

## 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 216 operating units listed in the following table.

<b>TESDA Operating Units</b>	<b>No.</b>
Regional Offices	16
Provincial Offices	74
District Offices	6
Regional Training Centers	16
Provincial Training Centers	47
Technical Vocational Schools	57
<b>Total</b>	<b>216</b>

TESDA maintains a Revolving Fund under its Sariling Sikap Project (SSP) which was authorized under Executive Order No. 939 dated March 2, 1984. The net cash balances or the amount equivalent to two percent of the SSP annual net income, shall be remitted to the TESDA Development Fund (TDF).

TESDA has three functions namely: a) to engage in various training cum-production, all income derived from these activities shall be deposited in the SSP account; b) to develop the capability of local government units to assume ultimately the responsibility for effectively providing community-based technical

education and skills development opportunities; and c) to manage/administer the TDF. The income from which shall be utilized exclusively in awarding of grants and providing assistance to training institutions, industries, local government units and implement training and training –related activities. TDF is also authorized under RA 7796.

The TESDA-Main has five books of accounts consisting of the General Fund, Technical Education and Skills Development Project (TESDP), Centers of Excellence in Modern Manufacturing Technology (CEMMT), Expansion of Dual Education and Training Program (EDETTP) and SSP Revolving Fund.

## B. ORGANIZATIONAL SET UP

TESDA is governed by a 12-member TESDA Board, 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 COROPOTI headed by Secretary Emmanuel Joel J. Villanueva, Director General, with Cabinet rank. To date, TESDA has a total personnel complement of 4,431 consisting of 3,463 permanent, 64 co-terminus employees and 904 casual/contractual/job orders.

## C. OPERATIONAL HIGHLIGHTS

For calendar year 2012, TESDA reported the following accomplishments vis-à-vis the targets:

<i>Key Performance Indicator (KPI)</i>	<i>2012 National Target</i>	<i>2012 Accomplishment</i>	<i>Percentage of Accomplished</i>
Number of employed TVET graduates	560,861	643,342	114.71
Number of persons certified	730,983	890,547	121.83
Number of persons assessed	849,687	1,033,681	121.65
Number of TVET graduates, all delivery modes	1,357,205	1,600,658	117.94
Number of enrolled in TVET programs, all delivery modes	1,500,601	1,804,742	120.27
Number of profiled for TVET career (YP4SC, NCAE, etc.)	630,617	809,868	128.42
Number of enrolled in TTIs, all TTI programs	141,796	192,689	135.89
Number of TTI graduates, all TVET programs	130,857	173,561	132.63
Number of employed TTI graduates, all programs	64,838	84,942	131.01
Number of TTI graduates certified	78,303	115,096	146.99
Number of TTI graduates assessed	93,047	129,591	139.27
Number of Enterprise Based Training (EBT)-Kash graduates	68,057	80,370	118.09
Number of enrolled in EBT-KaSH	79,415	90,707	114.22
Number of enrolled in UTPRAS-based programs	765,754	949,698	124.02

<i>Key Performance Indicator (KPI)</i>	<i>2012 National Target</i>	<i>2012 Accomplishment</i>	<i>Percentage of Accomplished</i>
Number of TVET graduates in UTPRAS-based programs	697,591	773,130	110.83
Number of enrolled in community-based TVET programs	576,640	672,075	116.55
Number of TVET graduates from community-based programs	519,826	663,744	127.69
Number of TVET graduates placed in wage-employment	288,270	329,005	114.13
Number of self employed TVET graduates tracked	244,526	300,577	122.92
Number of female TVET graduates	573,516	813,481	141.84
Number of male TVET graduates	538,811	767,296	142.41
Number of TVET trainers accredited under NTTC	4,867	9,477	194.72
Number of sectoral absorptive training seats established	115,169	137,186	119.12
Number of job vacancies/opportunities determined	104,602	185,168	177.02
Number of new Training Regulations promulgated	1	2	200.00
Number of Training Regulations covered with CoPR	307	669	217.92
Number of WTR TVET programs	2,421	5,802	239.67
Number of NTR TVET programs	436	581	133.32
Number of NC IV programs registered	97	330	341.17
Number of NC III programs registered	143	265	185.67
Number of NC II programs registered	1,447	3,626	250.58
Number of NC I programs registered	79	253	318.44
Number of maritime programs subjected to internal audit	39	75	192.31
Number of maritime programs subjected to second level audit	15	13	86.67
Number of WTR programs audited for UTPRAS compliance	4,240	5,813	137.11
Number of NTR programs evaluated	253	493	194.73
Number of UTPRAS compliance audit findings closed	2,172	3,991	183.76
Number of NTR programs closed/migrated to WTR	115	299	260.62
Number of TVIs assisted under NTTC	1,033	1,381	133.71
Number of TVIs assisted under APACC accreditation program	32	23	72.72

