

# EXECUTIVE SUMMARY

## A. Introduction

By virtue of Republic Act (R.A.) No. 7796, otherwise known as the Technical Education and Skills Development Authority (TESDA) Act of 1994, the TESDA was created on August 26, 1994. The TESDA's mandate is to provide accessible, high quality and efficient technical education and skills development in support of a high quality Filipino middle-level manpower responsive to and in accordance with the Philippine Development Goals and Priorities. 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.

The TESDA is the seat of the Director General, who heads the TESDA Secretariat with the following functions and responsibilities, among others:

- a. establish and maintain planning process and formulate a national technical education and skills development plan in which the member-agencies and other concerned entities of the Authority at various levels participate;
- b. provide analytical inputs to policy decision-making of the Authority on allocation of resources and institutional roles and responsibilities as shall be embodied in annual agencies technical education and skills development plans, in accordance with manpower plan for middle-level skilled workers as approved by the Authority;
- c. recommend measures, and implement the same upon approval by the Authority, for the effective and efficient implementation of the national technical education and skills development plan;
- d. propose to the Authority the specific allocation of resources for the programs and projects it shall undertake pursuant to approved national technical education and skills development plan;
- e. submit to the Authority periodic reports on the progress and accomplishment of work program of implementation of plans and policies for technical educational and skills development and prepare for approval by the Authority an annual report to the President on technical education and skills development; and
- f. enter into agreement to implement approved plans and programs and perform activities as shall implement the declared policy of this Act.

The TESDA also needs to provide equitable access and provision of TESDA Education Skills Development (TESD) programs to the growing Technical Vocational Education and Training (TVET) clients. Thus, it continues to undertake direct training provisions through four training modalities: a) School-based, b) Center-based, c) Enterprise-based and (d) Community-based. These are being done with TESDA's infrastructure in place, namely: 56 TESDA administered schools, 60 training centers, enterprise-based training through Dual Training System (DTS)/apprenticeship and community-based training in convergence with the Local Government Units (LGUs).

### **TESDA SUPPORTS TRAINING PROVISION**

- TESD creates opportunities for people to be responsible and become productive citizens. The need to provide and make accessible relevant TESD compels TESDA to undertake direct training activities at the same time support training activities undertaken by other key players in the TESD sector.
- TESDA Technology Institutions (TTIs) are composed of 123 schools, regional, provincial and specialized training centers nationwide which undertake direct training activities for TESDA. The absence of an institution in the area which can provide people equitable access to TESD necessitates TESDA to undertake direct training activities. These TTIs also serve as venues to test new training schemes and are used as laboratories for new technology.

Among TESDA's specialized Training Centers are the following:

- a. **TESDA Women's Center (TWC)** seeks to advance the economic status of women through training, entrepreneurship development, gender sensitive policies, programs and projects and research and advocacy. It was established through a grant from the Government of Japan.
- b. **Language Skills Institute (LSI)** serves as TESDA's facility for language programs specifically for workers intending to work abroad. The LSI conducts training on workplace communication on the language of the country of the worker's destination. There are 35 LSI nationwide offering different language courses which include English, Japanese, Mandarin Chinese, Arabic and Spanish.
- c. **Korea-Philippines IT Training Centers (KPITTCs)** are grant-assisted projects from the Government of the Republic of Korea. These KPITTCs are located at the Polytechnic University in Novaliches, Quezon City and at the Regional Skills Development Centers in Guiguinto, Bulacan and Tibungco, Davao City, respectively.

## Organizational Set-up

TESDA is governed by an 18-member TESDA Board which is composed of eight members from the Government Sector including its Director General, Secretary Isidro S. Lapeña, five members from the Labor Sector, two members each from the Employer and Education and Training Sectors, and one member from the Business and Investor Sector as the policy-making body, while the administration and implementation of its programs and projects are entrusted to the TESDA Secretariat composed of various operating units located in the Central Office (CO), Regional Offices, Provincial Offices, Training Institutions headed by a Director General, with Cabinet rank. Secretary Lapeña assumed office on October 31, 2018.

