoons that impacted the province. Furthermore, in compliance with TESDA Guidelines, the institution was required to meet a minimum of 100 training days per semester. The original schedule for the realigned UAQTEA Diploma Programs, set from August 27, 2024 to December 20, 2024, did not meet this requirement due to unavoidable disruptions caused by the aforementioned external factors. As a result, the program's original timeline fell short of the necessary training days. Additionally, it is important to note that the school was unable to schedule extra	**Fully Implemented** Justification include occurrence of fortuitous events such as typhoons that resulted to extension of duration of classes. **Fully Implemented**

Audit Observations and Recommendations	Reference	Management's Action	Status of Implementation Results of Auditor's Validation
		classes on Saturday from August to December 2024, as students were already committed to attend National Service Training Program (NSTP) classes. Therefore, the extension of the training period was the only viable solution to ensure that the students complete the necessary number of training days while also maintaining adherence to institutional and regulatory requirements.	
The Other Receivables account of TESDA ISAT is understated by ₱2,006,389.00 due to: a) unbilled training cost, entrepreneurship fees and assessment fees, b) incorrect recording of collections, c) recording of receivables for assessment fees not yet finished and conducted and d) incorrect billings made to TESDA Isabela PO which is not in keeping with Chapters 2 and 5 of the GAM for NGAs, Volume I, thus, affected the fair presentation of its financial statements as at December 31, 2024. We have recommended that: 15. The Accounting Office prepare and make the necessary adjusting entry to correct the balance of the Other Receivables Account by ₱2,006,389.00; and 16. The Assessment and Registrar Office inform the Accounting Office of any errors/corrections in the billings made to TESDA Isabela PO. Also, diligently monitor and issue billings to TESDA Isabela PO and punctually submit all billings to the Accounting Office to	AOM No. 2025-008 (2024) dated March 7, 2025	The Accountant already prepared the necessary adjusting entry to correct the balance of the Other Receivables with JEV GJ-SSP-2025-03-002. Moreover the Management reminded the accountant to have a monthly reconciliation to TESDA Isabela PO. Additionally, the management instructed the Assessment and Registrar Office to punctually submit all billings to the Accounting Office to properly recognized the revenue earned during the period and to inform the Accounting Office of any errors/corrections	**Fully Implemented** Adjusting was recorded in JEV no. JEV GJ-SSP-2025-03-002 **Fully Implemented** As of December 31, 2025, The Receivables of

Audit Observations and Recommendations	Reference	Management's Action	Status of Implementation Results of Auditor's Validation
properly recognize the revenue earned during the period.		in the billings made to TESDA Isabela PO.	TESDA-ISAT matched with payables of TESDA Isa PO.
Inventory Accounts totaling ₱1,503,624.80 which were already issued to end-users were not reclassified to the proper expense accounts due to non-preparation and non-submission by the Property Office of RSMI, ICS, RSPI, resulted in the overstatement of Inventory accounts. Furthermore, the required RPCI, RegSPI and RPCSP were not prepared and submitted which are not in keeping with Chapter 8 of GAM for NGAS, Volume I and COA Circular No. 2022-004 dated May 31, 2022. We have recommended that: 17. The Accounting Office prepare and make the necessary adjusting entry to correct the overstated balance of the Inventory accounts by ₱1,503,624.80; and 18. The Property Division to regularly prepare and submit the inventory reports, i.e. RSMI, RPCI, ICS, RSPI, RegSPI and RPCSP to the Accounting Office, and Audit Team, as needed. Otherwise, the Management is enjoined to file the necessary administrative case against erring officials.	AOM No. 2025-009 (2024) dated March 10, 2025	The Accountant already prepared the necessary adjusting entry to correct the overstated balance of the Inventory account with JEV no GJ-SSP-2025-03-003. The management also instructed the Property and Supply Office to prepare and submit the all inventory reports to the Accounting Office to avoid misstatements in the Financial Report.	**Fully Implemented** Adjusting entry was already recorded with JEV no GJ-SSP-2025-03-003. **Not Implemented** Reiterated in AOM No. 2026-007 and included in CY 2025 ML
Traveling Expenses (Local), Textbooks and Instructional Materials Expenses and Consultancy Services are overstated by a total of ₱851,762.83 due to erroneous recording of financial transactions which constitute a departure from IPSAS and the GAM for NGAs, Volume I, thereby, affected the fair presentation of the accounts in the financial statements. 19. We have recommended that the Accountant make the necessary adjusting entry to correct the misstated balance of Traveling Expenses (Local),	AOM No. 2025-010 (2024) dated March 10, 2025	The management instructed the accountant to prepare the necessary adjusting entries to correct the misstated balances of the Traveling Expenses (Local), Textbooks and Instructional Materials Expenses, and Consultancy Services accounts. However, since the	**Fully Implemented** Adjusting entry was recorded with

