



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, 2023



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
REGIONAL OFFICE NO. II
NATIONAL GOVERNMENT AUDIT SECTOR
Tuguegarao City, Cagayan

Office of the Regional Supervising Auditor

March 13, 2024

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




Dear Sir:

We are pleased to transmit the Management Letter (ML) on the audit of TESDA Isabela School of Arts and Trades (ISAT), City of Ilagan, Isabela, for the year-ended December 31, 2023, in compliance with Section 43 of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines. The report was prepared by the Audit Team headed by Auditor John Mark B. Raguindin, OIC-Audit Team Leader.

We would appreciate being informed of the actions taken by management on the audit recommendations within 60 days from receipt of this ML, pursuant to Section 99 of the General Provisions of R.A. No. 11936, otherwise known as the General Appropriations Act for FY 2023, by submitting the duly accomplished Agency Action Plan and Status of Implementation (AAPSI), attached, required under COA Memorandum No. 2014-002 dated March 18, 2014.

We express our appreciation for the valuable support and cooperation extended to the Audit Team by the officials and staff of that agency.

Very truly yours,


ADELINE P. BAARDE
Regional Supervising Auditor

COA Signed
2024-03-18
09:03:45

Copy furnished:
Hector L. Cortes
OIC-Director IV, COA RO2





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 12, 2024

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

Dear Madam:

We are pleased to transmit the Management Letter on the audit of Technical Education and Skills Development Authority (TESDA) Isabela School of Arts and Trades (ISAT) for the period January 1 to December 31, 2023, in compliance with Section 2, Article IX-D of the Philippine Constitution and Section 43 of P. D. 1145, otherwise known as the “Government Auditing Code of the Philippines”.

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

Qualified Opinion

We have audited the financial statements of the TESDA ISAT, City of Ilagan, Isabela, which comprise of the Statement of Financial Position as at December 31, 2023, and the Statement of Financial Performance, Statement of Changes in Net Assets/Equity, Statement of Comparison of Budget and Actual Amounts, Statement of Cash Flows for the year then ended, and Notes to the Financial Statements, including the summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the TESDA ISAT as at December 31, 2023 and 2022, and its financial performance, cash flows, changes in net assets/equity, and comparison of budget and actual amounts for the year then ended in accordance with the International Public Sector Accounting Standards (IPSASs).

Basis for Qualified Opinion

As discussed in Part II – Observations and Recommendations of this report, the following are the basis for the qualified opinion:

- Understated Accounts Receivables by ₱3,550,265.00 due to non-recording of receivables from Training and Assessment Fees;
- Overstated Inventory accounts by ₱869,753.23 due to unrecorded receipts and distribution of toolkits;
- Understated Property Plant Equipment- net by 565,940.50 due to improper recording of PPE as expense and inventory; and
- Overstated Accounts Payable by ₱104,560.61 due to recorded payables without valid claims.

Due to the significant impact of such misstatements on the reported balances of the affected accounts, Management's assertions as to completeness, accuracy, existence, rights and obligations, presentation and understandability of the said accounts could not be relied upon.

We conducted our audits in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Agency in accordance with the Revised Code of Conduct and Ethical Standards for Commission on Audit Official and Employees (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSASs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entity or its business activities to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

Very truly yours,



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

TESDA – Isabela School of Arts and Trades
Agency Action Plan and Status of Implementation
 For the Calendar Year 2023
 As of _____, 2024

			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



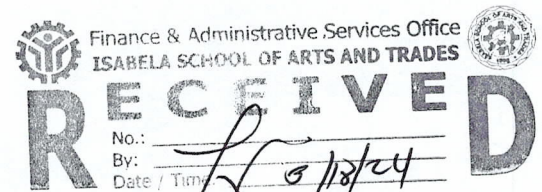
REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
REGIONAL OFFICE NO. II
National Government Audit Sector – Cluster 5
Provincial Satellite Auditing Office
Brgy. Alibagu, City of Ilagan, Isabela

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

March 11, 2024

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

Dear Mr. Madarang:



**Management Letter on the Audit of the
Technical Education and Skills Development Authority (TESDA)
Isabela School of Arts and Trades (ISAT)
For the period January 1, 2023 to December 31, 2023**

1. Pursuant to Section 2, Article IX-D of the Constitution of the Philippines and Section 43 of the Government Auditing Code of the Philippines (P.D.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, 2023. 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 assurance about whether the financial statements are free from material misstatements.
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 in an exit conference with concerned agency officials and employees on March 7, 2024. 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 CY 2023.

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 Memo 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. The school's website (www.tesdaisat.net) was launched on November 28, 2008. During 2014, significant gains were made in the institution's infrastructure and physical plant improvement, among the noticeable accomplishment were the student "kalapaw" services canteen, fabrication of whole basketball board/court, concreting and widening of roads linking the gate and the Administrative office, leveling and compacting of school ground and construction of retaining wall fronting the administration office, continuation of gate construction and perimeter front and rear fences.

9. 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 and Mission

Vision

10. *“The transformational leader in the technical education and skills development of the Filipino workforce.”*

Mission

11. *“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

12. The TESDA’s goals and objectives is:
- 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

13. At present, the training institution is headed by Mr. Edwin P. Madarang, Vocational School Superintendent, 17 are in the Administrative Services Department and 43 are in the Instructional Services Department with six (6) job orders.

Table 1. Manpower complement for CY 2023

Office/Division	Permanent	Job-orders	Total
Administrative/Finance	17	5	22
Academic	43	1	44
Total	60	6	66

Financial Highlights

14. For Calendar Year (CY) 2023 the agency received a total appropriation of ₱39,941,462.83. The current year appropriation comprises of (a) regular appropriations of ₱35,496,979.37 (b) automatic appropriation of ₱3,089,891.34 and (c) Special Purpose Fund (SPF) of ₱1,354,592.12. During the year, the agency received total allotments of ₱39,941,462.83 with obligations incurred of ₱38,412,107.17 leaving an unobligated allotment of ₱1,529,355.66 which was reverted to the National Treasury. Details are as follows:

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	35,496,979.37	35,496,979.37	34,106,736.94	1,390,242.43	1,390,242.43
2. Automatic Appropriations					
a. RLIP	3,089,891.34	3,089,891.34	2,950,778.11	139,113.23	139,113.23
3. SPF					
a. MPBF	1,354,592.12	1,354,592.12	1,354,592.12	-	-
b. PGF	-	-	-	-	-
TOTAL	39,941,462.83	39,941,462.83	38,412,107.17	1,529,355.66	1,529,355.66

15. The financial position and financial performance for CY 2023, with comparative figures for CY 2022, are summarized below and presented in detail in Annexes A.2 and A.3.

Table 3. Financial Position and Financial Performance for CYs 2023 and 2022

Particular	2023	2022	Increase/ (Decrease)	%
Financial Condition				
Assets	33,679,755.21	47,239,045.89	(13,559,290.68)	-29%
Liabilities	1,226,056.63	4,369,047.61	(3,142,990.97)	-72%
Government Equity	32,453,689.58	42,869,998.28	(10,416,299.70)	-24%
Revenue	22,415,132.53	33,707,041.24	(11,291,908.71)	-34%
Current Operating Expenses	72,802,977.00	73,029,005.83	(226,028.83)	-0.31%
Surplus/(Deficit) from Current Operations	(50,387,844.47)	(39,321,964.59)	(11,065,879.88)	28%
Net Financial Assistance/ Subsidy	40,930,986.20	51,734,895.43	(10,803,909.23)	-21%
Surplus/(Deficit) for the period)	(9,456,858.27)	12,412,930.84	(21,869,789.11)	-176%

16. The total Notice of Cash Allocation (NCA) received for Fund Cluster 01 amounted to ₱39,941,462.83 (Annex C).

17. Operational Highlights

Table 4. Major Accomplishments for CY 2023

Key Performance Indicator (KPI)	CY 2023 Physical Targets	Accomplishment as of December 31, 2023	Percentage of Accomplishment
<i>MFO 1: TESD Policy Services</i>			
Number of research and studies conducted	1	1	100%
<i>MFO 2: Technical Education and Skills Development Regulatory Program</i>			
<i>Competency Assessment and Certification</i>			
Number of skilled workers assessed for certification	-	2087	-
Number of persons certified	-	1855	88.88%
<i>Technical Education and Skills Development Programs</i>			
No. of TTI Enrollees	3697	4899	133%
No. of TTI graduates	3327	4682	141%
75% graduates from technical education and skills development scholarship programs that are employed	456	439	96%
<i>Training for Work Scholarship Program (TWSP)</i>			
No. of TWSP subsidized enrollees	-	-	-
No. of TWSP subsidized graduates	-	-	-
<i>Institution-based Training Program</i>			
No. of enrollees	1600	1640	103%
No. of graduates	1536	1510	98%
<i>Community-based Training Program</i>			
No. of enrollees	2097	3259	155%
No. of graduates	2055	3172	154%
<i>Trainers Development</i>			
No. of learning facilitators trained TM	-	-	-
<i>Special Clients</i>			
Drug Dependent	25	38	152%
Rebel Returnees	4	16	400%
Dependents of Killed –in-action (KIA) Wounded in Action	2	29	
Indigenous Peoples and Cultural Communities	200	396	198%
Overseas Filipinos (OFs)	50	93	86%

B. Summary of Recommendations

18. 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:

- 1. The Accounting Office prepare the adjusting entry to properly record the unrecorded Training Cost (TC)/Entrepreneurship Fee (EF)/Training Support Fund (TSF) and Assessment Fee (AF) in the amount of ₱3,550,265.00.**
- 2. The Registrar and Assessment Office punctually submit all billings from TC/EF/TSF and AF to the Accounting Office to properly recognize the revenue earned during the period.**
- 3. The Accountant prepare adjusting entries to record the receipt and distribution of starter toolkits in CY 2023 amounting to ₱1,401,403.47 and ₱2,044,254.68, respectively. Also, reflect the discrepancies noted on the should be balance of Other Supplies and Materials for Distribution account amounting to ₱226,902.02. Henceforth, properly record the succeeding receipt and distribution of the toolkits.**
- 4. The Property Section promptly submit to the Accounting Section copies of Requisition Issue Slip (RIS) on the receipt of toolkits and Acknowledgement Receipts on the issuance thereof for proper recording and submit the updated toolkits monitoring.**
- 5. The Accounting Office prepare the adjusting entry to properly recognize the Property, Plant and Equipment (PPE) totaling ₱735,850.00 and corresponding depreciation expense amounting to ₱68,059.50.**
- 6. The Accounting Office regularly reconcile the PPE accounts per accounting records and as reflected in the Report on Physical Count of Property, Plant and Equipment (RPCPPE) to verify the accuracy and completeness of PPE items recorded in the books.**
- 7. The Accountant prepare adjusting entries to adjust the Accounts Payable account derecognizing the payables without valid claims amounting to ₱104,560.61.**
- 8. Ensure that recorded payables are supported with valid claims and obligations in compliance with Chapter 7, Volume I of the GAM for NGAs.**

9. **The Accountable Officer immediately stop the practice of advancing the collections to the instructors and/or supply officer and strictly deposit intact all collections daily or not later than the next banking day to avoid risk of theft and misappropriation pursuant to the provisions of Section 69 of P.D. No. 1445 and Section 24 of Chapter II of COA Memorandum No. 2013-004 dated July 9, 2013.**
10. **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.**
11. **Designate additional Special Disbursing Officer to act as an accountable officer and be granted cash advances in case the current Accountable Officer has unliquidated cash advances, if necessary.**
12. **The Bids and Award Committee (BAC) strictly observe in its procurements the posting of the invitation or request for submission for price quotations/proposals, notice of award, and the contract/purchase order in the PhilGEPS website and in the website of the entity, pursuant to the provisions of the Revised IRR of R.A. No. 9184.**
13. **Meticulously and judiciously plan their procurement and prepare and regularly update the market price list for each item procured as basis in the determination of Approved Budget Contract (ABC) and preparation of Purchase Request (PR) to ensure that goods/services are obtained at the lowest reasonable prices, not exceeding the Approved Budget for the Contract/ABC. Also, the BAC should ensure that the ABC is indicated in the Request for Quotation (RFQ) sent to the prospective suppliers. Otherwise, failure to comply with the procurement rules and regulations may result in the suspension of government transactions.**
14. **The personnel responsible for the preparation of PR, Purchase Order (PO), RFQ and Inspection and Acceptance Report (IAR) properly accomplish the forms in the prescribed format to ensure the propriety, legality, accountability and transparency for every financial transactions of the agency.**
15. **The Supply/Property Officer immediately issue the corresponding Inventory Custodian Slip (ICS) or Property Acknowledgement Receipt (PAR) to the recipients of all properties owned by TESDA – ISAT to ensure accountability and judicious use thereof. Prospectively, goods should not be released to the end-users without properly accomplishing first the ICS or PAR.**

16. Discontinue the practice of charging prior year's expenditure to current year utilization and that proper matching of expenses against budget should always be observed pursuant to the guidelines. Likewise, officials who continue to authorize the payment of such expenditures are jointly and severally liable for any disallowance.
17. Ensure that the Compensatory Overtime Credit (COC) granted to TESDA – ISAT personnel is within the allowable 40 hours a month in accordance with Civil Service Commission (CSC) Department of Budget and Management (DBM) Joint Circular No. 2 dated October 4, 2004. Also, judiciously plan and schedule the workload of the teaching personnel within the regular school days.
18. Deduct the 40 days unutilized COCs that were already deemed forfeited in the COC balance of the employees concerned.
19. Require the employees to prepare and submit their monthly Daily Time Records (DTRs) in the prescribed form together with its supporting documents in accordance with Memorandum Order No. 745, s. 1982 and CSC Memorandum Circular No. 21, s. 1991.
20. The Budget Officer properly use the prescribed Budget Utilization Request and Status (BURS) form and maintain Registries of Budget, Utilization and Disbursements (RBUD) for disbursements under the Sariling Sikap Program (SSP) Fund in accordance with Chapter 3 of GAM for NGAS Volume I.

C. Detailed Observations and Recommendations

I. Financial Audit

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

19. The Assets and Equity (including Income and Expenses) had misstatements understating the year-end balances of said accounts by ₱3,351,012.88 which represents 9.95 percent and 10.33 percent of its total assets and equity, respectively, while the liability accounts had misstatements overstating the year-end balances by ₱104,560.61, which represent 8.53 percent of the total liabilities. These accounting errors and omissions significantly affected the reliability and fair presentation of the Financial Statements (FS) as at December 31, 2023.

20. 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.

21. 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.

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

Table 5. Summary of Uncorrected Misstatements in the FSs

Errors/Findings	Amount of (Over) Understatement in Pesos					ML Reference	
	Assets (A)				Liabilities (L)		Equity (E)
	Accounts Receivable	PPE-net	Semi-Expendable Equipment	Other Supplies & Materials for Dist.			
Unrecorded receivables from Training and Assessment Fees	3,550,265.00					3,550,265.00	Table 6
Unrecorded receipt and distribution of toolkits				(869,753.23)		(869,753.23)	Tables 7, 8, & 9
PPE recorded as expense and inventory		667,790.50	(101,850.00)			565,940.50	Table 10
Accounts Payable not supported with valid claim					(104,560.61)	104,560.61	Par. 51
Total Net (Over) Understatements	3,550,265.00	667,790.50	(101,850.00)	(869,753.23)	(104,560.61)	3,351,012.88	

Errors/Findings Assets-Liabilities = Equity	Amount of (Over) Understatement in Pesos					ML Reference	
	Assets (A)				Liabilities (L)		Equity (E)
	Accounts Receivable	PPE-net	Semi- Expendable Equipment	Other Supplies & Materials for Dist.			
	3,351,012.88						
Financial Statement Balances	33,679,755.22				1,226,056.63	32,453,689.58	
Percent of Total Errors per Accounts Affected (Absolute Amount)	9.95%				8.53%	10.33%	
Assertions Affected	Existence/ Occurrence, Accuracy, Completeness				Existence/ Occurrence, Accuracy, Valuation	Existence/ Occurrence, Accuracy, Completeness, Valuation	

Details of Accounting Errors and Omissions

Accounts Receivable

Unrecorded receivables from Training and Assessment Fees- ₱3,550,265.00

23. The balance of Accounts Receivable Account of TESDA – ISAT is understated by ₱3,550,265.00 due to unrecorded billings of training and assessment fees to TESDA Isabela Provincial Office, thus understating the assets and revenue accounts affecting the fair presentation of its financial statements as at December 31, 2023 which is not in keeping with Chapters 2 and 5 of the GAM for NGAS, Volume I.

24. Sections 2a and 33a, Chapter 2 of GAM Volume I provides that,

“Accrual basis – means a basis of accounting under which transactions and other events are recognized when they occur (and not only when cash or its equivalent is received or paid). Therefore, the transactions and events are recognized in the accounting records and recognized in the financial statements of the periods to which they relate. The elements recognized under accrual accounting are assets, liabilities, net assets/equity, revenue, and expenses.

