



Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No. X
Cagayan de Oro City

OFFICE OF THE TEAM LEADER
Audit Group- NGS- Cluster 5
Audit Team No. RO-10-22

February 23, 2018

Dr. Eulogio P. Sullano, Jr.
Vocational School Administrator
Cagayan de Oro (Bugo) School of Arts and Trades
Bugo, Cagayan De Oro City

Dear Dr. Sullano:

Management Letter on the Audit of the
CAGAYAN DE ORO (BUGO) SCHOOL OF ARTS AND TRADES
Bugo, Cagayan de Oro City
For the period January 1 to December 31, 2017

1. Pursuant to Section 2, Article IX-D of the Constitution of the Philippines and Section 43 of the Government Auditing Code of the Philippines (PD No.1445), we have audited the accounts and operations of the Cagayan de Oro (Bugo) School of Arts and Trades (COBSAT) for the period ended December 31, 2017. The audit was conducted in accordance with applicable legal and regulatory requirements, and generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain a reasonable basis for our conclusions.
2. The audit was conducted on a test basis by the audit team led by Ms. Elizabeth A. Melliza, State Auditor III, to (a) verify the level of assurance that may be placed on management's assertions on the financial statements; (b) recommend agency improvement opportunities; and (c) determine the extent of implementation of prior year's audit recommendations.
3. The Agency's financial conditions, results of operations and cash flows as of December 31, 2017 are shown in the attached audited financial statements (Annexes A to F).

4. Deficiencies observed in the course of the audit were earlier communicated through Audit Observation Memoranda (AOMs) and discussed in an exit conference with concerned officials and employees on February 21, 2018. Their comments were incorporated in this Management Letter, where appropriate. The significant audit observations and the recommendations shall be incorporated in the Consolidated Management Letter of the Technical Education and Skills Development Authority, Central Office for CY 2017.

A. INTRODUCTION

Agency's Mandate:

5. The Cagayan de Oro (Bugo) School of Arts & Trades (COBSAT) is one of the 15 Operating Units of TESDA Region X which serves as the frontline Office or training institute of TESDA. It has the following specific functions, among others:

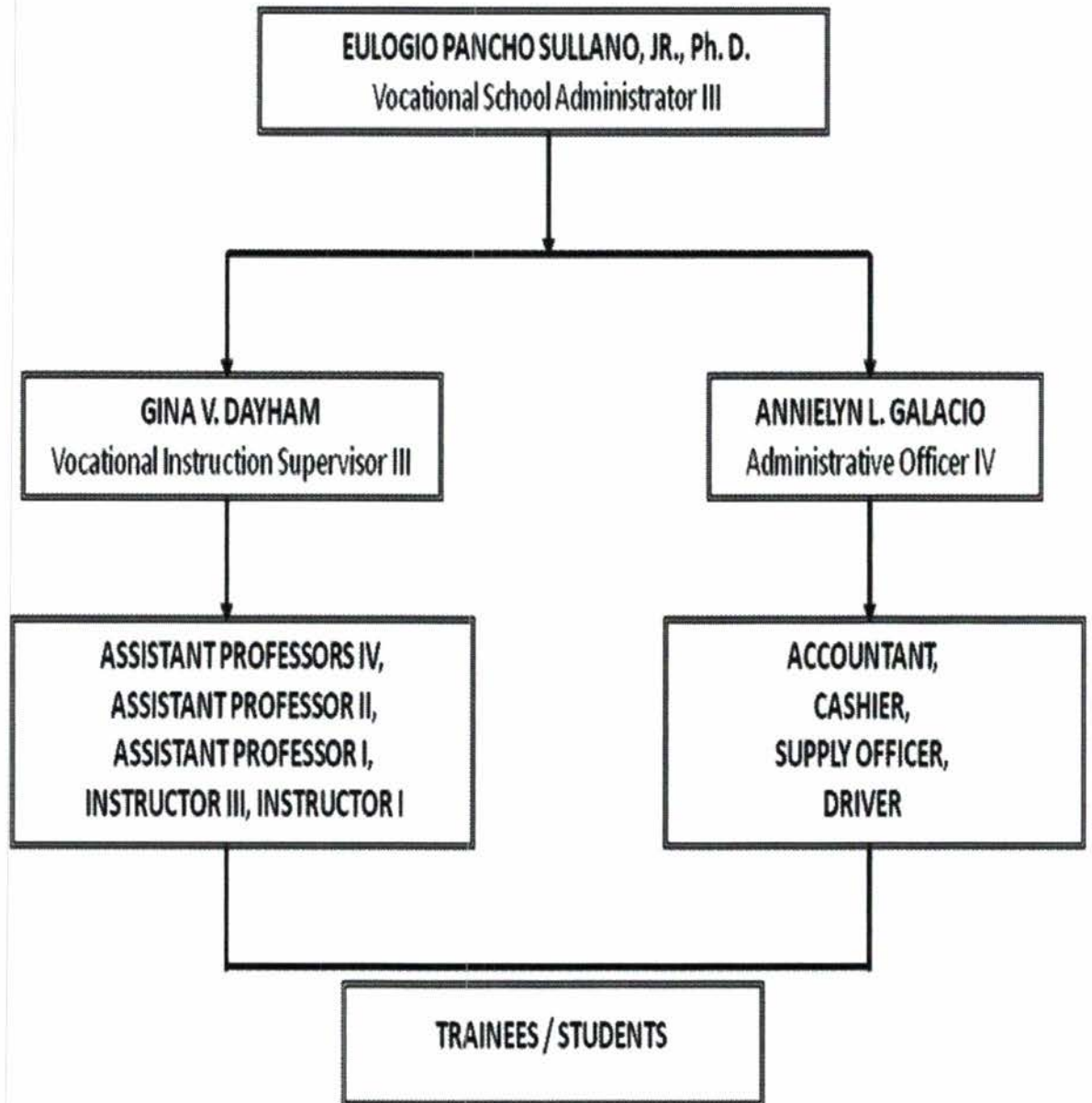
- 5.1. Provides technical-vocational education and trainings to the graduates and students making them potential for wage or self-employment endeavor;
- 5.2. Establish enough place for entrepreneurial activities to help students gain knowledge and skills from the trainings they have taken;
- 5.3. Helps stimulate industries in the employability of graduates and skilled workers;
- 5.4. Advocate assessment and certification of graduates and students;
- 5.5. Implement fully the Competency based training for quality graduates;
- 5.6. Enhance quality of TVET delivery to produce good quality graduates; and
- 5.7. Intensify advocacy and social marketing of the school's program for better appreciation.

Personnel Compliment:

6. The Agency is headed by Dr. Eulogio P. Sullano, Jr. Vocational School Administrator. He is ably assisted by 35 regular employees.



CAGAYAN DE ORO (BUGO) SCHOOL OF ARTS & TRADES ORGANIZATIONAL STRUCTURE



Operational Highlights

7. During the Calendar Year 2017, the COBSAT had reported the following major accomplishments per Major Final Output (MFO) vis-à-vis their targets:

MFO/PAP	Target	Accomplishment	% of Accomplishment
MFO II : TECHNICAL EDUCATION AND SKILLS DEVELOPMENT SERVICES			
ALL DELIVERY MODES			
Number of ENROLLEES	3442	3730	108%
Number of GRADUATES	3084	3785	123%
TESDA Technology Institution Graduates			
Number of Trainees	3034	3785	123%
Average Number of Training Hours per Trainee	100	364	364%
Number of Graduates who are Employed 6 mos. After completion of training			
Institution-based/School-based Program			
Number of Enrollees	1500	1647	110%
Number of Graduates	1336	1463	110%
Number of Employed Graduates	868	827	95%
Community-based Programs			
Number of Enrollees	1942	2,083	107%
Number of Graduates	1748	2,083	119%
Special Training for Employment Program (STEP)			
Number of Enrollees	50	50	100%
Number of Graduates	48	50	104%
Training for Work Scholarship Program (TWSP)			
No. Of TWSP-subsidized Enrollees	250	250	100%
No. Of TWSP-subsidized Graduates	237	250	105%
Trainers Development			
No. Of TVET Trainers Trained	30	30	100%
MFO III : TECHNICAL EDUCATION AND SKILLS REGULATORY SERVICES			
Competence Assessment and Certification for Skilled Workers			
Number of ASSESSED	1335	7033	526%
Number of CERTIFIED	1336	6462	569%
No. Of skilled workers assessed for certification	1136	6462	569%
SUPPORT TO OPERATIONS			
OPCP/WFP approved	1	1	100%

