



Republic of the Philippines
COMMISSION ON AUDIT
NATIONAL GOVERNMENT SECTOR
Cluster 5 – Education and Employment
Department of Education – Region X
Cagayan de Oro City

March 23, 2018

ENGR. LEE R. CATANE
OIC – Vocational School Administrator
Technical Education and Skills Development Authority
Oroquieta Agro-Industrial School
Villaflor, Oroquieta City

Dear Engr. Catane:

We are pleased to transmit the Management Letter on the audit of the accounts and operations of *Technical Education and Skills Development Authority, Oroquieta Agro-Industrial School, Villaflor, Oroquieta City* for the calendar year 2017, in compliance with Section 2, Article IX-D of the Philippine Constitution and pertinent provision of Section 43 of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines.

The attached report consists of the Audited Financial Statements, the Observations and Recommendations which were discussed with concerned Management Officials, and the Status of Implementation of Prior Year's Audit Recommendations.

We request that a status report on the actions taken on the recommendations be submitted within 60 days from receipt of this report using the *Agency Action Plan and Status of Implementation (AAPSI)* prescribed 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,

A handwritten signature in black ink, appearing to read "Delia P. Lagumbay".

DELIA P. LAGUMBAY
State Auditor IV
Regional Supervising Auditor

pcad: *Blenda G. Salavedra*
3/23/18

Enc: As stated
DPL



Republic of the Philippines
COMMISSION ON AUDIT
NATIONAL GOVERNMENT SECTOR
Cluster 5 – Education and Employment
Technical Education and Skills Development Authority
Cagayan de Oro City

MANAGEMENT LETTER

on the

**TECHNICAL EDUCATION AND
SKILLS DEVELOPMENT AUTHORITY
OROQUIETA AGRO-INDUSTRIAL SCHOOL**

For the Year Ended December 31, 2017



Republic of the Philippines
COMMISSION ON AUDIT
Technical Education and Skills Development Authority
Oroquieta Agro-Industrial School
Villaflor, Oroquieta City

CONFIDENTIAL

February 24, 2018

Engr. Lee R. Catane
OIC-Vocational School Administrator
Technical Education and Skills Development Authority
Oroquieta Agro-Industrial School
Villaflor, Oroquieta City

Dear **Mr. Catane**:

**Management Letter on the Audit of the
Technical Education and Skills Development Authority-
Oroquieta Agro-Industrial School, Villaflor, Oroquieta City
For the Period January 1 to December 31, 2017**

1. Pursuant to Section 2, Article IX-D of the Constitution of the Philippines and Section 43 of the Government Auditing Code of the Philippines (PD 1445), we have audited the accounts and operations of Technical Education and Skills Development Authority-Oroquieta Agro-Industrial School for the period ended December 31, 2017. The audit was conducted in accordance with applicable legal and regulatory requirements and generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain a reasonable basis for our conclusions.
2. The audit was conducted to verify the level of assurance that may be placed on management's assertions on the financial statements; recommend agency improvement opportunities and determine the extent of implementation of prior year's audit recommendations.
3. Deficiencies observed in the course of the audit were earlier communicated through Audit Observation Memoranda (AOM) and discussed with concerned Agency Officials in an exit conference conducted on February 20, 2018. Their comments were incorporated in this letter, where appropriate. The significant audit observations and the recommendations shall be incorporated in the Consolidated Annual Audit Report (CAAR) on the Technical Education and Skills Development Authority for CY 2017.

A. INTRODUCTION

Agency Mandate

4. The Oroquieta Agro-Industrial School (OAIS) was created by virtue of Republic Act No. 4941 which was enacted on June 17, 1967. It started to offer secondary agricultural and industrial courses at its first campus site in Clarin Settlement, Oroquieta City. In 1977, the supervision and administration of the school was transferred to the Technical Education and Skills Development Authority (TESDA) by virtue of Republic Act No. 7796. It operated in its new and present site at Barangay Villaflor, Oroquieta City. Under TESDA, the school has built its capability of providing technical skills development to the different sectors of the society. With its vision to become one of the Center of Excellence (CENTEX) school administered by TESDA, it is committed to produce highly qualified and globally competitive manpower/workforce. Barangay Villaflor is two (2) kilometers away from the old campus site – Clarin Settlement. Students and clients take a two – kilometer ride from the heart of the city passing through cemented and passable road of the barangays. With the favorable climate, suitable agricultural land, availability of water supply and stable peace and order of the locality, OAIS has eventually expanded its services to meet the needs of its creasing clients. These visible advantages have set OAIS to work on its challenge to become a Career of Excellence as Technical Vocational Education and Training institution (TVET).

5. OAIS has equipped itself with various learning and work stations which are utilized for the actual hands-on training of the students in the different technology programs offered, as follows:

Animal Production NC II	Massage Therapy NC II
Poultry Chicken NC II	Pipefitting NC II
Ruminant NC II	Cookery NC II
Swine Production NC II	Driving NC II
Horticulture NC II	Dressmaking NC II
Food Processing NC II	Rubber Production NC II
Automotive Servicing NC I & II	Shielded Metal Arc Welding NC I & II
Beauty Care NC II– Nail Care Services	
Organic Agriculture Production NC II	
Electrical Installation & Maint. NC II	
Electronic Product Assembly & Servicing NC II	

Major Accomplishments:

6. For calendar year 2017, Technical Education and Skills Development Authority-Oroquieta Agro-Industrial School reported the significant accomplishments vis-à-vis its targets:

MAJOR FINAL OUTPUT (MFOs)	TARGET	ACCOMPLISHMENT	% OF ACCOMPLISHMENT
A. SCHOOL BASED TRAINING			
-Enrolled	1607	2446	152%
-Graduated	1543	1849	120%
B. COMMUNITY BASED TRAINING			
-Enrolled	403	1205	299%
-Graduated	363	1161	320%
C. DUALIZED TRAINING PROGRAM			
-Enrolled		35	
-Graduated		35	
D. EMPLOYMENT			
-Wage-Employed TVET Graduates		115	
-Self-Employed TVET Graduates		1072	
TOTAL EMPLOYMENT	1003	1187	118%
E. ASSESSMENT (ALL CLIENTS)			
-Total Assessed	1543	2562	166%
-Total Certified	1312	1187	90%
F. YP4SC (Career Guidance Profiling)			
	500	656	131%

Financial Profile

7. The Agency's allotments and obligations with comparative data as follows:

	2017	2016	Increase/(Decrease)
Annual Appropriation	8,572,000.00	9,447,000.00	(875,000.00)
PS	2,530,000.00	3,404,000.00	(874,000.00)
MOOE			
TOTAL	11,102,000.00	12,851,000.00	(1,749,000.00)
Obligations			
Current			
PS	8,572,000.00	10,018,548.53	(1,446,548.53)
MOOE	2,521,243.20	2,505,743.06	(15,500.14)
TOTAL	11,093,243.20	12,524,291.59	(1,431,048.39)

The Agency's financial condition with comparative data is summarized in the table below:

Particulars	2017	2016	Increase(Decrease)
Total Assets	39,341,504.73	65,176,136.42	(25,834,631.69)
Total Liabilities	494,965.86	391,733.60	103,232.26
Total Equity	39,341,504.73	65,176,136.42	(25,834,631.69)
Total Income	31,190,817.86	37,339,268.40	(6,148,450.54)
Total Expenditures	57,031,045.11	29,009,715.19	28,021,329.92

8. The NCAs, as well as their utilization and balances, are presented below:

Particulars	Amount Received	Disbursements	Unutilized Balance	Reverted to National Treasury
NCAs for Regular Allotment	11,102,000.00	11,093,243.20	8,756.79	8,756.79
Accounts Payable-Internal Creditors	0	0	0	0
Terminal Leave Benefits	0	0	0	0
Others (MPBF)	3,750,176.37	3,610,649.57	139,526.80	
TOTAL	14,852,176.37	14,703,892.77	148,283.59	8,756.79

B. SUMMARY OF RECOMMENDATIONS

9. For the significant deficiencies observed in the course of the audit, we recommended to management:

1. Comply strictly the documentary requirements on the payment of Collective Negotiation Agreement (CNA) in accordance with the Provisions of Republic Act (RA) No. 10924, the FY 2017 General Appropriations Act and DBM Budget Circular No. 2017-3 dated November 16, 2017.

2. We recommend that management must strictly implement the bonding of officer/s as well as its subsequent renewals in consonance with the provisions of PD 1445 and BTr Circular No 02-2009.
3.
 - a. Exert all efforts to locate the documents pertaining to the accounts to substantiate their balances;
 - b. Require the Financial Analyst to regularly monitor the settlement of the receivables from students and other agencies and coordinate with the Registrar on the status of student-sourced receivables to facilitate collection; to send collection or *demand* letters to all debtors.
4.
 - a. Require the Accounting Division and the Property Custodian/Caretakers to inventory all biological assets and prepare/maintain/update "Biological Assets Property Card" (Appendix 78) and "Quarterly Report of Biological Assets" (Appendix 79);
 - b. Create an Appraisal Committee to facilitate guidelines to determine proper valuation of the Biological Assets; and
 - c. Book up the Biological Assets.
5. Required the Financial Analyst to verify the provision of depreciation cost of Property, Plant and Equipment and compute the amount of depreciation charges; and effect the adjusting entries to record the correct and true valuation of PPE accounts.
6.
 - a. Exhaust earnest efforts in retrieving documents of conveyances over the parcels of land evidencing the School's ownership and their respective amounts booked up;
 - b. Institute an action for the transfer of title over the parcels of land for the parcels only evidenced by Tax Declarations and Deed of Extrajudicial Settlement of Estate with Sale.
7. Ensure that the required financial reports and statements are submitted by the Financial Analyst and the Budget Officer in the required forms within the period prescribed by the commission on Audit to facilitate timely review by the audit team and prompt correction of errors and deficiencies by management. Any unjustified failure of the officials and employees concerned to comply with the requirements on the submission of financial transactions, statements and reports shall be subject to the administrative disciplinary action provided in Section 127 of Presidential Decree No. 1445.
8. Submit to the Auditor for review, evaluation and inspection copies of approved purchase orders, notices of deliveries/acceptance and inspection reports and all its

supporting documents forming part thereof within the prescribed period as required in COA Circular Nos. 95-006 and 2009-001.

9. a. For proper presentation, easy monitoring and consolidation of the year-end Financial Statements for CY 2017, may we recommend for the agency to submit the aforementioned set of financial statements in a quarterly basis, as stated in Chapter 19 Section 60 of GAM Volume I.

b. Look into the accounts and provide the necessary courses of action to remedy the deficiencies and issues noted to further ensure a fair presentation of the financial statements at year-end.

10. We recommend that the Accountant provides proper accounting and detailed explanation, substantiated with valid documents and basis on the incurrence of the difference of the ending balance and the January 2018 remittances.

The Accountant ensures the proper maintenance of Subsidiary Ledgers per account to ensure proper monitoring of taxes and premium payments withheld and remitted.

If substantiated, an entry should be initiated by the Accountant to correct tax and premium remittances in January 2018 recorded in December 2017.