TESDA's programs and projects are implemented through TESDA CO and 215 Operating Units as enumerated below:

<b>TESDA Operating Units</b>	<b>No.</b>
Regional Offices (ROs)	16
Provincial Offices (POs)/District Offices (DOs)	81
Regional TESD Centers (RTESDCs)	17
Provincial /District TESD Centers (PTESDCs)	45
TESDA-Administered Schools/ TESDA Training Institutions – (TTIs)	56
<b>Total</b>	<b>215</b>

To date, TESDA has total personnel complement based on the approved DBM approved manpower complement of 4,117 plantilla positions, including co-terminus positions of 110. Out of the total plantilla positions, 3,535 were filled-up while 582 remained unfilled positions as presented in the following table:

<b>Office</b>	<b>Total Plantilla</b>	<b>Filled Position</b>	<b>Unfilled Position</b>
Central Office	364	301	63
Regional Office	375	337	38
Provincial Office	741	671	70
Regional Training Centers (RTCs)/Provincial Training Centers/Schools (PTCs)	2,637	2,226	411
<b>Total</b>	<b>4,117</b>	<b>3,535</b>	<b>582</b>

## B. Operational Highlights

The major accomplishments of TESDA based on the Physical Report of Operations as of December 31, 2018 (BAR No. 1) are as follows:

Key Performance Indicator (KPI)		CY 2018 Targets	Accomplishment	Percentage of Accomplishment
<b>A</b>	<b>MFO 1: Technical Education and Skills Development (TESD) Policy Program</b>			
1	Percentage of stakeholders who rate policies as good or better	93%	99%	106.45
2	Number of National, Regional/Provincial TESD plans formulated/updated	1 national progress report	1 national progress report prepared	100
<b>B</b>	<b>MFO 2: TESD Regulatory Program</b>			
1	Percentage compliance of TVET programs to TESDA, industry and industry standards and requirements	85%	95%	111.76
2	Percentage of TVET graduates that undergo assessment for certification	85%	80%	94.12
3	Percentage of TVET programs with tie-ups to industry	42%	47%	111.9
4	Percentage of registered accredited TVET programs audited	100%	99.4%	99.4
5	Percentage of skilled workers issued with certification within seven days of their application	90%	83%	92.22
6	Number of consultations, orientations and workshops for development of competency standards/training regulations	200	201	101
<b>C</b>	<b>MFO 3: TESD Program</b>			
1	Percentage of graduates from TESD scholarship programs that are employed	65%	69.7%	107.23
2	Number of graduates from TESD scholarship programs	232,633	404,914	174.06
3	Number of training institutions/ establishments/ assessment centers provided with technical assistance	5,771	8,229	142.59
4	Number of TTIs graduates	231,859	261,094	112.61

### C. Financial Highlights

The TESDA had an Agency Specific Budget of ₱8,827,596,000.00 under RA No. 10964, the General Appropriations Act (GAA) for Fiscal Year (FY) 2018. Allotments received from Regular Appropriations totaling ₱7,312,482,183.32 is augmented by allotments of ₱175,363,587.36 from the Special Purpose Fund and ₱162,921,419.15 from Automatic Appropriations, bringing the total allotments to ₱7,650,767,189.83. Out of the total allotments of ₱7,650,767,189.83, obligations amounted to ₱6,832,901,955.87, leaving an unobligated balance of ₱817,865,233.96 at year end, as shown in the following table:

Source of Funds	Appropriations	Allotments	Obligation Incurred	Unobligated Balance
1. Agency Specific Budget				
PS	2,752,431,000.00	1,825,659,902.09	1,799,618,026.09	26,041,876.00