Audit Observations and Recommendations	Reference	Management's Action	Status of Implementation Results of Auditor's Validation
Textbooks and Instructional Materials Expenses and Consultancy Services Accounts totaling ₱851,762.83.		books had already been closed, the adjustments were instead disclosed in the Notes to the Financial Statements. Furthermore, management reminded the accountant to thoroughly review and verify entries in the future to avoid misstatements in the financial reports.	JEV Nos. GJ-SSP-2024-12-038. GJ-SSP-2024-12-039, & GJ-SSP-2024-12-040
The receipt of 214 sets of starter toolkits and the distribution of 45 sets thereof amounting to ₱962,701.88 and ₱193,515.37, respectively, were not recorded in the books, resulted in misstatements in the asset, income and expense accounts of the financial statements at year-end, contrary to GAM for NGAs, Volume I and TESDA Circular No. 004, s. 2024. We have recommended that: 20. The Accountant record the receipt and distribution of starter toolkits amounting to ₱962,701.88 and ₱193,515.37, respectively. 21. The Property Section 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 submit the updated toolkits monitoring.	AOM No. 2025-011 (2024) dated March 10, 2025	The accountant already prepared the necessary adjusting entry to record the receipt and distribution of starter toolkits with JEV no GJ-SSP-2025-03-004. Moreover, the management instructed the Property and Supply Section to promptly submit copies of RIS to the Accounting Section on the receipt of toolkits and Acknowledgement Receipts on the issuance thereof for proper recording and to submit the updated toolkits monitoring.	**Fully Implemented** Adjusting entry was recorded with JEV no GJ-SSP-2025-03-004. **Not Implemented** The Property section has not yet submitted copies of 41 out of 45 Acknowledgement Receipts and the updated toolkits monitoring.
Internal control weaknesses and lapses in monitoring the attendance of various officials and employees of TESDA-ISAT were noted such as: a.) tardiness and	AOM No. 2025-012 (2024) dated	The Management already issued a Memorandum No. 148, s. 2025 dated	

Audit Observations and Recommendations	Reference	Management's Action	Status of Implementation Results of Auditor's Validation
undertime were not reflected in their Daily Time Record (DTR) and were not deducted from their earned leave/service credits, and b.) various employees did not fully utilize the Biometric Face/Finger Scanner Machine for attendance checking and failed to support the blank entries in the DTRs, contrary to Rule XVII, Omnibus Rules Implementing Book V of Executive Order No. 292 and Section 1, 2, 5 and 6 of Rule XVII of the Civil Service Commission (CSC) Resolution No. 91-1631, thus determination of the actual working hours and computation of their salaries could not be obtained and verified. We have recommended that: 22. The HRMO update and reconcile the individual personnel Leave Cards and deduct from the leave/service credit balances the corresponding tardiness and undertime incurred. Further, monitor the tardiness and undertime of the employees and consider the provisions of CSC MC No. 16, s. 2010 to protect the interest of the government; 23. The Management require all official and employees of TESDA-ISAT to always register their attendance in the biometric finger scanner provided in the office and in the attendance log-book to record manually their attendance for control purposes; and 24. The HRMO require all officials and employees to submit the approved travel order/memorandum and pass slips to support in the non-entries in the DTRs.	March 11, 2025	February 6, 2025 to all employees specifying the attachments of DTRs with incomplete attachments and not properly accomplished CSC Form 48 will not be included in the payroll of the following month. It is also reiterated that all employees shoud secure the Official Business or Locator Slip before leaving the school premises. The Management instructed the HRMO to update and deduct from the leave/service credit balances of the corresponding tardiness and undertime incurred. In cases that the employee does not have enough leave/service credits, the tardiness and undertimes incurred will be deducted from their salary.	**Fully Implemented** **Fully Implemented** **Fully Implemented**
Cash advances amounting to ₱5,278,541.58 were granted to the AO despite non-liquidation of previously granted cash advances and not supported with Certification from the Accountant that previous cash advances have been	AOM No. 2024-006 (2023) dated February 19, 2024	The Management instructed the Disbursing Officer to stop granting additional cash advance unless the	