C. DETAILED OBSERVATIONS AND RECOMMENDATIONS

FINANCIAL AND COMPLIANCE

Cash

10. The Oroquieta Agro-Industrial School (OAIS) has three (3) depository accounts with the Land Bank of the Philippines, Oroquieta City Branch. Below is the schedule of banks accounts duly verified as of December 31, 2017 as follows:

Account No.	Description	Balance per Bank	Balance per books	Remarks
1292-1036-93	General Fund	584,760.77	584,760.77	reconciled
2129-9005-74	MDS 101	0	0	
1292-1069-86	Trust Fund	4,589,565.21	4,589,565.21	reconciled
TOTAL		5,174,325.98	5,174,325.98	

11. **Payment of Collective Negotiation Agreement (CNA) to regular and casual employees for the year 2017 amounting to ₱580,000.00 were not supported with complete documentary requirements contrary to the provisions of Section 4 (6) of Presidential Decree No. 1445, Section 71, General Provisions of Republic Act (RA) No. 10924, the FY 2017 General Appropriations Act and DBM Budget Circular no. 2017-3 dated November 16, 2017, thus validity of the grant could not be established.**

12. *The fundamental principles under Section 4 of PD 1445 specify among others that claims against government funds shall be supported with complete documentation, and that all laws and regulations applicable to financial transactions shall be faithfully adhered to.*

13. Section 71 of General Provisions of RA No. 10924, the FY 2017 General Appropriations Act and Section 1.3 of DBM Budget Circular No. 2017-3 dated November 16, 2017, stipulates the *“Rules in the Grant of Collective Negotiation Agreement Incentive. Department, bureaus, and offices of the National Government, including Constitutional Offices enjoying fiscal autonomy and SUCs may grant collective negotiation agreement (CNA) Incentive sourced from the allowable MOOE allotments identified by the DBM, subject to the following:*

- a) There is a valid CNA executed between the agency and the recognized employee organization which includes a provision on cost-cutting measures to be undertaken collectively by the agency and its personnel;*
- b) The one-time annual payment of CNA Incentive shall be made through a written resolution signed by agency representatives from both labor and management, and approved by the agency head;*
- c) The CNA Incentive that may be granted shall be limited to the amount determined by the DBM; and*
- d) The payment of CNA shall be subject to approval by the DBM and made only during the validity of appropriation. Any excess amounts therefrom after payment of the CNA shall be revert to the General Fund.*

14. Likewise, DBM Budget Circular No. 2017-3 dated November 16, 2017 prescribes the guidelines on the grant of Collective Negotiation Agreement (CNA) Incentive for FY 2017.

- 1.1. Administrative Order (AO) No. 135, s. 2005 authorizes the grant of CNA Incentive to government employees and directs the Department of Budget and Management (DBM) to issue the necessary policy and procedural guidelines for its implementation.

- 1.2. Item (4)(h)(ii)(aa) of the Congress Joint Resolution (JR) No. 4, s. 2009, institutionalizes the grant of the CNA Incentive as a form of reward to motivate employee efforts toward higher productivity, to wit:

“(aa) Collective Negotiation Agreement (CNA) Incentive – This may be granted to both management and rank-and-file employees of agencies with approved and successfully implemented CNAs in recognition of their efforts in accomplishing performance targets at lesser cost, in attaining more efficient and viable operations through cost-cutting measures and systems improvement xxx.”

15. Verification revealed that an amount of ₱580,000.00 was released to the regular and casual employees of TESDA, Oroquieta Agro-Industrial School, Villaflor, Oroquieta City under Disbursement Voucher Number 2017-12-256 dated December 29, 2017. Review of the voucher and payroll showed releases of CNA Incentives were given to twenty-nine (29) regular and casual employees of the agency.

16. Examination and post-audit of disbursement voucher revealed that claims were not supported by complete documentary requirements contrary to the provisions of Section 4 (6) of Presidential Decree No. 1445, Section 71, General Provisions of Republic Act (RA) No. 10924, the FY 2017 General Appropriations Act and DBM Budget Circular No. 2017-3, dated November 16, 2017, thus validity of the grant could not be established.

Recommendations:

17. Comply strictly the documentary requirements on the payment of Collective Negotiation Agreement (CNA) in accordance with the Provisions of Republic Act (RA) No. 10924, the FY 2017 General Appropriations Act and DBM Budget Circular No. 2017-3 dated November 16, 2017

Management Comment:

18. Management concurred with our finding.

19. ***Fidelity Bond of the School's Collecting/Special Disbursing Officer were not renewed for four (4) years in violation of Section 101 of the Presidential Decree No. 1445 and Section 4.10 of the Bureau of Treasury Circular No. 02-009, thus exposing the Government Agency to uninsured protection against losses.***

Section 101 of the Presidential Decree No. 1445 states that,

1. *“Every officer of any government agency whose duties permit or require the possession or require the possession or custody of government funds or property*

shall be accountable therefor and for the safekeeping thereof in conformity with law.

2. *Every accountable officer shall be properly bonded in accordance with law."*

20. Section 4.10 of Bureau of Treasury Circular No. 02-2009 dated August 6, 2009 provides that, *"an approved fidelity bond shall be non-transferable and personal to the accountable public officer and shall remain valid and effective for one (1) year from the time of payment and receipt of the bond premium."*

21. Further, *"the fidelity bond shall be subject to renewal yearly before the expiration of the present bond coverage while the accountable public officer is holding such position for which he was bonded. Failure to renew shall consider such bond as automatically cancelled and shall have no legal effect."*

22. During the conduct of cash examination for cash and accounts of Ms. Minda S. Perales covering the period January 1, 2016 to July 19, 2017, it was noted that her fidelity bond has expired on July 29, 2013 and that there were no longer renewals made which infringed the aforementioned law and circular. Thus, the Accountable Officer has not been bonded for roughly four (4) years.

23. The non-renewal of the fidelity bond for the accountable officer is apparently a result of compromised internal control of the management on its protection against possible losses of government funds. Thus, vehemently exposing government funds to possible uncompensated loss.

Recommendations:

24. Must strictly implement the bonding of officer/s as well as its subsequent renewals in consonance with the provisions of PD 1445 and BTr Circular No 02-2009.

Management Comment:

25. Management accepted our audit finding and promised to strictly implement the bonding of officials with the provisions of PD 1445 and BTr Circular No. 002-2009.

Receivables

26. **Receivable accounts amounting to ₱880,665.41 remained uncollected for more than 2 years, thus manifesting a very poor collection efficiency and thereby depriving the School of funds which could be used for its operations.**

27. Section 2 of Presidential Decree No. 1445 provides, *"It is the declared policy of the State that all resources of the government shall be managed, expended or utilized in accordance with law and regulations, and safeguard against loss or wastage through*

illegal or improper disposition, with a view to ensuring efficiency, economy and effectiveness in the operations of government. The responsibility to take care that such policy is faithfully adhered to rests directly with the chief or head of the government agency concerned."

28. Also, Section 4 (4) of the same Presidential Decree provides, *"Fiscal responsibility shall, to the greatest extent, be shared by all those exercising authority over the financial affairs, transactions, and operation of the government funds and property pertaining to his agency."*

29. Finally, Section 102 also provides, *"The head of any agency of the government is immediately and primarily responsible for all government funds and property pertaining to his agency."*

30. Section 61 of GAAM Volume I provides, *"The responsibility for assuring that complete information reaches the accounting unit rests with the operating divisions of all agencies. Final collection of accounts receivable is also an operating responsibility. To assure an effective billing receivable system, each agency should supplement the procedure herein outlined with other procedures to improve the initial steps of billing and subsidiary record keeping, and the final steps of collecting."*

31. Audit the receivable account thru financial review and scrutiny of ledgers and other documents available by the agency revealed long outstanding receivable accounts with no movement at all. Thus, showing a zero percentage of collection efficiency as shown on the table below.

Account	January 1, 2013 Balance	June 30, 2017 Balance	Age of Receivable	Collection Since	Collection Efficiency
Accounts Receivable	₱563,530.00	563,530.00	4.5 years	None	0.00%
TOTAL	₱563,530.00	563,530.00			
	January 1, 2015 Balance	June 30, 2017 Balance		Collection Since	Collection Efficiency
Due from Bureaus	₱296,900.87	₱296,900.87	2.5 years	None	0.00%
Other Receivables	20,234.54	20,234.54	2.5 years	None	0.00%
TOTAL	₱317,135.41	₱317,135.41			
GRAND TOTAL	₱880,665.41	₱880,665.41		None	0.00%

32. Furthermore, upon interview with the Financial Analyst and the Administrator, collection of the said receivables could no longer be collected since the records and documents substantiating the receivables can no longer be located. They alleged that at the time they assumed office for their positions, the balance was already existing and that no records were turned over to support and substantiate the balances transferred to their accountability.

33. For failure to collect the Receivables that has remained dormant for more than 2 years, the School lost the opportunity to utilize the amount for other investment that will earn additional income or to use for its operation.

Recommendations:

- 34. a. Exert all efforts to locate the documents pertaining to the accounts to substantiate their balances;
- b. Require the Financial Analyst to regularly monitor the settlement of the receivables from students and other agencies and coordinate with the Registrar on the status of student-sourced receivables to facilitate collection; to send collection or *demand* letters to all debtors.

Management Comment:

35. Management agreed with our finding and to adhere the rules and regulations cited.

Inventories

This Inventory accounts consist of:

Account Title	Fund (101)	Fund (161)	Total
Office Supplies Inventory	215,880.82	325,736.96	541,617.78
Accountable Forms, Plates and Stickers Inventory	-	28,102.50	28,102.50
Drugs and Medicine Inventory	19,208.30	38,602.50	57,810.80
Agricultural and Marine Supplies Inventory	-	1,022,778.17	1,022,778.17
Textbook & Instructional Materials Inventory	3,244.00	0	3,244.00
Fuel, Oil & Lubricants Inventory	16,005.07	207,932.59	223,937.66
Other Supplies & Materials Inventory	964,624.69	5,208,613.80	6,173,238.49
Construction Materials Inventory	610,365.91	680,843.58	1,291,209.49
TOTAL	1,829,328.79	7,512,610.10	9,341,938.89

36. The Inventory accounts on Fund 101 and Fund 161 are to be adjusted starting on January 2018 upon the receipt of the issuance report (RSMI) from the Supply Officer/Administrative Officer I as basis for adjustment.

Property, Plant and Equipment

37. **Biological assets with undetermined fair value are not recognized in the books of accounts, contrary to Chapter 11 (Agriculture), Volume 1, Government Accounting Manual for National Government Agencies, thus understating the Assets as well as the Government Equity of the Institution.**

38. Section 6 of Chapter 11 states that, *“biological asset shall be recognized by the entity when and only when:*

1. *The entity controls the assets as a result of past events;*
2. *It is probable that future economic benefits or service potential associated with the asset will flow to the entity, which the future economic benefits or service potential associated with the asset are normally assessed by measuring the significant physical attributes, and*
3. *The fair value or cost of the asset can be measured reliably.”*

39. The same Chapter of the GAM states that *“biological assets shall be measured on initial recognition and at subsequent reporting dates at fair value less estimated costs to sell except where the fair value cannot be measured reliably. Subsequent transformation and price changes of biological assets shall also be recognized. For the gain and loss brought about by biological transformation be recognized in the books, the changes shall be monitored by the caretaker/responsible person through the Quarterly Report of Biological Assets (QRBA).”*

40. Inspection of the various animals owned by the Oroquieta Agro-Industrial School conducted on September 29, 2017 revealed a considerable number of biological assets with undetermined fair value which were not recorded in the books of accounts, to wit:

Particular	Qty.
Ducks	67
Sow	6
Piglets	17
Chickens (native)	7
Chickens (kabir)	21
Chickens (layer)	1,014
Buffalos	4
Cows	5
Sheep	6
Goats	9

41. Interview with the caretakers revealed that the latter maintain a list of animals with their corresponding numbers under their care. However, such form does not conform to the Biological Assets Property Card as provided by the Government Accounting Manual (Appendix 78) which the Property Custodian/Caretakers should have maintained.