Revenue includes only the gross inflows of economic benefits or service potential received and receivable by the entity in its own account. (IPSAS 9)”

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

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

26. Verification of billings on Training Cost (TC) including Entrepreneurship Fee (EF) and Training Support Fund (TSF) and examination fees on assessments conducted during CY 2023 revealed that the amount of ₱3,550,265.00 were not recorded as accounts receivables as at year-end. Details is shown below:

Table 6. Schedule of Unrecorded Receivables from AF, TC, EF & TSF Fees

Particulars	Amount
Unrecorded Assessment Fees	₱1,650,916.00
Unrecorded TC/EF/TSF Fees	1,899,349.00
Total Unrecorded Receivables	₱3,550,265.00

27. Interview with the Accountant revealed that the unrecorded TC/EF/TSF and AF is attributable to the delay in forwarding the billings from the Registrar and Assessment Office to the Accounting Office. Also, the Accountant asserted that revenues from TC/EF/TSF and AF were only recorded upon collection and receipt of the payments made from TESDA – Isabela PO.

28. The management should ensure that billings are promptly prepared to improve the cash inflows of the school so that the optimum implementation of the various programs of the school could be attained. Also, the Registrar and Assessment Office must furnish copies of all billings to the Accounting Office for proper recording in the book of accounts. These unrecorded TC/EF/TSF and AF resulted in the understatement of assets and revenues totaling ₱3,550,265.00 thus affecting the fair presentation of the agency’s Financial Reports.

29. **We recommended that:**

- a. **The Accounting Office prepare the adjusting entry to properly record the unrecorded TC/EF/TSF and AF in the amount of ₱3,550,265.00 as follows:**

<i>Account Title</i>	<i>Dr</i>	<i>Cr</i>
Accounts receivable	₱3,550,265.00	
School Fees		₱1,899,349.00
Examination Fees		1,650,916.00
<i>To recognize revenue earned from TC/EF/TSF and AF</i>		

- b. **The Registrar and Assessment Office punctually submit all billings from TC/EF/TSF and AF to the Accounting Office to properly recognize the revenue earned during the period.**

30. The management instructed the Accountant to prepare the adjusting entries to correct the understated Accounts Receivables. The management conducted a meeting to properly monitor the Accounts Receivable of the Institution from TESDA Isabela PO. As of to date, the Accounts Receivable from TC, EF and AF were properly monitored by each office through google sheet. Upon implementation of the training program, the Accounting Office will record immediately the Accounts Receivable to recognize the revenue earned.

Unrecorded receipt and distribution of starter toolkits - ₱1,401,403.47 and ₱2,044,254.68, respectively

31. **Receipt of 266 sets of starter toolkits and distribution of 418 thereof in CY 2023 amounting to ₱1,401,403.47 and ₱ 2,044,254.68, respectively, were not recorded in the books, resulting in misstatements in the asset, income and expense accounts of the financial statements at year-end, contrary to pertinent provisions of the GAM for NGAs, Volumes I and III.**

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

33. Meanwhile, GAM for NGAs, Volume III or the Revised Chart of Accounts, contains the list and description of accounts that will enable the agencies to properly recognize and present their financial statements and provides, among others the description and when to use the accounts Other Supplies and Materials for Distribution, Scholarship Expenses and Subsidy from Central Office.

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

Unrecorded receipt of 266 sets of starter toolkits - ₱1,401,403.47

35. Verification of the RIS of Starter Toolkits received by TESDA – ISAT showed that 266 sets of toolkits were received from TESDA RO No. II in CY 2023 for 2021 & 2022 Universal Access to Quality Tertiary Education (UAQTEA) and 2021 & 2022 Special Training for Employment Program (STEP). The details are shown below:

Table 7. Unrecorded Receipts of Toolkits - ₱1,401,403.47

Particulars	Number of Toolkits Received in CY 2023	Unit Costs	Total Amount
2021 UAQTEA			
Carpentry NC III	6	19,900.00	119,400.00
2022 UAQTEA			
Carpentry NC II	10	5,706.05	57,060.50
EPAS NC II	22	2,800.00	61,600.00
2021 STEP			
Tailoring NC II	65	5,674.69	368,854.85
2022 STEP			
Food Processing NC II – Process by Food Sugar Concentration	40	3,010.23	120,409.20
Bread and Pastry Production NC II	75	4,821.01	361,575.75
Dressmaking NC II	25	5,896.79	147,419.75
Shielded Metal Arc(SMAW) NC II	23	7,177.54	165,083.42
Total Unrecorded receipt of toolkits	266	54,986.31	1,401,403.47

Unrecorded distribution of 418 sets of starter toolkits - ₱2,044,254.68

36. Meanwhile, the distributions of 418 sets of starter toolkits to recipients under various qualifications programs for FY 2018-2022 amounting to ₱2,044,254.68 in CY 2023 were not recognized in the books. Details is provided below:

Table 8. Unrecorded Distributions of Toolkits - ₱2,044,254.68

Particulars	Distributed in CY 2023	Unit Costs	Total Cost
2018 UAQTEA			
Automotive Servicing NC I	1	4,496.59	4,496.59
Automotive Servicing NC II	28	5,039.08	141,094.24
Bread and Pastry Production NC II	1	5,490.63	5,490.63
Computer System Servicing NC II	14	1,271.67	17,803.38
Cookery NC II	6	2,102.97	12,617.82
Dressmaking NC II	11	5,066.20	55,728.20
Driving NC II	11	3,396.68	37,363.48
Electronics Products Assembly and Servicing NC II	4	1,415.19	5,660.76
Food and Beverage Services NC II	5	5,620.00	28,100.00
Front Office Servicing NC II	1	1,242.62	1,242.62
Housekeeping NC II	9	3,986.52	35,878.68
Housekeeping NC III	2	5,420.00	10,840.00
Machining NC II	2	1,596.84	3,193.68
Motorcycle Small Engine Servicing NC II	24	3,420.69	82,096.56

Particulars	Distributed in CY 2023	Unit Costs	Total Cost
Shielded Metal Arc Welding NC I	6	7,159.51	42,957.06
Shielded Metal Arc Welding NC II	7	6,887.63	48,213.41
Tailoring NC II	38	4,658.63	177,027.94
2020 STEP			
Tailoring NC II	2	8,161.00	16,322.00
Prepare and Cook Hot Meals (Leading to Cookery NC II)	4	1,560.00	6,240.00
2021 STEP			
Tailoring NC II	64	5,674.69	363,180.16
2021 UAQTEA			
Carpentry NC III	6	19,900.00	119,400.00
2022 UAQTEA			
Carpentry NC II	9	5,706.05	51,354.45
EPAS NC II	10	2,800.00	28,000.00
2022 STEP			
Food Processing NC II – Process by Food Sugar Concentration	35	3,010.23	105,358.05
Bread and Pastry Production NC II	75	4,821.01	361,575.75
Dressmaking NC II	20	5,896.79	117,935.80
Shielded Metal Arc(SMAW) NC II	23	7,177.54	165,083.42
Total Unrecorded distribution of toolkits	418		2,044,254.68

37. Reference from the Tables 9 and 10 showed that there were no journal entries made to recognize the receipt of the starter toolkits in CY 2023 amounting to ₱1,401,403.47. It was also observed that the recorded toolkits only pertain to adjustments recommended by the Audit Team in CY 2022. Consequently, the related expenses pertaining to the distribution of starter toolkits to the beneficiaries amounting to ₱2,044,254.68 were also not recognized. Inquiry revealed that the failure of the Accounting Section to record these transactions were attributed to the non-submission by the Property Section of the copies of RIS on the receipt of toolkits and Acknowledgement Receipts on the issuance thereof to the Accounting Section for proper recording. Also, the Accounting Section was not furnished copies of the toolkits monitoring report that is prepared by the Property Section.

38. Moreover, discrepancies were noted in the recorded balance of Other Supplies and Materials for Distribution account as of December 31, 2023 representing the undistributed toolkits as compared to the should be balance per audited toolkit monitoring as at year-end. Details is shown below:

Particulars	Amount
Other Supplies and Materials for Distribution, per books	3,121,642.09
Adjustments: Unrecorded Receipts of Toolkits (Table 1)	1,401,403.47

Particulars	Amount
Adjustments: Unrecorded Distributions of Toolkits (Table 2)	(2,044,254.68)
Balance after Adjustments	2,478,790.88
Should be balance per Audited Toolkit Monitoring	2,251,888.86
Adjustment	226,902.02

39. It is emphasized that failure to account and recognize in the books the balance of undistributed toolkits could pose risk of not being able to properly monitor the remaining inventory still under custody of the training center and the possibility of loss of the assets.

40. **We recommended that:**

- a. **The Accountant prepare adjusting entries to record the receipt and distribution of starter toolkits in CY 2023 amounting to ₱1,401,403.47 and ₱2,044,254.68, respectively. Also, reflect the discrepancies noted on the should be balance of Other Supplies and Materials for Distribution account amounting to ₱226,902.02. Henceforth, properly record the succeeding receipt and distribution of the toolkits following the aforementioned entries:**

<i>Account Title</i>	<i>Dr</i>	<i>Cr</i>
Other Supplies and Materials for Distribution	₱1,401,403.47	
Subsidy from Central Office		₱1,401,403.47
<i>To recognize the receipt of Toolkits from TESDA-RO to TESDA-ISAT</i>		

<i>Account Title</i>	<i>Dr</i>	<i>Cr</i>
Scholarship Expense	₱2,044,254.68	
Other Supplies and Materials for Distribution		₱2,044,254.68
<i>To recognize the distribution of Toolkits from TESDA-ISAT to the beneficiaries</i>		

<i>Account Title</i>	<i>Dr</i>	<i>Cr</i>
Accumulated Surplus	₱226,902.02	
Other Supplies and Materials for Distribution		₱226,902.02
<i>To recognize the discrepancies in the balance of Other Supplies and Materials for Distribution account</i>		

- b. **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.**

41. The management instructed the Accountant to prepare the adjusting entries to properly record the receipt and distribution of toolkits and to reflect the discrepancies in the balance of Other Supplies and Materials for Distribution account. Then management also instructed the Supply Office to promptly submit the copies of RIS for proper recording and monitoring of undistributed and distributed toolkits.

Property, Plant and Equipment (PPE)

PPE recorded as expense and inventory - ₱735,850.00

42. **Various acquired properties of TESDA – ISAT for CY 2023 amounting to ₱735,850.00 were inappropriately recorded as expense and semi-expendable office equipment accounts instead of Property, Plant and Equipment Account, thus understating the PPE account affecting the fair presentation of its financial statements as at December 31, 2023 which is not in keeping with Chapter 10 of the GAM Volume I and COA Circular No. 2022-004 dated May 31, 2022.**

43. Section 3, Chapter 10 of GAM Volume I provides for the *Criteria for Recognition of PPE - The cost of an item of PPE shall be recognized as assets if, and only if:*

- a) it is probable that the future economic benefits or service potential associated with the item will flow to the entity;*
- b) the cost or fair value of the item can be measured reliably;*
- c) beneficial ownership and control clearly rest with the government;*
- d) the asset is used to achieve government objectives; and*
- e) it meets the capitalization threshold of ₱15,000. (now ₱50,000.00)*

Under this recognition principle, an entity shall evaluate all its PPE costs at the time they are incurred. These costs include cost incurred initially to acquire or construct an item of PPE and costs incurred subsequently to add to, replace part of, or service the PPE.:

44. Further, COA Circular No. 2022-004 dated May 31, 2022 provides for the *Guidelines on the Implementation of Section 23 of the General Provisions of Republic Act (RA) No. 11639 also known as the General Appropriations Act (GAA) for Fiscal Year (FY) 2022 relative to the increase in the capitalization threshold from ₱15,000.00 to ₱50,000.00.*

45. It has been the policy of TESDA – ISAT to depreciate a PPE 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.

46. The Audit Team conducted a post-audit of disbursement vouchers relative to the procurements of PPE for CY 2023 and verified the recording in the books and it was revealed that PPE amounting to ₱735,850.00 were charged against expense and semi-expendable office equipment accounts. Details is as follows:

Table 10. Schedule of PPE Charged Against Expense and Inventory Accounts

Date (Available for Use)	Description	Unit	Cost/Unit	Unrecorded PPE	Unrecorded Depreciation*
02/03/2023	Laptop, Intel Core i5 processor, 16gb RAM DDR4	1	62,800.00	62,800.00	10,362.00
02/03/2023	Printer, A5-A3, 64mb system memory, USB 2.0	1	59,500.00	59,500.00	9,817.50
04/11/2023	Laptop, intel core i5 processor, 16gb RAM DDR4	1	62,800.00	62,800.00	8,478.00
06/09/2023	Intel Core i7,131011 8CPU 2.6GHZ, 8GB RAM	4	54,400.00	217,600.00	22,848.00
06/09/2023	Mirrorless Camera, 24.1 M-pixel Canon EOS M50 11EF-M15-45MM	1	51,500.00	51,500.00	5,407.50
10/12/2023	Lenovo Legion 5 pro, amp Ryzen 7, 5800H, 116B/1TBSSD, RTX 30766B, Windows 11 Storm, Grey laptop	2	89,900.00	179,800.00	8,091.00
10/16/2023	AUX Air-condition, Inverter, 3 Tons, 220v, Single phase	1	101,850.00	101,850.00	3,055.50
Total				735,850.00	68,059.50

**Depreciation is based on the Agency's policy computed on a straight-line basis corresponding to the respective useful lives with 19% salvage value.*

47. These PPE items were incorrectly recorded by either debiting Semi-Expendable ICT Equipment Expense, Textbook and Instructional Material Expense or Semi-Expendable Office Equipment accounts. However, these PPE items were reflected in the Report on the Physical Count of PPE (RPCPPE) as of December 31, 2023.

48. These accounting errors misstated the balance of PPE account by ₱735,850.00, correspondingly, the unrecorded depreciation amounted to ₱68,059.50, thus affecting the accuracy and fair presentation of the PPE accounts in the financial statements which is not in keeping with the provisions of GAM for NGAs, Volume I.

49. **We recommended that:**

- a. **The Accounting Office prepare the adjusting entry to properly recognize the PPEs totaling ₱735,850.00 and corresponding depreciation expense amounting to ₱68,059.50, as follows:**

<i>Account Title</i>	<i>Dr</i>	<i>Cr</i>
ICT Equipment	634,000.00	
Office Equipment	101,850.00	
Depreciation Expense - ICT Equipment	65,004.00	
Depreciation Expense - Office Equipment	3,055.50	
Semi-Expendable ICT Equipment Expense		185,100.00
Textbook and Instructional Material Expense or Semi-Expendable Office Equipment		448,900.00
Semi-Expendable Office Equipment		101,850.00
Accumulated Depreciation - ICT Equipment		65,004.00
Accumulated Depreciation - Office Equipment		3,055.50

- b. The Accounting Office regularly reconcile the PPE accounts per accounting records and as reflected in the RPCPPE to verify the accuracy and completeness of PPE items recorded in the books.

50. The management instructed the Accounting Office to prepare the necessary adjusting entries to properly recognize the PPEs and will regularly reconcile the PPE accounts per accounting records as reflected in the RPCPPE to ensure the accuracy and completeness of PPE items recorded in the books.

Accounts Payable

Accounts Payable not supported with valid claim - ₱104,560.61

51. **Accounts Payable amounting to ₱104,560.61 under the SSP Fund were not supported with valid claim or obligation contrary to the provisions of Chapter 7, Volume I, of GAM for NGAs, thus resulted in the overstatement of liability as at December 31, 2023.**

52. Chapter 7, Sec. 14 of the GAM for NGAs-Volume I provides for the recognition of financial liability, to wit:

Sec. 14. Recognition of a Financial Liability. An entity shall recognize a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Xxx

b. A financial instrument is a financial liability if it provides that on settlement the entity will deliver either:

- 1. Cash or another financial asset; or*

2. *Its own shares whose value is determined to exceed substantially the value of the cash or other financial asset. Although the entity does not have an explicit contractual obligation to deliver cash or another financial asset, the value of the share settlement alternative is such that the entity will settle in cash. In any event, the holder has in substance been guaranteed receipt of an amount that is at least equal to the cash settlement option.*”

53. The Statement of Financial Position under the SSP Fund of TESDA – ISAT as of December 31, 2023 showed an Accounts Payable balance of ₱797,909.21, however, review and analysis of the schedule provided to the Audit Team revealed that included in the Accounts Payable balance were payables without valid claim and obligation amounting to ₱104,560.61.

54. Inquiry with the Accountant revealed that these payables were set-up in prior year, however, actual payments made in CY 2023 to these payables were less than the amount set-up. Further verification revealed that TESDA – ISAT had no longer outstanding unpaid obligation pertaining to CY 2022 and previous year’s transaction.