Source of Funds		Appropriations	Allotments	Obligation Incurred	Unobligated Balance
	MOOE	5,595,559,000.00	4,570,978,615.68	4,612,751,339.86	(41,772,724.18)
	CO	311,819,000.00	915,843,665.55	107,739,526.91	808,104,138.64
	<b>Total, Regular Appropriations</b>	<b>8,659,809,000.00</b>	<b>7,312,482,183.32</b>	<b>6,520,108,892.86</b>	<b>792,373,290.46</b>
2. Special Purpose Fund					
	Miscellaneous Personnel Benefits Fund (MPBF)	-	103,278,277.46	87,498,500.36	15,779,777.10
	Pension Gratuity Fund (PGF)	-	72,085,309.90	68,615,428.52	3,469,881.38
	<b>Total, Special Purpose Fund</b>	<b>-</b>	<b>175,363,587.36</b>	<b>156,113,928.88</b>	<b>19,249,658.48</b>
3. Automatic Appropriations					
	RLIP	167,787,000.0	162,739,842.15	156,497,557.13	6,242,285.02
	Customs duties and taxes, including tax expenditures	-	181,577.00	181,577.00	-
	<b>Total, Automatic Appropriations</b>	<b>167,787,000.00</b>	<b>162,921,419.15</b>	<b>156,679,134.13</b>	<b>6,242,285.02</b>
	<b>Grand Total</b>	<b>8,827,596,000.00</b>	<b>7,650,767,189.83</b>	<b>6,832,901,955.87</b>	<b>817,865,233.96</b>

The Agency's financial position and financial performance for CY 2018 with comparative figures for CY 2017 are shown below:

Particulars	2018	2017
<b>Financial Position</b>		
Assets	13,807,511,445.52	7,443,727,310.40
Liabilities	(8,779,470,165.45)	(2,323,005,971.16)
Government Equity	5,028,041,280.07	5,120,721,339.24
<b>Financial Performance</b>		
Revenue	854,470,493.64	979,065,273.45
Less: Current Operating Expenses		
Personnel Services	2,123,880,616.54	2,027,372,341.26
Maintenance and Other Operating Expenses	5,848,419,381.52	5,498,402,814.61
Financial Expenses	550,600.74	1,748,044.28
Direct Costs	22,127,417.53	19,810,639.32
Non-Cash Expenses	197,834,974.65	200,286,418.23
Surplus (Deficit) from Current Appropriation	(7,338,342,497.34)	(6,768,554,984.25)
Net Financial Assistance Subsidy	7,624,258,001.42	7,112,726,150.40
Sale of Assets	128,537.75	50,867.00
Miscellaneous Income	17,481,763.62	18,024,788.78

<b>Particulars</b>	<b>2018</b>	<b>2017</b>
Gains	810,382.58	5,198,871.24
Losses	(4,560,692.02)	(802,281.98)
<b>Surplus for the period</b>	<b>299,775,496.01</b>	<b>366,643,411.19</b>

The TESDA has three books of accounts consisting of the General Fund, Trust Fund and Revolving Fund - Sariling Sikap Program (SSP). In the 2018 GAA Agency Special Provisions, TESDA was authorized to: (a) engage in various training cum-production, all income derived from these activities shall be deposited in the SSP account; (b) develop the capability of LGUs to assume ultimately the responsibility for effectively providing community-based technical education and skills development opportunities; and (c) manage/administer the TESDA Development Fund (TDF) authorized under RA No. 7796, the income from which shall be utilized exclusively in awarding of grants and providing assistance to training institutions, industries, LGUs and implement training and training-related activities.

#### **D. Scope of Audit**

The audit covered the review of the accounts and operations of the TESDA for the year ended December 31, 2018. The audit was conducted to: (a) verify the level of assurance that may be placed on management's assertions on the financial statements; (b) determine the propriety of transactions as well as the extent of compliance with applicable laws, rules and regulations; and (c) determine the extent of implementations of prior years' audit recommendations.

#### **E. Auditor's Report on the Financial Statements**

The Auditor rendered a qualified opinion on the fairness of presentation of the Financial Statements (FSs) of the TESDA for the year ended December 31, 2018 due to the significance of the matter noted in audit which are stated in the Independent Auditor's Report and discussed in detail in Part II of the Report.

#### **F. Summary of Significant Audit Observations and Recommendations**

The following are the Audit Team's significant audit observations and the corresponding recommendations which are discussed in detail in Part II of the Report.