42. Also, disclosure in the Notes to Financial Statements pertaining the biological assets were not observed.

43. In effect, the non-recording of the biological assets resulted in the understatement of the assets of the institution as well as the Government Equity account. Also, accountability of such assets cannot be established, thus very susceptible to any loss.

Recommendations:

44.
 - a. Require the Accounting Division and the Property Custodian/Caretakers to inventory all biological assets and prepare/maintain/update "Biological Assets Property Card" (Appendix 78) and "Quarterly Report of Biological Assets" (Appendix 79);
 - b. Create an Appraisal Committee to facilitate guidelines to determine proper valuation of the Biological Assets; and
 - c. Book up the Biological Assets.

Management Comment:

45. Management promised to follow and comply the recommendation based on Volume I of GAM- NGA.

46. **Depreciation Expenses for all depreciable PPE assets costing ₱49,476,513.02 were not recognized for more than 2 years, thus rendering Financial Statements grossly unreliable and incompetent resulting from understated expenses and overstated assets.**

47. PPSAS 17 defines depreciation under paragraph 59 as the systematic allocation of the depreciable amount of an asset over its useful life, and under paragraph 60, useful life of an asset is defined in terms of the asset's expected utility to the entity.

48. Paragraph 71 of PPSAS 17 states that depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management. Depreciation of the assets ceases when the asset becomes idle or is retired from active use and held for disposal unless the asset is fully depreciated.

49. Section 27 (1) of the Government Accounting Manual, Volume I, provides that the depreciation expense shall be recognized on a monthly basis subject to its availability of use.

50. Scrutiny of the financial statements through financial review and examination of ledgers available revealed that all accumulated depreciation accounts of the respective

depreciable property, plant and equipment items were dormant for more than two years and there is also nothing recognized in the income statement for any depreciation expense. Thus, it showed an apparent omission of provision of depreciation expenses for the past more than two years.

51. Nine (9) PPE accounts bearing an aggregate cost of ₱46,479,641.97 have not been depreciated since January 1, 2015 and four (4) PPE accounts having a total cost of ₱2,996,871.05 also have not been depreciated since January 1, 2013. Hence, the total accumulated depreciation of ₱10,427,463.41 for the nine asset accounts and ₱572,289.66 for the four asset accounts remained unchanged. The details are shown on the table below.

Account	January 1, 2015	June 30, 2017	Percentage Change
Other Land Improvements		₱463,797.36	
Accumulated Depreciation – Other Land Improvements	₱(208,533.35)	(208,533.35)	0.00%
School Buildings		11,655,206.97	
Accumulated Depreciation – School Building	(2,464,436.68)	(2,464,436.68)	0.00%
Hostels and Dormitories		2,646,396.55	
Accumulated Depreciation – Hostels and Dormitories	(368,821.43)	(368,821.43)	0.00%
Office Equipment		11,227,937.92	
Accumulated Depreciation – Office Equipment	(3,539,523.27)	(3,539,523.27)	0.00%
Information and Communication Technology Equipment		11,772,728.61	
Accumulated - Information and Communication Technology Equipment	(2,883,905.42)	(2,883,905.42)	0.00%
Communication Equipment		163,279.00	
Accumulated Depreciation – Communication Equipment	(41,100.82)	(41,100.82)	0.00%
Technical and Scientific Equipment		4,434,925.28	
Accumulated Depreciation – Technical and Scientific Equipment	(419,306.71)	(419,306.71)	0.00%
Furniture and Fixture			
Accumulated Depreciation – Furniture and Fixture	(340,562.47)	(340,562.47)	0.00%
Books		1,909,260.29	
Accumulated Depreciation – Books	(161,273.26)	(161,273.26)	0.00%

Account	January 1, 2013	June 30, 2017	Percentage Change
Construction and Heavy Equipment		286,654.00	
Accumulated Depreciation – Construction and Heavy Equipment	(126,384.39)	(126,384.39)	0.00%
Disaster Response and Rescue Equipment		106,370.00	
Accumulated Depreciation – Disaster Response and Rescue Equipment	(17,942.18)	(17,942.18)	0.00%
Other Machinery and Equipment		1,889,638.05	
Accumulated Depreciation – Other Machinery and Equipment	(233,574.99)	(233,574.99)	0.00%
Motor Vehicles			
Accumulated Depreciation – Motor Vehicles	(194,388.10)	(194,388.10)	0.00%

52. The above figures on the table showed that none of the accounts have reached to its fully depreciated status. Thus, it may be inferred that there was a gross incompetence on the monitoring of accounts and in the preparation of financial statements. Also, the financial analyst's contention of letting the accounts as ease, since the latter just assumed for the position last 2016, is untenable.

53. The omission of the depreciation expense for more than 2 years rendered the past and current Financial Statements grossly unreliable and incompetent for decision making to the wide range of users of the information.

Recommendations:

54. a. Required the Financial Analyst to verify the provision of depreciation cost of Property, Plant and Equipment and compute the amount of depreciation charges; and effect the adjusting entries to record the correct and true valuation of PPE accounts.

Management Comment:

55. Management concurred with our finding.

56. **Out of 93.3 hectare land area of the School with a recorded cost of ₱3,384,603.15 in the Agency's Books, 48% or 44.65 hectares costing ₱1,399,270.75 do not possess any document of conveyance evidencing ownership recorded in the**

Agency's Books, thereby casting doubt as to the agency's rights over the property and reliability of the Land account.

57. Section 2 of Presidential Decree No.1445 provides, *"It is the declared policy of the State that all resources of the government shall be managed, expended or utilized in accordance with law and regulations, and safeguard against loss or wastage through illegal or improper disposition, with a view to ensuring efficiency, economy and effectiveness in the operations of government. The responsibility to take care that such policy is faithfully adhered to rests directly with the chief or head of the government agency concerned."*

58. Also, Section 58 of the same Presidential Decree provides, *"the examination and audit of assets shall be performed with a view to ascertaining their existence ownership, valuation and encumbrances as well as the propriety of items composing the respective asset accounts, determining their agreement with records, proving the accuracy of such records; ascertaining if the assets were utilized economically, efficiently and effectively; and evaluating the adequacy of controls over the accounts."*

59. Inspection of the management's records revealed that the institution does not completely possess documents of conveyance over the Land of the Industrial School as recorded in the books of accounts. Out of 93.3147 hectares recorded in the books, only 48.6608 hectares are supported with documents evidencing ownership. Thus, showing an area of 44.6539 hectares imbued with cloud on the School's ownership over the land. The Accountant said that since she assumed office for her position in the agency, there were already no documents (deed of donation, deed of sale, tax declarations, etc) held by the agency evidencing ownership over the 44.6539 hectares' land.

Table 1. TESDA-OAIS Land Details

No	Particulars	Land Area (hectares)	Location	Year Acquired	Mode of Acquisition	Cost	Supporting Documents in Custody of the management
1	Land	37.404	Clarín Settlement	1971	Donation	₱1,234,330.00	Transfer Certificate of Title No.T-10010
2	Land School site trade	2.00	Villaflor	1980	Donation	No Recorded Cost	Transfer Certificate of Title No.T-8583
3	Cocoland	0.4902	Villaflor	1983	Donation	1,600.00	Tax Declaration No. 62391

4	Cocoland	0.6283	Villaflor	1983	Donation	81,680.00	Transfer Certificate of Title No.T-9786
5	Cocoland	0.7135	Villaflor	1983	Donation	92,760.00	Transfer Certificate of Title No.T-9787
6	Cocoland	1.6396	Villaflor	1983	Donation	327,920.00	Tax Declaration No. 207427
7	Cocoland	0.1138	Villaflor	1983	Donation	22,760.00	Tax Declaration No. 207425
8	Land	0.4894	Villaflor	1983	Donation	63,620.00	Tax Declaration No. 207424
9	Land	-	Mobod	No data	Donation	50,000.00	NONE
10	Land	1.5128	Villaflor	2000	Donation	160,662.40	Deed of Extrajudicial Settlement of Estate with Sale
11	Riceland	40.00	Clarín Settlement	1972	Donation	1,320,000.00	NONE
12	Riceland	3.6692	Clarín Settlement	1972	Donation	No Recorded Cost	Transfer Certificate of Title No. 4418
13	Riceland	4.6539	Clarín Settlement	1972	Donation	29,270.75	NONE
	TOTAL	93.3147 hectares				₱3,384,603.15	

60. The Institution, based on the information above, apparently showed thirteen (13) parcels of land that are currently in the latter's possession and use. In total, the school occupies a huge land area of 93,3147 hectares. Out of the 13 parcels, five (5) parcels are supported with Transfer Certificates of Title, four (4) parcels supported only with Tax Declarations, one (1) parcel supported with Deed of Extrajudicial Settlement of Estate with Sale, and three (3) parcels are not supported with any document of conveyance.

61. Out of 3 parcels of land, particularly Land Nos. 9,11& 13 with an aggregate land area of 44.6539 hectares, that are not supported with documents of conveyance, Land no. 9 with a cost of ₱50,000.00 located at Brgy. Mobod, Oroquieta City has no determined area due to the absence of document for such parcel and its conveyance.

62. It is also observed that Land No. 2 with an area of 2.00 hectares located at Brgy. Villaflor, Oroquieta City and Land No 12 with an area of 3,6692 hectares located at Clarin Settlement, Oroquieta City has no recorded cost.

63. Furthermore, it is also observed that the Land Nos. 3, 6, 7 and 8 with the total area of 2.733 hectares aggregately costing ₱415,900.00 are only supported with Tax Declarations which are not conclusive evidences of ownership.

64. Since then, there were no action for the processing of documents in establishing a concrete belief and eliminating clouds over the School's parcels of land considering that there were no issues encountered by the agency against the possessed real property.

65. The documents of conveyance (deed of sale, deed of donation, etc) are prima facie evidences of ownership of land. Such ownership is confirmed by the Land Title named in favor of the owner. Along with the ownership over the property is the right to possess, use and dispose of the property which is enforceable against the whole world. Until the School possesses such proof, the cloud would still remain over the property. Ultimately, land improvements and buildings erected in the parcels of land are at stake as the ownership of land maybe contested.

Recommendations:

66. a. Exhaust earnest efforts in retrieving documents of conveyances over the parcels of land evidencing the School's ownership and their respective amounts booked up;
- b. Institute an action for the transfer of title over the parcels of land for the parcels only evidenced by Tax Declarations and Deed of Extrajudicial Settlement of Estate with Sale.

Management Comment:

67. The Management agreed with our finding and to immediately act on the processing of documents.

Submission of Reports

68. **The Financial Analyst and the Budget Officer of TESDA-OAIS failed to submit the required financial and budgetary reports within the prescribed periods, thus adversely affecting the timeliness of audit and communication of errors/deficiencies, if any, and the maximum usefulness of the reports/statements.**

69. The head of the agency, who is primarily responsible for all government funds and property pertaining to this Office, shall ensure that required financial reports and statements are submitted by concerned agency officials in such for and within the period prescribed by the Commission on Audit.