55. Existing government laws and rules require that obligations shall be certified to accounts payable if the obligation is founded on a valid claim that is properly supported with sufficient evidence and there is proper authority of its incurrence. Consequently, the recognition of Accounts Payable without valid claim or obligation at year-end resulted in the overstatement of both the liability and the equity accounts by the same amount of ₱104,560.61.

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

- a. **Prepare adjusting entries to adjust the Accounts Payable account derecognizing the payables without valid claims amounting to ₱104,560.61, as follows:**

<i>Account Title</i>	<i>Dr</i>	<i>Cr</i>
Accounts Payable	104,560.61	
Accumulated Surplus		104,560.61

- b. **Ensure that recorded payables are supported with valid claims and obligations in compliance with Chapter 7, Volume of GAM for NGAS.**

57. The management instructed the Accountant to prepare the adjusting entries to adjust the overstated Accounts Payable. Henceforth, the Accounting Office will meticulously check and monitor the unpaid obligations in order to prevent the occurrence of the same.

II. Compliance Audit

Collections not deposited intact

58. Daily collections of training and assessment fees, school fees and from income generating projects ranging from ₱50.00 to ₱661,231.00 were not deposited intact and daily with the authorized government depository bank (AGDB) thus, exposing the entity's funds to theft/misappropriation which is not in keeping with Section 69 (1) of PD No. 1445 and Paragraph 32 of COA Memorandum No. 2013-004 dated July 9, 2013.

59. Section 69 (1) of PD 1445 provides that, "*Public Officers authorized to receive and collect moneys arising from taxes, revenues, or receipts of any kind shall remit or deposit intact the full amounts so received and collected by them to the treasury of the agency concerned and credited to the particular accounts to which the said moneys belong. The amount of the collections ultimately payable to other agencies of the government shall thereafter be remitted to the respective treasuries of these agencies, under regulations which the Commission and the Department (Ministry) of Finance shall prescribe.*"

60. Moreover, Paragraph 32 of COA Memorandum No. 2013-004 states that, "*all Collecting Officers (COs) shall deposit intact all their collections, as well as collections turned over to them by sub-collectors/tellers, with authorized government depository bank (AGDB) daily or not later than the next banking day. Where collections are minimal and daily deposit thereof becomes costly and impractical, the COs shall deposit their collections at least once a week, or as soon as the collections reach P10,000.00. They shall record all deposits made in the CRR.*"

61. Careful analysis of the collections and deposits covering May 17, 2022 to May 23, 2023, showed that collections were not deposited daily and intact resulting in huge undeposited cash balances in the hands of the Accountable Officer at the end of the day. The frequency of deposits made by the Accountable Officer ranges from four to fifteen times only within the month with details below:

Table 11. Number of Days with Collections and Deposits

Period Covered	No. of Days w/ Collection	No. of Days w/ Deposit
May 17-31, 2022	10	4
June 1-30, 2022	23	9
July 1-31, 2022	22	15
August 1-31, 2022	19	12
September 1-30, 2022	21	13
October 1-31, 2022	19	12

Period Covered	No. of Days w/ Collection	No. of Days w/ Deposit
November 1-30, 2022	16	12
December 1-31, 2022	15	10
January 1-31, 2023	20	9
February 1-28, 2023	17	12
March 1-31, 2023	14	15
April 1-30, 2023	14	9
May 1-23, 2023	16	8

62. Further, we have noted that despite having made deposits during the day, the Accountable Officer still failed to deposit entirely the cumulative collections as of the day of deposits. Records show that the daily undeposited collections ranges from ₱4,621.38 to ₱2,421,312.96. Meanwhile, the cumulative undeposited collections as of May 23, 2023 amounted to ₱15,560.16. The undeposited collections that remain in the custody of the Accountable Officer expose to risk of theft or misappropriation.

63. Moreover, the close proximity of the Land Bank of the Philippines which is about 1.8 kilometers away from the School should pave way for making deposits daily hence, there is no valid excuse for not being able to make deposit of collections daily.

64. Inquiry with the Accountable Officer (AO) revealed that some collections made were actually advanced to instructors and/or supply officer to procure items needed for various assessments and training-cum-production activities thus, were not deposited intact with the AGDB.

65. **We recommended that Management require the AO to immediately stop the practice of advancing the collections to the instructors and/or supply officer and strictly deposit intact all collections daily or not later than the next banking day to avoid risk of theft and misappropriation pursuant to the provisions of Section 69 of P.D. No. 1445 and Section 24 of Chapter II of COA Memorandum No. 2013-004 dated July 9, 2013.**

66. The management had instructed the AO to ensure that collections are deposited intact within the day or next banking day. Also, the management asserted that some of the undeposited collections pertain to check collections from TESDA Isabela PO that were received after the AO already made the deposit during the day. Meanwhile, the management instructed the AO to strictly deposit all collections and refrain from advancing collections to the instructors and/or supply officer.

Laxity in the granting utilization and liquidation of cash advance – ₱5,278,541.58

67. **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 fully liquidated and accounted for contrary to Section 89 of PD 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 exposing the funds to possible misuse and accumulation of unliquidated cash advance.

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

69. Furthermore, COA Circular No. 97-002 dated February 10, 1997 requires that *“No additional cash advances shall be allowed to any official or employee unless the previous cash advance given to him is first settled or a proper accounting thereof is made.”*

70. Likewise, item 1.1 of COA Circular No. 2023-004 dated June 14, 2023 or the *Updated Documentary Requirements for Common Government Transactions* requires that prior to granting of cash advance a Certification from the Chief Accountant that previous cash advances have been fully liquidated and accounted for in the books should be issued and attached to the disbursement voucher.

71. The audit team conducted a monitoring and examination of all cash advances granted under the name of the Disbursing Officer/Cashier and revealed that several cash advances from the SSP Funds amounting to ₱5,278,541.58 were granted to the AO despite the previously unliquidated cash advances. These cash advances were granted for the purchase/payment of consumable goods for catering services offered, instructional/training materials, salaries of job orders, repairs and maintenance, representation expenses, meals and snacks and others. Post-audit revealed that the AO was granted cash advances ranging **two to five times** within the same day.

72. Further, the AO was granted cash advances without a Certification from the Chief Accountant that previous cash advances have been fully liquidated and accounted for in the books. This clearly demonstrate an internal control weakness in the granting and utilization of cash advance. Meanwhile, inquiry with the AO revealed that she is the only designated disbursing officer of the agency hence all cash advances were issued under her name. Moreover, we have observed that the AO had difficulty in the timely submission of liquidation reports due to the voluminous cash advances granted under her name.

73. The management should strengthen the internal control in the granting and utilization of cash advances. The continuous granting of cash advances despite the non-liquidation of the previously granted cash advance thereof exposes the funds to possible misuse and accumulation of unliquidated cash advance.

74. This is a reiteration of the previously issued AOM.

75. **We recommended that Management:**

- a. **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; and**
- b. **Designate additional Special Disbursing Officer to act as an accountable officer and be granted cash advances in case the current AO has unliquidated cash advances, if necessary.**

76. The management will ensure that cash advances will only be granted after the liquidation of the previously granted cash advance to the AO. Also, the management averted that the lumped of the cash advances is due to the catering services offered by the school and materials/supplied needed for assessment. The management had already designated two (2) additional Special Disbursing Officers to cash advance in lieu of the current AO for purposes of catering services and assessment needs.

Invitation or request for price quotations not posted in PhilGEPS- P927,718.00

77. **The agency failed to post the invitation or request for submission for price quotations/proposals, notice of award, and contract/purchase order in the PhilGEPS website and in the website of the Entity for various procurements with amounts exceeding P50,000.00 totaling to P927,718.00 which is not in keeping with the prescribed procedure on alternative modes of procurement as provided in Section 54.2 of the 2016 Revised IRR of R.A. No. 9184.**

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

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

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

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

80. Based on the review of approved Purchase Orders (POs), it was noted that there were several purchase orders executed by the agency amounting to P927,718.00 made through the alternative modes of procurement with ABC above P50,000.00 as shown in the table below:

Table 12. Procurements with ABC above P50,000.00 not posted in PhilGEPS

Purchase Order				
Number	Date	Supplier	Particulars	Amount
2023-01-011	01/18/2023	Ilagan Roof Center	Replacement of roofing body repair classroom	55,624.00
2022-12-547	12/22/2022	3MGT Trading	For UTPRAS registration in Commercial air-conditioning NC III and DOMRAC NC II	105,808.00
2022-12-532	12/13/2022	3MGT Trading	For UTPRAS registration in Commercial air-conditioning NC III and DOMRAC NC II	86,986.00
2023-02-077	02/17/2023	Tees Republika Print Line	Uniform of Trainees (Regular and Scholars)	266,000.00
2022-11-478	11/08/2022	Fixie Computer Ventures	For Assessment for as per supporting papers and documents	163,300.00
2023-12-528	12/14/2023	Norris Printing Shop	Uniform of Trainees (Regular and Scholars)	250,000.00
Total				927,718.00

81. The invitation or request for submission for price quotations/proposals, notice of award, and contracts/purchase order of the above procurements amounting to P927,718.00 were not posted in the PhilGEPS website and in the website of the Entity.

82. Non-compliance with the IRR had defeated the purpose of the law on transparency and competitiveness in the procurement process and in the

implementation of procurement contracts through the wide dissemination of bid opportunities and participation of pertinent non-government organizations.

83. **We recommended that the BAC strictly observe in its procurements the posting of the invitation or request for submission for price quotations/proposals, notice of award, and the contract/purchase order in the PhilGEPS website and in the website of the entity, pursuant to the provisions of the Revised IRR of R.A. No. 9184.**

84. The management instructed the BAC Chairman and members to strictly observe in its procurements the posting of the invitation or request for submission of price quotations/proposals, notice of award, and the contract/PO in the PhilGEPS website and in the website of the entity, pursuant to the provision of the Revised IRR of R.A. No. 9184.

Procurements of goods more than the ABC - ₱755,894.00

85. **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, resulting in purchases with acquisition costs higher than the approved budget for the contract amounting to ₱430,380.00.**

86. Section 7.1 of the Revised IRR of RA 9184 sets forth that, *“All procurement shall be within the approved budget of the Procuring Entity and should be meticulously and judiciously planned by the Procuring Entity. Xxx...”*

87. While Section 31.1 of the same IRR states that, *“The ABC shall be the upper limit or ceiling for acceptable bid prices. If a bid price, as evaluated and calculated in accordance with this IRR, is higher than the ABC, the bidder submitting the same shall be automatically disqualified. There shall be no lower limit or floor on the amount of the award.”*

88. Budget planning is an important tool that helps control expenditures and makes more informed financial decisions. More importantly, it ensures that the agency has enough resources for its needs and goals. However, TESDA-ISAT overlooked this key mechanism in their procurement of various instructional materials needed in the conduct of training. Audit of the disbursement voucher and its supporting documents revealed that purchases amounting to ₱755,894.00 were awarded to suppliers who quoted above the ABC resulting in purchases with acquisition costs higher than the approved budget for the contract amounting to ₱430,380.00. The agency failed to indicate the ABC in the RFQ hence the basis of the ABC as indicated below are the amount shown in the PR. Summary of the awarded contracts for each item with above ABC are as follows:

Table 13. Procurements of Goods above ABC

Purchase Order		Per PO	Per ABC (PR)	Difference
Number	Date			
2022-11-497	08/11/2022	36,400.00	30,400.00	6,000.00
2022-11-500	11/29/2022	32,359.00	17,500.00	14,859.00
2022-11-502	11/29/2022	36,920.00	8,200.00	28,720.00
22-11-501	11/29/2022	22,726.00	16,200.00	6,526.00
2022-12-531	12/13/2022	53,898.00	28,600.00	25,298.00
2022-12-532	12/13/2022	83,626.00	26,000.00	57,626.00
2022-12-533	12/13/2022	15,818.00	4,800.00	11,018.00
2022-12-534	12/14/2022	40,951.00	18,000.00	22,951.00
2022-12-535	12/14/2022	8,705.00	4,200.00	4,505.00
2022-12-546	12/20/2022	16,063.00	5,480.00	10,583.00
2022-12-547	12/22/2022	105,808.00	17,620.00	88,188.00
22-12-548	12/22/2022	120,334.00	43,900.00	76,434.00
2023-01-018	01/18/2023	2,980.00	1,600.00	1,380.00
2023-01-021	01/24/2023	8,600.00	3,800.00	4,800.00
2023-01-031	01/31/2023	3,500.00	1,800.00	1,700.00
2023-01-032	01/31/2023	17,550.00	10,500.00	7,050.00
2023-01-048	01/31/2023	7,851.00	6,820.00	1,031.00
2023-02-058	02/08/2023	32,825.00	11,210.00	21,615.00
2023-02-061	02/09/2023	10,550.00	5,650.00	4,900.00
2023-02-064	02/09/2023	24,645.00	14,984.00	9,661.00
2023-02-078	02/16/2023	54,500.00	35,620.00	18,880.00
2023-02-052	03/02/2023	3,835.00	2,980.00	855.00
2022-09-384	09/30/2023	15,450.00	9,650.00	5,800.00
TOTAL		755,894.00	325,514.00	430,380.00

89. The aforementioned provisions in the IRR of RA 9184 specified that the ABC shall be the upper limit or ceiling for acceptable bid prices. Yet, TESDA – ISAT still awarded the instructional materials to suppliers with price quotations that exceeded the ABC. It should also be considered that in case of failure in the alternative mode of procurement due to all bids exceeding the ABC, the BAC shall make an evaluation of the responsiveness of the ABC to the project at hand. Therefore, the procuring entity must review and update the Annual Procurement Plan (APP) and the corresponding Procurement Planning Management Plan (PPMP).

90. It has been the practice of the BAC to send quotations from suppliers without indicating the actual ABC of the items procured. Also, the PRs supporting the RFQs were not attached to the RFQs, hence the suppliers had no basis on how much is the price ceiling/limit for each item needed for quotation. Likewise, TESDA – ISAT does not have a schedule of market list price for each item that were regularly procured as basis of the amount indicated in the PR. The management must regularly plan, update and conduct a market analysis on the price of the instructional materials needed by the

agency to ensure that their costing is within the fair market value. Moreover, if the quotations made by the suppliers were higher than the ABC, the BAC should consider this in the preparation of the Abstract of Quotation and declare the concerned suppliers with bids higher than the ABC as non-responsive. Afterwards, the management should consider updating their price list in the PR and specifically indicate the item descriptions of those items to be procured.

91. These lapses reflect flawed procurement planning as it was not meticulously and judiciously made. It is worthy to note that procurement planning is an important tool to promote transparency, predictability and monitoring of the procurement process/activities, if they are consistent with the needs and available resources of the agency. When properly executed, it shall promote efficiency and save costs.

92. **We recommended that the Management 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 ABC and preparation of PR to ensure that goods/services are obtained at the lowest reasonable prices, not exceeding the Approved Budget for the Contract/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.**

93. The management issued an Office Order No. 02, s. 2024, re: Constitution of the Technical Working Group (TWG) for the Bids and Awards Committee to ensure that the indicated unit cost in the PR is aligned with the market price list and to check if the PR of the end user is properly accomplished and with complete specifications of the requested goods/equipment.

PR, PO, RFQ and IAR not properly filled-out- ₱5,174,783.84

94. **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 and Revised IRR of RA No. 9184, denoting weaknesses in internal control in planning, monitoring and execution in the procurement activities.**

95. Section 4(6) of PD No. 1445 provides that, *“Claims against government funds shall be supported with complete documentation.”*

96. Meanwhile, enumerated below are the pertinent provision relating to the preparation of PR, PO, RFQ and IAR, to wit:

Table 14. Guidelines/Standard in the Preparation of PR, PO, RFQ and IAR

Form	Standard/Criteria	
Purchase Request (PR)	Chapter 8, Section 17 (e), GAM Volume I	Purchase Request (PR) (Appendix 60) – shall be used by the end-user to request for the purchase of inventory or item/s not available on stock. It shall be the basis of preparing the PO

Form	Standard/Criteria	
	Appendix 60, Instruction, GAM Volume II	The PR is a form used by the Supply and/or Property Custodian for purchasing goods/supplies/property if the item/s requested is/are not available on stock. It shall be prepared by fund cluster. (It contains specific instructions on how to accomplish the PR.)
Purchase Order (PO)	Chapter 8, Section 17 (f), GAM Volume I	Purchase Order (PO) (Appendix 61) – shall be used by the Property and/or Supply Custodian to support the purchase of property, supplies and materials, etc. It shall be issued to the selected supplier indicating, among other information, the specifications, quantities, and agreed prices of property, supplies and materials to be purchased.
	Appendix 61, Instruction, GAM Volume II	The PO is a form/document used by the agency/entity, addressed to a supplier, to deliver specific quantities of supplies/goods/property subject to the terms and conditions contained in the PO. (It contains specific instructions on how to accomplish the PO.)
Request for Quotation (RFQ)	Annex H, Item V(c.2.a/b.ii) (of IRR of RA 9184	The BAC shall immediately prepare the RFQ, indicating the specifications, quantity, ABC, and other terms and conditions of the contract.
Inspection and Acceptance Report (IAR)	Chapter 8, Section 17 (j), GAM Volume I	Inspection and Acceptance Report (IAR) (Appendix 62) – shall be used for inspection and acceptance of purchased and delivered property, supplies and materials.
	Appendix 62, Instruction, GAM Volume II	The IAR is a report submitted by the Inspection Officer/Committee and the Supply and/or Property Custodian on the inspection and acceptance, respectively, of the purchased supplies/goods/equipment/property. (It contains specific instructions on how to accomplish the IAR.)