1. Eight out of the 21 accounts in the Statement of Financial Position had an aggregate misstatement of ₱1,425,055,273.96, which is 1,639.40 per cent in excess of the Materiality Threshold computed at one per cent of the Total Expenses as at December 31, 2018. The accounts also showed various accounting deficiencies amounting to ₱359,980,550.52 that could have possible effects on the account balances. Due to the materiality of the amounts of misstatements and the other accounting deficiencies, the accuracy and completeness of the reported balances of the accounts in the FSs could not be relied upon. (Observation No. 1)

## **Cash and Cash Equivalents**

### **a. We recommended that the Management:**

- i. require the concerned TESDA Offices to make the necessary adjustments in the books to be supported with complete documents;**
- ii. ensure that unreleased commercial checks at yearend are reverted back to the Cash accounts; and**

## **Receivables**

### **b. We recommended that the Management direct the Accountants to:**

- i. effect the recording of purchases and deliveries from the Department of Budget and Management-Procurement Service (DBM-PS);**
- ii. record the necessary adjustments for errors committed affecting Due from DBM-PS account; and**
- iii. document properly recognized/derecognized Receivable accounts.**

## **Inventories**

### **c. We recommended that the Management of the concerned Offices direct the Accountants to:**

- i. make the necessary adjusting entries for the unrecorded/erroneous recording of transactions;**
- ii. reclassify to their appropriate account the semi-expendable items included in the Property, Plant and Equipment (PPE) accounts; and**
- iii. record all purchases and receipt of supplies for stock through the appropriate Inventory accounts in accordance with the Perpetual Inventory System.**

## **Property, Plant and Equipment**

### **d. We recommended that the Management of the concerned Offices direct the Accountants to:**

- i. prepare adjusting entries for the noted deficiencies and reclassify all PPE items costing below the capitalization threshold of ₱15,000.00 to the appropriate Inventory account;**

- ii. **for items that had been issued to end-users, debit the appropriate Semi-Expendable Expense account, if issued in the current year, or Accumulated Surplus/Deficit account, if issued in prior years;**
- iii. **reclassify the completed projects to their appropriate Asset account and compute for the corresponding depreciation;**
- iv. **prepare a schedule to monitor the progress of constructions/repairs and anticipate the completion to timely secure a copy of Certificate of Completion and other necessary supporting documents to effect the transfer of Construction in Progress to the appropriate PPE accounts;**
- v. **establish the accurate provision for allowance on depreciation for all depreciable assets, adjust the recording and regularly compute/provide depreciation thereof; and**
- vi. **record to the appropriate PPE accounts all acquisitions and disposals of properties.**

#### **Biological Assets**

- e. **We recommended that the Management direct the Accountant to:**
  - i. **include the balances and the changes in fair value of all the biological assets due to physical/price changes and submit the same to the Audit Team;**
  - ii. **effect appropriate adjustments of Accumulated Surplus/Deficit account; and**
  - iii. **reconcile monthly its records with those of the Biological Asset's Caretaker/Officer-in-Charge or Property Custodian to provide updated reports.**

#### **Other Assets**

- f. **We recommended that the Management of the concerned Offices:**
  - i. **analyze/identify all charges made to Other Assets account;**
  - ii. **effect the adjustments in accordance with the pertinent provisions of the Government Accounting Manual for National Government Agencies (GAM for NGAs);**
  - iii. **require the TESDA-CO Accounting Division to submit Journal Entry Vouchers (JEVs) together with the necessary documents to support all the**

**recorded adjustments/reclassification made to Other Assets/related accounts and for all future non-cash transactions/adjustments; and**

- iv. ensure that all charges made to the accounts are accurate, proper and in accordance with the provisions of the GAM for NGAs for the fair presentation of the FSs.**

#### **Liabilities**

**g. We recommended that the Management require the Cordillera Administrative Region (CAR) Financial Analysts to:**

- i. prepare adjusting entries to correct the balances of the accounts; and**
- ii. exercise due care in the recording of financial transactions to avoid errors and ensure fair presentation of the financial statements.**

- 2. Starter toolkits under the Special Training for Employment Program (STEP) were not provided to the STEP Scholars due to failed biddings and/or delays in the procurement of toolkits; and trainings that were not implemented. Likewise, training allowances under different programs totaling ₱1,110,220.00 were not released to beneficiaries/scholars due to delayed/non-submission of pertinent documents as well as other lapses and deficiencies in handling toolkits were noted, contrary to TESDA Circular Nos. 3, series of 2018 and 13, series of 2017. Thus, the scholars were deprived with: (a) essential kits to help them start their entrepreneurial ventures and make them self-employed and (b) timely financial assistance for them to sustain their daily expenses during their attendance to the trainings they availed. (Observation No. 2)