70. Pertinent COA issuances which set the timelines for the submission of various reports and financial statements are state below:

Report of Collections and Deposits (RCD)	Every 10 th day after the end of each month	Section 7.2.1.a of the Rules and Regulations on the Settlement of Accounts (RRSA) as prescribed under COA Circular No. 2009-006 dated September 15, 2009
Report of Disbursements (ROD)		
Report of Checks Issued (RCI)		
Liquidation Reports (LR)		
Report of Accountability for Accountable Forms (RAAF)		
Monthly Trial Balances and supporting Schedules	Within 10 days after the end of the month	Note 7 of Section 71, Manual on the NGAS Volume I
Including Journal Entry Vouchers (JEVs)		
Quarterly Financial Statements and Supporting Schedules	Within 10 days after the end of the month quarter	COA Circular No 92-89E dated March 8, 1992
Bank Reconciliation Statements (BRS)	Every 15 th day after the end of each month	COA Circular No. 92-125A dated March 4, 1992
Budgetary Financial Accountability Reports (BFARs)	Within 30 days after the end of each quarter	COA/DBM Joint Circular No.2014-1 dated July 2, 2014

71. As shown below and based on our records, the Financial Analyst and Budget Officer have failed to submit the sad financial reports/statements and budgetary reports within the timelines which hindered the timely audit of the transactions/accounts and corrections of any errors/deficiencies:

a. RCIs including Disbursement Vouchers and Supporting Documents

Period Covered	Deadline of Submission	Date Submitted to COA	No. of Days Delayed
Funds 101 & 161			
January	February 10, 2017	March 14, 2017	32
February	March 10, 2017	March 14, 2017	4
March	April 10, 2017	April 19, 2017	9
April	May 10, 2017	June 20, 2017	41
May	June 10, 2017	July 6, 2017	26
June	July 10, 2017	July 18, 2017	8
July	August 10, 2017	October 4, 2017	55
August	September 10, 2017	October 13, 2017	33
September	October 10, 2017	Not yet submitted to COA	10

b. Bank Reconciliation Statements

Period Covered	Deadline of Submission	Date Submitted to COA	No. of Days Delayed
Funds 101 & 161			
January	February 15, 2017	August 4, 2017	170
February	March 15, 2017	August 4, 2017	142
March	April 15, 2017	August 4, 2017	111
April	May 15, 2017	August 4, 2017	81
May	June 15, 2017	August 4, 2017	50
June	July 15, 2017	August 4, 2017	20
July	August 15, 2017	October 10, 2017	56
August	September 15, 2017	October 10, 2017	25

c. Monthly Trial Balance

Period Covered	Deadline of Submission	Date Submitted to COA	No. of Days Delayed
Funds 101 & 161			
January	February 10, 2017	May 4, 2017	83
February	March 10, 2017	May 4, 2017	55
March	April 10, 2017	May 4, 2017	24
April	May 10, 2017	June 22, 2017	43
May	June 10, 2017	June 22, 2017	12
June	July 10, 2017	August 22, 2017	43
July	August 10, 2017	Not submitted to COA	71
August	September 10, 2017	Not submitted to COA	40
September	October 10, 2017	October 10, 2017	-

d. Journal Entry Vouchers

Period Covered	Deadline of Submission	Date Submitted to COA	No. of Days Delayed
Funds 101 & 161			
January	February 10, 2017	March 14, 2017	32
February	March 10, 2017	March 14, 2017	4
March	April 10, 2017	April 19, 2017	9
April	May 10, 2017	June 20, 2017	41
May	June 10, 2017	July 6, 2017	26
June	July 10, 2017	July 11, 2017	1
July	August 10, 2017	October 4, 2017	55
August	September 10, 2017	October 13, 2017	33
September	October 10, 2017	Not yet submitted	10

e. Quarterly Financial Statements

Period Covered	Deadline of Submission	Date Submitted to COA	No. of Days Delayed
Funds 101 & 161			
1 st Quarter	April 10, 2017	May 4, 2017	24
2 nd Quarter	July 10, 2017	August 14, 2017	35
3 rd Quarter	October 10, 2017	October 10, 2017	-

f. Budgetary Financial Accountability Reports

Period Covered	Deadline of Submission	Date Submitted to COA	No. of Days Delayed
Funds 101 & 161			
1st Quarter 2017			
FAR No. 1 and 1-A	April 30, 2017	Not submitted to COA	183
FAR No. 2	April 30, 2017		183
FAR No. 3	April 30, 2017		183
FAR No. 4	April 30, 2017		183
FAR No. 5	April 30, 2017		183
2nd Quarter 2017			
FAR No. 1 and 1-A	July 30, 2017	Not submitted to COA	82
FAR No. 2	July 30, 2017		82
FAR No. 3	July 30, 2017		82
FAR No. 4	July 30, 2017		82
FAR No. 5	July 30, 2017		82

Recommendations:

72. Ensure that the required financial reports and statements are submitted by the Financial Analyst and the Budget Officer in the required forms within the period prescribed by the commission on Audit to facilitate timely review by the audit team and prompt correction of errors and deficiencies by management. Any unjustified failure of the officials and employees concerned to comply with the requirements on the submission of financial transactions, statements and reports shall be subject to the administrative disciplinary action provided in Section 127 of Presidential Decree No. 1445.

Management Comment:

73. Management agreed with our finding and ensure that the required reports will be submitted on time.

74. The management failed to submit copies of perfected contract/purchase order, notices of deliveries/inspection and acceptance report together with their supporting documents to the Office of the Auditor on purchases made in the aggregate amount ₱7,953,861.14 within the prescribed period for review, evaluation and inspection to attain timely and relevant audit results and to facilitate post-audit of transactions in violation to the requirement embodied in COA Circular Nos. 95-006 and 2009-001 dated May 18, 1995 and February 12, 2009, respectively.

75. Section 3.1.1 of COA Circular No. 2009-001 dated February 12, 2009 requires among others, that within five (5) working days from the execution of a contract by the government or any of its subdivisions, agencies or instrumentalities, including government-owned or controlled corporation and their subsidiaries a copy of said contract and each Auditor of the agency concerned.

76. Likewise, Section 3.2.1 of the same Circular requires among others that a copy of any purchase order irrespective of amount, and each and every supporting document shall within five (5) working days from issuance thereof be submitted to the concerned Auditor.

77. Section 6.6 of COA Circular No. 95-006 dated May 18m 1995 states that "officials responsible for or in charge of deliveries of procured items shall within twenty-four hours from such acceptance notify the Auditor of the time and date of the scheduled deliveries."

78. Audit disclosed that purchase orders amounting to ₱7,953,861.14 were attached to the disbursement vouchers for post-audit purposes only and not for review and evaluation. Deliveries of materials were not notified to the Office of the Auditor for ovular validation/inspection at the most proximate period wherein the evidence of delivery is still new and verifiable.

79. Failure to furnish copies of approved purchase orders within the prescribed period prevented the Auditor from the timely verification and evaluation of the propriety and correctness of the contract/document and also compliance by the supplier of the terms and conditions of the agreement and specifications of the items procured.

80. In the same manner, failure to notify the Auditor of the scheduled deliveries deprived him of conducting timely inspection of delivered items. Thus, deficiencies, if any could not be communicated at once to management for possible corrections/revisions.

Recommendations:

81. Submit to the Auditor for review, evaluation and inspection copies of approved purchase orders, notices of deliveries/acceptance and inspection reports and all its supporting documents forming part thereof within the prescribed period as required in COA Circular Nos. 95-006 and 2009-001.

Management Comment:

82. Management agreed with our finding.

83. **1. The submitted Financial Statements as of December 31, 2017 lack supporting schedules in compliance with the General Accounting Manual (GAM) for National Government Agencies Volume I on the Accounting Policies, Guidelines and Procedures, and Illustrative Accounting Entries, and with COA Circular No. 2015-002 dated March 9, 2015 on the Supplementary Guidelines on the Preparation of Financial Statements and other related reports, the transitional provision on the implementation of the Philippine Public Sector Accounting Standards (PPSAS) and the coding structure.**

84. Section 4.1 enumerates the components of the financial statements, pursuant to paragraph 21 of PPSAS 1 as follows:

- a. Statement of Financial Position (Annex A and A1);
- b. Statement of Financial Performance (Annex B and B1);
- c. Statement of Cash Flows (Annex C and C1);
- d. Statement of Changes in Net Assets/Equity (Annex D)
- e. Statement of Comparison of Budget and Actual Amounts (Annex E);
- f. Statement of Management Responsibility (Appendix A); and
- g. Notes to Financial Statements comprising summary of significant accounting policies and other explanatory notes. (Annex F)

85. It was observed that the Agency does not regularly submit the Statement of Financial Position, Statement of Financial Performance, and Statement of Changes in Net Assets/Equity, Statement of Comparison and Budget and Actual Amounts, and Notes to Financial Statements to the Auditor. It was also observed that the Agency did not submit Statement of Comparison of Budget and Actual Amounts. Moreover, it was the practice of management to submit the complete set of F.S. to include the Notes to Financial Statements only at year end.

Recommendations:

86. For proper presentation, easy monitoring and consolidation of the year-end Financial Statements for CY 2017, may we recommend for the agency to submit the aforementioned set of financial statements in a quarterly basis, as stated in Chapter 19 Section 60 of GAM Volume I.

2. Deficiencies/possible issues were also noted in the following accounts:

- a. Cash in Bank – Local Currency – P12,015,874.26**
 - No Subsidiary Ledgers maintained for each depository account.
- b. Land – P 3,384,603.15**
 - No Subsidiary Ledgers maintained;
 - No Inventory taking/Report/Property Cards.
- c. School Buildings – P 5,918,966.80**
 - No Subsidiary Ledgers maintained;
 - No Inventory taking/Report/Property Cards;
 - No reconciliation of public school building with DPWH.
- d. Hostels and Dormitories – P 993,170.06**
 - No Subsidiary Ledgers maintained.
 - No Inventory taking/Report/Property Cards.
- e. Machinery – P 44,538.12**
 - No Subsidiary Ledgers maintained;
 - Incomplete Inventory taking/Report/Property Cards.
- f. Office Equipment – P 1,430,081.90**
 - No Subsidiary Ledgers maintained;
 - Incomplete Inventory taking/Report/Property Cards.
- g. Information and Communications Technology Equipment – P 7,195,677.26**
 - No Subsidiary Ledgers maintained;
 - Incomplete Inventory taking/Report/Property Cards.
- h. Communication Equipment – P 36,384.40**
 - No Subsidiary Ledgers maintained.
 - No Inventory taking/Report/Property Cards.
- i. Construction and Heavy Equipment – P 148,365.40**
 - No Subsidiary Ledgers maintained.
 - No Inventory taking/Report/Property Cards.
- j. Disaster Response and Rescue Equipment – P 10,637.00**
 - No Subsidiary Ledgers maintained.
 - No Inventory taking/Report/Property Cards.

- k. Technical and Scientific Equipment – P 726,688.15**
 - No Subsidiary Ledgers maintained;
 - No Inventory taking/Report/Property Cards.

- l. Other Machinery and Equipment – P 513,323.80**
 - No Subsidiary Ledgers maintained;
 - No Inventory taking/Report/Property Cards.

- m. Motor Vehicles – P 71,420.90**
 - No Subsidiary Ledgers maintained;
 - Incomplete Inventory taking/Report/Property Cards.

- n. Furniture and Fixtures – P 903,086.53**
 - No Subsidiary Ledgers maintained;
 - Incomplete Inventory taking/Report/Property Cards;
 - Non Preparation of RCPPE.

- o. Books – P 539,055.03**
 - No Subsidiary Ledgers maintained;
 - No Inventory taking/Report/Property Cards.

- p. Biological Assets – P 907,686.84**
 - No Inventory Report/Property cards;
 - No Subsidiary Ledgers maintained.

- q. Due to BIR – P374,757.41**
 - No Subsidiary Ledgers maintained;
 - Partial and late remittances.