Performance Accountability Reports			
Submitted monthly performance monitoring reports	12	12	100%
Gender and Development			
GAD Plan 2018 submitted	1	1	100%
GAD Annual Report submitted	1	1	100%
PWD			
PWD Action Plan approved	1	1	100%
PWD Beneficiaries	25	30	120%
Citizen's Charter			
ARTA semestral report submitted	1	1	100%
Posting of updated info on Transparency Seal			
Updating of TESDA Website	1	1	100%

Financial Profile

8. For CY 2017, COBSAT has a total appropriation of ₱19,707,851.00 which includes the Regular Budget of ₱16,217,000.00 and the Automatic Appropriations of ₱1,520,719.00 as provided for in the General Appropriations of Year 2017 or of RA No. 10924. During the year, COBSAT received a total allotment of ₱19,707,851.00, out of which, total obligations of ₱19,573,179.57 were incurred leaving an unexpended balance of ₱134,671.43 as at year-end, the details of which are presented below:

NCA Utilization

Source of Funds	Appropriations	Allotment	Obligation Incurred	Unobligated Balance
A. Current Year Budget				
1. Agency Specific Budget				
PS	14,782,000.00	14,782,000.00	14,782,000.00	
MOOE	1,435,000.00	1,435,000.00	1,308,878.25	126,121.75
Sub-total	16,217,000.00	16,217,000.00	16,090,878.25	126,121.75
2. Special Purpose Fund				
Miscellaneous Personnel Benefits	1,970,132.00	1,970,132.00	1,962,263.48	7,868.52
Sub-total	1,970,132.00	1,970,132.00	1,962,263.48	7,868.52
3. Automatic Appropriations				
Retirement and Life Insurance Premium (RLIP)	1,520,719.00	1,520,719.00	1,520,037.84	681.16
Sub-total	1,520,719.00	1,520,719.00	1,520,037.84	681.16
Grand Total	19,707,851.00	19,707,851.00	19,573,179.57	134,671.43

9. COBSAT's assets, liabilities, government equity and sources and application of funds for CY 2017 with comparative figures in CY 2016 are presented as follows:

I. Financial Position:

Particulars	2017	2016	Increase (Decrease)
Total Assets	27,224,443.61	43,384,536.38	(16,160,092.77)
Total Liabilities	618,883.63	382,210.85	236,672.78
Total Equity	26,605,559.98	43,002,325.53	(16,396,765.55)

II. Sources and Application of Funds:

Particulars	2017	2016	Increase (Decrease)
Income		31,150,891.11	
Cost of Sales	473,150.00	538,358.00	(65,208.00)
Personal Services	19,486,229.20	18,965,076.87	521,152.33
MOOE	11,426,445.49	9,081,646.39	2,344,799.10
Financial Expenses	0.00	0.00	0.00
Total Expenses	34,881,526.05	32,603,603.99	2,277,922.06
Excess of Income Over Expenses	(4,798,704.56)	(1,991,070.87)	(2,807,633.69)

Scope of Audit

10. The audit covered the review of the accounts and operations of COBSAT for the period January 1 to December 31, 2017. It was aimed in determining whether the financial statements present fairly the financial position of operations of the agency for the year ended, and determining the extent of compliance with existing laws, rules and regulations.

B. SUMMARY OF RECOMMENDATIONS

11. For the significant deficiencies observed in the course of the audit, we recommended that Management ensure to implement the following:

- a. Understated Service Income Account and overstated Accumulated Surplus Account

- To adjust the books for the incorrect booking of income and remittances and to strictly comply with the provisions of the Government Accounting Manual, Volume 1, Chapter 5 in recording revenue transactions; and
 - Ensure proper recording of its transactions in order for its financial statements to be presented fairly, in all material respects in accordance with Philippine Public Sector Accounting Standards.
- b. Improper Authorization of Signatories on the Disbursement Vouchers
- Follow Sec. 36, Chapter 2 of the Government Accounting Manual for NGAs Volume 1 and require its accountant to sign the Box C portion of its disbursement vouchers; and
 - Provide an enhanced internal control plan in order to properly apply the principle of check and balance in the utilization and disbursement of public funds.

C. DETAILED OBSERVATIONS AND RECOMMENDATIONS

C.1 FINANCIAL AND COMPLIANCE AUDIT

Understated Service Income Account and overstated Accumulated Surplus Account

Service Income from January 1 to June 30, 2017 amounting to P13,500.00 was erroneously recorded as Accumulated Surplus in the agency's books as evidenced by the following journal entry vouchers:

<i>Date</i>	<i>JEV #</i>	<i>Amount</i>
<i>1/31/2017</i>	<i>01-2017-01-002</i>	<i>1,540.00</i>
<i>2/28/2017</i>	<i>01-2017-02-010</i>	<i>1,780.00</i>
<i>3/31/2017</i>	<i>01-2017-03-019</i>	<i>1,230.00</i>
<i>4/30/2017</i>	<i>01-2017-04-029</i>	<i>2,330.00</i>
<i>5/31/2017</i>	<i>01-2017-05-036</i>	<i>3,680.00</i>
<i>6/30/2017</i>	<i>01-2017-06-044</i>	<i>2,940.00</i>
<i>Total</i>		<i>13,500.00</i>

12. Moreover, remittances of said Service Income to the Bureau of Treasury were erroneously recorded as follows:

<i>Date</i>	<i>JEV #</i>	<i>Account</i>	<i>Debit</i>	<i>Credit</i>
1/31/2017	01-2017-01-003	Accumulated Surplus	1,020.00	
		Cash-Collecting Officer		1,020.00
2/28/2017	01-2017-02-011	Accumulated Surplus	2,350.00	
		Cash-Collecting Officer		2,300.00
		Other Payables		50.00
3/31/2017	01-2017-03-020	Accumulated Surplus	1,230.00	
		Cash-Collecting Officer		1,230.00
4/30/2017	01-2017-04-030	Accumulated Surplus	2,280.00	
		Cash-Collecting Officer		2,280.00
5/31/2017	01-2017-05-037	Accumulated Surplus	3,540.00	
		Cash-Collecting Officer		3,540.00
6/30/2017	01-2017-06-045	Accumulated Surplus	2,350.00	
		Cash-Collecting Officer		2,350.00
			12,770.00	12,770.00

13. *Sec 6(a) (1) of the Government Accounting Manual, Volume 1, provides for the examples of Service Income as follows:*

“Permit Fees, Registration Fees, Registration Plates, Tags and Stickers Fee, Clearance and Certification Fees, Franchising Fees, Licensing Fees, Supervision and Regulation Enforcement Fees, Spectrum Usage Fees, Legal Fees, Inspection Fees, Verification and Authentication Fees, Passport and Visa Fees, Processing Fees and Other Service Income.”

14. *Additionally, COA Circular No. 2015-010 Annex A defines Accumulated Surplus/ (Deficit) as:*

“This account is used to recognize the cumulative results of normal and continuous operations of a non-Government Business Enterprise (non-GBE) including prior period adjustments, effect of changes in accounting policy and other capital adjustments. This account is used to close the Revenue/Income and Expense Summary account.”

15. *Furthermore, Government Accounting Manual Volume 1 Annex H provides for the following illustrative entries in collecting and remittance of service income:*

Collection of Unbilled Service Income

<i>Cash-Collecting Officers</i>	xxxxx	
<i>Permit Fees</i>		xxxxx
<i>Registration Fees</i>		xxxxx
<i>Clearance and Certification Fees</i>		xxxxx
<i>Verification and Authentication Fees</i>		xxxxx
To recognize collection of unbilled income.		

Remittance of Unbilled Service Income

<i>Cash-Treasury/Agency Deposit, Regular</i>	xxxxx	
<i>Cash-Collecting Officers</i>		xxxxx
To recognize remittance to the BTr.		

16. Based on the aforementioned provisions, the agency clearly violated the guidelines set forth in the laws and regulations in erroneously crediting the Accumulated Surplus account instead of crediting the correct accounts (e.g., Certification Fees, Registration Fees) in recognizing income in the books of the agency. Correspondingly, the entries made for the remittance of the service income to the Bureau of Treasury are clearly different from the entries provided for in the Government Accounting Manual. The use of the Accumulated Surplus account in recording these transactions will greatly affect the agency's presentation of its financial performance as well as its efficiency and effectiveness in the delivery of its services to the public.