97. The Audit Team conducted a post-audit on the procurements made under the SSP Fund for CY 2023 and it was revealed that the PR, PO, RFQ and IAR of purchases totaling ₱5,174,783.84 were not properly accomplished. The deficiencies noted are shown below:

Table 15. Summary of Deficiencies Noted in the Preparation of PR, PO, RFQ and IAR

Form	Observations
Purchase Request (PR)	<ul style="list-style-type: none"> ➤ Office/section unfilled ➤ Unnumbered PR ➤ Undated PR ➤ Unfilled Purpose ➤ Amount not indicated (in units and total cost) ➤ Failed to indicate the detailed specifications of some items ➤ Some were unsigned
Purchase Order (PO)	<ul style="list-style-type: none"> ➤ Mode of Procurement for some items were not indicated ➤ No date of signing of the supplier in the <i>Conforme</i> portion ➤ The amount of funds available were not provided ➤ The ORS/BURS number assigned by the Budget Division/Unit, date of the ORS/BURS and the amount of obligation supporting the purchase were not indicated ➤ Some were unsigned

Form	Observations
Request for Quotation (RFQ)	<ul style="list-style-type: none"> ➤ The Approved Budget on the Contract (ABC) were not provided ➤ The detailed specifications of some items were not indicated ➤ The name and signature of person who float the RFQ was not indicated ➤ Some were unsigned
Inspection and Acceptance Report (IAR)	<ul style="list-style-type: none"> ➤ Requisitioning Office/dept. not filled out ➤ Unnumbered IAR ➤ Undated IAR ➤ Invoice No. and date not filled out ➤ Some inspection dates were undated ➤ Date received were unfilled ➤ The boxes whether the deliveries were complete or partial were not indicated ➤ Some were unsigned

98. Apparent from the above table that there were numerous procedural lapses in the procurement process under the SSP Fund. Significant data and information on the prescribed forms (PR, PO, RFQ and PO) were not properly filled-out. It is emphasized that these forms must be properly accomplished since each detail indicated therein has its own purposes and are important in ascertaining that the procurement process were properly undertaken in accordance with the prescribed guidelines. An improperly accomplished form especially the unsigned ones is comparable to a mere scrap of paper which produces no legal effect.

99. The management should ensure that sound internal control is in place particularly in the procurement process since the bulk of the transaction of TESDA-ISAT is the purchase of various instructional materials. Disregarding and not accomplishing major and minor information in these forms connotes weaknesses in internal control in planning, monitoring and execution in the procurement activities hence affecting the propriety and validity of the transactions.

100. We recommended that 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.

101. 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.

Non-issuance of ICS or PAR - P508,596.04

102. Procured goods amounting to P508,596.04 were released to end-users without the issuance of PAR or ICS contrary to COA Circular No. 2022-004 dated May 31, 2022 and Chapters 8 and 10, Volume I of the GAM, hence the judicious use and accountability over these properties were not ensured.

103. Item 4.1 of COA Circular No. 2024-004 dated May31, 2022 provides that, *“Tangible items which meet the definition and recognition criteria of PPE but cost below fifty thousand (P50,000.00 shall be accounted in the books of accounts of the agencies as semi-expendable property. This shall be supported by the issuance of the Inventory Custodian Slip (ICS) to establish accountability of the end-user.”*

104. Meanwhile, provisions of the GAM, Volume I provide that:

Chapter 8, Sec. 11. *“Accountability over Semi-expendable Property. Inventory Custodian Slip (ICS) (Appendix 59) 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.”*

Chapter 10, Sec. 21. *“Issue of PPE. Based on approved RIS, the Supply and/or Property Custodian shall prepare the Property Acknowledgement Receipt (PAR) (Appendix 71) to support the issue of property to end-user. The PAR shall be renewed at least every three years or every time there is a change in accountability or custodianship of the property.”*

105. Audit on the procurements of goods for CY 2023 under SSP Fund revealed that various items totaling P508,596.04 were already issued to end users, however, accountability and custody thereof were not established as PAR or ICS, whichever is applicable, evidencing transfer from their office to the end-users were not accomplished. Details is shown below:

Table 16. List of Goods Issued to End-users without ICS and PAR

Purchase Order		Description	Unit	Cost/Unit	Total
Number	Date				
Items without ICS					
2023-02-078	02/16/2023	Washing Machine, top load 8kgs.	1	14,400.00	14,400.00
2023-02-078	02/16/2023	Washing Machine, front load 8kgs.	1	23,990.00	23,990.00
2023-02-077	02/16/2023	Refrigerator, inverter, single door, 7.6 cu. Ft.	1	16,000.00	16,000.00
2023-02-077	02/16/2023	Refrigerator, inverter, double door, 7.6 cu. Ft.	1	19,079.00	19,079.00
2023-02-077	02/16/2023	Freezer, inverter upright, 8 cu. Ft.	1	21,200.00	21,200.00
2023-02-077	02/16/2023	Freezer, inverter chest type, 8 cu. Ft.	1	20,940.00	20,940.00
2023-04-234	05/26/2023	Compressor	1	14,500.00	14,500.00
2023-07-364	07/31/2023	YAMATEC Welding Machine mig250-N269 compact with trolley	1	49,633.20	49,633.20

Purchase Order		Description	Unit	Cost/Unit	Total
Number	Date				
2023-07-364	07/31/2023	YAMATEC Welding Machine TIG200 PAC/DC E20102	1	42,607.44	42,607.44
2023-08-373	08/14/2023	4d56 Transmission Assembly	1	34,000.00	34,000.00
2023-11-470	11/07/2023	Grass cutter, Honda 4 stroke	2	7,123.20	14,246.40
2023-12-520	12/07/2023	Mindong Alternator 10KVA copper	1	17,000.00	17,000.00
2023-11-499	11/21/2023	HDD for CCTV, 6 TB	3	8,800.00	26,400.00
2023-12-527	12/14/2023	Epson Printer L3210	1	9,500.00	9,500.00
Sub-Total					323,496.04
Items without PAR					
2023-01-030	01/30/2023	Laptop, intel core i5 processor, 16gb RAM DDR4	1	62,800.00	62,800.00
2023-01-028	01/30/2023	Laptop, intel core i5 processor, 16gb RAM DDR4	1	62,800.00	62,800.00
2023-01-028	01/30/2023	Printer, A5-A3, 64mb system memory, USB 2.0	1	59,500.00	59,500.00
Sub-Total					185,100.00
Grand Total					508,596.04

106. It is emphasized that the PAR and ICS are important evidence to establish accountability and custody over the properties issued by the government. These accountability forms must be immediately issued to the end-user upon issuance of the properties. Also, in case of loss of the properties or transfer, resignation or retirement of the employee in custody of goods, his/her property accountability could be easily determined.

107. **We recommended that the Supply/Property Officer immediately issue the corresponding ICS or PAR to the recipients of all properties owned by TESDA – ISAT to ensure accountability and judicious use thereof. Prospectively, goods should not be released to the end-users without properly accomplishing first the ICS or PAR.**

108. The management immediately instructed the Supply Officer to issue the corresponding ICS or PAR to the recipients of all properties owned by TESDA – ISAT to ensure accountability.

Prior year expenditures charged against the current SSP Fund - ₱383,465.00

109. **Prior year expenditures without approved utilization totaling ₱383,465.00 were charged against the current year SSP Fund which resulted in the overstatement of the current year's expenses and raising doubt on the validity of the transaction contrary to Sections 4(1) and 119 of PD No. 1445 and Chapter 2, Section 2(a), Volume I of the GAM.**

110. Section 4(1) of PD 1445 provides, "*Fundamental principles. Financial transactions and operations of any government agency shall be governed by the*

fundamental principles set forth hereunder, to wit: (1) No money shall be paid out of any public treasury or depository except in pursuance of an appropriation law or other specific statutory authority. Xxx...

111. Likewise, Section 119 of same law states that, *“All lawful expenditures and obligations incurred during the year shall be taken up in the accounts of that year.”*

112. Meanwhile, Chapter 2, Section 2(a) Volume I of GAM provides that, *“Accrual basis – means a basis of accounting under which transactions and other events are recognized when they occur (and not only when cash or its equivalent is received or paid). Therefore, the transactions and events are recognized in the accounting records and recognized in the financial statements of the periods to which they relate. The elements recognized under accrual accounting are assets, liabilities, net assets/equity, revenue, and expenses.”*

113. In relation thereto, the GAM requires that each government entity shall recognize and present its financial transactions and operations conformably with the **accrual basis** of accounting in accordance with the IPSAS.

114. The Audit Team conducted a post-audit on the expenses charged against the SSP Fund for CY 2023 and we found out that various expenditures for CY 2022 were paid, taken-up and charged to SSP Fund in CY 2023 amounting to ₱383,465.00. Details is shown below in **Annex D**.

115. Apparently, the BURS were only approved and certified in December 15, 2023 despite the expenditure being incurred in CY 2022. Accordingly, the above procurements totaling ₱383,465.00 had no approved utilization under the SSP Fund in CY 2022. Also, the above procurements were only paid after the lapse of more than a year after their actual delivery. Further, it was found out that numerous payments were made to the same suppliers above relating to expenses incurred in CY 2023 but were also paid on the same year. This raised concern on how these expenses incurred for more than a year were only paid in December 2023, consequently raising doubt on the validity of the above transactions.

116. Inquiry with the disbursing officer revealed that the POs, Delivery Receipts and other supporting documents required for payment of the above procurements were only forwarded by the Supply Office for check payment only in December 2023. Hence, the payables relating thereto were not reported in CY 2022 and payment were not made despite having enough fund in the same year.

117. It is emphasized that charging of prior year's expenditure to current year fund is not in keeping with the above-cited regulations, as a result current year's programs and projects were sacrificed. Likewise, the mandatory reporting of expenditures to various regulatory agencies such as DBM and COA for CY 2022 did not reflect the

actual amount of expenditures incurred in the same year. On the financial aspect, the practice of not observing the matching principle of accounting resulted in the overstatement of current expenditures.

118. **We recommended that the Management should discontinue the practice of charging prior year's expenditure to current year utilization and that proper matching of expenses against budget should always be observed pursuant to the above-cited guidelines. Likewise, officials who continue to authorize the payment of such expenditures are jointly and severally liable for any disallowance.**

119. The management will adhere to the recommendation and instructed the Supply Office to forward immediately the complete documents of the supplier for check payment and for the Accounting Office to obligate the transaction to prevent utilization of current year's fund for prior year expenditures.

Granting of COC in excess of the allowable 40 hours per month – 368 hours

120. **The TESDA – ISAT granted a total of 368 hours COC to various instructors in excess of the allowable 40 hours COC for each employee in a month and carried over a total of 39 days forfeited COCs balance at the end of the year which is not in keeping with CSC DBM Joint Circular No. 2 dated October 4, 2004, thus affecting the efficiency of the employees in judiciously accomplishing their assigned task within the regular work hours and expose employees to possible application of expired COC balance against absences.**

121. Section 4 of CSC DBM Joint Circular No 2 dated October 4, 2004 defined COC – *“refers to the accrued number of hours an employee earns as a result of services rendered beyond regular working hours, and/or those rendered on Saturday, Sundays, Holidays or scheduled days off without the benefit of overtime pay.”*

122. Meanwhile, Section 5.5.1 of the same Joint Circular provides that, *“Each employee may accrue not more than forty (40) hours of COCs in a month. In no instance, however, shall the unexpended balance exceed one hundred twenty (120) hours.”* (Emphasis supplied)

123. Likewise, Section 5.5.2 of the same Joint Circular as amended by CSC-DBM Joint Circular No. 2-A, s. 2005 dated July 1, 2005 states that, *“The COCs should be used as time-off within the year these are earned until the immediately succeeding year. Thereafter, any unutilized COCs are deemed forfeited.”*

124. Review of the COC balance of TESDA – ISAT personnel for CY 2023 revealed that employees were granted COC during the months of April, May and September 2023 an aggregate of 368 hours in excess of the allowable 40 hours COC for each employee in a month. Details is shown below:

Table 17. Schedule of Granted COC in Excess of the Allowable 40 hours per Month

Employee ID No.	Period Covered	COC (In days) [A]	COC (in hours) [B=A*8 hours]	Excess [B-40 hours]	Purpose
2022-0609	April 2023	9.5	76	36	Conduct Regular Training in EIM NC II
	May 2023	10.5	84	44	Conduct Regular Training in EIM NC II
1998-4656	May 2023	13	104	64	Conduct Training in Diploma Course
2020-0568	May 2023	11	88	48	Regular Training in Automotive Servicing (Engine Repair) NC II
2023-0146	September 2023	7.5	60	20	Conduct training in Bread and Pastry Production NC II
1998-7680	April 2023	14.5	116	76	Conduct Institution based training in EIM NC II
	May 2023	15	120	80	Conduct Institution based training in EIM NC II
Total		81	648	368	

125. Perusal of the above table shows that the instructors were granted COC more than the allowable number of hours of COC in a month. Review of the Office Order as basis of claiming COC showed that the above teaching personnel were required to render overtime services during vacation and to facilitate and act as trainers in various qualifications programs offered by TESDA – ISAT. Inquiry with the management revealed that the trainers were required to work during summer vacation in order to meet their individual target accomplishment in conducting various regular trainings.

126. Further, it has been observed that the unutilized forfeited COCs totaling 39 days were carried over as of December 31, 2023. Details is shown below:

Table 18. Schedule of Unutilized Forfeited COCs

Employee ID No.	COC Balance (In Days)		Unused/Forfeited COCs
	Per Record	Per Audit	
1998-7659	5	0	5
2020-0154	5.5	3.5	2
2020-0568	4	1	3
2021-0589	13.5	0	13.5
2020-0152	6	3.5	2.5
1998-7681	6	1.5	4.5
2020-0156	9.5	1.5	8
2021-0587	1.5	1	0.5
Total	51 days	12 days	39 days

127. The management should monitor the workload and properly schedule the trainings to be conducted by the teaching personnel in order to fully employ the instructors within the regular school days. Also, these measures are intended to ensure judicious use of regular work hours and to efficiently balance agency manpower with

respect to the availment of compensatory time-off. Likewise, the school should consider engaging the services of on-call trainers to accommodate the demand in the various qualification programs. Further, the HRMO should monitor and deduct the forfeited COC balance that were not utilized as of year-end to avoid possible application against absences.

128. We recommended that the Management:

- a. **Ensure that the COC granted to TESDA – ISAT personnel is within the allowable 40 hours a month in accordance with CSC DBM Joint Circular No. 2 dated October 4, 2004. Also, judiciously plan and schedule the workload of the teaching personnel within the regular school days; and**
- b. **Deduct the 40 days unutilized COCs that were already deemed forfeited in the COC balance of the employees concerned.**

129. The management instructed the Acting HRMO to deduct the 39 days of unutilized COCs that were already expired. Meanwhile, the teaching personnel will no longer be required to report during summer vacation in order to limit the granting of COC.

Non-preparation and submission of DTR in the prescribed form

130. **TESDA – ISAT personnel does not prepare and submit DTRs in the prescribed form including its supporting documents, contrary to Memorandum Order No. 745, s. 1982 and CSC Memorandum Circular No. 21, s. 1991, raising concerns on the veracity of the actual services rendered and salaries/wages paid to employees.**

131. Memorandum Order No. 745, s. 1982 requiring submission of duly accomplished Daily Time Record after the end of the month provides that, *“Effective immediately, all officials and employees of this Office, except officials with the rank of Assistant Secretary and above, are hereby required to submit duly accomplished Daily Time Record (Civil Service Form No. 48) to the Administrative Office after the end of the month.”*

132. Likewise, item C (1) of CSC MC No. 21, s. 1991 states that, *“All officers and employees shall record their daily attendance on the proper form or whenever possible, have them registered on the bundy clock. Any other means of recording attendance may be allowed provided their respective names and signatures as well as the time of their actual arrival to and departure from office are indicated, subject to verification. X x x...”*

133. Further, CS Form No. 48 contains the following attestations that must be signed by the personnel and verified by his/her in charge or supervisor:

“I certify on my honor that the above is a true and correct report of the hours of work performed, record of which was made daily at the time of arrival and departure from office. (sgd. by employee)”

VERIFIED as to the prescribed office hours (sgd. by in charge/supervisor)”

134. The Audit Team conducted a verification of the salaries and wages and leave balances of the Agency personnel and required them to submit the DTRs including its attachments, however, it was discovered that the employees of TESDA – ISAT do not prepare and submit DTRs to the HRMO. Inquiry with the HRMO revealed that they are monitoring the attendance of the employees through the report generated from the facial recognition biometric, logbook attendance, and time card through the use of bundy clock. However, the output generated from the biometric and time card was not attested by the employee nor signed by the *in charge/supervisor* as required in CS Form No. 48. Also, the approved leave of absences and approved travels were not reflected in the time record and the documents to support their leave of absences and travel were not also attached in the time record.