<i>Key Performance Indicator (KPI)</i>	<i>2012 National Target</i>	<i>2012 Accomplishment</i>	<i>Percentage of Accomplished</i>
Number of establishments enrolled in JBIP	829	1,425	171.89
Number of functioning Blue Desks established/maintained	1,512	1,726	114.18
Number of Blue Desk focals trained/deployed	1,297	1,563	120.53
Number of JBIP/Blue Desk clients referred/served	383,733	479,581	124.98
Number of JBIP/Blue Desk clients hired	180,911	305,432	168.83
Number of updated N/R/P TESD & Institutional Plans documented	96	79	82.53
Number of Program/Policy Advisory documents issued	202	356	176.24
Number of Feedback Reports circulated	519	3,347	644.89
Number of QMS documents controlled	292	466	159.64
Number of QMS records controlled	131	247	188.55
Number of QMS processes identified for CI	67	71	105.97
Number of QMS processes subjected to internal audit	121	142	117.36
Number of frontline services enrolled in the Citizen Charter	229	370	161.57
Number of IDAPs implemented	28	40	142.86
Number of staff availing of SDP slots (<80 hours)	911	1,700	186.61
Number of staff with PES rating of 'Commendable' under OPES	349	693	198.57
Number of PWD's assisted	1,537	2,314	150.52

#### **D. FINANCIAL HIGHLIGHTS**

For CY 2012, TESDA had an approved budget of ₱2,745,746,000.00 per General Appropriations Act (GAA) under Republic Act No. 10155. Total allotment received amounted to P3,099,915,000.00 and P174,970,000.00 for the current year and continuing appropriation of prior year, respectively, or a total of P3,274,885,000.00 with obligations incurred of P3,202,154,000.00 leaving an unexpended balance of P72,731,000.00. Aside from the regular budget, TESDA received additional funds for the implementation of the scholarship programs under the Disbursement Acceleration Program (DAP) and the Priority Development Assistance Fund (PDAF). Funds received from DAP amounted to P585,100,000.00 and P763,423,000.00 for the current year and continuing appropriation of prior year, respectively, or a total of P1,348,523,000.00 with obligations incurred of P1,207,942,000.00 leaving an unexpended balance of P140,581,000.00. Under the PDAF, TESDA received financial assistance amounting to P267,234,000.00 and P34,262,500.00 for the current year and continuing appropriation of prior year, respectively, or a total of

P301,496,500.00. Details are presented in Annexes A.1 and A.2. Further, the agency received fund transfer in the total amount of ₱1,314,610,856.00 on December 2012 from the Department of Social Welfare and Development (DSWD) for the implementation of TESDA-DSWD Cash for Training Project which was not utilized in 2012.

TESDA's financial condition, sources and application of funds for the calendar year 2012, with comparative figures of 2011, are summarized in the tables shown below:

#### Comparative Financial Position

<i>Particulars</i>	<i>2012</i>	<i>2011</i>
Assets	₱3,803,651,586.42	₱2,181,222,929.50
Liabilities	1,484,141,550.12	190,765,893.59
Government Equity	2,319,510,036.30	1,990,457,035.91

#### Sources and Application of Funds

<i>Particulars</i>	<i>2012</i>	<i>2011</i>
Subsidy Income from National Government (net of reversion of unused NCA)	₱555,454,144.76	₱493,971,735.09
Other Income	63,353,591.36	38,452,931.58
Gross Income	₱618,807,736.12	₱532,424,666.67
Expenses		
Personal Services	191,180,912.98	166,930,703.28
MOOE	380,248,226.66	334,895,265.15
Financial Expenses	134,405.61	2,757.70
Total Expenses	571,563,545.25	501,828,726.13
Excess of Income over Expenses	<u>₱47,244,190.87</u>	<u>₱30,595,940.54</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 2012 except for TESDA Region IV-B 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. FINANCIAL AND COMPLIANCE AUDIT**

1. Stale checks totaling ₱1,165,722.12 were not adjusted, thus, understating the cash in bank balance while no bank reconciliations were prepared by four regional offices with a total book balance of ₱243,382,224.27, ₱200,069,870.15 of which has a bank confirmation of ₱219,910,971.15 or a difference of ₱19,841,101.00, thus, casting doubt on the validity of the account Cash in Bank – Local Currency, Current Account. Further, it includes 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 in the absence of a bank confirmation. On the other hand unexpended balances of ₱27,935,478.16 for training and scholarship programs and maintenance and other operating expenses (MOOE) have not been remitted to the National Treasury. (paras. 1-20)

**We recommended and the Management agreed to:**

- (i.) **require the Accountant to adjust the recording of the stale checks;**
  - (ii.) **require the Regional Offices strictly adhere to Section 74 of PD 1445 and COA Circular No. 96-011 on the preparation and submission of the required bank reconciliation statements of all bank accounts;**
  - (iii.) **require the Accountant to follow-up the confirmation of the account with the PVB for the proper disposition of cash balance; and**
  - (iv.) **revert the unexpended balances for more than two years to the National Treasury.**
2. Advances to Officers and Employees totaling ₱5,440,217.71 as of December 31, 2012 is understated by ₱1,399,964.79 due to improper accounting entry to credit cash advances without supporting documents, while cash advances in the amount of ₱931,656.79 were not liquidated within the reglementary period contrary to Section 14 of Executive Order No. 298 dated March 23, 2004 and COA Circular No. 97-002 dated February 10, 1997. (paras. 21-29)

**We recommended that Management to:**

- (i.) **reverse the entry made for the liquidation unless the necessary supporting documents were submitted;**
- (ii.) **strictly enforce the submission of liquidation documents as soon as the purpose of the cash advance has been served; and**

(iii.) impose sanctions such as the withholding of the salaries of concerned accountable officers/employees as provided for under paragraphs 9.2 and 9.3 of Section 5.1.3 of COA Circular No. 97-002, dated February 10, 1997.