**We recommended that the concerned Offices exert efforts and comply strictly with TESDA Circular Nos. 3, series of 2018 and 13, series of 2017; and to implement the following in their respective Offices:**

**For Regions CAR, I, II, NCR, IV-A and VI –**

- a. coordinate with the CO for the delivery of the toolkits in order to address program's objective to provide skills training opportunities in the barangays/communities for employable skills and productivity, if warranted;**
- b. ensure ready distribution to graduate-scholars during the training;**

**For Region II –**

- c. advise the training provider to monitor strictly the attendance of the participants to ensure that the required number of hours per Qualification Title are met;**

- d. establish deadlines in the submission of list of scholar-graduates and attendance sheets and see to it that it is strictly complied by the TVIs/TTIs. Create distribution scheme that addresses the timely release of checks to scholars;**

**For Regions II, III and IV-A –**

- e. process the training allowance and devise means for its immediate issuance to scholars in order to provide the benefits that have been long due to them;**
- f. ensure and ascertain timely payment of training allowances to scholars;**

**For Region IV-A –**

- g. reconcile records with the RO to account for the missing or lacking 11 sets of toolkits for distribution to the concerned scholars; and**
  - h. obtain and submit a copy of Requisition and Issue Slip from the RO to properly document the toolkits received; and**
3. The TESDA's lack of policy for the monitoring of/accounting for undistributed/unutilized toolkits procured under the STEP and as consideration in determining the procurement requirements for succeeding years instead of issuing subsequent directives only as remedial measure to dispose the same, possess the risks for these items to deteriorate, become obsolete or no longer useful and to accumulate over the years that will eventually translate to unnecessary loss/wastage of government resources. (Observation No. 3)

**We recommended that the Management include as a TESDA policy in the implementation of STEP, the following:**

- a. periodic monitoring of undistributed starter toolkits and the conduct of a yearly inventory of procured starter toolkits still in the custody of the TESDA Regional/District/Provincial Offices and TVIs;**
- b. deadlines for the submission reports relative thereto to provide decision makers with timely/relevant information to properly plan the quantity and items requirements in the procurement of toolkits under the STEP for the succeeding year of implementation taking into consideration the stocks on hand;**
- c. imposition of sanctions in case of non-adherence to the policy to ensure the proper custody of the starter toolkits; and**
- d. coordination between Supply Officer and the Scholarship Management Division or the STEP Focal Person such that the Supply Officer is informed of**

**the trainings already conducted to facilitate the distribution of the toolkits immediately upon completion of the training in order to properly manage the distribution of toolkits.**

**We also recommended that the Management:**

- a. designate accountable officials at the TESDA-CO who will be responsible for the overall monitoring/distribution of the starter toolkits; and**
  - b. instruct the concerned Regional District/Provincial Supply Officers and/or STEP Focal Persons to conduct year-end physical count and submit a report thereof to the TESDA CO to monitor stocks on hand/their condition as an input to the decision makers.**
4. The TESDA Development Fund (TDF) with an accumulated balance of ₱201,383,354.41 has not been expended/utilized to award grants and provide assistance to training institutions, industries, LGUs, for upgrading their capabilities and to develop and implement training and training related activities. Since the establishment of the Fund in CY 2002 pursuant to TESDA Act of 1994, there were no annual concrete plans, programs, projects and activities in the implementations for the last 16 years, except for the ₱10 million allocated for research to be conducted from CYs 2018 to 2022. Instead, the Fund has always been and currently invested in long term bonds, of which, ₱124,837,710.31 or 62 per cent is existing to date, and although it earns interest income, it still defeated the primary purpose for which the Fund was maintained. (Observation No. 4)

**We recommended that the Management:**

- a. revisit the implementing guidelines in the operationalization of the TESDA Fund;**
  - b. disburse the fund according to its purpose;**
  - c. prepare plans, programs, and activity in order to serve the purpose of the fund through grants or assistance to training institutions, industries, LGUs to upgrade their capabilities and to develop and implement training and related activities; and**
  - d. submit accomplishment report on the conduct of the TVET research activities as of CY 2018.**
5. Unexpended cash allocations amounting to ₱34,132,405.87 were not remitted to the Bureau of Treasury (BTr) contrary to DBM Circular Letter No. 2013-12 and Executive Order Nos. 338 and 431, thus the purpose to maximize the use of scarce government resources and streamline management of government funds was not attained. (Observation No. 5)

