

EXECUTIVE SUMMARY

A. INTRODUCTION

The Technical Education and Skills Development Authority was created on August 26, 1994 by virtue of Republic Act No. 7796 otherwise known as the TESDA Act of 1994. The Act integrated the functions of the defunct agencies such as the National Manpower and Youth Council (NMYC), the Bureau of Technical and Vocational Education (BTVE), and the Apprenticeship Program of the Bureau of Local Employment (BLE) of the Department of Labor and Employment. TESDA is mandated to become the country's lead institution in molding a workforce that can meet the challenges of trade liberalization and global competition. TESDA was created to mobilize the full participation of the industry, labor, technical and vocational institutions, local government and the civil society for skilled manpower development programs.

The Agency's mission is to provide direction, policies, programs and standards towards quality technical education and skills development, while its corporate vision is to be the leading partner in the development of the Filipino Work Force with world class competence and positive work values.

TESDA accomplishes its mission as national authority for Technical Vocational Education and Training (TVET) for the joint effort of the 12-member TESDA Board and the TESDA Secretariat composed of various operating units located in the Central Office, Regional Offices, Provincial Offices, TESDA Technology Institutes (COROPOTI). Under the direction of the TESDA Board as policy making body, the COROPOTI units of the TESDA Secretariat are tasked to administer and implement TESDA strategies and programs.

These strategies and programs are depicted in the SEEK-FIND-TRAIN-CERTIFY and EMPLOY framework which also account for the Major Final Output (MFO) approved for TESDA by the Department of Budget and Management.

TESDA's programs and projects are implemented through TESDA – Main and 217 operating units listed in the following table.

TESDA Operating Units	No.
Regional Offices	16
Provincial Offices	75
District Offices	6
Regional Training Centers	21
Provincial Training Centers	43
Technical Vocational Schools	56
Total	217

Key Performance Indicator (KPI)	2013 National Target	2013 Accomplishment	Percentage of Accomplishment
Number of TWSP-subsidized TVET enrollees	56,402	157,494	279.23
Number of PDAF/I-CARE subsidized TVET enrollees	24,560	31,526	128.37
Number of female TVET graduates	802,942	907,371	113.01
Number of male TVET graduates	765,813	803,371	104.91
Number of TVET trainers accredited under NTTC	7,782	6,993	89.87
Number of PWD's assisted	2,320	2,476	106.73

D. FINANCIAL HIGHLIGHTS

For CY 2013, TESDA has a total appropriation of ₱3,813,694,000.00 which comprises of agency specific budget of ₱2,971,084,000.00, special purpose fund of ₱365,266,000.00 and automatic appropriations of ₱144,795,000.00. Total allotment received amounted to ₱3,481,145,000.00 and ₱332,549,000.00 for the current year and continuing appropriation of prior year, respectively, or a total of ₱3,813,694,000.00 with obligations incurred of ₱3,642,169,000.00 leaving an unexpended balance of ₱171,525,000.00. Aside from the regular budget, TESDA received additional funds for the implementation of the scholarship programs under the Disbursement Acceleration Program (DAP) and Priority Development Assistance Fund (PDAF). For the DAP, the amount received totalling ₱1,427,199,931.00 inclusive of DSWD-DAP in 2012 incurred a total obligations of ₱1,207,340,880.96, leaving an unexpended balance of ₱219,848,194.04. While receipt of PDAF amounted to ₱125,952,200.00 with a total obligation of ₱95,962,465.00, thus, leaving a net unexpended balance of ₱29,989,735.00.

TESDA's financial condition, sources and application of funds for the Calendar Year 2013, with comparative figures of 2012, are summarized in the tables shown below:

Comparative Financial Position

Particulars	2013	2012
Assets	₱ 6,616,953,346.45	₱ 8,514,588,398.92
Liabilities	2,260,130,506.90	2,597,849,057.53
Government Equity	₱ 4,356,822,839.55	₱ 5,916,739,341.39

Sources and Application of Funds

Particulars	2013	2012
Subsidy Income from National Government (net of reversion of unused NCA)	₱ 4,831,254,464.10	₱ 6,318,725,628.82
Other Income	788,686,186.54	570,401,348.87
Gross Income	5,619,940,650.64	6,889,126,977.69
Expenses		
Personal Services	1,726,639,670.52	1,556,250,393.40
MOOE	4,427,114,641.66	5,052,260,000.17
Financial Expenses	846,320.47	511,245.36
Total Expenses	6,154,600,632.65	6,609,021,638.93
Excess of Income over Expenses	₱ <u>(534,659,982.01)</u>	₱ <u>280,105,338.76</u>

E. SCOPE OF AUDIT

The audit covered the review of the accounts and operations of the TESDA for the period 01 January to 31 December 2013 except for TESDA Region VIII and TESDA-ARMM which the latter has a separate report included in the Local Government Annual Audit Report. It was aimed in determining whether the financial statements present fairly the financial position and results of operations of the TESDA for the year then ended, and at determining the extent of compliance with existing laws, rules and regulations.