Recommendations:

17. **We recommended that management:**

1. To adjust the books for the incorrect booking of income and remittances and to strictly comply with the provisions of the Government Accounting Manual, Volume 1, Chapter 5 in recording revenue transactions; and

2. Ensure proper recording of its transactions in order for its financial statements to be presented fairly, in all material respects in accordance with Philippine Public Sector Accounting Standards.

Management Comment:

18. The agency will follow the recommendations and will ensure that Sec. 36, Chapter 2 of Government Accounting Manual (GAM) will be followed and will require the Accountant to sign Box C portion of the DV and provide an enhanced internal control plan in order to properly apply the principle of check and balance in the utilization and disbursement of public funds.

Auditor's Rejoinder:

19. The Audit Team will continually monitor the correctness of accounting entries to all transactions made by the agency and will check if all financial reports are in accordance with the GAM and PPSAS (Philippine Public Sector Accounting Standards).

Improper Authorization of Signatories on the Disbursement Vouchers

The Box C portion of the disbursement vouchers (DVs) (Annex A) for the General Fund, Income Generating Program (IGP) and Sariling Sikap Program (SSP) and Box B portion of the Budget Utilization Requests (Annex B) attached to the DVs were all signed by Ms. Annielyn Lara-Galacio, Administrative Officer IV of Cagayan de Oro (Bugo) School of Arts and Trades which contravened the Internal Control System Standards on the check and balance.

Ms. Annielyn Lara-Galacio, CPA, MPSM, is the budget officer of Cagayan de Oro (Bugo) School of Arts and Trades with the position item of Administrative Officer IV. Her functions include the signing of the budget utilization requests and certifying the availability of allotment/budget for the necessary expenditures of COBSAT.

Being the budget officer of COBSAT, it is within her authority to sign the budget utilization requests and certify the availability of allotment/ budget in the Box B portion of the request. On the other hand, she is not the proper signatory for the Box C portion of the disbursement vouchers. The proper authority to sign the mentioned portion in the disbursement vouchers belong to the Agency Accountant and not the Budget Officer.

20. Sec 4(5) of Presidential Decree No. 1445 provides that:

Disbursements or disposition of government funds or property shall invariably bear the approval of the proper officials.

21. Furthermore, Section 36 Chapter 2, of the Government Accounting Manual for NGAs Volume 1 states that:

“Disbursements of government funds shall comply with the following basic requirements and certifications:

a. Availability of allotment/budget for obligation/utilization certified by the Budget Officer/Head of Budget Unit;

b. xxx

c. xxx

d. Availability of cash certified by the Chief Accountant. The Head of the Accounting Unit shall certify the availability of cash and completeness of the supporting documents in the disbursement voucher and payroll based on the

Registry of Allotments and Notice of Cash Allocation/Registry of Allotment and Notice of Transfer of Allocation;”

22. Based on the aforementioned provisions, it is clearly evident that the agency violated the guidelines set forth in the laws and regulations in allowing the Budget Officer to sign its Disbursement Vouchers as to the availability of cash and completeness of the supporting documents. As a result, the agency’s Accountant was precluded from performing her functions efficiently and effectively. The agency’s disregard for the principle of checks and balances is clearly apparent in the disbursement of its funds and exposes the agency to the risk of improper authorization and utilization as well as to the certification of its availability and completeness of the supporting documents in the disbursement vouchers and payroll.

Recommendations:

23. **We recommended that management:**

1. Follow Sec. 36, Chapter 2 of the Government Accounting Manual for NGAs Volume 1 and require its accountant to sign the Box C portion of its disbursement vouchers; and

2. Provide an enhanced internal control plan in order to properly apply the principle of check and balance in the utilization and disbursement of public funds.

Management Comment:

24. Prior to the implementation of the new Government Accounting Manual, the agency followed the Manual on the NGAS (New Government Accounting System) for National Government Agencies. In the new Government Accounting Manual, following the United Account Codes Structure, the Due to National Treasury Account has been removed. In a conference workshop on the Conversion of NGAS Accounts to Revised Chart of Accounts for CY 2014 conducted by the TESDA Central Office, a matrix on the conversion of accounts was given and for the Due to National Treasury Account, the revised chart of account for it was the “appropriated income account/s or Accumulated Surplus Account”. Since the agency do not consider this receipt of cash as income but as liability to the National Treasury, the Accountant opted to use the latter and has recorded all receipts of cash for the General Fund as a credit to the Accumulates Surplus account.

Gender and Development (GAD)

25. COBSAT have expended ₱850,822.00 for its Gender and Development Program activities which is 5% requirement of its total appropriations of ₱16,110,000.00 for CY 2017, in accordance with the requirement under Section 35 of RA No. 10924, the General

Appropriations Act for FY 2017. Presented hereunder is the GAD Activity, Result and Actual Expenditures:

GAD Mandate/Gender Issue	GAD Activity	Actual Result (Outputs/outcomes)	Actual Cost/Expenditure
<i>Client Focused</i>			
Gender biases in the TVET instructional materials and curricula are existing	Conduct training on basic competencies using the Gender Sensitive Curriculum	FEMALE: Automotive Servicing: 9, Barista:20, Bookkeeping:133, Bread and Pastry Production:52, Carpentry:6, Cookery:40, Dressmaking:68, EIM:3, EPAS:11, FBS:84, Food Processing:41, Front Office Services:19, Housekeeping:192, Plumbing:7, Scaffold Erection:6, SMAW:6, Technical Drafting:7, Tile Setting:1, Trainers Methodology:17 MALE: Automotive Servicing:156, Barista:6, Bookkeeping:28, Bread and Pastry Production:13, Carpentry:3, Cookery:11, Dressmaking 5 EIM:63, EPAS:47, fbs:32, Food Processing:7, Front Office Services:3, Housekeeping:53, Plumbing:1, Scaffold Erection:11, SMAW:44, Technical Drafting:16, Tile Setting:24, Trainers	121,200.00

		Methodology: 13////////51 TIP Batches	
Gender biases in the TVET Instructional materials and curricula are existing	Monitor the adoption/utilization Gender Sensitive Curriculum and Trainers Manual by all public and private TVIs in the conduct of basic competencies		75,000.00
TVET issues, updates and concerns related to GAD is not accessible to the TESD partners	Disseminate information on the roll-out of gender-sensitive curriculum to the new TESD partners		
Less number of skilled/ trained women were assessed in various qualifications	Conduct mandatory assessment to all women trained in various qualifications		
Lack of equal opportunities between men and women in terms of skills and livelihood programs	Conduct skills and livelihood programs for women	FEMALE: Plumbing: 7, Carpentry:6, Tile Setting:1, Technical Drafting:7, EPAS: 11, Automotive Servicing NC I:3, Automotive Servicing NC II:4, SMAW NC II:4, SMAW NC III:2, Scaffold Erection NC II:6, MALE: Housekeeping NC II:40, Dressmaking: 5, Housekeeping NC III:13, Bread and Pastry:13, Food Processing:7	429,550.00
Certified Trainers from public and private institutions with various TVET qualifications lack Trainers Methodology (TM) I training	Conduct Trainer's Methodology (TM) I training to certified Trainers from public and private institutions with various TVET qualifications		336,942.00
TVET graduates have less access to job opportunities	Send graduates to job fair and provide referral/endorsement for job placement		8,530.00

Women victim- survivors of human trafficking lack access in livelihood skills training	Conduct livelihood skills training program for women victims- survivors of human trafficking		275,000.00
TESDA Assessors in the Agriculture, Tourism, Construction and Automotive sectors lack exposure on the high end technologies	Send TESDA Assessors in the Agriculture, Tourism, Construction and Automotive sectors to industry immersion for actual exposure on the high end technologies	1 instructor under tourism sector	23,553.00
Industry- based TVET women trainers in various qualifications lack accreditation for assessors	Intensify application for assessors accreditation among industry- based TVET women trainers in various qualifications		
Men and women clients in TVET lack awareness on GAD programs, issues and concerns	Conduct GAD Awareness Quiz Bee during Women's Month Celebration		
TVET women trainees lack opportunities for demonstration competition on skills usually performed by men	Conduct skills demonstration competition for women on skills usually performed by men		
Limited access of women in the selected barangays/ communities for short term training (cluster of competencies) specific to their needs	Conduct short term training (cluster of competencies) specific to the needs of women in the selected barangays/ communities		
Returning OFW/ migrant women and housewives/ families of inmates have no access to livelihood/ skills training specific to their needs/ skills requirements	Provide/conduct livelihood/ skills training program according to the needs/ skills requirements of returning OFW/ migrant women and housewives/ families of inmates		