**We recommended that the Management:**

- a. **ensure compliance with the requirements under EO Nos. 338 and 431 and DBM Circular Letter No. 2013-12 by causing the immediate reversion/remittance of the unexpended amounts to the National Treasury; and**
  - b. **for RO VI–Passi Trade School to fast-track the processing of disbursements supported with complete documentation and improve the preparation of the Monthly Cash Program in order to come up with a realistic forecasting of cash requirements to avoid NCA reversal and therefore, make use of funds to improve the delivery of services.**
6. Prior and current year cash advances and receivables totaling ₱4,449,465.69 and ₱82,834,116.98, respectively, remained unliquidated as of yearend, contrary to Section 89 of PD No. 1445, Item 5.8 of COA Circular Nos. 97-002, 2007-001 and 94-013. (Observation No. 6)

**We recommended that the Management of the concerned TESDA Offices:**

- a. **demand from all officials and employees, TESDA Operating Units, LGUs and others concerned to settle and liquidate immediately and/or return unutilized funds in their custody; and**
  - b. **exert efforts by exhausting all means including legal remedies, if warranted, for the settlement of the receivables by coordinating with the concerned Offices, and if proven to be nil/uncollectible, file requests for write-off together with all the required documents to support said requests.**
7. Dormant accounts totaling ₱7,850,256.12 remained in the books and no longer supported with records and documents to determine their validity, thus adversely affected the fair presentation of the financial condition of the assets/liabilities and accumulated surplus accounts. (Observation No. 7)

**We recommended that the Management of the concerned TESDA Offices:**

- a. **prepare the ageing of dormant accounts, determine their validity and support the request for write-off with complete documentations, if warranted;**
- b. **ensure that all obligations are supported with valid claims that are, in turn, complete with documentation and effect the reversion of those long outstanding payables without existing valid claims; and**
- c. **ensure strict compliance with the obligation requirements prescribed under COA Circular No. 2016-005 and Sections 98 and 111 of PD No. 1445.**

8. Properties totaling ₱32,825,832.76 were not covered by insurance, contrary to Section 5 of RA No. 656 and COA Circular No. 92-390, thus depriving the Agency of any indemnification in case of loss or damage due to fire, earthquake, storm and other calamities. (Observation No. 9)

**We recommended and the Management agreed to take appropriate action to have the insurable properties of the Agency insured with the GSIS pursuant to RA No. 656 and COA Circular No. 92-390, to avoid/minimize incurrence of loss due to damage in case of fire, earthquake, storm and other calamities by way of indemnity.**

9. Certain provisions of RA No. 9184 and its Revised Implementing Rules and Regulations (RIRR) were not observed and/or complied with by various TESDA Offices in the procurement of goods and services amounting to ₱23,570,555.20. (Observation No. 11)

**We recommended that the Management of the concerned Offices require the Bids and Award Committee to observe strictly the pertinent provisions in the RIRR of RA No. 9184 on the posting of the Requests for Quotations and the award of contracts/Purchase Orders.**

**We also recommended that the Management:**

- a. **direct the Region I – Pangasinan School of Arts and Trade to submit the Philippine Government Electronic Procurement System (PhilGEPS) Certificate of Registration of Membership of the suppliers to whom the procurements were made;**
- b. **direct the concerned officials of Region II–Southern Isabela College of Arts and Trades and Nueva Vizcaya Polytechnic Institute to attach to the Disbursement Vouchers (DVs)/submit the Procurement Request (PR) duly acted by the DBM-PS and Price Quotation and Stocks Availability Certification on the items, which are available in stock. If stocks are not available, check the notation in the PR for information on whether out-of-stock, or non-common office supplies, which will serve as basis in resorting to shopping, as an alternative mode for the procurement of common ordinary office supplies other than through the DBM-PS;**
- c. **require Region III – Bataan to submit a written justification for not posting its RFQs in the PhilGEPS;**
- d. **direct Region IV-B, Romblon National Institute of Technology to post, for information purposes, the notice of award, contract or purchase order, including notice to proceed if necessary, in the PhilGEPS website for all contract exceeding ₱50,000.00 procured thru shopping;**