3. Balance of Account Receivables account as of December 31, 2012 amounting to ₱18,347,314.78 net of allowance for doubtful accounts is overstated by ₱2,512,885.00 due to erroneous recording of collections of receivables to account Prior Year's Adjustment. (paras. 30-33)

**We recommended Management to instruct Acting Accountant to draw a Journal Entry Voucher (JEV) to record the liquidation/settlement of Accounts Receivable in order to correct the overstatement in the Assets and Government Equity Accounts using the suggested entries below:**

<i>Accounts</i>	<i>Debit</i>	<i>Credit</i>
Prior Year's Adjustment	2,512,885.00	
Accounts Receivable		2,512,885.00

4. The account Due from NGAs included advances to PS DBM which has a balance of ₱20,215,340.68 is overstated by a net amount of ₱1,639,224.07 due to unrecorded deliveries of supplies for CYs 2011 and 2012 totaling ₱3,243,010.04 and erroneous recording of advance payments of ₱779,740.88 and ₱824,045.09 in CYs 2011 and 2012, respectively, to accounts Office Supplies Expense, Due to Other NGAs and Prior Year's Adjustment by ₱808,187.08, ₱15,858.01 and ₱779,740.88, respectively. Moreover, the account also included advances to TESDA-ARMM totaling ₱141,007,881.54 and advances to Southern Philippines Council for Peace and Development (SPCPD) in CY 2005 amounting to ₱730,339.61 which remained unliquidated and the presence of unreconciled amount of ₱18,239.43. (paras. 34-56)

**We recommended that Management require the Accounting Division to:**

- (i) make the necessary adjustments on the accounts with the Procurement Service;
  - (ii) comply with the provisions of Section 4.J Volume I of the Manual on the New Government Accounting System (MNGAS) that regular purchases of supplies and materials shall be coursed thru the inventory account and issuances thereof shall be recorded as they take place;
  - (iii) follow up the delivery of procured items from the PS;
  - (iv) coordinate closely with the accounting personnel of the ARMM for the submission of liquidation reports and record them in the books of accounts; and
  - (v) exert extra effort to review transactions regarding the balance of SPCPD and the unreconciled balance and make the necessary adjustments.
5. The balance of ₱679,126,430.70 of the account Due from Regional Offices/Staff Bureau does

not agree with its contra-accounts Due to Central Office and Due to Regional Offices/Staff Bureaus with balances of ₱503,078,517.36 and ₱16,423,574.19, respectively, or a total of ₱519,502,019.55 showing a difference of ₱159,624,339.15, thus raising doubt on the correctness of these account balances and misstating the total assets and liabilities. Confirmation of balances with regional offices partly accounted for the difference resulting from the non-recording of submitted liquidation reports by the regional offices of ₱6,357,647.92, unavailability of records in the regional offices to support the details of the balances of ₱1,114,289.01 and non-submission of liquidation reports of completed projects already recorded in the regional offices. (paras. 57-66)

**We recommended and Management agreed to:**

- (i) **require the Accounting Division to closely coordinate with the Regional Accountants to reconcile their accounts Due from Regional Offices/Staff Bureau and Due to Central Office/Due to Regional Offices/Staff Bureau;**
  - (ii) **record the liquidation reports submitted by the ROs in the amount of ₱6,357,647.92; and**
  - (iii) **demand the liquidation reports from the Regional Offices of completed projects and the remittance of unexpended balances.**
6. Out of ₱18,630,784.15 Due from NGOs/POs, 73 percent or ₱13,598,676.09 and 23 percent or ₱4,223,358.35 were released to NGO's/POs from Regional Office VI and TESDA-Main, respectively, which remained unliquidated for more than six to ten years. (paras. 67-74)

**We recommended Management to:**

- (i) **identify the cause/s why funds entrusted to concerned NGOs/POs have remained outstanding for a long period of time;**
  - (ii) **require the Chief, FASD and the Regional Accountant to retrieve documents to establish when the funds were initially transferred to the NGOs/POs; and**
  - (iii) **issue demand letters to concerned NGOs/POs requiring the immediate liquidation of funds to be supported with a copy of the disbursement vouchers indicating the amount released to them.**
7. Releases to LGUs amounting to ₱3,954,954.17 which pertain mostly to seven municipalities of Region VI and ₱2,143,590.00 out of ₱30,887,119.43 Due to Operating Units which was released to New Lucena Polytechnic College remained unliquidated for more than three years. (paras. 75-83)

**We recommended Management to:**

- (i) **identify the cause/s why funds entrusted to concerned agencies have remained outstanding for a long period of time;**
- (ii) **require the Chief, FASD and the Regional Accountant to retrieve documents to establish when the funds were initially transferred to the agencies; and**