Organization- Focused Activities			
Develop and maintain a GAD database containing GAD information to include gender statistics and age and sex-disaggregated data that have been systematically produced/gathered, regularly updated to serve as inputs or bases for planning, programming, and policy formulation	Process and update sex dis-aggregated EGACE data in the TESDA Monitoring System	1 disaggregated database	27,565.00
Develop and make available information, education and communication (IEC) materials on specific programs, services and funding outlays on women's empowerment and gender equality	Develop advocacy materials (brochures, flyers, newsletter, success stories, etc.) on TESDA programs and services	100 GAD related concern brochures	5,000.00
Development of and Budgeting for GAD Plans and Programs - All agencies, offices, bureaus, SUCs, GOCCs. LGUs and other government instrumentalities shall formulate their annual GAD Plans, Programs and Budgets within the context of their mandates.	Formulate annual GAD plans, prgrams and budgets within the context of TESD		83,336.00
MCW/RA 9710 Rule VI Institutional Mechanisms Section 37C Creation and/or Strengthening of the GAD Focal Points (GFPS) - Ensure that all members of the GAD Focal Points (GFPS) undergo capacity building programs on gender and development which shall include but not limited to:	Send GAD Focals and or members of the TESDA- 10 GFPS to conferences/ meetings, forum, seminars on GAD related concerns	2 pax attended meeting on GAD Accomplishment and Budget Preparation	5,405.00

gender sensitivity training (GST), gender analysis, GAD planning and budgeting and gender audit			
Ensure participation of Proclamation No. 1172 Declaring November 25 to December 12 of every year as the '18 Day Campaign to End Violence Against Women	Organize and or participate in activities in support of the 18- Day Campaign to End VAW	1 forum conducted on VAWC Awareness participated by female students of COBSAT	700.00
Ensure members of the GFPs and GAD Focals to undergo capacity building programs on gender ad development which shall include but not limited to: gender sensitivity training (GST), gender analysis, GAD planning and budgeting and gender audit	Conduct Gender Sensitivity Training (GST)/ Seminar to the new TESDA -10 personnel / staff/ trainers/ job orders		
Encourage and afford sufficient time and opportunities for employees to engage and participate in any activity conducted within the premises of their respective offices or establishments to celebrate National Womens Day/Month per Proclamation No. 227, s. 1988 Providing for the Observance of the Month of March as "Women's Role in History Month" -	Organize and or participate in the activities in celebration of Women's Month	1 women's day organized and participated by 31 women instructors and staff in celebration of women's month	10,360.00
Limited number of partners in the implementation of GAD programs	Collaborate with organizations or partners in the implementation of GAD programs		
Limited knowledge on gender mainstreaming in some areas in the	Conduct benchmarking activities and or	1 benchmarking activity for reaccreditation in	227,489.00

TESDA structures, systems, policies, procedures and processes	replicate good practices from other agencies/ regions	Lupon School of Fisheries (APACC) on August 2-4,2017 and 1 benchmarking activity in Cove Garden Resort for professional enhancement (Building good working relationships) and for tourism sector on June 23,2017	
Gender inequality and biases in support to GAD efforts of the region is not ensured	Conduct Research Study/ Impact Evaluation on the Effectiveness and Efficiency of the region's efforts on GAD		
TOTAL			850,822.00

Senior Citizens and Persons with Disability

26. For CY 2017, the agency was able to provide trainings to 75 Senior Citizens and 10 Persons with Disability have enrolled and were accommodated in various courses of TESDA in 2017, as follows:

PWD Accomplishment Report

Date	Objective	Activity	Num of Beneficiaries	Budget
July 14, 2017	Providing 1 Day Job for Blind Masseurs at COBSAT -Body Massage -Back and Head Massage	PWD Day Celebration at COBSAT	10 Blind Masseurs	₱5,000.00

Senior Citizen Accomplishment Report

Date	Objective	Activity	Num of Beneficiaries	Budget
May 26, 2017	Provide Free Skills Training to Elderly at SalayMis. Or. (55-65 yrs old)	Skills Training in Nuggets and Siomai	50	₱6,500.00
July 5 & 17, 2017	Provide Capacity Training for Separating/Retiring Military at Camp Evangelista, Patag, CDOC	Free Training on Food Processing	25	27,537.00

Philhealth and Pag-Ibig Premiums

27. The agency had been compliant with Title III, Section 18 of the Implementing Rules and Regulations of R.A. No. 7875 as amended in the payment of national health insurance premium contributions to the PhilHealth. It was also compliant with Rule VII, Section 3 of the Implementing Rules and Regulations of R.A. No. 9679 in the collection and remittance of contributions to the Pag-Ibig Fund.

28. For CY 2017, the agency was able to remit ₱294,135.00 for PhilHealth as follows:

Year/Month	Philhealth Contribution		Deposit Slip No.	Date	Under (Over) Remittance
	Employee Share	Government Share			
Beginning Balance, January 1	-	-	-	-	-
January	12,750.00	12,750.00	620988	2/14/17	-
February	12,750.00	12,750.00	302141	3/9/17	-
March	12,275.00	12,275.00	404407	4/18/17	-
April	12,275.00	12,275.00	49312	5/11/17	-
May	12,275.00	12,275.00	706901	6/1/17	-
June	12,275.00	12,275.00	691622	7/6/17	-
July	11,600.00	11,600.00	106072	8/1/17	-
August	12,125.00	12,125.00	375064	9/6/17	-
September	12,125.00	12,125.00	638839	10/5/17	-
October	12,125.00	12,125.00	993509	11/10/17	-
November	12,125.00	12,125.00	841946	1/3/18	-

December	12,367.50	12,367.50	904944	1/8/18	-
TOTAL	147,067.50	147,067.50			

29. The remittance comprises of Personal Share in the amount of ₱146,067.50 and Government Share in the amount of ₱146,067.50 for a total of ₱294,135.00.

30. The agency was able to remit the total amount of ₱668,080.61 and unremitted balance of ₱1,900.00 for CY 2017 for Home Development Mutual Fund (HDMF), to wit:

Year/ Month	Pag-IBIG Contribution		Employee Loans/Repa yments Amortizatio n	Total	Amount Remitted	Unremitt ed Balance
	Employee Share	Governme nt Share				
Beginning Balance, January 1	44,790.68			44,790.68	44,790.68	-
January	40,491.40	3,900.00		44,391.40	44,391.40	-
February	17,600.00	4,000.00	31,791.40	53,391.40	53,391.40	-
March	17,600.00	4,000.00	31,791.38	53,391.38	53,391.38	-
April	20,600.00	4,000.00	31,791.40	56,391.40	56,391.40	-
May	20,800.00	4,000.00	31,791.40	56,591.40	56,391.40	200.00
June	21,000.00	4,000.00	32,417.56	57,417.56	57,417.56	-
July	17,800.00	4,000.00	32,417.54	54,217.54	54,217.54	-
August	15,350.00	4,000.00	32,417.56	51,767.56	51,767.56	-
September	17,650.00	4,000.00	30,476.30	52,126.30	52,126.30	-
October	15,000.00	4,000.00	30,476.30	49,476.30	14500 49,476.30	-
November	15,000.00	4,000.00	30,476.30	49,476.30	14500 48,976.30	500.00
December	15,000.00	4,000.00	27,551.39	46,551.39	14100 45,351.39	1,200.00
TOTAL	278,682.08	47,900.00	343,398.53	669,980.61	668,080.61	1,900.00

Justilla, Edwing
Justilla, Edwing
Justilla, Edwing

Compliance with R.A. No. 8291 (GSIS Law)

31. The agency deducted premiums and loans totaling ₱2,591,833.89 from the salaries of Cagayan de Oro (Bugo) School of Arts & Trades (COBSAT) employees and remitted the same to the GSIS for CY 2017 in compliance with R.A. No. 8291.