Recommendations:

87. Look into the accounts and provide the necessary courses of action to remedy the deficiencies and issues noted to further ensure a fair presentation of the financial statements at year-end.

Management Comment:

88. Management agreed with our finding.

SETTLEMENT OF SUSPENSIONS, DISALLOWANCES AND CHARGES

89. For Calendar Year 2017 status of suspensions, disallowances and charges of TESDA-OAIS is shown hereunder

AUDIT SUSPENSIONS AND DISALLOWANCES ISSUED UPON EFFECTIVITY OF THE RRSA:

	Beginning Balance As of December 31, 2016	This period January 1 to December 31, 2017 (See Below)		Ending Balance As of December 31, 2017
		NS/ND/NC	NSSDC	
Notice of Suspensions	₱1,807,293.74	₱455,226.87	₱113,786.62	₱2,148,733.99
Notice of Disallowance	0	3,000.00	0	3,000.00
Notice of Charge	0	0	0	0
TOTAL	₱1,807,293.74	₱455,226.87	₱113,786.62	₱2,151,733.99

GENDER AND DEVELOPMENT

90. For CY 2017, the school designed a plan that recognizes the fundamental equality before the law of men and women. Audit of the Annual GAD Plan and Budget in the total amount of P642,550.00 disclosed that the school spend the amount of P428,204.00 for Gender and Development which is below than its approved budget.

91. Hereunder, are the Gender and Development Activities of the school as per accomplishment shown below:

GAD Activity	Target	Actual Result	Approved Budget	Cost
Conduct training of basic competencies using the Gender Sensitive Curriculum	300 male & 300 female enrollees trained on TVET qualifications with gender sensitive training module	550 Male & 1448 Female trained on Basic Competencies with gender sensitive training	60,045.00	50,000.00

Conduct Overview on GAD during Training Induction Program (TIP) in all qualifications in School based (SB) and or before conduct of any Technology Based Community Training Program (TBCTP)	400 trainees provided overview on GAD; 2 batches of TIP or training programs conducted	1,998 trainees conducted TIP in all qualifications	16,028.00	15,000.00
Conduct Training Methodology I (TM I) to certified women trainers of public and private Institutions, Re, hard trade qualifications	Number of women trainers trained in TM I Target: 100 trainees	60 women trainers trained in TM I from public & private institutions	71,642.00	50,000.00
Conduct regular Competency Assessment and Certification to women workers	Number of assessed and certified women workers - Target:100	1,417 certified women workers assessed in 15 different qualifications/programs	65,486.00	43,450.00
Formulate annual GAD plans, programs and budgets within the context of TESD	1 GAD Plan & Budget and 1 GAD accomplishment Report prepared/consolidated	(1)-2009 GAD Plan & Budget formulated & one (1)-2017 Accomplishment report submitted	10,733.00	10,500.00
Develop brochures, newsletter, flyers, and or document success stories of TTI graduates	500 copies of advocacy materials prepared/developed	50 copies of brochures, flyers developed	11,624.00	600.00

related to GAD concerns, etc.				
Maintain the existing database system to generate sex-disaggregated EGACE data in the TESDA Monitoring Network	No. of sex disaggregated database maintained and updated monthly- Target: 1 disaggregated database	1 disaggregated database maintained & updated monthly	14,097.00	14,097.00
Conduct benchmarking activities and or replicate best practices form other agencies/regions	1 bench marking activity of good practices replicated to OAIS	Conducted benchmarking activities of good practices at Passi Trade School, Regional Training Center & Provincial Office of TESDA, Iloilo	350,866.00	237,300.00
Attendance of OAIS staff/personnel to capacity building; conferences/meetings, forum, seminars on GAD related concerns	2 meeting/seminars/forum of GAD related activities attended	1 meeting/seminars/forum of GAD related activities attended	7,772.00	3,000.00
Install and update bulletin board for GAD related information	1 GAD bulletin board installed;	1 GAD bulletin board installed;	4,257.00	4,257.00
Organize and or participate in the activities conducted by the	10 female trainees/staff participated in Women's month	none	30,000.00	0.00

provincial government office and LGUs in celebration of women's month	activity			
TOTAL			642,550.00	428,204.00

COMPLIANCE WITH TAX LAWS

92. During the year 2017, the agency was able to withheld taxes from the salaries of its employees and officials and from purchases of goods and services in the total amount of ₱899,406.85 in compliance to revenue regulations. Total remittances to the Bureau of Internal Revenue were ₱847,342.68 of taxes withheld from the salaries of its officials and employees and ₱52,064.17 from purchases of goods and services. Details are shown below

MONTH	TAXES WITHHELD	AMOUNT WITHHELD	AMOUNT REMITTED	BALANCE
January 1 to December 31, 2017	Employees withholding tax	847,342.68	847,342.68	0
January 1 to December 31, 2017	Taxes withheld from purchases of goods & services	52,064.17	52,064.17	0
TOTAL		899,406.85	899,406.85	0

However, we noted during the year that:

93. **The Inter-Agency Payables, which only consist of Due to BIR and Other Payables account, of P494, 965.86as of December 31, 2017 was not properly substantiated with proper details and/or necessary documentations due to Agency's failure to prepare the necessary Subsidiary Ledger required by Section 12.b of the GAM for NGAs Volume I, thereby casting doubt on the legitimacy of the taxes reported as withheld and remitted in CY 2017.**

94. Per Agency's Financial Statements, the Agency has an Inter-Agency Payable of amounting to P 494,965.86as of December 31, 2017. However, the said amount only includes Due to BIR of P 374,757.41 and Other Payables of P 120,208.45. Other Inter-Agency Payable accounts such as Due to GSIS, due to PAGIBIG, and Due to Philhealth do not have an amount as of year-end.

95. Inter-Agency Payables, as mentioned above, are used to recognize the withholding of employees' taxes/premium payments for remittance to the said agencies. Such remittances are paid on the following month. It was observed that there were no amounts recognized for Due to GSIS/PAGIBIG/Philhealth as of December 31, 2017. Likewise, the account was not properly substantiated with proper details and necessary documentations due to the Agency's failure to prepare the necessary Subsidiary Ledger.

96. The subsidiary ledgers are needed to monitor the individual components of a controlling general ledger account. Also, it will show the ending balance of such account for every period. Verification that the subsidiary ledgers have been appropriately completed and closed before posting their summarized totals to the general ledger. Otherwise, some late transactions may not be posted into the general ledger until the next reporting period.

Recommendations:

97. We recommend that the Accountant provides proper accounting and detailed explanation, substantiated with valid documents and basis on the incurrence of the difference of the ending balance and the January 2018 remittances.

98. The Accountant ensures the proper maintenance of Subsidiary Ledgers per account to ensure proper monitoring of taxes and premium payments withheld and remitted.

99. If substantiated, an entry should be initiated by the Accountant to correct tax and premium remittances in January 2018 recorded in December 2017.

Management Comment:

100. Management agreed with our finding.

D. STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

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

Copy furnished:

The Regional Director

TESDA

Regional Office No. X

Cagayan de Oro City

The Supervising Auditor

Commission on Audit Cluster 5

Education and Employment

Quezon City

The Regional Director

Commission on Audit

Regional Office No. X

Cagayan de Oro City

The Regional Supervising Auditor

Commission on Audit

Regional Office No. X

Cluster 5- Education and Employment

Cagayan de Oro City

File

ANNEXES

Annex Letter	Particulars
A	Statement of Management's Responsibility for Financial Statements
B	Condensed Statement of Financial Position for CY 2017 with Comparative Figures for CY 2016
C	Detailed Statement of Financial Position CY 2017 With Comparative Figures for CY 2016
D	Condensed Statement of Financial Performance for CY 2017 with Comparative Figures for CY 2016
E	Detailed Statement of Financial Performance for CY 2017 with Comparative Figures for CY 2016
F	Comparative Cash Flows for CY 2017
G	Statement of Changes in Net Assets/Equity for CY 2017 with Comparative Figures for CY 2016
H	Notes to Financial Statements
I	Status of Implementation of Prior Year's Audit Recommendations



Republic of the Philippines
Technical Education and Skills Development Authority
Region – 10
OROQUIETA AGRO-INDUSTRIAL SCHOOL
Purok 3, Villaflor, Oroquieta City



STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

FUND 06207535

The management of OROQUIETA AGRO-INDUSTRIAL SCHOOL is responsible for all information and representations contained in the accompanying Statement of Financial Position as of December 31, 2017 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 the Notes to Financial Statements for the quarter ended. The financial statements have been prepared in conformity with the Philippine Public Sector Accounting Standards and generally accepted state accounting principles, and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

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

A handwritten signature in blue ink, appearing to read 'Marisa S. Jumalon'.

MARISA S. JUMALON
Administrative Officer II

A handwritten signature in blue ink, appearing to read 'Engr. Lee R. Catane'.

ENGR. LEE R. CATANE
Head of Agency

Annex B

Technical Education and Skills Development Authority-10
OROQUIETA AGRO- INDUSTRIAL SCHOOL
CONDENSED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	5,193,525.96	12,015,874.26
Receivables	880,665.41	880,665.41
Inventories	9,222,155.99	8,146,213.51
Investments		
Other Current Assets	103,540.00	
Total Current Assets	<u>15,399,887.36</u>	<u>21,042,753.18</u>
Non - Current Assets		
Investments		
Investment		
Property		
Property, Plant and Equipment	21,962,377.43	42,050,603.30
Biological Assets	907,686.84	907,686.84
Intangible Assets		
Other Assets	1,071,553.10	1,175,093.10
Total Non-Current Assets	<u>23,941,617.37</u>	<u>44,133,383.24</u>
Total Assets	<u>39,341,504.73</u>	<u>65,176,136.42</u>
LIABILITIES		
Current Liabilities		
Financial		
Liabilities		114,838.20
Inter-Agency Payables	494,965.86	276,895.40
Intra-Agency Payables		
Trust Liabilities		
Deferred Credits/Unearned Income		
Total Current Liabilities	<u>494,965.86</u>	<u>391,733.60</u>
NET ASSETS/EQUITY	64,784,402.82	56,454,849.61
Accumulated Surplus/(Deficit)	<u>(25,937,863.95)</u>	8,329,553.21

Total Net Assets/Equity

39,341,504.73

65,176,136.42

**Technical Education and Skills Development Authority-10
OROQUIETA AGRO- INDUSTRIAL SCHOOL
DETAILED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017
(With Comparative Figures for CY 2016)**

	<u>2017</u>	<u>2016</u>
Cash and Cash Equivalents		
	<u>5,193,525.96</u>	<u>12,015,874.26</u>
Treasury/Agency Cash Accounts	(0.02)	
Cash Modified Disbursement System (MDS)		
Special Account	(0.02)	
Cash in Bank - Local Currency	<u>5,193,525.98</u>	<u>12,015,874.26</u>
Cash in Bank - Local Currency, Current Account	5,193,525.98	12,015,874.26
Receivables	<u>880,665.41</u>	<u>880,665.41</u>
Loans and Receivable Accounts	<u>860,430.87</u>	<u>860,430.87</u>
Accounts Receivable	563,530.00	563,530.00
<i>Allowance for Impairment - Accounts Receivable</i>		-
<i>Net Value - Accounts Receivable</i>		-
<i>Due from Bureaus</i>	<u>296,900.87</u>	<u>296,900.87</u>
Other Receivables	<u>20,234.54</u>	<u>20,234.54</u>
Due from Officers and Employees		
Other Receivables	20,234.54	20,234.54
Inventories	<u>9,222,155.99</u>	<u>8,146,213.51</u>
Inventory Held for Consumption	<u>9,222,155.99</u>	<u>8,146,213.51</u>
Office Supplies Inventory	541,617.78	475,222.78
Other Supplies and Materials Inventory	6,133,820.49	5,504,584.25