135. It is emphasized that government personnel are mandated to observe the official working hours which should be reflected in the DTR form prescribed by the CSC supported by documents such as approved leave of absences, travel order/memorandum and pass slips/locator slips in order to ascertain the veracity of the actual services rendered and the salaries and wages paid to the concerned employees.

136. We recommended that the Management require the employees to prepare and submit their monthly DTRs in the prescribed form together with its supporting documents in accordance with Memorandum Order No. 745, s. 1982 and CSC Memorandum Circular No. 21, s. 1991.

137. The management instructed the Acting HRMO to notify all TESDA – ISAT personnel through meeting to prepare and submit their monthly DTRs with its supporting documents.

Non-preparation of BURS and RBUD

138. TESDA – ISAT does not prepare the BURS and neither maintains the RBUD under the SSP Funds not in accord with the provisions of Chapter 3, Volume I of the GAM for NGAS, resulting in the absence of control in effectively monitoring the utilization and availability of funds under the SSP.

139. Chapter 3, Volume I of the GAM for NGAS titled *Budget Execution, Monitoring, and Reporting* provides that:

“Sec. 18. Registries of Budget, Utilization and Disbursements. The Registries of Budget, Utilization and Disbursements (RBUD) shall be used to record the approved special budget and the corresponding utilizations and disbursements charged to retained income authorized under R.A. 8292 for SUCs and other retained income collection of a national government agency with similar authority, Revolving Funds and Trust Receipts/Custodial Funds. It shall be maintained by legal/authority, fund cluster, MFO/PAP and budget classification. Xxx...”

Sec. 19. Budget Utilization Request and Status. The incurrence of budget utilization shall be made through the issuance of Budget Utilization Request and Status (BURS) (Appendix 14). The BURS shall be prepared by the Requesting/Originating Office supported by valid claim documents like DV, payroll, purchase/job order, itinerary of travel, etc. The Head of Requesting/Originating Office or his/her authorized representative shall certify in Section A of the BURS as to the necessity and legality of charges to the budget under his/her supervision, and validity and propriety of SDs. The Head of Budget Division/Unit shall certify to the availability of budget and its utilization in accordance with its purpose by signing in Section B of the BURS.”

140. Review of the submitted Disbursement Vouchers (DVs) under the SSP Funds of TESDA – ISAT for CY 2023 revealed that the agency did not prepare the corresponding BURS for each disbursement but rather used the ORS. It is emphasized that the ORS form is used in the utilization of their approved budget allocations per General Appropriations Act Release Document (GAARD) and other budget laws and authority while the BURS form is used in the utilization of their approved budget allocations for off budgetary and custodial funds such as Special Account in the General fund (SAGF), Internally generated funds, Business related funds and Trust funds. Noteworthy, the SSP Fund is an internally generated and business-related funds, hence the BURS form should have been used instead of the ORS. Also, the agency failed to prepare the RBUD and correspondingly, the Statement of Approved Budget, Utilizations and Disbursements and Balances (SABUDB) (FAR No. 2/2-A) were not also prepared as required by COA-DBM Joint Circular No. 2019-01 dated January 1, 2019.

141. Inquiry with the Management revealed that they were not aware of the proper form and budgetary reports to be used under the SSP Fund. It is pointed out, that the use and preparation of proper budget forms and reports help the agency in preventing the incurrence of expenses beyond the approved budget and level of available funds. Furthermore, the proper use of prescribed forms shall be utilized to preclude omission of error in the reporting of financial transactions.

142. We recommended that the Budget Officer use the prescribed BURS form and maintain RBUD for disbursements under the SSP Fund in accordance with Chapter 3 of GAM for NGAS Volume I. Correspondingly, require the submission of SABUDB in compliance with COA-DBM Joint Circular No. 2019-01 dated January 1, 2019.

143. TESDA – ISAT had already implemented the recommendation and the Acting Budget Officer is already preparing the BURS Form and maintain RBUD for disbursement under the SSP Fund.

Gender and Development (GAD)

144. TESDA-ISAT did not formulate GAD Plan that requires a minimum of five percent (5%) of their approved appropriations for CY 2023 as mandated by Section 35 of the General Provisions of the GAA for FY 2023 and Section 6.1 PCW/NEDA/DBM Joint Circular No. 2012-1, thereby limiting the process and benefits that may address gender issues.

145. Section 35 of the General Provisions, GAA FY 2023 states that, “All agencies of the government shall formulate a Gender and Development (GAD) Plan designed to address gender issues within their concerned sectors or mandate. X x x... The GAD Plan shall be integrated in the regular activities of the agencies, which shall be 5% of their budgets for this purpose, activities currently being undertaken by agencies which relate to GAD or those that contribute to poverty alleviation, economic empowerment especially of marginalized women, protection, promotion, and fulfillment of women’s human rights, and practice of gender-responsive governance are considered sufficient compliance with said requirement. Utilization of GAD budget shall be evaluated based on the GAD performance indicators identified by said agencies. Xxx...”

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

147. TESDA – ISAT had an approved original appropriation for CY 2023 amounting to ₱34,217,00.00 however, a total of ₱65,750.00 representing 5% of the total MOOE budget appropriations were only allocated for GAD activities instead of the 5% of the approved appropriations or equivalent to the amount of ₱1,315,000.00. Presented below are the following GAD activity and projects for CY 2023 of TESDA ISAT:

Table 19. TESDA – ISAT GAD Budget and Accomplishment for CY 2023

Gender Issues of GAD Mandate	GAD Activity	Total Agency Approved Budget (Php)	Total/Actual Cost Expenditures (Php)
Low enrollment of women in non-traditional skills training programs based on Phil. TVET Statistics 2014-2019	Develop and adopt a Communication/IEC Plan advocating for women's participation in Non-traditional and priority sectors.	1,000.00	1,000.00
	Massive dissemination of IEC materials advocating for women's participation in NTT/STEAM- related sectors through frontline services during National Women's Month, End-VAWC and other yearly advocacy campaigns	1,000.00	1,000.00
	Post-Training Assistance provided to women graduates from various Scholarship Programs.	1,000.00	1,000.00
	Conduct a Community Based Training Programs including various scholarship programs in non-traditional sectors	2,000.00	2,000.00
Low skilled, low paying and oppressive labor of women workers in local employment related to household services, manufacturing, etc.	Monitor the conduct of Free Competency Assessment and Certification for Workers (CACW) Program	2,000.00	2,000.00
Implement skills training programs based on the needs of beneficiaries in conflict-affected (CAA) and post-conflict affected (PCAA) or PAMANA (Payapa at Masaganang Pamayanan) areas as mandated in PCW-OPAPP JC No. 2014-01 contributing to the National Action Plan on Women, Peace and Security (NAPWPS).	Monitor the number of women and girls in post conflict-affected/vulnerable areas who were provided with skills training through Scholarship Programs.	2,000.00	2,000.00
Presidential Proclamation No. 227 s. 1988 provides for all government agencies to "observe the Month of March as Women's Role in History Month" and Proclamation No. 1172 s. 2006 declares	Conduct various activities in support of the National Women's Month Celebration (NWMC) and End-Violence against Women and Children (VAWC) Campaign.	56,750.00	56,750.00

Gender Issues of GAD Mandate	GAD Activity	Total Agency Approved Budget (Php)	Total/Actual Cost Expenditures (Php)
"November 25 to December 12 as the 18-day Campaign to End Violence Against Women and Children (VAWC).			
Total		65,750.00	65,750.00

148. We recommended and management agreed to allocate at least five percent of their appropriation for GAD fund and ensure full utilization of the amount for the implementation of GAD plans and programs pursuant to Section 35 of the General Provisions of the GAA for FY 2023 and Section 6.1 of PCW-NEDA-DBM Joint Circular No. 2012-01.

Programs/projects for senior citizens and persons with disability

149. The agency conducted a livelihood training and skills upgrading for Senior Citizens and Persons with Disability. There were 75 Senior Citizens and eight (8) Persons with Disability who were benefited in this Livelihood Skills Training of the school.

Persons with Disability

Table 20. List of PPAs of TESDA- ISAT for PWD

Program /Projects/ Activities (PPAs)	Actual Amount Utilized	No. of PWD's Beneficiaries			Remarks
		Male	Female	Total	
Dressmaking NC II	6,295.00	1	0	1	Visual Disability (Inborn)
Computer System Servicing NC II	37,190.00	0	1	1	Dwarfism
Driving NC II	5,450.00	0	1	1	Psychosocial Disability
COC- Pastry Making	3,500.00	0	5	5	Deaf and Mute
Total	₱52,435.00	1	7	8	

Senior Citizen

Table 21. List of PPAs of TESDA- ISAT for SC

Program /Projects/Activities (PPAs)	Actual Amount Utilized	No. of Senior Citizen Beneficiaries
COC-Cassava and Banana Processing	₱840.00	6
COC- Cassava and Banana Extracts	840.00	1
COC- Produce Organic Concoctions and Extracts	8,000.00	16

Program /Projects/Activities (PPAs)	Actual Amount Utilized	No. of Senior Citizen Beneficiaries
COC- Soap Making	1,400.00	14
COC- Theoretical Driving Course	0.00	5
COC- Coconut Processing	200.00	2
COC- Processed Food by Fermentation and Pickling	1,800.00	3
COC- Process Food by salting, curing and smoking	1,700.00	2
COC - Dressmaking and Pattern Making	8,300.00	1
COC - Entrepreneurship	4,000.00	5
COC- Cassava Processing	280.00	2
COC - Bread and Pastry making	3,500.00	5
Bread and Pastry Production NC II	16,968.00	1
Dressmaking NC II	6,295.00	1
Electrical Installation and Maintenance NC II	6,215.00	2
Masonry NC II	6,295.00	1
PV System Installation	7,468.00	1
Computer System Servicing NC II	37,190.00	1
Organic Agriculture Production NC II	93,564.00	4
Shielded Metal Arc Welding NC II	15,460.00	1
Total	₱220,315.00	74

Compliance with Tax Laws

150. For CY 2023, ISAT complied religiously with Revenue Regulation No. 2-98 on the withholding and remittance of taxes.

151. The Statement of Financial Position under SSP Funds as of December 31, 2023 disclosed a balance of Due to BIR of ₱204,867.25 which was remitted in January 2024 with details below:

Table 22. Schedule of Taxes Withheld and Remitted under SSP Fund for CY 2023

Month 2023	Tax Withheld		Remittance of BIR			Balances
	Current	Total	Date	Check No.	Amount	
	(In Php)	(In Php)			(In Php)	(In Php)
SSP Fund						
Beg. Bal.	158,133.06	158,133.06				158,133.06
January	66,514.98	66,514.98	10-Jan-23	1545037-039	158,133.06	66,514.98
February	98,308.95	98,308.95	9-Feb-23	1545206-008	66,514.98	98,308.95
March	90,842.50	90,842.50	15-Mar-23	1545349-351	151,055.50	38,095.95
April	65,583.81	65,583.81	5-Apr-23	1545468-470	38,112.99	65,566.77
May	48,764.96	48,764.96	8-May-23	1545550-552	65,583.81	48,747.93

Month 2023	Tax Withheld		Remittance of BIR			Balances
	Current	Total	Date	Check No.	Amount	
	(In Php)	(In Php)			(In Php)	(In Php)
June	46,344.47	46,344.67	9-Jun-23	1545657-659	48,764.96	46,327.44
July	37,316.94	37,317.94	7-Jul-23	1545734-736	47,438.17	36,206.21
August	55,387.80	55,387.80	9-Aug-23	1545819-821	37,316.94	54,277.07
Sept.	57,285.29	57,285.29	11-Sept-23	1545901-903	55,407.82	56,154.54
Oct.	27,279.96	27,279.96	9-Oct-23	1546005-007	55,578.18	27,856.32
Nov.	33,362.32	33,362.32	7-Nov-23	1546098-001	26,235.51	34,983.13
Dec.	201,108.62	201,108.62	11-Dec-23	1546197-198	31,224.50	204,867.25
Total	986,279.75	781,403.5				204,867.25

152. In addition, taxes withheld from the General Fund which were remitted thru the TRA disclosed a balance of Due to BIR of ₱206,213.59 as of December 31, 2023 which was remitted in January 2024, with details below:

Table 23. Schedule of Taxes Withheld and Remitted under SSP Fund for CY 2023

Month 2023	Tax Withheld			Remittance of BIR		Balances	
	From Suppliers	From Compensation	Total	Date	TRA No.		Amount
	(In Php)			(In Php)			
Beginning Balance		346,091.90	346,091.90	1/7/2023	30152022580143	346,091.90	-
January		135,208.60	135,208.60	2/3/2023	30152023799085	135,208.60	-
February		139,605.30	139,605.30	03/02/2023	30152023813103	139,605.30	-
March		157,538.09	157,538.09	4/4/2023	30152023831675	157,538.09	-
April		149,654.51	149,654.51	5/02/2023	30152023845714	149,654.51	-
May		142,295.31	142,295.31	6/09/2023	30152023872275	142,295.31	-
June		145,973.91	145,973.91	7/8/2022		145,973.91	-
	2,705.62		2,705.62	7/8/2022		2,705.62	-
July		299,513.99	299,513.99	8/10/2023	30152023906303	299,513.99	-
	321.43		321.43			321.43	-
August		142,293.31	142,293.31	9/08/2023	30152023920720	142,293.31	-
September		155,489.51	155,489.51	10/10/2023	30152023939871	155,489.51	-
October		143,213.46	143,213.46	11/15/2023	30152023957904	143,213.46	-
November		143,213.46	143,213.46	12/3/2023	30152023963778	143,213.46	-
December		206,213.59	206,213.59				206,213.59
Total	3,027.05	2,306,304.94	2,309,331.99			2,103,118.40	206,213.59

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

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

154. The TESDA-ISAT withheld the GSIS premium contributions of its employees in CY 2023 and remitted the same to GSIS, in compliance with Republic Act No. 8291.

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

156. For CY 2023, GSIS premium contributions and loan amortization amounted to ₱6,613,696.79 of which ₱6,613,696.79 was remitted to GSIS during CY 2023, leaving a zero unremitted balance with details below:

Table 24. Schedule of Withheld and Remitted GSIS Contributions for CY 2023

Month	Amount	Date Remitted	LDDAP No.	Amount	Balance
Beg. Bal.					0.00
January	499,274.72	02/01/2023	101-2023-02-07	484,544.06	14,730.66
February	509,072.05	02/17/2023	101-2023-02-04	523,802.71	-14,730.66
March	618,507.81	03/29/2023	101-2023-03-04	618,507.81	
April	530,794.34	04/17/2023	101-2023-04-04	530,794.34	
May	533,205.80	05/31/2023	101-2023-05-04	533,205.80	
June	533,952.07	06/16/2023	101-2023-06-04	533,952.07	
July	533,952.07	07/18/2023	101-2023-07-04	533,952.07	
August	533,952.07	08/04/2023	101-2023-08-04	533,952.07	
September	533,952.07	09/18/2023	101-2023-09-04	533,952.07	
October	532,909.57	10/18/2023	101-2023-10-04	532,909.57	
November	529,105.30	11/23/2023	101-2023-10-08	529,105.30	
December	710,057.24	12/27/2023	101-2023-12-06	710,057.24	
Total	6,613,696.79	-		6,613,696.79	-

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

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

158. The TESDA-ISAT withheld the HDMF premium contributions and loan amortizations of its employees in CY 2023 and remitted the same to HDMF in compliance with Republic Act No. 9679.

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

160. For CY 2023, HDMF premium contributions and loan amortizations aggregating ₱1,945,247.09 of which ₱1,945,247.09 was remitted to HDMF during CY 2023 leaving zero unremitted balance of with details below:

Table 25. Schedule of Withheld and Remitted HDMF Contributions for CY 2023

Month	Amount	Date Remitted	LDDAP/CHK No.	Amount	Balance
Beg. Bal.					0.00
January	162,362.58	1/24/2023	101-2023-01-03	162,362.58	
February	160,762.68	2/17/2023	101-2023-02-03	160,762.68	
March	174,974.45	3/29/2023	101-2023-03-03	174,974.45	
April	163,763.00	4/24/2023	101-2023-04-03	163,763.00	
May	164,281.02	5/15/2023	101-2023-05-03	164,281.02	
June	168,134.17	6/14/2023	101-2023-06-03	168,134.17	
July	171,195.20	8/02/2023	101-2023-08-08	171,195.20	
August	171,195.20	8/16/2023	101-2023-08-10	171,195.20	
September	147,634.17	9/18/2023	101-2023-09-03	147,634.17	
October	151,134.17	10/26/2023	101-2023-10-03	151,134.17	
November	145,003.85	11/23/2023	101-2023-10-07	145,003.85	
December	164,806.60	12/27/2023	101-2023-12-05	164,806.60	
Total	1,945,247.09			1,945,247.09	

Enforcement of Suspensions, Disallowance and Charges

161. COA Circular No. 2009-006 dated September 5, 2009 prescribes the use of the 2009 Rules and Regulations on the Settlement of Accounts (RRSA). It provides among others, that the Auditor shall issue a Notice of Disallowance/Notice of Charge for differences/balances resulting from the audit of the accounts. A Notice of Suspension may be issued pending compliance with various requirements for transactions which

may result in pecuniary loss to the government. The suspensions, disallowances and charges existing at the effectivity of these Rules, which is “October 6, 2009” shall continue to be monitored and enforced by COA.