32. During the year, COBSAT deducted from their employees, the GSIS premiums, Employees Compensation Contributions, Optional Life Insurance and loans in the total amount of ₱2,594,815.27 and remitted ₱2,591,833.89 to the GSIS within the year in accordance with R.A. No. 8291, thereby leaving ₱2,981.38 as of December 31, 2017, to wit:

Month	Payable	Remittance	Under (Over) Remittance
January	218,561.48	218,561.47	0.01
February	219,998.26	219,998.27	(0.01)
March	206,777.32	206,777.32	-
April	207,977.32	207,977.33	(0.01)
May	229,977.32	229,977.32	-
June	220,263.56	218,436.07	1,827.49
July	210,033.58	210,033.58	-
August	214,305.46	213,890.32	415.14
September	216,167.80	216,167.79	0.01
October	216,295.94	215,685.35	610.59
November	216,870.28	216,742.12	128.16
December	217,586.95	217,586.95	-
Total	2,594,815.27	2,591,833.89	2,981.38

Compliance with Tax Laws

33. The agency complied with the duties and responsibilities as a withholding agent of the BIR pursuant to Revenue Regulation No. 2-98, Revenue Memorandum Circular No. 23-007 dated March 20, 2007 and EO No. 651.

34. In compliance with EO No. 651, directing all ministries, bureaus, offices, agencies and instrumentalities of the Philippines and provincial, city or municipal governments, as well as GOCCs to comply strictly with the requirement for withholding and remittance of internal revenue taxes imposed by the National Internal Revenue Code, the Cagayan de Oro (Bugo) School of Arts & Trades (COBSAT) for CY 2017, withheld taxes totaling ₱2,037,006.82 and remitted to the Bureau of Internal Revenue (BIR) the total amount ₱2,023,224.34 and the balance of ₱13,782.48 remained undeposited as of this report.

Period	Amount		Date of Remittance
	Withheld	Remitted	
January, 2016	154,889.04	152,122.01	2/10/2017
February	148,450.31	148,450.30	3/7/2017
March	162,545.28	162,353.21	4/8/2017
April	151,729.79	151,729.81	5/10/2017
May	175,825.92	169,324.90	6/8/2017
June	166,936.74	164,214.88	7/5/2017
July	153,465.92	153,465.62	8/10/2017
August	171,741.42	173,702.74	9/11/2017
September	160,977.28	160,039.44	10/9/2017
October	173,007.56	173,568.67	11/10/2017
November	179,343.71	179,105.16	12/7/2017
December	238,066.85	235,147.60	1/10/2018
TOTAL	2,037,006.82	2,023,224.34	13782.48

Status of Suspensions, Disallowance and Charges

35. The audit suspensions were fully settled during the year while there was no audit disallowance and charges during the year.

Particulars	Balance, January 1, 2017	Issuances Jan. to Dec. 2017	Settlement, Jan. to Dec. 2017	Balance, Dec. 31, 2017
Notice of Suspension	0.00	1,320,481.57	1,320,481.57	0.00
Notice of Disallowance	0.00	0.00	0.00	0.00
Notice of Charge	0.00	0.00	0.00	0.00
Total	0.00	1,320,481.57	1,320,481.57	0.00

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

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

Status of Implementation	No. of Recommendations
Fully Implemented	4
Partially Implemented	-

Not Implemented	-
Total	4

37. The results of the validation of the implementation of prior years' contained in CY 2016 Management Letter are presented below.

38. There were four audit recommendations which Management has fully implemented, as follows:

RECOMMENDATION	Status of Implementation Full/Partial/Unimplemented	Reason/s for Partial/Non-implementation
<p><i>Recording of TWSP Materials</i></p> <p>We recommended that Management direct the Accountant to draw Journal Entry Voucher to adjust the erroneous recording of the Inventory transactions; and require the Accountant to strictly adhere to the accounting policies, guidelines and procedures provided in the Government Accounting Manual for National Government Agencies on the recording of financial and other related transactions.</p>	Fully Implemented	<p>Management explained that the account used to record said purchase was Textbook and Instructional Materials Inventory (104041000) and not Office Equipment (1060502000). The error was in the preparation of the Journal Entry found in the voucher.</p>
<p>Property, Plant and Equipment</p> <p>We recommended that management implement the following:</p> <p>a. Instruct the Property Custodian to submit</p>	Fully Implemented	<p>The Unserviceable and Idle Property, Plant & Equipment costing ₱4,608,102.55 were not yet disposed during the time of Audit because of the transition period from the previous Supply Officer who got deceased. Further, there is no</p>

<p>an updated Report on the Physical Count of Property, Plant and Equipment on the physical count and condition of PPEs as of the time of physical inventory, including those which are unrecorded and those which are unrecorded and those which could not be accounted for, if any;</p> <p>b. To create a Disposal Committee to prepare IIRUP that shall be used to account for all unserviceable properties of the agency which are subject to disposal. It will also serve as the basis in derecognizing the unserviceable properties carried in the PPE accounts;</p> <p>c. To instruct the Disposal Committee to conduct the necessary and proper disposal of the unserviceable properties; and</p> <p>d. To instruct the Property Custodian to account the tangible items below the capitalization threshold of P15,000.00 which shall be classified as semi-expendable accounts; and recognize as expenses upon issue to the end-user(s).</p>		<p>adequate space for all the unserviceable properties to be placed before the disposal. The Committee will conduct the disposal of these properties for all shops and offices as soon as possible or this coming summer vacation so there will be no disruption of classes. The submitted report on Inventory of Property, Plant & Equipment for the year 2016 shows that items costing P15,000.00 and below were not recorded under PPE anymore. These items were already reclassified and accounted as Semi-Expendable properties.</p>
<p><i>Delayed submission of disbursement vouchers and its supporting documents</i></p> <p>We recommend that management require the Administrative Officer to sign the paid disbursement vouchers and see to it that disbursement vouchers that lack compliance with the basic requirements should not be paid in the future; Comply with the prescribed format of the DV and strictly follow the corresponding instructions as provided for in the GAM for NGAs; and require the concerned employees</p>	<p>Fully Implemented</p>	

<p>for strictly observe the deadline in the submission of the required reports/documents pursuant to the provisions of COA Circular No. 95-006.</p> <p>2016</p> <p>1. <u>On Dormant Accounts Receivable</u></p> <p>We recommended that the Management:</p> <ul style="list-style-type: none"> • Secure approval and concurrence from TESDA Misamis Oriental Provincial Office for the off-setting of accounts- receivable from TESDA PO against any payable to TESDA PO; • Request for confirmation of balances of account as per records of the School against TESDA - PO of Misamis Oriental and send follow-up billings; • Obtain official communication/stand from TESDA - PO of Misamis Oriental to support claim of any variance against the School receivable balance. • Determine collectability of receivable from Pangulong Gloria Scholarship Program (CY 2009) amounting to P1, 271,700.00 by officially inquiring the status of this particular receivable. In case of claim of non-collectability of this account balance for whatever reason, secure from TESDA PO a valid and written communication/document to support such claims. 	<p>Fully Implemented</p>	
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E. ACKNOWLEDGEMENT

39. We wish to express our appreciation to the Management and staff of Cagayan de Oro (Bugo) School of Arts & Trades, Bugo, Cagayan de Oro City for the cooperation and assistance extended to our audit team during the audit.

40. We request a status report on the action taken on the audit recommendations within 60 days from the date of receipt hereof pursuant to Section 96, General Provisions, General Appropriations Act, FY 2017 RA No. 10924.

Very truly yours,



ELIZABETH A. MELLIZA
Acting – Audit Team Leader
State Auditor III

Copy Furnished:

The Regional Director
COA Regional Office No. 10
Cagayan de Oro City

The Supervising Auditor
TESDA Central Office
East Service Road
Taguig City, Metro Manila

The Regional Supervising Auditor
NGS 5, COA Region X
Cagayan de Oro City

File

TABLE OF ANNEXES

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A	Statement of Management's Responsibility for Financial Statements
B	Consolidated Statement of Financial Position for CY 2017 with Comparative Figures for CY 2016
C	Consolidated Statement of Financial Performance for CY 2017 with Comparative Figures for CY 2016
D	Consolidated Statement of Changes in Net Assets/Equity for CY 2017 with Comparative Figures for CY 2016
E	Consolidated Statement of Cash Flows for CY 2017 with Comparative Figures for CY 2016
F	Notes to Financial Statements



TECHNICAL EDUCATION AND SKILLS DEVELOPMENT AUTHORITY - Region 10

Cagayan de Oro (Bugo) School of Arts & Trades

Bugo, Cagayan de Oro City / email add: cobsat@yahoo.com / cobsat@tesda.gov.ph / website: www.cobsat.ph

Tel. No. (088) 855-87-20, 890-6007, (088) 855-21-85, 890-6005

9000 Philippines



Accredited: Asia Pacific Accreditation and Certification Commission (APACC) - (2009-2011)

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **CAGAYAN DE ORO (BUGO) SCHOOL OF ARTS AND TRADES** is responsible for all information and representations contained in the accompanying Statement of Financial Position as of **December 31, 2017** and the related Statement of Financial Performance and Cash Flow for the year then ended. The financial statements have been prepared in conformity with generally accepted state accounting principles and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

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

Kaye Kashika G. Ibarra
KAYE KASHIKA G. IBARRA, CPA

Accountant I

Eulogio E. Suliano, Jr.
EULOGIO E. SULLANO, JR., PH.D.