Accountable Forms, Plates and Stickers	28,102.50	26,102.50
Drugs and Medicines Inventory	57,810.80	57,810.80
Fuel, Oil and Lubricants Inventory	223,937.66	98,050.90
Agricultural and Marine Supplies Inventory	942,413.27	999,906.79
Textbooks and Instructional Materials Inventory	3,244.00	3,244.00
Construction Materials Inventory	1,291,209.49	981,291.49
Total Current Assets	15,296,347.36	21,042,753.18
Property, Plant and Equipment	21,962,377.43	42,050,603.30
Land	3,384,603.15	3,384,603.15
Land	3,384,603.15	3,384,603.15
Accumulated Impairment Losses- Land		
Net Value	3,384,603.15	3,384,603.15
Land Improvements	46,379.74	255,264.01
Other Land Improvements	463,797.36	463,797.36
Accumulated Depreciation - Other Land Improvements	(417,417.62)	(208,533.35)
Net Value	46,379.74	255,264.01
Buildings and Other Structures	6,912,136.86	11,468,345.41
School Buildings	11,655,206.97	11,655,206.97
Accumulated Depreciation - School Buildings	(5,736,240.17)	(2,464,436.68)
Accumulated Impairment Losses - School Buildings		
Net Value	5,918,966.80	9,190,770.29
Hostels and Dormitories	2,646,396.55	2,646,396.55
Accumulated Depreciation- Hostels and Dormitories	(1,653,226.49)	(368,821.43)
Net Value	993,170.06	2,277,575.12
Machinery and Equipment	10,105,695.22	22,809,035.28
Machinery	238,381.20	238,381.20
Accumulated Depreciation- Machinery	(193,843.08)	

Net Value	44,538.12	238,381.20
Office Equipment	11,227,937.92	11,178,796.92
<i>Accumulated Depreciation - Office Equipment</i>	<i>(9,797,856.83)</i>	<i>(3,539,523.27)</i>
Net Value	1,430,081.09	7,639,273.65
Information and Communication Technology Equipment	11,772,728.61	11,772,728.61
<i>Accumulated Depreciation - Information and Communication Technology Equipment</i>	<i>(4,577,051.35)</i>	<i>(2,883,905.42)</i>
<i>Accumulated Impairment Losses - Information and Communication Technology Equipment</i>		
Net Value	7,195,677.26	8,888,823.19
Communication Equipment	163,279.00	163,279.00
<i>Accumulated Depreciation - Communication Equipment</i>	<i>(126,894.60)</i>	<i>(41,100.82)</i>
<i>Accumulated Impairment Losses - Communication Equipment</i>		
Net Value	36,384.40	122,178.18
Construction and Heavy Equipment	286,654.00	286,654.00
<i>Accumulated Depreciation- Construction & Heavy Equipment</i>	<i>(138,288.60)</i>	<i>(126,384.39)</i>
Net Value	148,365.40	160,269.61
Disaster Response and Rescue Equipment	106,370.00	106,370.00
<i>Accumulated Depreciation - Disaster Response and Rescue Equipment</i>	<i>(95,733.00)</i>	<i>(17,942.18)</i>
<i>Accumulated Impairment Losses - Disaster Response and Rescue Equipment</i>		
Net Value	10,637.00	88,427.82
Technical and Scientific Equipment	4,453,880.23	4,434,925.28
<i>Accumulated Depreciation - Technical and Scientific Equipment</i>	<i>(3,727,192.08)</i>	<i>(419,306.71)</i>
<i>Accumulated Impairment Losses - Technical and Scientific Equipment</i>		
Net Value	726,688.15	4,015,618.57
Other Machinery and Equipment	1,889,638.05	1,889,638.05

<i>Accumulated Depreciation- Other Machinery & Equipment</i>	(1,376,314.25)	(233,574.99)
<i>Net Value</i>	513,323.80	1,656,063.06
Transportation Equipment	71,420.90	519,820.90
Motor Vehicles	714,209.00	714,209.00
<i>Accumulated Depreciation - Motor Vehicles</i>	(642,788.10)	(194,388.10)
<i>Accumulated Impairment Losses - Motor Vehicles</i>		
<i>Net Value</i>	71,420.90	519,820.90
Furniture, Fixtures and Books	1,442,141.56	3,613,534.55
Furniture and Fixtures	2,206,109.99	2,206,109.99
<i>Accumulated Depreciation - Furniture and Fixtures</i>	(1,303,023.46)	(340,562.47)
<i>Accumulated Impairment Losses - Furniture and Fixtures</i>		
<i>Net Value</i>	903,086.53	1,865,547.52
Books	1,909,260.29	1,909,260.29
<i>Accumulated Depreciation - Books</i>	(1,370,205.26)	(161,273.26)
<i>Accumulated Impairment Losses - Books</i>		
<i>Net Value</i>	539,055.03	1,747,987.03
Biological Assets		
Bearer Biological Assets	907,686.84	907,686.84
Breeding Stocks	907,686.84	907,686.84
Accumulated Impairment Loses- Breeding Stocks	0	0
<i>Net Value</i>	907,686.84	907,686.84
Other Non- Current Assets	1,175,093.10	1,173,093.10
Other Assets	630,803.31	1,025,997.31
Accumulated Impairment Losses- Other Assets		-
<i>Net Value</i>	630,803.31	1,025,997.31
Confiscated.Assets	397,194.00	

Accumulated Impairment Losses- Confiscated Assets	-	
Net Value	397,194.00	
Advances	88,980.00	88,980.00
Advances to Contractors	88,980.00	88,980.00
Prepayments	49,217.00	49,217.00
Prepaid Registration	23,620.00	23,620.00
Prepaid Insurance	25,597.00	25,597.00
Deposits	8,898.79	8,898.79
Guaranty Deposits	8,898.79	8,898.79
Total Non-Current Assets	2,082,779.94	44,131,383.24
TOTAL ASSETS	39,341,504.73	65,174,136.42
Liabilities		
Current Liabilities	494,965.86	391,733.60
Financial Liabilities		
Payables		
Accounts Payable		
Inter-Agency Payables	494,965.86	391,733.60
Due to Pag-ibig		(350.00)
Due to Philhealth		(762.50)
Due to BIR	374,757.41	264,484.32
Due to GSIS		13,523.58
Other Payables	120,208.45	114,838.20
Total Current Liabilities	494,965.86	391,733.60
Equity	64,784,402.82	56,442,283.74
Accumulated Surplus/(Deficit)	(25,937,863.95)	8,329,553.21
Accumulated Surplus/ Deficit		10,565.87
Total Net Assets/Equity	39,341,504.73	65,174,136.42

Technical Education and Skills Development Authority-10
OROQUIETA AGRO- INDUSTRIAL SCHOOL
Condensed Statement of Financial Performance
For the Year Ended December 31, 2017

	<u>2017</u>	<u>2016</u>
Revenue		
Tax Revenue		
Service Income & Business Income	7,223,737.18	18,757,625.55
Shares, Grants and Donations	8,790,045.00	6,164,400.00
Subsidy Income From National Government	14,067,680.36	12,167,242.85
Subsidy Income From Other National Government Agencies	33,500.00	250,000.00
Subsidy from Regional Office	1,056,900.37	
Donation - Kind	<u>18,954.95</u>	
Total Revenue	<u>31,190,817.86</u>	<u>37,339,268.40</u>
Less: Current Operating Expenses		
Personnel Services	12,579,155.93	9,879,805.64
Maintenance and Other Operating Expenses	24,295,567.36	19,129,909.55
Financial Expenses	20,156,321.82	
Direct Costs		
Non-Cash Expenses		
Current Operating Expenses	<u>57,031,045.11</u>	<u>29,009,715.19</u>
Surplus/(Deficit) from Current Operations	<u>(25,840,227.25)</u>	<u>8,329,553.21</u>

Technical Education and Skills Development Authority-10
OROQUIETA AGRO- INDUSTRIAL SCHOOL
DETAILED STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED DECEMBER 31, 2017
(With Comparative Figures for CY 2016)

	<u>2017</u>	<u>2016</u>
Revenue		
Service and Business Income		
Service Income	6,213,856.00	223,585.00
Business Income	<u>1,009,881.18</u>	<u>18,534,040.55</u>
Total Service and Business Income	<u>7,223,737.18</u>	<u>18,757,625.55</u>
Shares, Grants and Donations		
Income from Grants and Donations	<u>8,790,045.00</u>	<u>6,164,400.00</u>
Total Grants and Donations	8,790,045.00	6,164,400.00
Subsidy Income From National Govt.	14,067,680.36	12,167,242.85
Subsidy from Other National Govt.	33,500.00	250,000.00
Subsidy from Regional Office	1,056,900.37	
Donation - Kind	<u>18,954.95</u>	
Total Revenue	31,190,817.86	37,339,268.40
Less Current Operating Expenses		
Personnel Services		
Salaries and Wages		
Salaries and Wages - Regular	7,145,736.58	5,637,835.13
Salaries and Wages - Casual	<u>336,747.72</u>	<u>303,835.03</u>
Total Salaries and Wages	<u>7,482,484.30</u>	<u>5,941,670.16</u>
Other Compensation		
Personal Economic Relief Allowance (PERA)	690,000.00	560,863.66
Representation Allowance (RA)	60,000.00	60,000.00
Transportation Allowance (TA)	60,000.00	60,000.00

Clothing/Uniform Allowance	145,000.00	120,000.00
Subsistence Allowance	23,760.00	23,760.00
Productivity Incentive Allowance		
Step Increment		8,424.32
Other Bonuses and Allowances	1,026,479.37	72,000.00
Bonus- Civilian		913,683.00
Cash Gift- Civilian	145,000.00	127,500.00
PEI		135,000.00
Performance Based Bonus Civilian		156,000.00
YearEnd Bonus	1,254,529.00	
Total Other Compensation	<u>3,404,768.37</u>	<u>2,237,230.98</u>
Personnel Benefit Contributions		
Retirement and Life Insurance		
Premiums	896,402.64	645,708.84
Pag-IBIG Contributions	35,000.00	29,250.00
PhilHealth Contributions	84,287.50	66,925.00
Employees Compensation Insurance		
Premiums	34,330.83	27,721.96
Total Personnel Benefits	<u>1,050,020.97</u>	<u>769,605.80</u>
Other Personnel Benefits		
Terminal Leave Benefits	43,480.67	
Productivity Enhancement Incentives		
Other Personnel Benefits	598,401.62	931,298.70
Total Other Personnel Benefits	<u>641,882.29</u>	<u>931,298.70</u>
Total Personnel Services	<u>12,579,155.93</u>	<u>9,879,805.64</u>
Maintenance and Other Operating Expenses		
Traveling Expenses		
Traveling Expenses - Local	1,692,606.41	728,187.91
Traveling Expenses - Foreign		
Total Travelling Expense	<u>1,692,606.41</u>	<u>728,187.91</u>
Training and Scholarship Expenses		
Training Expenses	7,085,065.60	1,886,963.97
Scholarship Grants/Expenses	5,287,500.00	1,574,500.00
Total Training and Scholarship Expense	<u>12,372,565.60</u>	<u>3,461,463.97</u>
Supplies and Materials Expenses		
Office Supplies Expenses	136,347.52	829,502.28