F. INDEPENDENT AUDITOR'S REPORT

We rendered a qualified opinion on the fairness of presentation of the financial statements in view of the accounting deficiencies noted as presented below and discussed in detail in Part II of the report.

G. OBSERVATIONS AND RECOMMENDATIONS

The following are the significant audit observations and the corresponding recommendations:

A. VALUE FOR MONEY AUDIT

1. Out of the total budget of ₱2,393,733,631.00 for 261,865 targeted scholars for the implementation of *Training for Work Scholarship Program (TWSP)* and *Cash for Training Program (C4TP)*, a total of ₱2,101,620,243.56 was utilized

basis of approval of the training cost and duration for each questioned community-based training programs and availment by scholar considering the absence of specific guidelines thereon. Moreover, revert the unexpended balances to the National Treasury.

4. Of the ₱1.3 billion received in CY 2012 by TESDA under the Disbursement Acceleration Program (DAP) from the Department of Social Welfare and Development (DSWD) to provide technical education and skills development to the disadvantage youth, a total of ₱1.1 billion was disbursed, thus leaving an unutilized amount of ₱0.2 billion as of December 31, 2013. Moreover, of the intended accomplishment of the project as of May 2013, only 19,243 were trained out of the targeted 47,167 trainees, which resulted in the delay of the implementation and extension of the project to December 31, 2013. Furthermore, deficiencies were noted in the implementation of the said program due to lapses of the procedures as required under TESDA Circular No. 33 series of 2012. (Paragraphs 115 to 165)

We recommended and Management agreed to:

- **remit the unutilized amount of DAP funds to the DSWD and liquidate the entire fund transferred as stipulated in the Memorandum of Agreement upon completion of the project; and**
- **address the deficiencies noted to prevent recurrence in the future projects.**

B. FINANCIAL AND COMPLIANCE

1. Validity and accuracy of the Cash in Bank- Local Currency Current Account could not be ascertained due to the following: a) no Bank Reconciliation Statements were prepared by seven regional offices with a total book balance of ₱201,273,125.65, ₱182,953,428.84 of which has a bank confirmation of ₱212,891,945.92 or a difference of ₱29,938,517.08; b) an account with the Philippine Veterans Bank, Nichols Branch amounting to ₱363,189.01 that had been dormant in the books since 1985 raising doubt whether said deposit is still existing due to non-affirmation by the bank; c) understating the cash in bank balance by ₱882,577.70 due to stale checks totaling ₱1,367,721.64 which were not yet adjusted and two dormant bank accounts with cash in bank balance amounting to ₱485,143.94 which were closed and remitted to the Bureau of Treasury without corresponding accounting entry; and d) balance of the said account still includes unutilized/ unexpended balances of six regional offices for training and scholarship programs, personal services (PS) and maintenance and other operating expenses (MOOE), proceeds from sale of bid documents and completed projects totaling ₱125,616,871.19 which have not been remitted to the National Treasury. (Paragraphs 166 to 195)

We recommended and the Management agreed to:

- require the Regional Offices to strictly adhere to Section 74 of P.D. 1445 and COA Circular No. 96-011 on the preparation and submission of the required bank reconciliation statements of all bank accounts;
 - exert efforts to locate pertinent documents like any claims filed with the Philippine Deposit Insurance Company (PDIC) or any communications regarding the claims against the bank in 1985 and continue to communicate with PVB Makati branch inquiring of the status of the account with mention of the NMYC account.
 - require the Accountant to adjust the recording of the stale checks;
 - require the Accountant to draw a Journal Entry Voucher to adjust the closing of the dormant bank accounts and deposits of ₱485,143.44 to the Bureau of Treasury to reflect the correct balance of account Cash in Bank – LCCA; and
 - revert the unexpended/unutilized balances for more than two years to the National Treasury.
2. Cash advances granted to officers and employees which were reported by six regions in the total amount of ₱2,675,015.87 or 12.54 percent of the aggregate amount of ₱21,337,439.35 as of December 31, 2013 remained unliquidated for a period that ranges from 31 days to more than 3 years even if the purposes for which these were granted had already been served. In effect, this understates the total expense/equity account and overstates the total assets. (Paragraphs 196 to 208)

We recommended the Management to:

- require the concerned officers and employees the immediate liquidation of all outstanding cash advances;
- strictly adhere with COA Circular 97-002, P.D. 1445 and E.O. 298 regarding the granting and liquidation of cash advance;
- employ necessary measures to strengthen internal control in the Granting, Utilization and Liquidation of Cash Advances;
- instruct the accountant to refrain from recording the liquidation to settle the cash advances unless all necessary documents/signatures were attached/signed in the liquidation reports.