Vocational School Administrator III

VISION

Cagayan de Oro (Bugo) School of Arts & Trades is the center of excellence for Technical-Vocational Education and Training (TVET) producing competent workers with desirable work values.

MISSION

The school provides quality TVET with the involvement of the stakeholders to meet the global demand of competent workforce.

VALUE STATEMENT

We believe in the true world of work demonstrated with high integrity and commitment to people whom we serve.

GOALS

1. To provide trainees with quality TVET that will enable them to demonstrate competencies resembling to the global standards.
2. To further ensure quality skills provision, excellent training delivery is with the involvement of stakeholders and industry partners as linkages.
3. To produce globally competent workers with desirable work values for optimum productivity addressing the needs of the industries.
4. To orient graduates on entrepreneurial options for self-employment and entrepreneurship, thus generate jobs for a more prosperous society.

**TECHNICAL EDUCATION AND SKILLS DEVELOPMENT AUTHORITY
CAGAYAN DE ORO (BUGO) SCHOOL OF ARTS AND TRADES
STATEMENT OF FINANCIAL POSITION
CONSOLIDATED FUND
AS OF DECEMBER 31, 2017**

ASSETS

		<u>2017</u>	<u>2016</u>
Current Assets			
Cash and Cash Equivalents			
	4	1,224,121.48	2,473,467.42
Receivables			
	5	340,575.00	816,707.02
Inventories			
	6	1,821,221.71	3,155,899.18
Other Current Assets			
		<u>124,078.84</u>	<u>105,254.38</u>
Total Current Assets		<u>3,509,997.03</u>	<u>6,551,328.00</u>
Non-Current Assets			
Property, Plant and Equipment			
	7	23,214,496.39	36,333,258.19
Other Non-Current Assets			
		<u>499,950.19</u>	<u>499,950.19</u>
Total Non-Current Assets		<u>23,714,446.58</u>	<u>36,833,208.38</u>
Total Assets		<u>27,224,443.61</u>	<u>43,384,536.38</u>

LIABILITIES

Current Liabilities			
Financial Liabilities		131,479.75	-
Inter-Agency Payables	9	41,013.50	203,642.62
Intra-Agency Payables		-	-
Other Payables	10	446,390.38	178,568.23
Total Current Liabilities		<u>618,883.63</u>	<u>382,210.85</u>
Total Liabilities		<u>618,883.63</u>	<u>382,210.85</u>

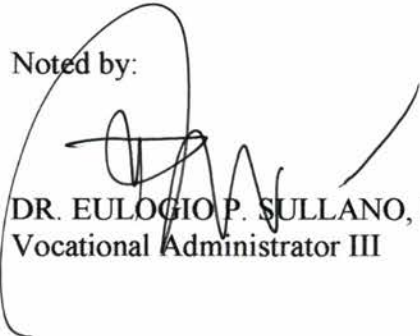
Total Assets less Total Liabilities	26,605,559.98	43,002,325.53
NET ASSETS/EQUITY		
Accumulated Surplus/(Deficit)	26,605,559.98	43,002,325.53
Total Net Assets/Equity	26,605,559.98	43,002,325.53

This statement should be read in conjunction with the accompanying notes.

Prepared by:


KAYE KASHKA G. IBARRA
 Accountant I

Noted by:


DR. EULOGIO P. SULLANO, JR.
 Vocational Administrator III

**TECHNICAL EDUCATION AND SKILLS DEVELOPMENT AUTHORITY
CAGAYAN DE ORO (BUGO) SCHOOL OF ARTS AND TRADES
STATEMENT OF FINANCIAL PERFORMANCE
CONSOLIDATED FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Note</u>	<u>2017</u>	<u>2016</u>
Revenue			
Service and Business Income	11	7,890,813.39	9,520,997.00
Gains	16	-	<u>6,381.10</u>
Total Revenue		<u>7,890,813.39</u>	<u>9,527,378.10</u>
Less: Current Operating Expenses			
Personnel Services	12	19,486,229.20	18,965,076.87
Maintenance and Other Operating Expenses	13	11,426,445.49	9,081,646.39
Financial Expenses		-	-
Non-Cash Expenses	14	<u>3,968,851.36</u>	<u>4,556,880.73</u>
Total Current Operating Expenses		<u>34,881,526.05</u>	<u>32,603,603.99</u>
Surplus/(Deficit) from Current Operations		<u>(26,990,712.66)</u>	<u>(23,076,225.89)</u>
Net Financial Assistance/Subsidy	15	22,192,008.10	21,085,155.01
Surplus/(Deficit) for the period		<u>(4,798,704.56)</u>	<u>(1,991,070.88)</u>

Prepared by:


KAYE KASHKAG. IBARRA
Accountant I

Noted by:


DR. EULOGIO P. SULLANO, JR.
Vocational Administrator III

**TECHNICAL EDUCATION AND SKILLS DEVELOPMENT AUTHORITY
CAGAYAN DE ORO (BUGO) SCHOOL OF ARTS AND TRADES
STATEMENT OF CHANGES IN NET ASSETS/EQUITY
CONSOLIDATED FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>2017</u>	<u>2016</u>
Balance at January 1	43,002,325.53	45,453,537.15
Add/(Deduct):		
Changes in accounting policy		
Prior period errors	(11,576,200.99)	(4,623.65)
Other adjustments		
Restated balance	<u>31,426,124.54</u>	<u>45,448,913.50</u>
Add/(Deduct):		
Changes in Net Assets/Equity for the Calendar Year		
Surplus/(Deficit) for the period	(4,798,704.56)	(1,991,070.88)
Adjustment of net revenue recognized directly in net assets/equity ¹	(21,860.00)	
Others ²		(455,517.09)
Balance at December 31	<u><u>26,605,559.98</u></u>	<u><u>43,002,325.53</u></u>

*1 - Net revenue deposited with the National Treasury (revenue including constructive receipt of income by Foreign Based Agencies and income remitted by agencies thru TRA)

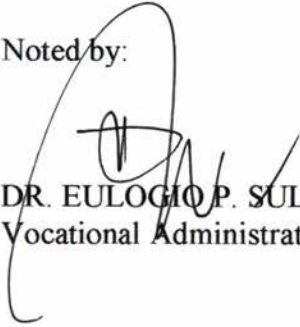
*2 - Direct adjustments to Net Assets/Equity which are not revenues or expenses (e.g. transfer of PPE from one unit of the agency to another directly charged to Accumulated Surplus/(Deficit))

This statement should be read in conjunction with the accompanying notes.