162. The Statement of Audit Suspension, Disallowance and Charges as of December 31, 2023, showed an amount of ₱689,490.60 unsettled disallowances. Details is presented below:

Table 26: Statement of Audit Suspensions, Disallowances and Charges

	Beg. Balance (as of January 1, 2023)	This Period January 1, 2023 to December 31, 2023		Ending Balance (as of December 31, 2023)
		NS/ND/NC	NSSDC	
Notice of Suspension	₱0.00	₱0.00	₱0.00	₱0.00
Notice of Disallowance	733,300.60	0.00	43,810.00	689,490.60
Notice of Charge	0.00	0.00	0.00	0.00
Total	₱733,300.60	₱0.00	₱43,810.00	₱689,490.60

163. A Notice of Finality Decision No. 2022-001 dated October 5, 2022 was already issued to the person’s liable on the outstanding ND as of December 31, 2023.

D. Status of Implementation of Prior Years Recommendations

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

Table 28: Status of Implementation of Prior Years Recommendations

Year Reported	Total No. of Outstanding Recommendations as of January 1, 2023	Status of Implementation as of December 31, 2023	
		Fully Implemented	Not Implemented
2022	24	19	5
Total	24	19	5
Percentage	100	79.17%	20.83%

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

E. Acknowledgement

166. 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.

167. We request that a status report on the actions taken on the audit recommendations be submitted within 60 days from the receipt hereof, pursuant to Section 99 of the General Provisions of R.A. No. 11936, otherwise known as the “General Appropriations Act for FY 2023” using the attached form entitled Agency

Action Plan and Status of Implementation (AAPSI) as required under COA Memorandum No. 2014-002 dated March 18, 2014.

Very truly yours,



ATTY. JOHN MARK B. RAGUINDIN
Audit Team Leader

Copy furnished:

Office of the Regional Director, COA RO 2

Office of the Regional Supervising Auditor, NGAS-5 COA RO 2

Office of the Regional Audit Team Leader, TESDA RO 2

ANNEXES

ANNEXES

- A. Audited Financial Statements
 - A.1 Statement of Management Responsibility
 - A.2 Statement of Financial Position
 - A.3 Statement of Financial Performance
 - A.4 Statement of Changes in Net Assets/Equity
 - A.5 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
- D. Schedule of Prior Year Expenditures Charged Against the Current SSP Fund for the Year-Ended December 31, 2023




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, 2023 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 International 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.


JEANA CRYZELA T. AQUINO
Acting Accountant
January 17, 2024


EDWIN P. MADARANG, D. Hums
Vocational School Superintendent
January 17, 2024



TECHNICAL EDUCATION AND SKILLS DEVELOPMENT AUTHORITY
ISABELA SCHOOL OF ARTS AND TRADES

STATEMENT OF FINANCIAL POSITION

ALL FUNDS

As at December 31, 2023

(In Php)

	Note	2023	2022
ASSETS			
Current Assets			
Cash and Cash Equivalents	5.1	3,481,268.16	5,876,611.11
Receivables	5.2	685,890.60	4,568,134.70
Inventories	5.3	3,307,666.89	7,670,212.18
Total Current Assets		7,474,825.65	18,114,957.99
Noncurrent Assets			
Property, Plant and Equipment - Net	5.4	26,204,929.56	29,124,087.90
Total Noncurrent Assets		26,204,929.56	29,124,087.90
TOTAL ASSETS		33,679,755.21	47,239,045.89
LIABILITIES			
Current Liabilities			
Financial Liabilities	5.6	803,775.79	3,864,822.65
Inter-Agency Payables	5.5	411,080.84	504,224.96
Other Payables		11,200.00	
Total Current Liabilities		1,226,056.63	4,369,047.61
Total Liabilities		1,226,056.63	4,369,047.61
NET ASSETS/EQUITY			
Government Equity		41,910,556.85	33,140,085.93
Accumulated Surplus/(Deficit)		(9,456,858.27)	9,729,912.35
Total Equity		32,453,698.58	42,869,998.28
TOTAL LIABILITIES AND NET ASSETS/EQUITY		33,679,755.21	47,239,045.89

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

**TECHNICAL EDUCATION AND SKILLS DEVELOPMENT AUTHORITY
ISABELA SCHOOL AOF ARTS AND TRADES**



**STATEMENT OF FINANCIAL PERFORMANCE
ALL FUNDS**

For the Year-ended December 31, 2023

(In PhP)

	<u>Note</u>	<u>2023</u>	<u>2022</u>
Revenue			
Service and Business Income	6	22,415,132.53	33,707,041.24
Total Revenue		<u>22,415,132.53</u>	<u>33,707,041.24</u>
Less: Current Operating Expenses			
Personnel Services	7	37,808,079.99	34,326,085.08
Maintenance And Other Operating Expenses	8	32,029,738.67	35,478,510.92
Non Cash Expense	9	2,965,158.34	3,224,409.86
Total Current Operating Expenses		<u>72,802,977.00</u>	<u>73,029,005.86</u>
Surplus/(Deficit) from Current Operations		<u>(50,387,844.47)</u>	<u>(39,321,964.62)</u>
Net Financial Assistance/Subsidy	10		
Subsidy from National Government		39,060,784.80	32,704,817.02
Subsidy from Other NGAs		-	1,838,854.32
Subsidy from Central Office		-	15,242,073.33
Subsidy from Regional Offices		1,870,201.40	1,949,150.76
Net Financial Assistance/Subsidy		<u>40,930,986.20</u>	<u>51,734,895.43</u>
Surplus/(Deficit) for the period		<u>(9,456,858.27)</u>	<u>12,412,930.81</u>

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

**TECHNICAL EDUCATION AND SKILLS DEVELOPMENT AUTHORITY
ISABELA SCHOOL OF ARTS AND TRADES**



**STATEMENT OF CHANGES IN NET ASSETS/EQUITY
ALL FUNDS**

For the Year-ended December 31, 2023

(In PhP)

	<u>Note</u>	<u>2023</u>	<u>2022</u>
Balance at January 1		42,869,998.28	29,787,661.60
Changes in accounting policy			
Prior Period Adjustments/Unrecorded Income and Expenses	4	(959,441.43)	669,405.87
Other Adjustments		-	-
Restated balance		<u>41,910,556.85</u>	<u>30,457,067.47</u>
Add/(Deduct):			
Changes in Net Assets/Equity for the Calendar Year			
Prior period depreciation			
Erroneously recording of settlement of disallowance			
Adjustment of Net Revenue recognized directly in net assets/equity			
Surplus (Deficit) for the period		<u>(9,456,858.27)</u>	<u>12,412,930.81</u>
Balance at December 31		<u><u>32,453,698.58</u></u>	<u><u>42,869,998.28</u></u>

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

**TECHNICAL EDUCATION AND SKILLS DEVELOPMENT AUTHORITY
ISABELA SCHOOL OF ARTS AND TRADES**



**STATEMENT OF CASH FLOWS
ALL FUNDS
For the Year-ended December 31, 2023
(In PhP)**

	<u>2023</u>	<u>2022</u>
Cash Flow from Operating Activities:		
Cash Inflows:		
Receipt of Notice of Cash Allocation	36,957,466.85	34,653,967.78
Receipt of Fund Transfer	-	135,950.00
Collection of Income/Revenue/Other Receipts	25,893,584.75	35,078,357.75
Total Cash Inflows	<u>62,851,051.60</u>	<u>69,868,275.53</u>
Cash Outflows:		
Payment of Expenses	46,591,301.88	43,308,284.22
Remittance of Personnel Benefit Contributions and Mandatory Deductions	17,904,874.79	16,614,805.46
Other Disbursements	704,217.88	1,627,383.53
Total Cash Outflows	<u>65,200,394.55</u>	<u>61,550,473.21</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	(2,349,342.95)	8,317,802.32
CASH FLOW FROM INVESTING ACTIVITIES	-	-
Cash Outflow:		
Purchase/Construction of Property, Plant and Equipment	46,000.00	2,630,360.00
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(46,000.00)</u>	<u>(2,630,360.00)</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	-	-
Cash and Cash Equivalents at January 1	5,876,611.11	189,168.79
Cash and Cash Equivalents at December 31	<u>3,481,268.16</u>	<u>5,876,611.11</u>

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
 City of Ilagan, Isabela

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT
ALL FUNDS
For the Year-ended December 31, 2023

Particulars	Budgeted Amounts		Actual Amounts on Comparable Basis	Difference Final Budget and Actual
	Original	Final		
Notes				
RECEIPTS				
Services and Business Income	-	-	-	-
Assistance and Subsidy	34,217,000	38,606,870.71	38,606,870.71	-
Others	-	-	5,590.00	(5,590.00)
Total Receipts	<u>34,217,000.00</u>	<u>38,606,870.71</u>	<u>38,612,460.71</u>	<u>(5,590.00)</u>
PAYMENTS				
Personnel Services	32,902,000	37,271,870.71	36,468,358.76	803,511.95
Maintenance and Other Operating Expenses	1,315,000	1,335,000.00	609,156.29	725,843.71
Capital Outlay	-	-	-	-
Total Payments	<u>34,217,000.00</u>	<u>38,606,870.71</u>	<u>37,077,515.05</u>	<u>1,529,355.66</u>
	<u>-</u>	<u>-</u>	<u>1,534,945.66</u>	<u>(1,534,945.66)</u>

NET RECEIPTS/PAYMENTS

Certified Correct:

JEANA CRYZELA T. AQUINO
Acting Accountant

Approved by:

EDWIN P. MADARANG
Vocational School Superintendent

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, 2023

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 17, 2024 signed by the Head of Agency/Authorized Representative as shown in the Statement of Management Responsibility for Financial Statements signed by Edwin P. Madarang, D. Hums, 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 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 International Public Sector Accounting Standards (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 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 and Inter-Agency payables.

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.

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;
- 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	N/A
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 are 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.

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 following are the adjustment made in Accumulated Surplus/(Deficit) account during the year 2023.

Particulars	Amount
Unrecorded Deposit on October 21, 2022	34,435.00
Staled Check	11,218.72
Disallowances of various employees	735,500.60
Refund of Assessment Fee dated September 9, 2022	(19,009)
Refund of Cash Advances	16,314.88
Payment of Assessors Honoraria	(47,806.10)
Payment of Water expense for previous year	(5,925.00)
Correction of Overstated Accounts Receivable of TESDA-PO	(1,684,170.70)
TOTAL	(959,441.60)

5. Supporting Information to the Statement of Financial Position

5.1 Cash and Cash Equivalents

Particulars	2023	2022
Cash - Collecting Officers	-	15,760.12
Cash in Bank - Local Currency, Current Account - Land Bank of the Philippines (LBP)	3,481,268.16	5,860,850.99
Total Cash and Cash Equivalent	3,481,268.16	5,876,611.11

Cash in Bank-Local Currency, Current Account pertain to Revolving Fund under the Sariling Sikap Program (SSP) for income collected from School Fees, Examination Fees, Income from Hotel and other income generating projects.

5.2 Receivables

Particulars	2023	2022
Account Receivable	-	4,568,134.70
Receivable – Disallowances/Charges	685,890.60	-
Total Receivables	685,890.60	4,568,134.70

The total receivable represents the Receivable – Disallowances/Charges from employees.

5.3 Inventories

Particulars	2023	2022
Other Supplies and Materials for Distribution	3,121,642.09	7,670,212.18
Office Supplies Inventory	35,274.80	-
Semi-Expandable Machinery and Equipment	150,750.00	-
Total Inventories	3,307,666.89	7,670,212.18

Other Supplies and Materials for Distribution are the total amount of undistributed Toolkits of Scholars as of December 31, 2023. Office Supplies Inventory and Semi-Expandable Machinery and Equipment accounts represent balances for issuance to the corresponding end-users.

5.4 Property, Plant and Equipment

	Buildings and Other Structures	Machinery & Equipment,	Motor Vehicles	Total
Carrying Amount - January 01, 2023	21,466,514.18	5,131,844.04	2,525,729.68	29,124,087.90
Additions/Acquisitions			46,000	46,000.00
Total	21,466,514.18	5,131,844.04	2,571,729.68	
Depreciation (As per Statement of Financial Performance)	962,563.26	1,642,055.08	360,540.00	2,965,158.34
Impairment Loss (As per Statement of Financial Performance)	-	-	-	-
Carrying Amount, December 31, 2023 (As per Statement of Financial Position)	20,503,950.92	3,489,788.96	2,211,189.68	26,204,929.56
Gross Cost (Asset Account Balance per Statement of Financial Position)	30,504,214.40	23,581,106.64	3,655,211.00	57,740,532.04
Less: Accumulated Depreciation	10,000,263.48	20,091,317.68	1,444,021.32	31,535,602.48
Allowance for Impairment	-	-	-	-
Carrying Amount, December 31, 2023 (As per Statement of Financial Position)	20,503,950.92	3,489,788.96	2,211,189.68	26,204,929.56

The following shows the status of Property, Plant and Equipment as of December 31, 2023 under the 2023 Report on Physical Count of Property, Plant and Equipment.

Account Title	Fully Depreciated		Not Fully Depreciated		Total Acquisition Cost
	Serviceable	Unserviceable	Serviceable	Unserviceable	
Land	-	-	-	-	-
Buildings	-	-	18,684,191.00	-	18,684,191.00
School Buildings	271,250.00	-	10,477,995.40	-	10,749,245.40
Other Structures	-	-	1,070,778.00	-	1,070,778.00
Office Equipment	97,895.00	-	190,000.00	-	287,895.00
ICT Equipment	-	3,153,501.24	639,380.00	-	3,792,881.24
Other Equipment	12,317,687.20	-	6,837,343.20	-	19,155,030.40
Motor Vehicle	250,000.00	455,011.00	2,750,200.00	200,000.00	3,655,211.00
Communication Equipment	-	-	345,300.00	-	345,300.00
TOTAL	12,936,832.20	3,608,512.24	40,995,187.60	200,000.00	57,740,532.04

5.5. Inter-Agency Payables

Particulars	2023	2022
Due to BIR	411,080.85	504,224.96
Total Inter-Agency Payables	411,080.85	504,224.96

Due to BIR is remitted on January 10, 2024.

5.6. Payables

Particulars	2023	2022
Accounts Payable	797,909.21	3,302,782.48
Due to Officers and Employees	5,866.58	562,040.17
Other Payables	11,200.00	-
Total Financial Liabilities	814,975.79	3,864,822.65

Accounts payable pertain to due and demandable obligations for the payment of traveling expenses, fuel and oil, and supplies and materials. Due to Officers and Employees refers to the over deducted loan amortization of employees to be returned. Meanwhile, other payables refer to the staled checks by employees to be replaced.

Supporting Information to the Statement of Financial Performance

6. Revenue

6.1 Business Income

Particulars	2023	2022
School Fees	11,962,840.93	21,913,448.00
Examination Fees	6,586,264.10	8,000,364.18
Seminar/Training Fees	-	364,068.14
Rent/Lease Income	-	55,000.00
Income from Hotels/Dormitories and Other Like Facilities	207,631.50	171,370.00
Other Business Income - Others-IGP	3,658,396.00	3,202,790.92

Particulars	2023	2022
Total	22,415,132.53	33,707,041.24

School Fees represent collection from various scholarship programs implemented by TESDA-ISAT.

