



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

ANNUAL AUDIT REPORT

on the

DEVELOPMENT ACADEMY OF THE PHILIPPINES

For the Years Ended December 31, 2020 and 2019



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

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF TRUSTEES

Development Academy of the Philippines
DAP Building, San Miguel Avenue,
Pasig City

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of the Development Academy of the Philippines (DAP), which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of financial performance, statements of changes in net assets/equity, and statements of cash flows for the years then ended, statement of comparison of budget and actual amounts for the year ended December 31, 2020, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects and possible effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the DAP as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Basis for Qualified Opinion

The Unearned Revenue/Income account with a balance of P325.417 million as of December 31, 2020 was overstated by P18.517 million due to: (a) non-adjustment (debit) of the said account for earned revenue from completed projects in Calendar Year (CY) 2020 totaling P3.186 million; and (b) recording in the said account of penalty charges for the delayed payment of the office space rental from a lessee amounting to P15.331 million, instead of Rent/Lease Income account, contrary to Paragraph 19 of IPSAS 9.

Likewise, the faithful representation in the financial statements of the Receivables account with net book value of P123.599 million as of December 31, 2020 was not established due to variances between: (a) the books and the confirmed balances from the agencies/clients totaling P6.523 million; and (b) the General Ledger (GL) and the schedule of receivables amounting to P3.690 million, which remained unreconciled at year-end, contrary to Paragraph 27 of IPSAS 1. Likewise, no Allowance for Impairment was provided for the receivables from other government agencies totaling P7.134 million

which have been dormant for more than ten (10) years, contrary to Paragraph 68 of IPSAS 29.

We were not able to perform alternative audit procedures to determine if any adjustments to the Receivables account are necessary due to the status of records of the DAP's Accounting Division.

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

Other Matter

In our report dated September 4, 2020, we expressed a qualified opinion on the CYs 2019 and 2018 financial statements because the faithful representation of the balance of the Property, Plant and Equipment (PPE) account with carrying amount of P168.578 million as at December 31, 2019 was not established in view of the: (a) variance of P36.167 million between the balances of PPE Ledger Cards generated by the JEV PPE Monitoring System (JPMS) as against the GL balances; (b) Report on the Physical Count of PPE did not reflect the actual physical count of PPE items as of December 31, 2019; and (c) disposed PPE items in the total amount of P2.293 million that were already dropped in the books were still in the JPMS and were subjected to depreciation in the amount of P279,391.

The variance in CY 2019 of P36.167 million between the PPE Ledger Cards generated by the JPMS as against the GL balances decreased to P2.412 million in CY 2020 due to system enhancements. Likewise, the Report on the Physical Count of PPE already reflected the actual physical count of PPE items as of December 31, 2020. Moreover, the disposed PPE items in the total amount of P2.293 million were already removed from the JPMS and the depreciation in the amount of P279,391 was adjusted in the books. Accordingly, our present opinion on the restated CY 2019 financial statements is no longer modified concerning this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the DAP's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate DAP or to cease operations, or has no realistic alternative but to do so.