Prepared by:


KAYE KASHKA G. IBARRA
Accountant I

Noted by:


DR. EULOGIO P. SULLANO, JR.
Vocational Administrator III

**TECHNICAL EDUCATION AND SKILLS DEVELOPMENT AUTHORITY
CAGAYAN DE ORO (BUGO) SCHOOL OF ARTS AND TRADES
STATEMENT OF CASH FLOWS
CONSOLIDATED FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities		
Cash Inflows		
Receipt of Notice of Cash Allocation	20,237,879.96	19,633,600.18
Collection of Income/Revenues	8,133,635.04	10,168,670.70
Collection of Receivables	782,503.07	-
Other Receipts	352,887.61	20,000.00
Adjustments	22,774.04	268,320.34
Total Cash Inflows	<u>29,529,679.72</u>	<u>30,090,591.22</u>
Cash Outflows		
Payment of Expenses	16,502,354.10	17,717,366.49
Purchase of Inventories	2,631,083.65	2,750,535.59
Grant of Cash Advances	3,236,161.77	-
Prepayments	37,215.00	-
Remittance of Personnel Benefit Contributions and Mandatory Deductions	7,427,265.20	7,202,103.99
Other Disbursements	14,400.00	-
Adjustments	540.00	-
Reversal of unutilized NCA	240,936.35	457,205.54
Total Cash Outflows	<u>30,089,956.07</u>	<u>28,127,211.61</u>
Net Cash Provided by (Used in) Operating Activities	<u>(560,276.35)</u>	<u>1,963,379.61</u>

Cash Flows from Investing Activities

Cash Outflows

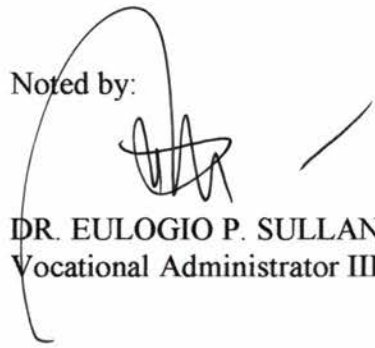
Purchase/Construction of Property, Plant and Equipment	<u>689,069.59</u>	<u>1,314,779.86</u>
Total Cash Outflows	<u>689,069.59</u>	<u>1,314,779.86</u>
Net Cash Provided by (Used in) Investing Activities	<u>(689,069.59)</u>	<u>(1,314,779.86)</u>
Cash Flows From Financing Activities		
Net Cash Provided by (Used in) Financing Activities	<u>-</u>	<u>-</u>
Increase (Decrease) in Cash and Cash Equivalents	<u>(1,249,345.94)</u>	<u>648,599.75</u>
Cash and Cash Equivalents, January 1	<u>2,473,467.42</u>	<u>1,824,867.67</u>
Cash and Cash Equivalents, December 31	<u><u>1,224,121.48</u></u>	<u><u>2,473,467.42</u></u>
	(0.00)	-

This statement should be read in conjunction with the accompanying notes.

Prepared by:


KAYE KASHKA G. IBARRA
Accountant I

Noted by:


DR. EULOGIO P. SULLANO, JR.
Vocational Administrator III

1 General Information/Agency Profile

The school was established in 1965 and named as City Night High School (Bugo). Being a public school, it caters to the poor but deserving students with necessary skills to make them functional members of the society.

On December 16, 1994, Republic Act No. 7839 was signed converting the school into CAGAYAN DE ORO (BUGO) SCHOOL OF ARTS & TRADES. After the conversion, the post – secondary department has operated under the supervision of Technical Education and Skills Development Authority (TESDA).

In year 2001, TESDA identified COBSAT as a Center of Excellence in Automotive Technology. It was granted by TVET Quality System award giving bodies a Bronze Level Award in 2003. And in year 2009, Asia Pacific Accreditation & Certification Commission (APACC) awarded the Bronze Category Accreditation to the school.

Cagayan de Oro (Bugo) School of Arts and Trades provides quality Technical – Vocational Education and Training (TVET) with the involvement of stakeholders to meet the global demand of competent workforce.

The school is the center of excellence for Technical-Vocational Education and Training producing competent with desirable work values.

The school offers the following technical courses:

Courses Offered	No. of Days	Sector
1 Automotive Servicing NC I	20	Automotive and Land Transport
2 Automotive Servicing NC II	85	Automotive and Land Transport
3 Automotive Servicing NC III	66	Automotive and Land Transport
4 Bread and Pastry Production NC II	18	Tourism
5 Barista NC II	23	Tourism
6 Bartending NC II	41	Tourism
7 Bookkeeping NC III	37	Health, Social and Other Comm. Dev.
8 Carpentry NC II	21	Construction
9 Cookery NC II	40	Tourism
10 Construction Painting NC II	23	Construction
11 Dressmaking NC II	35	Garments
12 Electrical Installation and Maintenance NC II	51	Construction
13 Electrical Installation and Maintenance NC III	50	Construction
14 Food and Beverage Services NC II	45	Tourism
15 Food and Beverage Services NC III	29	Tourism
16 Food Processing NC II	69	Processed Food and Beverages
17 Front Office Services NC II	55	Tourism
18 Housekeeping NC II	55	Tourism
19 Housekeeping NC III	10	Tourism
20 Masonry NC II	33	Construction
21 Plumbing NC II	26	Construction
22 Scaffold Erection NC II	21	Construction
23 Technical Drafting NC II w/ Autocad	26	Construction
24 Trainer's Methodology (Level 1)	33	TVET
25 Tile Setting NC II	11	Construction
26 SMAW NC II	34	Metals and Engineering
27 SMAW NC III	17	Metals and Engineering
28 Hospitality Management and Services, a Three-Year course (Leading to Bachelor in Technical-Teacher Education) under the Ladderized Education Program (LEP)		Tourism

2 Statement of Compliance and Basis of Preparation of Financial Statements

The financial statements have been prepared in accordance with and comply with the Philippine Public Sector Accounting Standards (PPSAS) issued by the Commission on Audit per COA Resolution No. 2014-003 dated January 24, 2014

The Financial Statements of Cagayan de Oro (Bugo) School of Arts and Trades have been prepared on the basis of historical cost, unless stated otherwise. The Statement of Cash Flows is prepared using the direct method.

3 Summary of Significant Accounting Policies

3.1 Basis of Accounting

The Agency uses accrual basis of accounting. All expenses are recognized when incurred and reported in the financial statements in the period to which they relate. Income is on accrual basis except for transactions where accrual basis is impractical or when law requires other methods.

3.2 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash at bank.

3.3 Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

3.4 Property, Plant and Equipment

Recognition

An item is recognized as property, plant, and equipment (PPE) if it meets the characteristics and recognition criteria as a PPE.

The characteristics of PPE are as follows:

- tangible items;
- are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- are expected to be used during more than one reporting period.

An item of PPE is recognized as an asset if:

- It is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- The cost or fair value of the item can be measured reliably.

Measurement at Recognition

An item recognized as property, plant, and equipment is measured at cost.

A PPE acquired through non-exchange transaction is measured at its fair value as at the date of acquisition.

The cost of the PPE is the cash price equivalent or, for PPE acquired through non-exchange transaction its cost is its fair value as at recognition date.

Cost includes the following:

- Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;

- expenditure that is directly attributable to the acquisition of the items; and
- initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired, or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Measurement After Recognition

After recognition, all property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

When significant parts of property, plant and equipment are required to be replaced at intervals, the [Name of the entity] recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major repair/replacement is done, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

All other repair and maintenance costs are recognized as expense in surplus or deficit as incurred.

Depreciation

Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognized as expense unless it is included in the cost of another asset.

Initial Recognition of Depreciation

Depreciation of an asset begins when it is available for use such as when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

For simplicity and to avoid proportionate computation, the depreciation is for one month if the PPE is available for use on or before the 15th of the month. However, if the PPE is available for use after the 15th of the month, depreciation is for the succeeding month.

Depreciation Method

The straight line method of depreciation is adopted unless another method is more appropriate for agency operation

Estimated Useful Life

Cagayan de Oro (Bugo) School of Arts and Trades uses the Schedule on the Estimated Useful Life of PPE by classification prepared by COA.

Cagayan de Oro (Bugo) School of Arts and Trades uses a residual value equivalent to (10%) of the cost of the PPE.

Derecognition

Cagayan de Oro (Bugo) School of Arts and Trades derecognizes items of property, plant and equipment and/or any significant part of an asset upon disposal or when no future economic benefits or service potential is expected from its continuing use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the surplus or deficit when the asset is derecognized.

3.5 Changes in Accounting Policies and Estimates

Cagayan de Oro (Bugo) School of Arts and Trades recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy were applied prospectively if retrospective application is impractical.

Cagayan de Oro (Bugo) School of Arts and Trades recognizes the effects of changes in accounting estimates prospectively by including in surplus or deficit.

Cagayan de Oro (Bugo) School of Arts and Trades correct material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by:

- Restating the comparative amounts for prior period(s) presented in which the error occurred; or
- If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

3.6 Revenue from Exchange Transactions

Measurement of Revenue

Revenue was measured at the fair value of the consideration received or receivable.

Rendering of Services

Cagayan de Oro (Bugo) School of Arts and Trades recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labor hours incurred to date as a percentage of total estimated labor hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred were recoverable.

Sale of Goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the entity.