7. Personnel Services

7.1 Salaries and Wages

Particulars	2023	2022
Salaries and Wages-Regular	27,783,116.25	22,032,426.31
Total Salaries and Wages	27,783,116.25	22,032,426.31

7.2 Other Compensation

Particulars	2023	2022
Personal Economic Relief Allowance (PERA)	1,426,299.26	1,338,000.00
Representation Allowance (RA)	90,000.00	75,000.00
Transportation Allowance (TA)	82,500.00	52,500.00
Clothing/Uniform Allowance	360,000.00	330,000.00
Subsistence Allowance, Laundry and Quarters Allowance	19,800.00	19,800.00
Hazard Pay	12,000.00	12,000.00
Year End Bonus	2,084,483.00	1,825,610.00
Cash Gift	300,000.00	275,000.00
Other Bonuses and Allowances	-	1,080,000.00
Collective Negotiations Agreement	725,843.71	1,375,000.00
Productivity Enhancement Incentives	300,000.00	270,000.00
Performance Based Bonus	767,169.12	-
Bonus and Allowances-Mid Year Bonus	-	1,820,843.00
Total Other Compensation	6,168,095.09	8,473,753.00

7.3 Personnel Benefit Contributions

Particulars	2023	2022
Retirement and Life Insurance Premiums	2,988,399.09	2,640,734.69
Pag-ibig Contributions	165,123.02	66,900.00
PhilHealth Contributions	389,376.17	434,871.61
Employees Compensation Insurance Premiums	71,300.00	66,900.00
Total Personnel Benefit Contributions	3,614,198.28	3,209,406.30

7.4 Other Personnel Benefits

Particulars	2023	2022
Terminal Leave Benefits	202,670.37	610,499.47
Other Personnel Benefits:	40,000.00	35,579.25
Total Other Personnel Benefits	242,670.37	646,078.72

7.5 Employee Future Benefits

The TESDA ISAT and its employees contribute to the Government Service Insurance System (GSIS) in accordance with R.A. 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 (MOOE)

8.1 Travelling Expenses

Particulars	2023	2022
Travelling Expenses-Local	1,861,773.27	1,575,102.94
Total Travelling Expenses	1,861,773.27	1,575,102.94

8.2 Training and Scholarship Expenses

Particulars	2023	2022
Training Expenses	103,300.00	1,310,750.24
Scholarship Grants/Expenses	6,684,771.49	7,885,142.71
Total Training and Scholarship Expenses	6,788,071.49	9,195,892.95

Training Expense refers to registration fee for staff development of TESDA-ISAT personnel and the Scholarship Grants/Expenses is from distribution of toolkits to the scholars.

8.3 Supplies and Materials Expenses

Particulars	2023	2022
Office Supplies Expenses	314,929.75	698,951.51
Accountable Forms Expenses	-	10,000.00
Fuel, Oil and Lubricants Expenses	1,454,721.48	1,653,666.27
Textbooks and Instructional Materials Expenses	11,836,847.30	9,196,549.43
Semi-Expendable Machinery & Equipment - Office Equipment Expenses	-	657,122.00
Semi-Expendable Machinery and Equipment – ICT Expenses	383,100.00	411,800.00
Semi-Expendable Machinery and Equipment – Communication Expenses	179,800.00	-
Semi-Expendable Machinery and Equipment Expenses	191,099.00	1,392,548.75
Semi-Expendable Furniture, Fixtures and Books Expenses	56,025.00	-
Total Supplies and Materials Expenses	14,416,522.53	14,020,637.96

8.4 Utility Expenses

Particulars	2023	2022
Water Expenses	52,069.95	-
Electricity Expenses	1,724,619.37	1,828,256.12
Total Utility Expenses	1,776,689.32	1,828,256.12

8.5 Communication Expenses

Particulars	2023	2022
Telephone Expenses	12,004.00	49,018.99
Internet Subscription Expenses	242,086.57	121,861.25

Particulars	2023	2022
Cable, Satellite, Telegraph and Radio Expenses	31,386.51	10,500.00
Total Communication Expenses	285,477.08	181,380.24

8.6 Awards/Rewards and Prizes

Particulars	2023	2022
Awards/Rewards Expenses	20,000.00	0.00
Total Awards/Rewards and Prizes	20,000.00	0.00

8.7 Professional Services

Particulars	2023	2022
Legal Services	13,510.00	38,150.00
Other Professional Services	2,568,278.30	2,271,236.24
Total Professional Services	2,581,788.30	2,309,386.24

8.8 General Services

Particulars	2023	2022
Other General Services	2,169,282.46	2,994,359.77
Total General Services	2,169,282.46	2,994,359.77

Other General Services are salaries of Job Order Employees and payment to technical staff of TESDA-ISAT.

8.9 Repairs and Maintenance

Particulars	2023	2022
Repairs and Maintenance-Buildings and Other Structures	651,179.41	1,128,508.24
Repairs and Maintenance-Machinery and Equipment	61,105.00	204,219.00
Repairs and Maintenance-Transportation Equipment	218,272.67	419,745.49
Repairs and Maintenance-Furniture and Fixtures	-	13,750.00
Total Repairs and Maintenance Expenses	930,557.08	1,766,222.73

8.10 Taxes, Insurance Premiums and Other Fees

Particulars	2023	2022
Taxes, Duties and Licenses	31,592.11	21,770.00
Fidelity Bond Premiums	-	35,000.00
Insurance Expenses	13,462.88	9,350.74
Total Taxes, Insurance Premiums and Other Fees	45,054.99	66,120.74

8.11 Other Maintenance and Operating Expenses

Particulars	2023	2022
Advertising Expenses	48,000.00	48,000.00
Representation Expenses	859,048.15	756,891.40
Transportation and Delivery Expenses	2,270.00	33,219.59
Rent/Lease Expenses	59,000.00	-
Subscription Expenses	6,500.00	6,080.00
Other Maintenance and Operating Expenses	179,704.00	661,380.99
Total Other Maintenance and Operating Expenses	1,154,522.15	1,505,571.98

9. Non-Cash Expenses

9.1 Depreciation

Particulars	2023	2022
Depreciation-Buildings and Other Structures	962,563.26	952,375.41
Depreciation-Machinery and Equipment	1,642,055.08	2,138,191.61
Depreciation-Transportation Equipment	360,540.00	125,742.81
Depreciation-Furniture, Fixtures and Books	-	8,100.00
Total Depreciation	2,965,158.34	3,224,409.83

10. Net Financial Assistance/Subsidy

10.1 Financial Assistance/Subsidy from NGAs, LGUs, GOCCs

Particulars	2023	2022
Subsidy from National Government	39,060,784.80	32,704,817.02
Subsidy from other NGAs	-	1,838,854.32
Subsidy from Regional Offices and Central Office	1,870,201.40	17,191,224.09
Total Financial Assistance/Subsidy from NGAs, LGUs, GOCCs	40,930,986.20	51,734,895.43
Net Financial Assistance/Subsidy	40,930,986.20	51,734,895.43

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

TESDA – Isabela School of Arts and Trades, has a total appropriation of P38,606,870.71 per General Appropriations Act (GAA) of RA 11936. Allotment received totaled P38,606,870.71 with obligation incurred of P37,077,515.05, leaving the balance of P1,529,355.66 with the details shown below:

Particulars	Allotment Received	Adjustment (Realignment)	Adjusted Allotment	Obligation Incurred	Unobligated Balance
A. Current Year Budget					
PS	30,113,000.00	4,774,823.08	34,887,823.08	33,497,580.65	1,390,242.43
MOOE	1,315,000.00	(725,843.71)	609,156.29	609,156.29	-
Total	31,428,000.00	4,048,979.37	35,496,979.37	34,106,736.94	1,390,242.43
B. Automatic Appropriation					
PS	2,789,000.00	300,891.34	3,089,891.34	2,950,778.11	139,113.23
Total	2,789,000.00	300,891.34	3,089,891.34	2,950,778.11	139,113.23
C. Special Purpose Funds					
MOOE	20,000.00	-	20,000.00	20,000.00	-
Total	20,000.00	-	20,000.00	20,000.00	-
Grand Total	34,237,000.00	4,349,870.71	38,606,870.71	37,077,515.05	1,529,355.66

12. Key Management Personnel

The institution is headed by Edwin P. Madarang D. Hums as Vocational School Superintendent. The personnel compliment is divided into two departments, the Instruction and the Administrative. The Instruction Department is headed by Elmer Bartolome as Vocational Instruction Supervisor (VIS) while the Administrative is headed by Jeana Cryzela T. Aquino as Acting Administrative Officer IV.

13. Key Management Personnel Compensation

The aggregate remuneration of Vocational School Superintendent and 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	2,562,408.00
Other Compensation	684,494.20
Personnel Benefit Contributions	324,677.04
Total Other Personnel Benefits	3,571,579.24

**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, 2023	Status of Implementation as of December 31, 2023	
		Fully Implemented	Not Implemented
2022	24	19	5
Total	24	19	5
Percentage	100	79.17%	20.83%

The details of our validation are presented hereunder:

Observations and Recommendations	Reference	Management Action	Auditor's Results of Validation
<p>The balance of Accounts Receivable Account of TESDA ISAT is overstated by ₱1,684,170.70 due to invalidated billings of training and assessment fees of TESDA Isabela Provincial Office, thus overstating the assets and revenue accounts affecting the fair presentation of its financial statements as at December 31, 2022 which is not in keeping with Chapters 2 and 5 of the GAM for NGAs, Volume I</p> <p>We have recommended that Management:</p> <ol style="list-style-type: none"> Instruct the Accountant to prepare adjusting entry to correct the overstated Accounts Receivable Account by ₱1,684,170.70. Require the Scholarship and Assessment Focal Person to judiciously prepare the billings made to TESDA PO to include only valid claims of training and assessment fees. Direct the Accounting Section to timely reconcile the Accounts Receivable from TESDA PO to ascertain the correctness and validity of their claims. 	<p>AOM No. 2023-005 (2022) dated 2/28/2023</p>	<p>Management instructed the Assessment and Registrar Office to provide a copy of the billing to the Accounting Office once received by TESDA PO as this will be the basis of the Accounting Office in recording valid Accounts Receivables. Furthermore, the Management instructed the Accountant to prepare the necessary adjustments for the derecognition of invalid claims and reminded the Accountant to have a monthly reconciliation with TESDA PO to avoid misstatements in the financial reports.</p>	<p>Fully Implemented (JEV No. GJ-SSP-2023-03-003 dated March 6, 2023)</p> <p>Fully Implemented</p> <p>Not Implemented</p>
<p>Notice of Disallowance totaling ₱871,822.40 which become final and executory and of which an amount of ₱733,300.60 remained unpaid representing double compensation on payments of Assessor's honoraria from the SSP were unrecorded as of December 31, 2022 contrary to Chapter 6 of the GAM, Volume I and COA Circular No. 2009-006, thus understating the assets and</p>	<p>AOM No. 2023-006 (2022) dated 2/28/2023</p> <p>ML 2022</p>	<p>Management instructed the Accountant to prepare an adjusting entry to record the outstanding disallowance and to monitor all future payments, update the</p>	

Observations and Recommendations	Reference	Management Action	Auditor's Results of Validation
<p>revenue accounts affecting the fair presentation of the financial statements.</p> <p>We have recommended that management require the Accountant to:</p> <ol style="list-style-type: none"> 4. Prepare adjusting entries to record the outstanding disallowance which become final and executory amounting to ₱733,300.60. 5. Monitor the payments and the outstanding balance of the persons liable and ensure that their liability is settled prior to resignation, retirement or transfer. 		<p>outstanding balance and ensure that their liability is settled prior to resignation, retirement or transfer.</p>	<p>Fully Implemented (JEV No. GJ-SSP-2023-03-004 dated March 6, 2023)</p> <p>Fully Implemented</p>
<p>Receipt of 400 sets of starter toolkits and distribution of 1,425 thereof in CY 2022 amounting to ₱1,870,201.40 and ₱6,684,771.49, respectively, were not recorded in the books, resulting in misstatements in the asset, income and expense accounts of the financial statements at year-end, contrary to pertinent provisions of the GAM for NGAs, Volumes I and III.</p> <p>We have recommended that Management:</p> <ol style="list-style-type: none"> 6. Instruct the Accountant to prepare adjusting entries to record the receipt and distribution of starter toolkits in CY 2022 amounting to ₱1,870,201.40 and ₱6,684,771.49, respectively. Henceforth, properly record the succeeding receipt and distribution of the toolkits. 7. Require the Property Section to promptly submit to the Accounting Section copies of RIS on the receipt of toolkits and Acknowledgement Receipts on the issuance thereof for proper recording. 	<p>AOM No. 2023-004 (2022) dated 2/27/2023</p> <p>ML 2022</p>	<p>The management instructed the Accountant to make the necessary adjusting entry to record the receipt and distribution of the starter toolkits in CY 2022. Further, the Accountant will coordinate with the Supply Officer so that succeeding transaction are properly monitored and recorded</p>	<p>Fully Implemented (JEV Nos. GJ-SSP-2023-03-001 to 002 dated March 6, 2023)</p> <p>Fully Implemented</p>
<p>The beginning balance of the PPE Accounts in the Comparative FS were not restated as a result of the change in accounting policy, thus the net adjustments in the Accumulated Surplus/(Deficit) in prior year amounting to ₱1,902,191.24 was not retrospectively applied contrary to the provision of the GAM for NGAs-Volume I and COA Circular No. 2022-004 dated May 31, 2022.</p> <p>We recommended that management:</p>	<p>AOM No. 2023-007 (2022) dated 2/28/2023</p> <p>ML 2022</p>	<p>The management instructed the Accountant to restate the beginning balance of the Comparative FS relative to the change in accounting policy.</p>	

Observations and Recommendations	Reference	Management Action	Auditor's Results of Validation
<p>8. Require the Accountant to restate the beginning balance of the Comparative FS on the affected accounts relative to the change in accounting policy on the increase in the capitalization threshold from P15,000.00 to P50,000.00 as provided in COA Circular No. 2022-004.</p>			Fully Implemented
<p>The Notes to FS did not include information on the breakdown or details of the accounts, the significant changes in the balances or unchanged balances, and the reasons thereof which was not in keeping with existing rules and regulations, hence, did not/could not serve the intended purposes of proper information and decision-making for the users of the FS depriving users thereof with right information that could be considered useful in making effective decisions and informed judgments on the agency's resources.</p> <p>We have recommended that management:</p> <p>9. Require the Accountant to disclose in the Notes to FS relevant information on the breakdown/details of the accounts, the significant changes in the balances or the unchanged balances, and the reasons thereof, if any, as prescribed under existing rules and regulations, for the proper information and decision-making of all users of the FS and to establish the reliability thereof.</p>	<p>AOM No. 2023-007 (2022) dated 2/28/2023</p> <p>ML 2022</p>	<p>The management instructed the Accountant to disclose in the Notes to FS relevant information on the breakdown/details of the accounts, the significant changes in the balances or the unchanged balances and the reason thereof, if any.</p>	Fully Implemented
<p>Inadequate control system in the granting and utilization of cash advances resulted in the accumulation of outstanding cash advances amounting to ₱191,972.50 caused by: a) granting of additional cash advances despite non-liquidation of the previously granted cash advance; and b) transferring of cash advance from one accountable officer to another contrary to Section 89 of P.D. 1445 and COA Circular No. 97-002.</p> <p>We have recommended that Management:</p> <p>10. Stop the practice of granting additional cash advance unless the previous cash advance has been liquidated pursuant to Section 4.1.2 of COA Circular 97-002 dated February 10, 1997 to avoid accumulation of large amounts of unliquidated cash advances.</p> <p>11. Designate additional Special Disbursing Officer to act as an accountable officer and be granted cash advances in case the current Accountable Officer has unliquidated cash advances, if necessary.</p>	<p>AOM No. 2023-002 (2022) dated 2/8/2023</p> <p>ML 2022</p>	<p>The management confirmed that most of the untaxed transactions were from the reimbursement of expenses used as instructional materials needed in the assessment. The management instructed the Accountant to strictly withhold taxes.</p>	<p>Not Implemented (Reiterated)</p> <p>Not Implemented (Reiterated)</p>

Observations and Recommendations	Reference	Management Action	Auditor's Results of Validation
<p>12. Stop the practice of granting cash advances to the Disbursing Officer that will eventually be transferred to another officials and employees of TESDA-ISAT in compliance with COA Circular 97-002 dated February 10, 1997.</p> <p>13. Refrain the practice of payments thru cash advance instead payment should be made directly to suppliers to ensure that the corresponding taxes are withheld thereon.</p>			<p>Fully Implemented</p> <p>Fully Implemented</p>
<p>Notice of Award and Notice to Proceed for the procurement of goods totaling ₱2,652,620.75 were not posted in the PhilGEPS website which is not in accord with the provisions of the Revised IRR of RA No. 9184, thus transparency of awarded government contracts was not achieved.</p> <p>We have recommended that Management:</p> <p>14. Require the BAC Secretariat to post in the PhilGEPS websites the Notices of Award and Notices to Proceed for the procurements done thru public bidding and all instances of alternative methods of procurement, except for contracts with ABC of Fifty Thousand Pesos (₱50,000.00) and below.</p> <p>15. Ensure that the printout copy of postings of Notices of Award and Notices to Proceed in the PhilGEPS website is included among the supporting documents for payment of procured goods and services.</p>	<p>AOM No. 2023-001 (2022) dated 2/8/2023</p> <p>ML 2022</p>	<p>The management called the attention of the BAC to review and follow the policy on procurement processes to avoid deficiencies like failure to post the Notice of Award and/or Notice to Proceed. Further, the management will ensure that for succeeding transactions, they will comply with the postings requirement of RA 9184 and submit copies thereof.</p>	<p>Fully Implemented</p> <p>Fully Implemented</p>
<p>The agency failed to post the invitation or request for submission for price quotations/proposals in the PhilGEPS website and in the website of the agency for various procurements with amounts exceeding ₱50,000.00 totaling to ₱957,520.75 which is not in keeping with the prescribed procedure on alternative modes of procurement as provided in Section 54.2 of the 2016 Revised IRR of R.A. No. 9184.</p> <p>16. We have recommended that management require the BAC to observe strictly in its procurements the posting of the invitation or request for submission for price quotations/proposals in the PhilGEPS website and in the website of the entity, pursuant to the provisions of the Revised IRR of R.A. No. 9184.</p>	<p>AOM No. 2023-001 (2022) dated 2/8/2023</p> <p>ML 2022</p>	<p>The management required the BAC to post invitation or request for submission for price quotations/proposals in the PhilGEPS website. Otherwise, the BAC is required submit justifications for failing to do so.</p>	<p>Not Implemented (Reiterated)</p>