- (iii) **issue demand letters to LGUs and Operating Units concerned requiring the immediate liquidation of funds to be supported with a copy of the disbursement vouchers indicating the amount released to them.**

8. Out of ₱7,614,997.07 balances of account Accountable Forms Inventory, ₱6,003,345.00 pertains to the balance of the Certificate of Competency Forms of TESDA Main which does not agree with the records of Competency Assessment and Certification Office (CACO) and Property in the amount of ₱2,112,285.00 or a difference of ₱3,891,060.00, raising doubt on the accuracy of the recorded balance per books. Moreover, the account included an unreconciled negative balance of ₱17,500.00. No physical inventory was also conducted and no Report on the Physical Count of Inventories was submitted contrary to Section 65 of the MNGAS, Volume II. (paras. 84-99)

**We recommended that Management direct:**

- (i) **an immediate reconciliation of the balances of Accountable Forms Inventory account be made and adjust any differences noted; and**
- (ii) **a physical inventory taking to be done annually and submit the report of physical count.**

9. The Report of the Physical Inventory in TESDA-Main and six regions showed a balance of ₱1,277,244,490.16 compared with the book balance of ₱2,736,232,711.61 or a difference of ₱1,458,708,221.45 which can be partially attributed to items a to c as stated below while most of it needs to be accounted for. No physical inventory was conducted/reported by 10 regions on the remaining balance of Property, Plant and Equipment (PPE) amounting to ₱3,981,340,601.05 out of ₱6,717,573,312.66 (exclusive of Construction in Progress accounts) balance at year end. (paras. 100-124)

- a. Unrecorded plant, property and equipment totaling ₱81,018,738.58;
- b. Non-reclassification of unserviceable properties from PPE account to Other Assets account in the total amount of ₱22,366,036.62; and
- c. Small tangible items with more than 1 year life recorded as PPE totaling ₱431,608.40.

**We recommended that Management to:**

- (i) **instruct the Accountant/Account Analyst concerned to record in the books the unrecorded PPE and make the necessary adjustments for the reclassification of accounts;**
- (ii) **create the disposal committee to prepare IIRUP as the basis of reclassifying the unserviceable properties from PPE account to Other Assets account;**

- (iii) instruct the Property Division/Disposal Committee to properly dispose the unserviceable property;
- (iv) create an inventory committee to conduct physical count of PPE once a year;
- (v) require the Accounting Division and the Property Division in coordination with the inventory committee to reconcile their respective records and the book balance and the RPCPPE;
- (vi) issue/properly fill-up the ARE for any issuance of PPE;
- (vii) require the inventory committee to properly attached property tag during the physical count of PPE; and
- (viii) require the concerned official of PSD & Accounting Division to insure the PPE.

10. Properties totaling ₱9,421,846.43 remained unutilized for the intended purpose, thus, resulting in the wastage of government funds and to the disadvantage of the intended beneficiaries. (paras. 125-126)

**We recommended that Management to:**

- (i) require the proper officials to coordinate with the PMSD of TESDA Main Office to decide on the proper disposition of unutilized PPE with maximum benefits derived from said items in mind.

11. Funds received from PAGCOR in the amount of ₱24,626,243.10 which should be recorded under account Due to GOCC, erroneous recording of liquidation of transferred funds totaling ₱11,153,657.59 and recording of liquidation of ₱1,050,000.00 wherein account debited could not be identified resulted in the overstatement of the accounts Due to Other NGAs, Scholarship Expenses, and Other MOOE by ₱35,779,900.69, ₱2,215,212.80, and ₱13,275.00, respectively, and understatement of the accounts Other Payables, Due to GOCC and Prior Year's Adjustments by ₱1,552,554.29, ₱24,612,968.10 and ₱7,385,890.50, respectively. (paras. 127-149)

**We recommended and the Chief Accountant agreed to:**

- (i) adjust/reclassify the erroneous entries made to reflect the correct balances of the account Due to Other NGAs;
- (ii) reconcile report with NAPC and make the necessary adjustments, if any;
- (iii) submit copies of Liquidation Reports to DOLE; and
- (iv) exercise diligence in classifying the transactions in consonance with the chart of accounts prescribed under the NGAS Manual, Volume II.

12. Balances of various expense accounts under Fund 101 and Fund 161 for prior years expenses were paid and taken up as current expenses by ₱1,573,919.03 and ₱271,129.86, respectively, due to the failure to recognize liability as required under Section 4, Volume I of the Manual on the New Government Accounting System (NGAS). (paras. 150-156)

**We recommended the Accountant to:**

- (i) **adhere to the basic accounting policies particularly on accrual accounting;**
- (ii) **remind/set a deadline for all offices to submit their year-end expenditures together with supporting documents for obligation and to take up the liabilities of the agency in order to reflect the correct liability and the corresponding expense/asset accounts at the end of the year; and**
- (iii) **draw a journal entry voucher to correct the overstatement of expenses.**