Drugs and Medicines Expenses	26,965.30	10,332.00
Fuel, Oil and Lubricants Expenses	204,221.75	126,818.81
Other Supplies and Materials Expenses	2,141,536.73	3,564,626.97
Agricultural and Marine Supplies Expense	1,464,135.39	676,831.70
Total Supplies and Materials Expense	3,973,206.69	5,208,111.76
Utility Expenses		
Water Expenses	69,349.71	95,700.00
Electricity Expenses	860,943.30	572,747.37
Total Utility Expense	930,293.01	668,447.37
Communication Expenses		
Postage and Courier Services	3,184.00	3,183.80
Telephone Expenses- mobile	84,288.37	76,908.32
Telephone Expenses - landline	11,048.41	
Internet Subscription Expenses	55,287.80	53,238.54
Cable, Satellite, Telegraph and Radio Expenses	-	
Total Communication Expense	153,808.58	133,330.66
Professional Services		
Legal Services	15,600.00	8,900.00
Consultancy Services	236,430.00	461,595.00
Awards/Rewards Expenses	95,000.00	
Auditing Services		
Other Professional Services	46,800.00	31,625.00
Total Professional Services	393,830.00	502,120.00
General Services		
Advertising Expense		2,500.00
Rent/ Lease Expense		48,080.00
Janitorial Services		
Security Services	422,400.00	422,400.00
Other General Services	2,712,934.22	3,101,496.62
Transportation & Delivery Expense	782.54	
Total General Services	3,136,116.76	3,574,476.62
Repairs and Maintenance		
Repairs and Maintenance- School Building	819,796.48	
Repairs and Maintenance- Furniture and Fixtures	-	79,215.42
Repairs and Maintenance -Buildings		2,816,615.20

and Other Structure		
Repairs and Maintenance - Machinery and Equipment	24,452.38	42,648.00
Repairs and Maintenance - Transportation Equipment	18,852.00	260,928.50
Repairs and Maintenance - Furniture and Fixtures		
Repairs and Maintenance - Other Property, Plant and Equipment	-	
Repairs and Maintenance- Motor Vehicles	10,880.00	
Total Repairs and Maintenance	873,980.86	3,199,407.12
Taxes, Insurance Premiums and Other Fees		
Taxes, Duties & Licenses	6,005.00	
Fidelity Bond Premium	29,550.00	
Insurance Expenses	19,558.99	
Total Taxes, Insurance Premiums and Other Fees	55,113.99	
Other Maintenance and Operating Expenses		
Advertising Expenses	1,800.00	
Rent/ Lease Expenses	-	
Printing and Publication Expenses		
Representation Expenses		7,788.00
Subscription Expense		
Cable, Satellite, Telegraph & Radio Expenses		5,220.00
Other Maintenance and Operating Expenses	710,805.46	1,641,356.14
Accountable Form Expense	1,440.00	
Total Other Maintenance and Other Operating Expense	714,045.46	1,654,364.14
Total Maintenance and Other Operating Expenses	24,295,567.36	19,129,909.55
Depreciation		
Depn-Land Improvements	208,884.27	
Depn-Hostels & Dormitories	1,284,405.06	
Depn-Communication Equipment	85,793.78	
Depn- Building & Other Structure	3,271,803.49	
Depn-Office Equipment	6,258,333.56	
Depn-Construction & Heavy Equipment	11,904.21	
Depn-ICT	1,693,145.93	
Depn- Building & Other Structure		
Depn-Communication Equipment		
Depn-Machinery	193,843.08	
Depn-Office Equipment		
Depn-Disaster Response and Rescue Equipment	77,790.82	

Depn-Other Machinery & Equipment	1,142,739.26	
Depn-Furniture & Fixture	962,460.99	
Depn-Books	1,208,932.00	
Depn-Motor Vehicle	448,400.00	
Depn-Technical and Scientific Equipment	3,307,885.37	
Total Depreciation	<u>20,156,321.82</u>	
Current Operating Expenses	<u>57,031,045.11</u>	<u>29,009,715.19</u>
Surplus (Deficit) for the period	<u>(25,840,227.25)</u>	<u>8,329,553.21</u>

Annex F

**OROQUIETA AGRO-INDUSTRIAL SCHOOL
COMPARATIVE OF CASH FLOWS
ALL FUNDS
FOR THE QUARTER ENDED December 31, 2017**

Cash Flow from Operating Activities	2017	2016
Cash Inflows:		
Collection of Income/Revenues	28,088,198.04	37,339,268.40
Collection of Business and Service Income	14,020,517.68	18,757,625.55
Receipt of Notice of Cash Allocation	14,067,680.36	12,417,242.85
Receipt of Shares, Grants and Donation		6,164,400.00
Other Payables		
Adjustments		
Total Cash Inflows	28,088,198.04	37,339,268.40
Cash Outflows:		
Payment of Expenses		(20,607,735.89)
Payment of Accounts Payable		(105,541.80)
Payment of Inventories	(7,731,644.16)	(8,146,213.51)
Grants of Cash Advances		
Remittance of Personnel Benefit Contributions	(392,099.74)	(245,183.53)
Payment of personnel services	(11,142,059.84)	
Payment of Maintenance and Other Operating Expenses	(15,644,742.58)	
Total Cash Outflows	(34,910,546.32)	(29,104,674.73)
Cash Provided by Operating Activities	(6,822,348.28)	8,234,593.67
Cash Flow from Investing Activities		
Cash Inflows		-
Cash Outflows		
Total Cash Outflows		0
Cash provided by Operating, Investing Activities	(6,822,348.28)	8,234,593.67
Cash Flow from Financing Activities		-
Total Cash Provided by Operating, Investing & Financing Activities	(6,822,348.28)	8,234,593.67
Increase (Decrease) in Cash and Cash Equivalents		
Effects of Exchange Rate Changes on Cash and Equivalents		
Cash and Cash Equivalents, January 1, 2017	12,015,874.26	3,781,280.59
Cash Balance, Ending December 31, 2017	5,193,525.98	12,015,874.26

OROQUIETA AGRO-INDUSTRIAL SCHOOL
STATEMENT OF CHANGES IN NET ASSETS/EQUITY
ALL FUNDS
FOR THE QUARTER ENDED Dec. 31, 2017

	2017	2016
Balance at January 1, 2017	P 64,784,402.82	56,444,283.74
Changes in Accounting Policy		0
Prior Period Adjustments/Unrecorded Income and Expenses		0
Other Adjustments		0
Restated balance	<u>64,784,402.82</u>	<u>0</u>
Changes in Net Assets/Equity for the Calendar Year		
Adjusted of Net Revenue recognized directly in net assets/equity		0
Surplus for the period	<u>(25,9600,010.15)</u>	<u>8,329,553.21</u>
Total recognized revenue and expense for the period		<u>8,329,553.21</u>
Others	<u>22,146.20</u>	<u>10,565.87</u>
Balance at December 31, 2017	<u><u>38,866,538.87</u></u>	<u><u>64,784,402.82</u></u>

Republic of the Philippines
Technical Education and Skills Development Authority
Region X
OROQUIETA AGRO-INDUSTRIAL SCHOOL
Oroquieta City

NOTES TO FINANCIAL STATEMENTS

1. BASIS OF FINANCIAL STATEMENTS PRESENTATIONS

For Quarter ended December 2017, OAIS maintained two (2) sets of books of accounts namely: Fund 101 & Fund 161. Books are maintained and prepared in accordance with generally accepted New Government Accounting System (NGAS) principle and standards. Financial Statements were presented in the report as follows:

1. Condensed & Detailed Statement of Financial Position
2. Condensed & Detailed Statement of Financial Performance
3. Statement of Cash Flows
4. Statement of Changes in Net Assets/Equity

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. The agency used the accrual basis of accounting. All expenses are recognized when incurred and reported in the financial statement on accruals basis except when new method is introduced.
2. Notice of Cash Allocation (NCA) is recorded in the Regular Agency Books, General Fund) in the National Government (NG)
3. Income/Receipts which the agency are not authorized to use are remitted to the National Treasury and are also recorded in the National Government (NG) Books.
4. The Modified Obligation System is used to record allotments received and obligations incurred. Separate entries are maintained for each allotment class and object of expenditures.
5. Accounting Books, registries and other records are use in recording all transactions within the quarter.

III CHANGE IN ACCOUNTING TREATMENT

At the start of the year the accounts were classified based on the New Standard Chart of Accounts the New Government Accounting Standard (NGAS). When the year ended these accounts were converted into a new account title and account codes known as the Unified Account Code Structures as per Joint Circular No.2013-1 dated August 6, 2013.

IV CASH AND OTHER CASH ACCOUNT

The account was broken downs as follows:

Account Title	Fund 101	Fund 161	Total
Cash In Bank – Local Currency, LBP	P603,960.77	P 4,589,565.21	P 5,193,525.98

- Cash in Bank Local Currency Current Account in Fund 101 is composed of the unremitted GSIS, Pag-ibig loan repayments and monthly premiums of Teachers and Employees and accounts payable for the quarter ended December, 2017.
- Cash in Bank Local Currency Current Account for Fund 161 is for the continues support on poultry and swine and large and small ruminant animal supplies, feeds and other training supplies for the training program and other services of the school. This includes the training cost and training allowance of trainees on DSWD, Local Economic Enterprise Development thru Skills Training for Employment and Productivity and Partnering Scheme (LEED thru STEPPS) to the different Municipalities of Misamis Occidental.

V RECEIVABLES

This account consists of:

Account Title	Fund 101	Fund 161	Total
Accounts Receivable	-	563,530.00	563,530.00
Due from National Treasury	296,900.87	-	296,900.87
Receivable-Disallowances/Charges	20,234.54	-	20,234.54
TOTAL	317,135.41	563,530.00	880,665.41

- a. The account Accounts Receivable in Fund 161 represents the unpaid school fees of students enrolled on prior years.
- b. Due from National Treasury account in the Fund 101 is the amount deposited/remitted to the Bureau of the Treasury, from the collection of refunds of prior years' transactions as of December 31, 2016.
- c. The account Receivable –Disallowances/Charges in the Fund 101 represents the balance of unpaid audit of disallowance from previous Certificate of Settlement and Balances (CSB) and Certificate of Settlement and Disallowance (CSD) issued by the auditors.

VI. INVENTORIES

This Inventory accounts consist of:

Account Title	Fund (101)	Fund (161)	Total
Office Supplies Inventory	215,880.82	325,736.96	541,617.78
Accountable Forms, Plates and Stickers Inventory	-	28,102.50	28,102.50
Drugs and Medicine Inventory	19,208.30	38,602.50	57,810.80
Agricultural and Marine Supplies Inventory	-	1,022,778.17	1,022,778.17
Textbook & Instructional Materials Inventory	3,244.00	0	3,244.00
Fuel, Oil & Lubricants Inventory	16,005.07	207,932.59	223,937.66
Other Supplies & Materials Inventory	964,624.69	5,208,613.80	6,173,238.49
Construction Materials Inventory	610,365.91	680,843.58	1,291,209.49
TOTAL	1,829,328.79	7,512,610.10	9,341,938.89

The Inventory accounts on Fund 101 and Fund 161 are to be adjusted starting on January 2018 upon the receipt of the issuance report (RSMI) from the Supply Officer/Administrative Officer I as basis for adjustment.