Audit Observations and Recommendations	Reference	Management's Action	Status of Implementation Results of Auditor's Validation
fully liquidated and accounted for contrary to Section 89 of PD No. 1445, COA Circular No. 97-002 dated February 10, 1997 and COA Circular No. 2023-004 dated June 14, 2023, denoting internal control weaknesses in the granting and utilization of cash advance thus exposed the funds to possible misuse and accumulation of unliquidated cash advance. 25. Stop the practice of granting additional cash advance unless the previous cash advance has been liquidated and support the granting of cash advance with Certification from the Accountant that previous cash advances have been fully liquidated and accounted for in the books.		previous cash advance has been liquidated and support the granting of cash advances with Certification from the Accountant that previous cash advance have been fully liquidated and accounted in the books. The Management issued an Office Order No. 04 s. 2024 designating a new Special Disbursing Officer for the catering services of the institution, since almost of the granted cash advances were intended for the catering services.	**Fully Implemented** There were no longer outstanding Cash Advances as of December 31, 2025. Also, it has become the control of the accountant not to grant cash advance with unliquidated cash advance.
Procurement of instructional materials totaling ₱755,894.00 was not meticulously and judiciously planned, contrary to Sections 7.1 and 31.1 of the Revised IRR of RA No. 9184, resulted in purchases with acquisition costs higher than the approved budget for the contract amounting to ₱430,380.00. 26. Meticulously and judiciously plan their procurement and prepare and update regularly the market price list for each item procured as basis in the determination of Approved Budget for the Contract (ABC) and preparation of PR to ensure that goods/services are obtained at the lowest reasonable prices, not exceeding the ABC. Also, the BAC should ensure that the ABC is indicated in the RFQ sent to the prospective suppliers. Otherwise, failure to comply with the procurement rules and regulations may result in the suspension of government transactions.	AOM No. 2024-004 (2023) dated February 13, 2024	The Supply Office to prepare and update regularly the market price list for each item procured and ensure that the ABC is indicated in the RFQ sent to the prospective suppliers.	**Not Implemented** There were still no market list price being maintained by Management.

Audit Observations and Recommendations	Reference	Management's Action	Status of Implementation Results of Auditor's Validation
PR, PO, RFQ and IAR were not properly accomplished on procurements totaling ₱5,174,783.84 contrary to the provisions of Section 4(6) of PD No. 1445, GAM for NGAs, Volume I and Revised IRR of RA No. 9184, denoting weaknesses in internal control in planning, monitoring and execution in the procurement activities. 27. The personnel responsible for the preparation of PR, PO, RFQ and IAR properly accomplish the forms in the prescribed format to ensure the propriety, legality, accountability and transparency for every financial transactions of the agency.	AOM No. 2024-003 (2023) dated February 13, 2024	The Management instructed the personnel responsible for the preparation of PR, PO, RFQ and IAR to properly accomplish the forms in the prescribed format to ensure the propriety, legality, accountability and transparency for every financial transactions of the agency, and for the Accounting Office to check the completeness of the documents before issuing checks for payment.	**Fully Implemented** Inspected sample PR, PO, RFQ and IAR in 2025 were properly accomplished.