13. Disbursement vouchers for the payment of Collective Negotiation Agreement (CNA) Incentive to the personnel of the TESDA - Cordillera Autonomous Region (CAR) for CY 1012 and Region 7 for CY 2011, in the total amount of ₱3,562,000.00 were not supported with the necessary documentation required under DBM Budget Circular Nos. 2012-4, 2011-05 and 2006-01 dated December 17, 2012, December 6, 2011 and February 1, 2006, respectively. Also, CNA Incentives paid were classified under accounts Other Maintenance and Operating Expenses (969), Other Personnel Benefits (749) and Training & Seminar expenses (753) instead of Personal Services-Other Bonuses and Allowances (719), as provided under Item 4.4.4 of DBM Budget Circular No. 2012-4, thus, affecting the reasonableness of the expenses incurred. (paras. 157-173)

**We recommended that Management of TESDA Regions VII and CAR to:**

- (i) **submit the documents that will clearly show: (a) that the Offices has accomplished or delivered at least 90 percent of the performance targets under each major final output (MFO) consistent with the Organizational Performance Indicator Framework (OPIF) and (b) that the savings were generated out of the improvements/streamlining of systems and procedures and cost-cutting measures identified in the CNA;**
- (ii) **submit Statement of Unencumbered Savings by Expenditure Class to support the payment of the CNA incentive; and**
- (iii) **to pay CNA Incentive as a one-time benefit to be granted not earlier than January 15 of the following year, provided that the planned programs/activities/projects approved in the budget of the agency have been implemented and completed in accordance with the performance targets for the year.**

**We recommended that Management of TESDA CAR to require the Regional Accountant/Financial Analyst to effect the necessary adjustment in the books of accounts to have a fair presentation of the financial statements.**

Henceforth, we recommended strict compliance of the procedural guidelines on the grant of CNA Incentive as set forth under DBM Budget Circular Nos. 2006-1, 2011-5 and 2012-4 dated February 1, 2006, December 26, 2011 and December 17, 2012, respectively, and DBM Circular Letter No. 2011-9 dated September 29, 2011.

14. Obligation of ₱8 Million intended for payment of training cost and assessment fees in favor of Sampaloc Training Pangkabuhayan Development Center, (STPDCI) under the Priority Development Assistance Fund (PDAF) was recorded in the CY2011 Check Disbursement Journal without the duly accomplished check and corresponding supporting documents contrary to Section 8, Volume II of the Manual on National Government Accounting System (MNGAS) and paragraph 6 of Section 4 of PD 1445. However, this error was subsequently adjusted. (paras. 174-179)

**We recommended and Management agreed to impose appropriate action to stop the practice of recording in the Check Disbursement Journal supposed expenses without Journal Entry Vouchers supported with paid DVs among other.**

15. The inability of TESDA to submit the disbursements vouchers and the necessary supporting documents on its disbursements totaling ₱249,751,048.02 is contrary to COA Circular 95-006 dated May 18, 1995, Section 100 of PD 1445 and Section 138 of Government Accounting and Auditing Manual, thus, precluded the timely review, verification of financial transactions and certification of the accounts. (paras. 180-189)

**We recommended the:**

- (i) **accounting personnel to exert effort in locating the unsubmitted DVs together with its supporting documents and submit immediately to the office of the Auditor;**
- (ii) **cashier's Office to submit the reports with all the necessary supporting documents to the Accounting Division not later than the 5<sup>th</sup> day of the following month pursuant to COA Circular No. 97-002 dated February 10, 1997; and**
- (iii) **accounting office to book up the transactions immediately upon receipt of the disbursement documents and indicate the JEV No. on each check issued in the RCIs.**

## **B. VALUE FOR MONEY AUDIT**

1. Allotment totaling ₱1.8 Billion for CY 2011; P700M from the General Appropriations and P1.1 Billion from the Disbursement Acceleration Program (DAP), provided for the implementation of the Training for Work Scholarship Program (TWSP) were not fully utilized leaving an unutilized budget of ₱109,382,957.78 although the targeted training slots exceeded by 15,386 trainees due to the changes in the program while the budgeted number of trainees to be assessed is not fully attained by 8,446, thus, realization of the expected benefits for gainful employment in order to reduce poverty and build national competitiveness were not met. Moreover, allotment for CY 2012 totaling P1.2Billion; P700M from its regular budget and P500 Million thru the DAP were received but their validity extend up to end of CY 2013. (paras. 190-212)

**We recommended that Management require the Project Management Office to:**

- (i) explain the reason/causes of the delay of the approval of qualification maps;**
  - (ii) require the reversion of excess/unexpended training funds from the implementing units to the National Treasury;**
  - (iii) instruct implementing units to advise TVIs to fast track submission of terminal reports to quantify drop-out scholars and effect a timely payment of training cost, NATCAC and the assessment fees and make use of the available balances to accommodate more scholars to be trained; and**
  - (iv) plan and prepare an attainable estimate number of scholars.**
2. Of the sampled 34 Technical Vocational Institutions (TVIs) which were conducted 246 trainings with 5,547 graduate scholars totaling ₱37,937,250.00 for the District Offices of Quezon City and CAMANAVA for CY 2012 TWSP, 61 had availed of multiple training courses which were held simultaneously or conducted on dates which overlapped, totaling ₱772,500.00, thus, putting doubt on the reliability of the scholars' attendance to the trainings conducted by two TVIs, as it was impossible for these scholars to be present at the same time in several trainings which were held on overlapping dates. (paras. 213-222)