- e. **require Region VI–Dumalag Vocational Technical School to submit justification/explanation with corresponding supporting evidence for the use of alternative method of procurement; and**
  - f. **require Region VIII to strictly adhere with proper procurement processes and complete documentations on all acquisitions of goods, services and infra projects consonant to the procurement law and its rules to avoid the suspension or disallowance of transactions in audit.**
10. Various disbursements did not comply with the established rules, procedural guidelines, policies, principles or practices prescribed in COA Circular No. 2012-003 dated October 29, 2012 resulting in the incurrance of irregular, unnecessary and excessive expenditures. (Observation No. 12)

**We recommended that the Management of the concerned TESDA Offices:**

- a. **require the TESDA personnel concerned to refund the loyalty awards, Collective Negotiation Agreement (CNA) incentive, Productivity Enhancement Incentive granted and other excess amounts paid to them;**
  - b. **require the TVIs to refund the amounts paid to them pertaining to the noted trainings with deficiencies;**
  - c. **implement properly the provisions of Budget Circulars that may be issued by the DBM prescribing the guidelines on the grant of CNA Incentive;**
  - d. **require additional documentary evidence to support the trainings and assessments in Region III–Provincial Offices of Bulacan and Pampanga; and**
  - e. **conform to established rules, regulations, procedural guidelines, policies, principles or practices and only incur expenses at reasonable cost, moderate quantity and considering its necessity to prevent disallowance in audit.**
11. Various transactions totaling ₱403,071,029.73 were processed despite of the incomplete supporting documents, contrary to Section 4 of PD No. 1445 and COA Circular No. 2012-001, indicating lapses in internal control system and affecting the validity and regularity of the transactions. (Observation No. 13)

**We recommended that the Management of the TESDA-CO maintain subsidiary ledgers for the Cash in Bank account specifically for the TDF to facilitate review and tracing of transactions related to the Fund and submit the following:**

- a. **Certificates of Sale (COS) of all investments contracted since 2002 together with the Debit Memos/JEVs and other documents evidencing disbursement of the fund as well as the Quarterly Statements of Account issued by the BTr;**

- b. **amortization schedules of the investment acquired at a discount or premium and its terms and conditions; and**
- c. **yearly monitoring schedules of Fund balances from the time of its operation.**

**We also recommended that the Management of concerned TESDA Offices submit immediately the complete supporting documents for all the transactions and disbursements made as required by Section 4 of PD No. 1445 and COA Circular No. 2012-001; otherwise, the said transactions will be suspended/ disallowed in audit.**

**We further recommended that the Management of Region VIII:**

- a. **ensure that the financial reports/forms are completely and properly filled out;**
- b. **monitor closely TTIs and TVIs on the implementation of the various TESDA Scholarship Program to prevent possible loss or misuse of government funds;**
- c. **record immediately all monetized leave credits as reductions to reflected balances;**
- d. **reclassify erroneously recorded expenses to the appropriate Inventory account, in effect, cause for the accurate presentation of said assets per the Agency’s books as well as financial statements; and**
- e. **record in the books of accounts the receipt and issuance of toolkits based on Delivery Reports and Inspection and Acceptance Report as well as Reports of Supplies and Materials Issued and Requisition and Issue Slips, respectively, and strictly conduct regular reconciliation of their records to facilitate the drawing of JEVs for adjustments in case of any discrepancies with their respective maintained records such as the Stock Cards and Supplies Ledger Cards, respectively.**

The foregoing audit observations and recommendations were communicated through Audit Observation Memoranda (AOM) and discussed with the concerned TESDA officials and employees during the Exit Conference held on June 04, 2019, whose views and /or comments were considered in the Report, where appropriate.

**G. Status of Implementation of Prior Years’ Audit Recommendations**

Out of the 103 prior years’ audit recommendations, 52 were fully implemented and 51 were not implemented. The details are discussed in Part III of this Report.

<b>Status of Implementation</b>	<b>No. of Recommendations</b>	<b>Percentage of Implementation to Total</b>
Implemented	52	50.49
Not Implemented	51	49.51
<b>Total</b>	<b>103</b>	<b>100</b>