Observations and Recommendations	Reference	Management Action	Auditor's Results of Validation
<p>Lack of procurement planning for the purchase of various instructional materials resulted in the adoption of alternative mode of procurements with an aggregate amount of ₱1,022,129.26 contrary to Section 10, Rule IV and Section 54.1, Rule XVI of 2016 Revised IRR of RA No. 9184 thus, deprived the agency of the opportunity to take advantage of possible bulk discounts or lowest responsive offer.</p> <p>We have recommended that Management:</p> <p>17. Conduct proper planning in the procurement of goods and services and avoid splitting of requisition pursuant to the provisions of the Revised IRR of R.A. No. 9184 and COA Circular No. 2009-002 dated May 18, 2009.</p> <p>18. Inform the BAC of all procurement transactions and shall see to it that competitive bidding is done except under conditions where alternative mode of procurement is applicable pursuant to Section 10, Rule IV of 2016 Revised IRR of RA 9184.</p>	<p>AOM No. 2023-001 (2022) dated 2/8/2023</p> <p>ML 2022</p>	<p>The management informed the BAC to conduct proper procurement planning to comply with the rules set forth under RA 9184 to avoid splitting of contract on the succeeding transactions.</p>	<p>Fully Implemented</p> <p>Fully Implemented</p>
<p>756 starter toolkits in the total amount of ₱2,873,456.59 pertaining to implemented scholarship programs in FYs 2018-2021 remained undistributed to the graduates as at December 31, 2022 which was not in keeping with pertinent provisions of TESDA Circular No. 18, series of 2022, TESDA Circular No. 64, series of 2021, and TESDA Circular No. 11, series of 2020, thus the delay in the use thereof by the intended beneficiaries for self-employment or entrepreneurial activities and the incurrence of additional costs for storage and safekeeping.</p> <p>We have recommended that Management:</p> <p>19. Continue its efforts to locate the graduates entitled to the 398 unclaimed starter toolkits. However, for the 358 toolkits of unutilized slots, if no beneficiaries will be identified, the undistributed units under UAQTEA shall be used for community-based programs of TESDA ISAT or TESDA Isabela PO while the undistributed units under STEP shall be utilized in accordance with TESDA Circular No. 64, series of 2021.</p> <p>20. In coordination with the Regional Director and the Provincial Director, make representation with the concerned Department/s in the Central Office to discuss and address the issues and</p>	<p>AOM No. 2023-008 (2022) dated 3/9/2023</p>	<p>The management asserted that they will coordinate with TESDA Isabela Provincial Office on how to properly dispose the unclaimed toolkits for community-based trainings. Also, they will communicate with the proper authority the noted issues and concerns on the receipts and distributions of toolkits.</p>	<p>Not Implemented</p> <p>Fully Implemented</p>

Observations and Recommendations	Reference	Management Action	Auditor's Results of Validation
<p>concerns on the receipt of toolkits and the distribution thereof to the beneficiaries, thus timely and effectively attain the objectives of the Scholarship Programs and avoid additional cost for storage and safekeeping.</p>			
<p>The purpose and objective of the SSP established under Executive Order No. 939 was not fully achieved due to the failure of TESDA ISAT to create and engage in various training-cum-production activities which are self-sustaining and self-liquidating.</p> <p>We have recommended that Management:</p> <ol style="list-style-type: none"> 21. Make proper representation with TESDA Central Office to revisit the provisions of Executive Order (EO) No. 939 and its IRR, and to recommend necessary amendments, if warranted. 22. Pending amendment to EO No. 939 and its IRR, strictly observe the existing guidelines for the SSP Program to fully achieve its purpose and objectives. 23. With the existing resources, revisit the possibilities of engaging into training-cum-production to be funded by its available SSP fund or any income generating activities as envisioned during the creation of the SSP Fund. 	<p>AOM No. 2023-009 (2022) dated 3/6/2023</p>	<p>The Management contends that this practice has been in place for all TTIs and have been currently applying the same in accordance with the instruction of TESDA. Also, the Management had already made plans on engaging into various training-cum-production activities to generate more income under the SSP Fund. Nonetheless, the noted observations will be communicated to TESDA Central Office thru proper channels.</p>	<p>Fully Implemented</p> <p>Fully Implemented</p> <p>Fully Implemented</p>
<p>The Transparency Seal on the TESDA – ISAT website does not strictly contain the relevant information as provided under Section 102 of the General Provisions of General Appropriation Act of 2022 and DBM National Budget Circular No. 542 dated August 29, 2012, thus making key government information about operations of the agency not practically accessible to the public, and participatory governance, transparency and accountability were not achieved.</p> <p>24. We have recommended that management update and enhance the Transparency Seal page contents, pattern the page's interface with the information required in Section 102 of GAA 2022 for ease of understanding and access in response to the right to information of the public.</p>	<p>AOM No. 2023-003 (2022) dated 2/8/2023</p> <p>ML 2022</p>	<p>The Management had already started updating the Transparency Seal page contents on the agency website and ensure strict compliance with in Section 102 of GAA 2022.</p>	<p>Fully Implemented</p>

TECHNICAL EDUCATION AND SKILLS DEVELOPMENT AUTHORITY
 ISABELA SCHOOL OF ARTS AND TRADES
 Schedule of NCA Utilization
 Fund Cluster 01-Regular Agency Fund
 For CY 2023

NCA/NTA		NCA/NTA Amount				NCA Received	Allotments Rec	Difference	Actual Disbursements			Balance (Unutilized)
No.	Date	PS	MOOE	Tax Withheld	Total	Total PS, RLIP and MOOE	received from DBM/Sub-allotments		PS	MOOE	Total	
NCA-ROII-90068-6	01/03/2023	2,178,000.00	93,000.00	135,208.60	2,406,208.60	32,471,844.00	34,217,000.00	1,745,156.00	1,531,158.22		1,531,158.22	739,841.78
NCA-ROII-90068-6	01/03/2023	2,181,000.00	41,000.00	139,605.30	2,361,605.30			-	2,604,738.84	62,400.00	2,667,138.84	(445,138.84)
NCA-ROII-90068-6	01/03/2023	2,521,000.00	76,000.00	157,538.09	2,754,538.09			-	2,840,816.43	50,886.51	2,891,702.94	(294,702.94)
NCA-ROII-23-0003260	03/24/2023	2,176,000.00	146,000.00	149,654.51	2,471,654.51			-	2,013,681.39		2,013,681.39	308,318.61
NCA-ROII-23-0004053	04/01/2023	185,184.00			185,184.00	458,622.00	639,466.00	180,844.00	185,184.00		185,184.00	-
NCA-ROII-23-0004367	04/06/2023	562,040.00			562,040.00	562,040.00		(562,040.00)	562,040.00		562,040.00	-
NTA/Award (Subsidy from RO)	04/01/2023		20,000.00		20,000.00	20,000.00	20,000.00	-		20,000.00	20,000.00	-
NCA-ROII-23-0003260	03/24/2023	4,113,000.00	138,000.00	142,295.31	4,393,295.31			-	4,061,362.63		4,061,362.63	189,637.37
NCA-ROII-23-0004053	04/01/2023	88,255.00			88,255.00			-	88,255.00		88,255.00	-
NCA-ROII-23-0003260	03/24/2023	2,175,000.00	163,000.00	148,679.53	2,486,679.53			-	2,698,791.82	137,164.16	2,835,955.98	(497,955.98)
NCA-ROII-23-0004053	04/01/2023	46,296.00			46,296.00			-	46,296.00		46,296.00	-
NCA-ROII-23-0003260	03/24/2023	2,180,000.00	62,000.00		2,242,000.00			-	1,862,200.04		1,862,200.04	374,199.96
NCA-ROII-23-0004053	04/01/2023	46,296.00			46,296.00			-	46,296.00		46,296.00	-
TOTAL		35,639,970.06	1,335,000.00	1,963,240.09	38,938,210.15	36,974,970.06	39,941,462.83	2,966,492.77	36,392,640.82	564,826.03	36,957,466.85	(0.00)


TESDA – Isabela School of Arts and Trades
Schedule of Prior Year Expenditures Charged Against the Current SSP Fund
For the Year-ended December 31, 2023

Check		BURS No.	Date	Payee	Purchase Order			Date Delivered
Date	Serial No.				No.	Date	Amount	
12/15/2023	1546222	SSP-2023-12-01570	12/15/2023	ARORA MERCHANDISING	2022-02-042	02/18/2022	3,550.00	02/19/2022
12/15/2023	1546222	SSP-2023-12-01571	12/15/2023	ARORA MERCHANDISING	2022-03-114	03/01/2022	1,435.00	03/01/2022
12/15/2023	1546222	SSP-2023-12-01572	12/15/2023	ARORA MERCHANDISING	2022-03-115	03/05/2022	2,730.00	03/05/2022
12/15/2023	1546222	SSP-2023-12-01573	12/15/2023	ARORA MERCHANDISING	2022-04-134	04/02/2022	25,535.00	04/02/2022
12/15/2023	1546222	SSP-2023-12-01574	12/15/2023	ARORA MERCHANDISING	2022-04-139	04/08/2022	7,990.00	04/08/2022
12/15/2023	1546222	SSP-2023-12-01575	12/15/2023	ARORA MERCHANDISING	2022-04-140	04/08/2022	10,640.00	04/08/2022
12/15/2023	1546222	SSP-2023-12-01576	12/15/2023	ARORA MERCHANDISING	2022-04-144	04/08/2022	6,750.00	04/08/2022
12/15/2023	1546222	SSP-2023-12-01577	12/15/2023	ARORA MERCHANDISING	2022-04-148	04/09/2022	3,325.00	04/09/2022
12/15/2023	1546222	SSP-2023-12-01578	12/15/2023	ARORA MERCHANDISING	2022-04-149	04/18/2022	29,168.00	04/18/2022
12/15/2023	1546222	SSP-2023-12-01579	12/15/2023	ARORA MERCHANDISING	2022-04-156	04/22/2022	4,317.00	04/25/2022
12/15/2023	1546222	SSP-2023-12-01580	12/15/2023	ARORA MERCHANDISING	2022-04-159	04/25/2022	2,180.00	04/26/2022
12/15/2023	1546222	SSP-2023-12-01581	12/15/2023	ARORA MERCHANDISING	2022-05-177	05/06/2022	14,120.00	05/06/2022
12/15/2023	1546222	SSP-2023-12-01582	12/15/2023	ARORA MERCHANDISING	2022-05-187	05/10/2022	13,013.00	05/10/2022
12/15/2023	1546222	SSP-2023-12-01583	12/15/2023	ARORA MERCHANDISING	2022-05-188	05/10/2022	2,530.00	05/10/2022
12/15/2023	1546222	SSP-2023-12-01584	12/15/2023	ARORA MERCHANDISING	2022-05-189	05/12/2022	1,635.00	05/11/2022
12/15/2023	1546222	SSP-2023-12-01585	12/15/2023	ARORA MERCHANDISING	2022-05-198	05/14/2022	8,895.00	05/14/2022
12/15/2023	1546222	SSP-2023-12-01586	12/15/2023	ARORA MERCHANDISING	2022-05-201	05/16/2022	850.00	05/16/2022
12/15/2023	1546222	SSP-2023-12-01587	12/15/2023	ARORA MERCHANDISING	2022-05-204	05/19/2022	7,575.00	05/19/2022
12/15/2023	1546222	SSP-2023-12-01588	12/15/2023	ARORA MERCHANDISING	2022-05-205	05/21/2022	1,210.00	05/21/2022
12/15/2023	1546222	SSP-2023-12-01589	12/15/2023	ARORA MERCHANDISING	2022-05-216	05/31/2022	21,850.00	05/31/2022
12/15/2023	1546222	SSP-2023-12-01590	12/15/2023	ARORA MERCHANDISING	2022-06-222	06/08/2022	540.00	06/08/2022
12/15/2023	1546222	SSP-2023-12-01591	12/15/2023	ARORA MERCHANDISING	2022-06-225	06/09/2022	3,400.00	06/09/2022
12/15/2023	1546222	SSP-2023-12-01592	12/15/2023	ARORA MERCHANDISING	2022-06-227	06/10/2022	8,665.00	06/10/2022
12/15/2023	1546222	SSP-2023-12-01593	12/15/2023	ARORA MERCHANDISING	2022-06-229	06/10/2022	28,546.00	06/10/2022

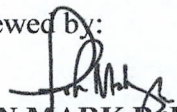
Annex D

Check		BURS No.	Date	Payee	Purchase Order			Date Delivered
Date	Serial No.				No.	Date	Amount	
12/15/2023	1546222	SSP-2023-12-01594	12/15/2023	ARORA MERCHANDISING	2022-06-233	06/16/2022	25,800.00	06/16/2022
12/15/2023	1546222	SSP-2023-12-01595	12/15/2023	ARORA MERCHANDISING	2022-06-249	06/28/2022	1,781.00	06/28/2022
12/15/2023	1546222	SSP-2023-12-01596	12/15/2023	ARORA MERCHANDISING	2022-08-315	08/05/2022	7,125.00	06/21/2022
12/15/2023	1546222	SSP-2023-12-01597	12/15/2023	ARORA MERCHANDISING	2022-11-475	11/14/2022	1,865.00	11/14/2022
12/15/2023	1546222	SSP-2023-12-01598	12/15/2023	ARORA MERCHANDISING	2022-11-476	11/14/2022	7,175.00	07/05/2022
12/15/2023	1546222	SSP-2023-12-01599	12/15/2023	ARORA MERCHANDISING	2022-11-522	12/09/2022	11,690.00	12/09/2022
12/28/2023	1546297	SSP-2023-12-01690	12/15/2023	ILAGAN ANSON TRADING	2022-02-029	02/04/2022	14,950.00	02/04/2022
12/28/2023	1546297	SSP-2023-12-01691	12/15/2023	ILAGAN ANSON TRADING	2022-07-272	07/15/2022	16,000.00	07/15/2022
12/28/2023	1546297	SSP-2023-12-01692	12/15/2023	ILAGAN ANSON TRADING	2022-07-299	07/28/2022	6,500.00	07/28/2022
12/28/2023	1546297	SSP-2023-12-01693	12/15/2023	ILAGAN ANSON TRADING	2022-08-325	08/09/2022	1,200.00	08/09/2022
12/28/2023	1546297	SSP-2023-12-01694	12/15/2023	ILAGAN ANSON TRADING	2022-08-338	08/18/2022	750.00	08/18/2022
12/28/2023	1546297	SSP-2023-12-01695	12/15/2023	ILAGAN ANSON TRADING	2022-09-373	09/20/2022	7,055.00	09/20/2022
12/28/2023	1546297	SSP-2023-12-01696	12/15/2023	ILAGAN ANSON TRADING	2022-10-404	10/13/2022	2,710.00	10/17/2022
12/28/2023	1546297	SSP-2023-12-01697	12/15/2023	ILAGAN ANSON TRADING	2022-10-405	10/13/2022	6,485.00	10/17/2022
12/28/2023	1546297	SSP-2023-12-01698	12/15/2023	ILAGAN ANSON TRADING	2022-11-505	10/11/2022	2,655.00	11/10/2022
12/28/2023	1546363	SSP-2023-12-01770	12/15/2023	ARORA MERCHANDISING	2022-04-135	04/27/2022	28,475.00	04/27/2022
12/28/2023	1546363	SSP-2023-12-01770	12/15/2023	ARORA MERCHANDISING	2022-04-136	04/25/2022	4,800.00	04/25/2022
12/28/2023	1546363	SSP-2023-12-01770	12/15/2023	ARORA MERCHANDISING	2022-07-308	07/05/2022	26,000.00	07/05/2022
TOTAL							383,465.00	

Prepared by:


PHILIP JONES B. SANTOS
 Audit Team Member
 February 12, 2024

Reviewed by:


JOHN MARK B. RAGUINDIN
 Audit Team Leader
 February 12, 2024