**We recommended and Management agreed to:**

- (i) hold the concerned TVIs to refund the training cost involving the questionable attendance by the 61 scholars;**
  - (ii) include as an additional commitment in the Affidavit of Undertaking sworn in by each scholar to include the information the number of TWSP training programs already availed of, the nature of the courses/qualifications taken, the duration and the name of the training centers; and**
  - (iii) require the TVI to see to it that such information is encoded in the profile of each scholar, a commitment which must be attested to in its Affidavit of Undertaking.**
3. Six out of twenty three TVIs failed to subject the 295 graduate scholars who attended and completed the 14 trainings totaling ₱2,216,000.00, to mandatory assessment as required under Section 4.1 of TESDA Circular No. 17 series of 2011 and Section 10.1 of TESDA Circular No. 13 series of 2012, which may limit the chance of the graduate scholars to compete in a workplace where only experts armed with certified credentials are accepted. Also, most employer especially abroad require the National Competency (NC) Certificate. (paras. 223-239)

**We recommended and Management agreed to:**

- (i) **strictly implement Section 3.3.5 of TESDA Circular No. 17 on the sanction for failure to implement mandatory assessment by the TVI, whereby, erring TVIs should not be included in the succeeding TWSP; and**
  - (ii) **revisit the existing guidelines of the TWSP regarding the assessment of scholars which is not a pre-requisite to the payment of the training cost, as the mandate of TESDA does not end on the conduct of the training but on the certification and employment of the graduate scholars.**
4. Thirty two disbursement vouchers (DVs) made by the District Office of Muntiparlas – Tapat as payment for training cost worth ₱4,000,000.00 allotted to 800 scholars for one of the Technical Vocational Institutes are doubtful due to the following deficiencies:
- a) backside of all scholarship vouchers does not contain signatures of the Director;
  - b) no notarized affidavit of undertaking by the TVI;
  - c) scholars attestation were not notarized;
  - d) out of 275 sampled scholars contacted thru their numbers, 46 confirmed that they have never attended the subject training course while one could not remember the training program;
  - e) 218 scholars could not be reached thru their stated contact numbers;
  - f) two scholars whose addresses were either incomplete or wrong;
  - g) one scholar is only 15 years old while the required age is 18 years old; and
  - h) one scholar who did not attend the program lives in Palawan since 2012 but the address indicated in his profile is Makati City

Further, two among the 46 scholars who did not attend the program affirmed in writing that they have never attended the subject training course or any TESDA-given training courses for that matter and that the signatures affixed in their scholars' attestation including the pictures were not genuine. (paras. 240-260)

**We recommended the Management to:**

- (i) **create a team to probe on the authenticity of the existence of scholars concerning the fact that majority of them provided invalid/fictitious contact numbers as submitted by the training provider, while a great deal denied the fact of availing the scholarship altogether;**
  - (ii) **impose appropriate sanctions against the training provider that did not comply with its agreed undertaking with TESDA by revocation of registration or whatever is deemed appropriate under the regulation; and**
  - (iii) **refund the training expenses paid to the training vocational institute which were found to be invalid and make all the persons involved in the transactions jointly responsible.**
5. Additional fees ranging from ₱1,250.00 to ₱2,500.00 are being charged/collected from some of the TWSP scholars in TESDA-CAR by one of the participating TESDA Technical Vocational Education and Training (TVET) institutions, contrary to TESDA Circular No. 13, series of 2012 dated April 4, 2012 and the Affidavit of Undertaking signed and issued by the

President and CEO of the said TVET institution. (paras. 261-266)

**We recommended and Management agreed to:**

**(i) Conduct an investigation on the collection of additional fees from TWSP scholars despite the prohibition embodied in the Affidavit of Undertaking signed by its President and CEO and as provided for under Section 5 of TESDA Circular No. 13, series of 2012 and require the refund of the excess collection; and**

**(ii) conduct regular orientation to prospective scholar-trainees informing, among others, that no additional training fees are supposed to be collected from them by any TVET institutions.**

6. Effectiveness of the Training for Work Scholarship Program's (TWSP) as to absorption/employment rate of the graduates could not be ascertained in Regions IV-A and V- Cam Sur Provincial Office due to the non-submission of employment reports by some TVIs and failure of TESDA to monitor the employment status of the graduates. (paras. 267-278)

**We recommended and management agreed to coordinate with the TVIs in order to adopt an effective monitoring system to establish a reliable employment status/report of TWSP graduates.**

**We also reiterate our recommendation that management enforce the provisions stated in the said TESDA Circular requiring TVIs to establish a functional Career Guidance Office to facilitate tracking and job placement of scholars/graduates and exclude TVIs that failed to meet the TESDA performance metrics in the succeeding Training for Work Scholarship Program.**