Annex C

TECHNICAL EDUCATION AND SKILLS DEVELOPMENT AUTHORITY
ISABELA SCHOOL OF ARTS AND TRADES
Schedule of NCA Utilization
Fund Cluster 01-Regular Agency Fund
For CY 2025

NCA/NTA		NCA/NTA Amount			Actual Disbursements			Balance (Unutilized)
No.	Date	PS	MOOE	Total	PS	MOOE	Total	
NCA-ROII-25-0000498	01/02/2025	2,653,000.00	65,000.00	2,718,000.00	2,227,523.37	-	2,227,523.37	490,476.63
NCA-ROII-25-0000498	02/01/2025	2,653,000.00	89,000.00	2,742,000.00	2,968,146.82	-	2,968,146.82	(226,146.82)
NCA-ROII-25-0002258	02/01/2025	468,000.00		468,000.00	468,000.00		468,000.00	-
NCA No. 000088-3	02/10/2025	1,320,000.00		1,320,000.00	1,320,000.00		1,320,000.00	-
NCA-ROII-25-0000498	03/01/2025	1,993,000.00	85,000.00	2,078,000.00	2,257,393.01	84,936.80	2,342,329.81	(264,329.81)
NCA-ROII-25-0002258	03/01/2025	234,000.00		234,000.00	234,000.00		234,000.00	-
NCA No. 000088-3	03/24/2025	194,956.40		194,956.40	194,956.40		194,956.40	-
NCA -ROII-25-0004448	04/01/2025	3,974,000.00	123,000.00	4,097,000.00	3,479,432.47		3,479,432.47	617,567.53
NCA No. 000481-9	04/04/2025	462,000.00		462,000.00	462,000.00		462,000.00	-
NCA -ROII-25-0004448	05/01/2025	5,467,000.00	165,000.00	5,632,000.00	4,891,319.23		4,891,319.23	740,680.77
NCA -ROII-25-0004448	06/01/202	2,887,000.00	188,000.00	3,075,000.00	4,109,869.55	323,378.75	4,433,248.30	(1,358,248.30)
NCA -ROII-25-0004448	07/01/2025	2,887,000.00	29,000.00	2,916,000.00	2,751,221.76	4,000.00	2,755,221.76	160,778.24
NCA-ROII-25-0008192	07/01/2025	422,160.00		422,160.00			-	422,160.00
NCA -ROII-25-0004448	08/01/2025	2,912,000.00	281,000.00	3,193,000.00	2,621,814.93	34,000.00	2,655,814.93	537,185.07
NCA -ROII-25-0004448	09/01/2025	2,887,000.00	31,000.00	2,918,000.00	3,907,107.31	18,448.00	3,925,555.31	(1,007,555.31)
NCA-ROII-25-0012075	10/01/2025	2,887,000.00	261,000.00	3,148,000.00	1,591,319.51	4,400.00	1,595,719.51	1,552,280.49
NCA-ROII-25-0012075	11/01/2025	5,395,000.00	293,000.00	5,688,000.00	5,363,147.43	195,623.07	5,558,770.50	129,229.50
NCA-ROII-25-0012075	12/01/2025	484,000.00	451,000.00	935,000.00	484,000.00	45,537.25	529,537.25	405,462.75
NCA No. 0013008	12/09/2025		16,708.00	16,708.00		16,708.00	16,708.00	-
NCA No. 0013008	12/22/2025	1,063,009.29		1,063,009.29	3,149,982.03		3,149,982.03	(2,086,972.74)
NCA No. 0013008	12/23/2025	1,320,000.00		1,320,000.00	1,320,000.00		1,320,000.00	-
TOTAL		**42,563,125.69**	**2,077,708.00**	**44,640,833.69**	**43,801,233.82**	**727,031.87**	**44,528,265.69**	**112,568.00**

TESDA – Isabela School of Arts and Trades
Agency Action Plan and Status of Implementation
For the Calendar Year 2025
As of _____, 2026

			Agency Action Plan						
Ref	Audit Observation	Audit Recommendation	Action	Person/ Dept. Responsible	Target Implementation Date		Status of Implementation	Reason for Partial/ Delay/ Non-Implementation, if applicable	Action taken/ Action to be taken
					From	To			

Prepared by:

SIGNATURE OVER PRINTED NAME
Position