- require the TESDA-Main Accountant to prepare and maintain aging schedule of advances to determine how long the said advances remained outstanding for the year and to easily remind the concerned regions to settle their advances within the prescriptive period.
3. Disbursement made in CY 2008 for the payment of Performance Exemplary Reward for CY 2008 totaling ₱2,930,000.00 was only recorded in the books of accounts during the current year under Journal Entry Voucher (JEV) No. 2013-05-008392 dated May 28, 2013, for the cash advance and the liquidation report in August 30, 2013 under JEV No. 2013-08-010423 which is not in accordance with generally accepted accounting principles and pertinent laws and regulation that resulted in an inaccurate and misleading financial information. (Paragraphs 209 to 218)

We recommended that Management take appropriate action on such lapses so that all transactions of the agency are recorded correctly and concerned officials are cautious in handling financial transactions.

4. Validity, accuracy and existence of the Property, Plant and Equipment account appearing in the books of accounts totaling ₱6,060,353,559.27 as of December 31, 2013 cannot be relied upon due to the following:
- a. failure of seven regions to conduct/complete physical count of PPE worth ₱406,825,745.78;
 - b. non-submission of Report on Physical Count of PPE (RPCPPE) of TESDA-Main and two regions with PPE amounting to ₱1,880,299,810.02;
 - c. non reconciliation of PPE accounts between accounting and property records resulting in a difference of ₱127,409,702.21;
 - d. understatement of PPE by ₱913,498,720.44 due to non recording of various donated equipment, non-capitalization of completed renovation/improvement of buildings and other structures, and non-adjustment/error in recording unserviceable equipment;
 - e. erroneous classification of PPE costing ₱4,201,656.22;
 - f. non-transfer of PPE of completed projects under Fund 102 to the General Fund; and
 - g. non-preparation of Acknowledgment Receipt of Equipment (ARE) of PPE and non/improper maintenance of Property Plant and Equipment Ledger Cards (PPELC) by three regions. (Paragraphs 241 to 258)

We recommended and Management agreed to:

- create an Inventory Committee composed of two or more employees including the property/supply officer or custodian tasked to conduct/complete the required physical count of PPE and to render the report thereon, copy furnished the Audit Team;
 - require the Accounting and the Property Unit to reconcile the inventory report with the accounting records to determine the causes of the variance between both records and make the necessary adjusting entries, if any;
 - instruct the Accountants to draw Journal Entry Voucher with complete documentation to adjust the net understatement of PPE due to unrecorded donated equipment, non-capitalization of major repairs and maintenance of buildings and other structures;
 - coordinate with TESDA-Main Accountant and Property Officer on the transferred equipment including PPE of completed projects under Fund 102 for proper documentation and adjustment/s both to the books of TESDA Main and concerned Regional/Provincial Offices to reflect the correct balances of PPE as of yearend;
 - require the Property Officer to maintain/update the Property Card for each PPE and regularly reconcile the RPCPPE with the PPELC of the Accounting Section; and
 - require the Property Officer to update the Acknowledgment Receipt of Equipment as required under Section 492, GAAM, Vol. I.
5. Unserviceable property, plant and equipment costing ₱31,354,354.49 was not yet disposed of diminishing its salvage value due to deterioration and wear and tear, thus depriving the agency an additional income that could be generated from sale or negotiation. In addition, non-disposal of these equipment deprived the agency to maximize the utilization of the space where these PPE were kept. (Paragraphs 259 to 261)

We recommended Management to instruct the Disposal Committee to take proper action on government properties that are for disposal. Undertake the necessary actions in accordance with Section 79 of PD 1445.

6. Physical inventory of property, plant and equipment conducted in 2013 by three regions resulted in ₱25,592,816.07 worth of unutilized equipment for its intended purpose for more than six years now, hence, exposing these equipment to further deterioration and damage that will eventually result to wastage and loss of government funds. (Paragraphs 262 to 264)

8. Validity, correctness and propriety of the recorded transactions for CYs 2009-2013 totaling ₱130,660,762.56 could not be ascertained due to the failure of the concerned officers to submit the disbursement vouchers (DVs) and supporting documents contrary to Section 4 of PD 1445 and COA Circular No. 95-006 dated May 18, 1995. Of the total amount, ₱88,881.85 represents prior years disbursement which was issued with affidavit of loss. Likewise, there was delay or non-submission of Financial Reports/Statements and supporting documents ranging from two months to three years, contrary to Section 100 of Presidential Decree No. 1445. (Paragraphs 275 to 287)

We recommended that Management for proper and timely recording in the books, require the Cashier's office to:

- submit the Reports with all supporting documents to the Accounting Division not later than the 5th day of the following month and the official concerned shall turn over the disbursement records with all paid vouchers and documents evidencing the transactions to the Auditor within (10) days pursuant to Section 100 of Presidential Decree No. 1445 and COA Circular No. 94-006; and
- instruct the accounting personnel to reproduce the missing vouchers and the required documents that were lost.

H. IMPLEMENTATION OF PRIOR YEAR'S RECOMMENDATIONS

Validation of the implementation of management of the audit recommendations contained in the 2012 Consolidated Annual Audit Report on the Technical Education and Skills Development Authority (TESDA) disclosed the following:

Status of Implementation	No. of Recommendation	Percentage of Implementation
Fully Implemented	31	35
Partially Implemented	29	33
Not Implemented	28	32
Total	88	100