7. Of the 165 scholars of the TWSP-Program Interventions for Typhoon Sendong Victims, only 112 or 67.88 percent were actual Typhoon Sendong beneficiaries/victims in RO X - Iligan City, thus, the main objective of the program of 100 percent qualified beneficiaries was not fully attained. (paras. 279-285)

**We recommended and Management agreed :**

**(i.) to take into account the foregoing observations as additional inputs for the successful implementation of similar programs in the future;**

**(ii.) to conduct wide dissemination of the program to the affected areas; and**

**(iii.) to strictly select/screen the enrollees and prioritize the legitimate beneficiaries of the program.**

8. None of the 142 TESDA Specialistas who finished the program in the District Offices of Quezon City and CAMANAVA earned their income as self-employed workers or entrepreneurs due to the following lapses, thus, resulting in the non-attainment or defeat of TESDA'S target of filling in the 39 percent gap with "*enterprises of TSTP graduates*" or "*self-sufficient entrepreneurs*", left by the 60.9 percent wage-employment segment of the

population and the TESDA Specialista Technopreneurship Program's (TSTPs) objective of a 90 percent employment rate for its graduates as entrepreneurs. (286-337)

- a) non-execution of the post-training mechanisms provided for in the program by all those officers made responsible to implement the same;
- b) incompatibility of skills of the TESDA Specialistas with the demands of the community and incapability of the targeted households to pay the services of the TESDA Specialista;
- c) absence of an identified, organized and permanent area for the centralized planning, mainstreaming and business activities of the facilitators, the graduates and the prospective clients;
- d) non-execution of a "Proof of Partnership" with the Local Government Units, Non-governmental Organizations (NGOs), private sector enterprises and other civil society/national government organizations for the assistance that they will extend to the graduates; and
- e) lack of concerted action among the Facilitators in monitoring the progress of the character development of the beneficiaries .

**Considering that the foregoing observations had been rendered moot and academic due to the expiration of the six-month incubation period and the discontinuance of the implementation of the guidelines set for TSTP's post-training activities, we recommended and Management agreed to:**

- (i) take into account the foregoing observations as additional inputs in the formulation of guidelines to similar programs in the future for a more organized and systematic planning;**
  - (ii) establish connection with or tap the support of the various government institutions which possess the expertise and machineries in the field of business and tie-up with them for the continued development and support to the beneficiaries of TESDA's future programs relative to the creation of their employment through entrepreneurial endeavors; and**
  - (iii) to our mind, concerted efforts from other government agencies armed with the specialization and financial assistance will help TESDA in the implementation of future programs similar in nature.**
9. The process of selecting TESDA Specialistas for the TESDA Specialista Technopreneurship Program (TSTP) for the District Offices of Manila, Pasig / MAndaluyong / MArikina and SAN Juan (PAMAMARISAN), and PASay and MAKati (PASMAK) and Region XI was not strictly in compliance with the provisions of Item No. V – D of TESDA Circular No. 26 dated November 8, 2011, specifically on the age, educational attainment and submission of documentary requirements, especially the DOH license for masseurs thereby only 15 of the 245 or 6.12 percent selected specialistas from 17 chosen aggrupations qualified based on the qualifications set forth by the TESDA standards. More, qualified trainees could have availed of the program had the selection process as to its purpose and budget for this program were complied with and disbursed/utilized, respectively. (paras. 338-365)



**We recommended Management to strictly implement policies in selecting beneficiaries of the project in order to obtain its objectives to the fullest and so as not to waste government fund for this excellent endeavor.**

10. Utilization of toolkits worth ₱357,284.24 was not maximized because ten percent or ₱36,925.00 of these toolkits which were issued to ten TESDA Specialistas for Appliance Repair Services (Refrigeration and Airconditioning, TV and Cellphone Repairs) were not suitable to the said services. Likewise, toolkits amounting to ₱83,212.00 for Beauty and Wellness were missing, while 200 pieces of tools issued to TESDA Specialistas of Beauty and Wellness exceeded the actual purchases. (paras. 366-368)

**We recommended Management to:**

- i. **observe diligence on the procurement of needed or suitable tools so as not to waste government funds; and**
  - ii. **instruct the accountable office to explain in writing for the missing and the excess issuance of tools as against actual purchases.**
11. Toolkits with an aggregate amount of ₱6,200.00 each were automatically given out to the specialistas in Region X without waiting for the incubation period of six months as required under TESDA Circular No. 31, series of 2011. (paras. 369-371)

**We recommended that Management of Region X, Provincial Offices of Misamis Oriental and Lanao del Norte should strictly observe/comply with the implementing guidelines set under TESDA Circular No. 31, series of 2011.**

12. TESDA Development Fund (TDF) which was created in year 2001 by RA No. 7796 to award grants and provide assistance to training institutions, industries, and local government units to upgrade their capabilities and to develop and implement training related activities which has a balance of ₱115,565,736.72 has remained unutilized. Although there was an increase of 13 percent or ₱13,255,887.32 from last year's fund balance of ₱102,309,849.40, such increase still has a long way to go to reach the targeted ₱5B seed capital needed to make the fund sustainable. Up to now, there was no receipt of annual contribution from the Overseas Workers Welfare Administration Fund as required under letter b of Section 31 of RA No. 7796. Thus, the utmost objective of the fund is pegged. In addition, an aggregate amount of ₱19.3 million representing excess funds from the trainings of the Technical and Vocational Training Corporation (TVTC), Kingdom of Saudi Arabia during the period CY 2006 to CY 2012 had remained deposited in the Sariling Sikap Program (SSP) account and not remitted to the TDF. (paras. 372-386)