VII. PROPERTY, PLANT AND EQUIPMENT

Account Title	Fund (101)	Fund (161)	Total
Land	3,384,603.15	-	3,384,603.15
Other Land Improvements	463,797.36	-	463,797.36
School Buildings	11,655,206.97	-	11,655,206.97
Other Structures	2,312,453.55	333,943.00	2,646,396.55
Office Equipment	10,230,879.52	997,058.40	11,227,937.92
Furniture and Fixtures	1,187,148.67	1,018,961.32	2,206,109.99
ICT Equipment	9,421,038.89	2,351,689.72	11,772,728.61
Books	1,522,450.29	386,810.00	1,909,260.29
Machinery	215,381.20	23,000.00	238,381.20
Communication Equipment	163,279.00	-	163,279.00
Construction & Heavy Equipment	286,654.00		286,654.00
Disaster Response and Rescue Equipment	56,370.00	50,000.00	106,370.00
Technical and Scientific Equipment	2,601,765.73	1,852,114.50	4,453,880.23
Other Machinery and Equipment	894,338.05	995,300.00	1,889,638.05
Motor Vehicles	484,709.00	229,500.00	714,209.00
Breeding Stocks	904,686.84	3,000.00	907,686.84
TOTAL	45,784,762.22	8,241,376.94	54,026,139.16
Less: Accumulated Depreciation	26,002,890.23	5,153,184.66	31,156,074.89
TOTAL	19,781,871.99	3,088,192.28	22,870,064.27

The Property, Plant and Equipment account shown above were recorded in the Books of Account by fund.

VIII. SUBSIDY INCOME FROM THE NATIONAL GOVERNMENT AND FROM REGIONAL OFFICE/INTER-AGENCY FUND TRANSFER

Program/Project/Activity	PS	MOOE	TOTAL
A. Agency Specific Budget	7,887,000.00	2,530,000.00	10,417,000

Other Personnel Benefits (PBB)			-
B. Special Purpose Fund			
Miscellaneous Personal Benefits Fund	2,094,873.00		2,094,873.00
Gratuity Pay		45,000.00	45,000.00
		-	
Current		691,221.00	691,221.00
Monetization	598,403.00		598,403.00
Performance Based-Bonus	301,479.37		301,479.37
Current		19,200.00	19,200.00
C. Appropriations Automatic			
RLIP	685,000.00		685,000.00
TOTAL	11,566,755.37	3,285,421.00	14,852,176.37

This subsidy includes the regular appropriations of the year PS, MOOE and RLIP per GAA no. RA 10633. Other personnel benefits Represents the grant of FY 2017.

Pension and Gratuity Fund of which to cover the funding requirements for monetization of Twenty Nine (29) personnel of OAIS.

I. INCOME/COLLECTIONS

Income/collections derived from the refund of prior years' transactions recorded in the books and was remitted to the Bureau of the Treasury. Collection of income in fund (161) was deposited to Government Depository Bank (LBP).

Income collections consist of:

Service Income	6,213,856.00
Business Income	1,009,881.18
Grants and Donations	8,790,045.00
TOTAL	16,013,782.18

II. Obligations/EXPENSES

Account Title	Fund (101)	Fund (161)	Total
Personal Services	12,579,155.93	0	12,579,155.93
Maintenance and Other Operating Expenses	2,644,754.15	21,650,813.21	24,295,567.36
TOTAL	15,223,910.08	21,650,813.21	36,874,723.29

- a. Fund 101 expenses represent the expenses incurred in the regular operation of the school.
- b. Fund 161 expenses referred to the payment of honoraria/assessor's fee of trainees of the different qualifications and training materials, other expenses represent the expenses of the Sariling Sikap Programs of the school.

**PART II – STATUS OF IMPLEMENTATION OF PRIOR YEAR’S
RECOMMENDATIONS**

OBSERVATION AND RECOMMENDATION	REF.	MANAGEMENT ACTION	STATUS OF IMPLEMENTATION	REASON FOR PARTIAL/NON IMPLEMENTATION
<p>The Oroquieta Agro Industrial School (OAIS) released an amount of P600,000.00 to its officials and employees as payment of Collective Negotiation Agreement (CNA) Incentives for CY 2015, without the necessary supporting documents contrary to the provisions of Section 74, General Provisions of Republic Act (RA) No. 10651 and the requirements of DBM Circular No. 2015-2 dated November 23, 2015 thus validity of the grant could not be established.</p> <p>Recommendations:</p> <p>We recommend to management the following to submit the following documents:</p> <p>a. Valid CNA referred as the “ Agreement “, executed between the representatives of management and the employees organization accredited by the CSC as the negotiating agent;</p> <p>b. Copy of approved registration/accreditation of</p>	ML 2016		Fully Implemented	

<p>employees organization with Public Sector Labor Management Council (PSLMC);</p> <p>c. Copy of employee's organization's accreditation with the CSC;</p> <p>d. Written resolution for the grant of CNA signed by agency representatives from both labor and management, and approved by the agency head;</p> <p>e. Source of fund/budget for the incentive, generated out of the cost-cutting measures undertaken by the Agency;</p> <p>f. Performance Monitoring Report used as basis for determining entitlement to CNA Incentives;</p> <p>g. Internal guidelines on the grant of CY 2014 CNA;</p> <p>h. Copy of Report on the Payment of CNA Incentive for FY 2015 (Annex A attached to DBM BL 2015-2) duly received by the DBM; and</p> <p>i. Official Receipts issued by the OASIS National Employees Union acknowledging receipt of OASIS Agency Fee remittance, and respective regional offices receipt of transferred funds for CNA Incentives.</p>				
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<p>The Agency's submission of its accounts is not compliant with the provisions of Section 7.2.1 (a) of COA Circular No. 2009-006 dated September 15, 2009 thereby discarding the timeliness principle of accounting and depriving users of relevant information in furtherance of their duties and decision making based on up to date financial data.</p> <p>Recommendation:</p> <p>The school Administrator should require the Administrative Aide III and other Accountable Officers to facilitate the prompt preparation and submission of the required reports and accounts pursuant to the afore-cited rules and regulations otherwise payment of salaries maybe suspended until they have complied with the requirements.</p>	ML 2016		Partially Implemented	
<p>The School resorted to shopping as mode of procurement even if the goods, supplies and materials in the total amount of P3,298.151.98 are not ordinary or regular office supplies, contrary to Section 52.1 and 52.2 of the Revised IRR of RA 9184,</p>	ML 2016		Partially Implemented	

<p>thus affecting the regularity and reasonableness of the procurement. Recommendation:</p> <p>Advise the Head of the Procuring Entity (HOPE) or the BAC Chairman that shopping should not be used as mode of procurement for the acquisition of goods if the need for the items is not of emergency in nature or if any of the two conditions mentioned in Sec. 52 of the IRR of RA 9184 that would justify its use is not present.</p>				
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Republic of the Philippines
COMMISSION ON AUDIT
National Government Sector
Department of Education and Employment
Audit Teams R10-18
Oroquieta City

Office of the Auditor

February 24, 2018

MS. DELIA P. LAGUMBAY

State Auditor IV
Regional Supervising Auditor
Audit Group A, Cluster 5
Commission on Audit
Regional Office X
Cagayan de Oro City

Madam:

In compliance with Section 2, Article IX-D of the 1987 Philippine Constitution and pertinent sections of Presidential Decree No. 1445, we conducted a Financial and Compliance Audit on the accounts and operations of the **Technical Education and Skills Development Authority (OAIS), Oroquieta City** for the year ended December 31, 2017.

The audit was conducted to ascertain the propriety of financial transactions and compliance of the agency to prescribed rules and regulations. It was also made to ascertain the accuracy of financial records and reports, as well as the fairness of the presentation of the financial statements.

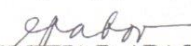
Our ML consists of five parts: Introduction; Summary of Recommendations; Detailed Observations and Recommendations which were discussed with the concerned management officials and staff during the exit conference on February 20, 2018; Status of Implementation of Prior Year's Audit Recommendations; and Annexes.

There is reasonable assurance that the financial statements are free of material misstatements, except for the Inventory accounts which supplies and materials procured were not supported with complete documents and proper journal entries, and were prepared in accordance with applicable laws, rules and regulations and in conformity with generally accepted state accounting principles.

Our audit was conducted in accordance with generally accepted state auditing standards and we believe that it provides reasonable basis for the results of audit.

We acknowledge the cooperation extended to us by the officials and staff of the **Technical Education and Skills Development Authority (OAIS), Oroquieta City**.

Very truly yours,


EDITHA P. ABAO
State Auditor IV
Audit Team Leader



Republic of the Philippines
Technical Education and Skills Development Authority
Oroquieta Agro-Industrial School
P-3, Villafor, Oroquieta City



REQUEST FOR QUOTATION

The TESDA-Oroquieta Agro-Industrial School (OAIS), through the **SSP-161** funding will undertake a "Small Value Procurement for the Supply and Delivery of various agricultural tools, supplies and materials" to be used in PRLEC in accordance with Section 53.9 of the Implementing Rules and Regulations of Republic Act No. 9184. The approved Budget for the Contract (ABC) is **One Hundred Fifty Thousand (150,000.00) Pesos**. Quotation received in excess of the ABC shall be automatically rejected.

Name of Project : Supply and Delivery of various agricultural tools, supplies
Location : Purok 3, Villafor, Oroquieta City, Misamis Occidental
Specifications : Various agricultural tools, supplies and materials
Approved Budget : **One Hundred Fifty Thousand (150,000.00) Pesos**
Delivery Date : Not later than Thirty (15) days from receipt of Purchase Order

Interested suppliers are required to submit their valid and current Mayor's Permit and PhilGEPS Registration Certificate, and price quotation (Annex "A").

The supplier shall clearly identify and state the warranty period.

Submission of quotation and eligibility documents is on or before **5:00 p.m.** of **October 29, 2020**, at the Function Room of Oroquieta Agro-Industrial School, Purok 3, Villafor, Oroquieta City. It may be submitted manually or electronically through facsimile.

For inquiry, you may contact us at telephone number 088-5312111.

Very truly yours


LEE R. CATANE
Vocational School Administrator

PRICE QUOTATION FORM

Date

The Administrative Service
Oroquieta Agro-Industrial School
Villaflor, Oroquieta City

Sir/Madam:

After having carefully read and accepted the terms and conditions in the Request for Quotation, hereunder is our quotation/s for the item/s as follows:

Item	Description/Specification	Unit	Quantity	Unit Cost	Total Price
1	Chicken (2 kgs)	heads	100		
2	Egg incubator 220V poultry hatchery Machine hatching 150 chicken bird egg	units	1		
3	Tiki-tiki (50 kgs)	scks	14		
4	Corn grits (50 kgs)	scks	5		
5	Soya meal (50 kgs)	scks	7		
6	Copra meal (50 kgs)	scks	7		
7	Salt (25 kgs)	scks	1		
8	Nest (pugaran)	pcs	20		
9	Waterer (1 ltr)	pcs	20		
10	Feeding trough (1 mtr)	pcs	20		
11	Plastic pail (5 ltrs)	pcs	10		

12	Rubber boots (med)	prs	25		
13	Waterer (1 ltr)	pcs	10		
14	Knapsack sprayer (16 ltrs)	unit	1		
15	Knives	pcs	10		
16	Sprinklers (5 ltrs)	pcs	8		
17	Wheelborrow	unit	2		
18	Water container drum (blue, plastic)	unit	2		
19	Feed cart	unit	2		
20	Nest (pugaran)	pcs	20		
21	Sweat shirt (large)	pcs	25		
22	Disposable face mask (50/bx)	bx	2		
23	Hand gloves	prs	25		
24	Weighing scale (25 kgs. Cap)	unit	1		
TOTAL					

(Amount in Words) _____

(Amount in Figure) _____

The above-quoted prices are inclusive of all costs and applicable taxes.

Name and Signature of Representative

Name of Company

Contact Number