**We recommended that Management to:**

- (i) **request the TESDA Board to revisit the implementing guidelines set forth for the management of the fund to reach the required seed capital;**
- (ii) **make representation with the officials of OWWA to comply with the agency's annual contributions as stated in letter b of the RA 7796; and**

- (iii) **transfer the excess funds for the implementation of the TVTC trainings from the SSP account to the TDF so that it could be invested in a more productive venture that could contribute in the speedy accumulation of the seed capital of the Fund.**
13. The insufficient supply of lumber from the DENR and the non availability of funds due to slow processing of liquidation to request for another funds to support production cost, attributed in the delayed production of school furniture thus, unable to address the shortage of 1,640,822 armchairs in DepEd nationwide and 39,480 armchairs for selected schools in the CARAGA Region. (paras. 387-398)

**We recommended that Management require the Project Coordinator to:**

- (i) **evaluate or re-study the program and plan for the project to implement the operations of the ten production sites as provided in the MOA;**
- (ii) **enforce the immediate liquidation of cash advances granted to CARAGA region/determine the cause/s of the delay in the liquidation of cash advances, to make funds available and to meet the needs of the production; and**
- (iii) **device necessary measures related to the problems' encountered in the production, to attain its objective otherwise defeating the purpose to alleviate classroom shortage of armchairs in DepEd.**

**C. GENDER and DEVELOPMENT, SENIOR CITIZENS (SC) and Differently-ABLE PERSONS (PWD) and COMPLIANCE WITH TAX LAWS**

14. The Gender and Development (GAD) related activities was fully implemented by the TESDA focal executive committee and within the allowable budget as required under the Joint Circular No. 2004-01 dated April 5, 2004 of the National Commission on the Role of Filipino Women (NCRFW), Department of Budget and Management (DBM) and the National Economic and Development Authority (NEDA, although some of the activities conducted were inconsistent with the approved GAD Plan and Budget. (paras. 399-413)

**We recommended the TESDA GAD focal point system Executive Committee in TESDA-Main and to the Management of the Regional Offices concerned to:**

- (i) **utilize the funds for GAD related activities in accordance with the provisions set forth in the Annual General Appropriations Act or apportion five percent of the total budget;**
- (ii) **conduct GAD activities within the approved GPBs to accomplish the objective of the desired program; and**
- (iii) **identify gender program/activity with a great impact on gender issues identified in the plan.**

15. The Senior Citizens (SC) and Differently-Abled Persons (PWD) programs and projects mandated to be formulated in all government agencies as provided for in Section 29 of the RA No. 10155 or GAA CY 2012 were not yet implemented in TESDA Main because of the failure to: a) create a focal executive committee to oversee and implement the program; b) prepare plans, programs and projects intended to address the concerns of the senior citizens and differently-abled person; and c) appropriate at least one percent of the total annual budget to sustain the cost of the program. (paras. 414-421)

**We recommended Management of the TESDA Main to:**

- (i) create a focal executive committee to implement the SC and PWD programs and policies;
  - (ii) formulate plans and budget, policies and programs for proper implementation of the project to address the concerns of the SC and PWD;
  - (iii) allocate at least one percent of the total annual appropriation of TESDA as budget for the implementation of SC/PWD related activities provided for in Section 29 of the RA No. 10155 or the GAA CY 2012; and
  - (iv) conduct SC/PWD related activities within the approved Philippine Plans and budget in the succeeding years.
16. Unremitted taxes withheld from various suppliers by TESDA, as withholding agent amounted to ₱9,910,535.00 in violation of Revenue Regulations (RR) No.2-98 dated May 17, 1998. (paras. 422-426)

**We recommended the Chief Accountant:**

- (i) to evaluate the balance of ₱9,910,535.00 and immediately remit the corrected balance of the taxes withheld;
- (ii) to ensure that penalties, if impose due to late remittances shall be charge to the responsible officials of the agency and not borne by the government; and
- (iii) to prepare the schedule of remittance on or before the 10<sup>th</sup> day of the month following the month of withholding except for taxes withheld for the month of December, which shall be filed on or before the 15<sup>th</sup> day of the succeeding year, pursuant to pertinent Revenue Regulations.

**H. IMPLEMENTATION OF PRIOR YEAR'S RECOMMENDATIONS**

We have audited the implementation of management of the audit recommendations contained in the 2011 Consolidated Annual Audit Report on the Technical Education and Skills Development Authority (TESDA) composed of:

<i>Status of Implementation</i>	<i>No. of Recommendation</i>	<i>Percentage of Implementation</i>
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Fully Implemented	48	47
Partially Implemented	34	33
Not Implemented	21	20
<b>Total</b>	<b>103</b>	<b>100</b>