3.7 Budget Information

The annual budget is prepared on a cash basis and is published in the government website.

A separate Statement of Comparison of Budget and Actual Amounts (SCBAA) was prepared since the budget and the financial statements were not prepared on comparable basis. The SCBAA was presented showing the original and final budget and the actual amounts on comparable basis to the budget. Explanatory comments are provided in the notes to the annual financial statements.

3.8 Employee Benefits

The employees of Cagayan de Oro (Bugo) School of Arts and Trades are member of the Government Service Insurance System (GSIS), which provides life and retirement insurance coverage.

Cagayan de Oro (Bugo) School of Arts and Trades recognizes the undiscounted amount of short term employee benefits, like salaries, wages, bonuses, allowance, etc., as expense unless capitalized, and as a liability after deducting the amount paid.

Cagayan de Oro (Bugo) School of Arts and Trades recognizes expenses for accumulating compensated absences when these were paid (commuted or paid as terminal leave benefits). Unused entitlement that has accumulated at the reporting date was not recognized as expense. Non-accumulating compensated absences, like special leave privileges, were not recognized.

4 Cash and Cash Equivalents

Account	As of December 31, 2017	
	SSP/IGP Fund	General Fund101
Cash – Collecting Officer	20,810.00	100.00
Cash in Bank - Local Currency	1,071,664.63	120,703.85
Total Cash and Cash Equivalents	1,092,474.63	120,803.85

5 Receivables

5.1 Aging/Analysis of Receivables

Account	Total		Not Past Due	Past Due		
	GF 101	SSP/IGP Fund		< 30 days	30-60 days	> 60 days
Other Receivables	340,575.00		340,575.00			
Total	340,575.00	-	340,575.00	-	-	-

6 Inventories

Accounts	2017
	Inventories carried at the lower of cost and net realizable value
Inventory Held for Sale	
Carrying Amount, January 1	2,818.00
Additions/Acquisitions during the year	470,842.00
Expensed during the year except write-down	(473,150.00)
Write-down during the year	
Reversal of Write-down during the year	
Carrying Amount, December 31	510.00
Inventory Held for Consumption	
Carrying Amount, January 1	527,956.85
Additions/Acquisitions during the year	2,631,083.65
Expensed during the year except write-down	(1,338,328.79)
Write-down during the year	
Reversal of Write-down during the year	
Carrying Amount, December 31	1,820,711.71
TOTAL CARRYING AMOUNT, DECEMBER 31, 2017	1,821,221.71

7 Property and Equipment

Gross Cost (Asset Account Balance per Statement of Financial Position)	412,250.00	95,000.00	809,509.09	25,957,555.29	45,239,984.35	773,056.25	613,559.22
Less: Accumulated Depreciation			(236,834.02)	(13,780,327.74)	(35,694,151.51)	(497,107.68)	(477,996.86)
Carrying Amount, December 31 (per Statement of Financial Position)	412,250.00	95,000.00	572,675.07	12,177,227.55	9,545,832.84	275,948.57	135,562.36

7 Other Assets

Particulars	2017		
	Current	Non-Current	Total
Advances	-	-	-
Prepayments	53,378.84	-	53,378.84
Deposits	70,700.00	-	70,700.00
Other Assets	-	499,950.19	499,950.19
TOTALS	124,078.84	499,950.19	624,029.03

8 Inter-Agency Payables

Particulars	2017		2016	
	Current	Non-Current	Current	Non-Current
Due to BIR	35,238.37		152,138.73	
Due to GSIS	2,981.38		6,713.21	
Due to Pag-IBIG	1,900.00		44,790.68	
Due to Philhealth	893.75			
Total Inter-Agency Payables	41,013.50	-	203,642.62	-

9 Other Payables

Cagayan de Oro (Bugo) School of Arts and Trades has payables to agencies not classified as financial liabilities pertaining to remittances of monthly contributions and loan repayments to TESDA Provident Fund, COBSATEA, refund of cash advances for travel, and payment of school fees and IGP-canteen collectibles.

11 Service and Business Income

Particulars	2017	2016
Service Income	-	21,370.00
Other Service Income		21,370.00
Business Income	7,474,064.39	9,499,627.00
School Fees	1,101,322.39	5,534,391.00
Training/Seminar Fees	2,834,000.00	
Examination Fees	3,520,485.00	3,719,010.00
Other Business Income	18,257.00	246,226.00
Total Service and Business Income	7,474,064.39	9,520,997.00

12 Personnel Services

12.1 Salaries and Wages

Particulars	2017	2016
Salaries and Wages - Regular	12,666,561.02	11,169,425.97
Salaries and Wages - Casual	-	130,595.20
Total Salaries and Wages	12,666,561.02	11,300,021.17

12.2 Other Compensation

Particulars	2017	2016
Personnel Economic Relief Allowance (PERA)	955,545.46	879,727.29
Representation Allowance (RA)	60,000.00	60,000.00
Transportation Allowance (TA)	60,000.00	60,000.00
Clothing/Uniform Allowance	200,000.00	185,000.00
Productivity Enhancement Incentive	200,000.00	
Performance Based Bonus	546,856.10	
Honoraria		858,000.00
Year End Bonus	2,153,732.00	1,836,289.00
Cash Gift	206,000.00	185,000.00
Other Bonuses and Allowances		1,388,500.00
Total Other Compensation	4,382,133.56	5,452,516.29

12.3 Personnel Benefit Contributions

Particulars	2017	2016
Retirement and Life Insurance Premiums	1,520,037.84	1,351,724.79
Pag-IBIG Contributions	47,900.00	54,162.50
PhilHealth Contributions	150,625.00	121,275.00
Employees Compensation Insurance Premiums	47,800.00	43,800.00
Total Personnel Benefit Contributions	1,766,362.84	1,570,962.29

12.4 Other Personnel Benefits

Particulars	2017	2016
Terminal Leave Benefits	671,171.78	641,577.12
Total Other Personnel Benefits	671,171.78	641,577.12

13 Maintenance and Other Operating Expenses

13.1 Traveling Expenses

Particulars	2017	2016
Traveling Expenses - Local	615,784.41	383,124.52
Traveling Expenses - Foreign	-	-
Total Traveling Expenses	615,784.41	383,124.52

Increase in Travelling Expense account is attributed to the increase in the number of official travels for trainings, seminars and conventions in 2017.

13.2 Training and Scholarship Expenses

Particulars	2017	2016
Training Expenses	1,357,043.79	1,343,866.62
Scholarship Grants/Expenses		
Total Training and Scholarship Expenses	1,357,043.79	1,343,866.62

13.3 Supplies and Materials Expenses

Particulars	2017	2016
Office Supplies Expenses	143,104.18	265,295.82
Drugs and Medicines Expenses	21,507.95	11,410.75
Fuel, Oil and Lubricants Expenses	106,435.29	97,714.40
Textbook and Instructional Materials Expenses	18,357.75	832,608.31
Semi-Expendable Machinery and Equipment Expenses	1,439,444.56	99,369.15
Semi-Expendable Furniture and Fixtures	276,647.08	38,520.00
Other Supplies and Materials Expenses	1,225,346.37	1,106,553.65
Total Supplies and Materials Expenses	3,230,843.18	2,451,472.08

13.4 Utility Expenses

Particulars	2017	2016
Water Expenses	196,672.20	157,126.10
Electricity Expenses	892,785.31	831,807.19
Total Utility Expenses	1,089,457.51	988,933.29

13.5 Communication Expenses

Particulars	2017	2016
Postage and Courier Services	770.00	2,345.00
Telephone Expenses	55,896.56	71,227.13
Internet Subscription Expenses	187,675.81	148,590.00
Cable, Satellite, Telegraph and Radio Expenses	10,450.00	22,319.33
Total Communication Expenses	254,792.37	244,481.46

13.6 Awards/Rewards and Prizes

Particulars	2017	2016
Awards/Rewards Expenses	95,000.00	115,000.00
Prizes		
Total Awards/Rewards and Prizes	95,000.00	115,000.00

13.7 Research, Exploration and Development Expenses

Particulars	2017	2016
Research, Exploration and Development Expenses	7,000.00	
Total Survey, Research, Exploration and Development Expenses	7,000.00	-

13.8 Professional Services

Particulars	2017	2016
Legal Services	6,500.00	3,200.00
Auditing Services	11,680.00	121,460.40
Consultancy Services	2,500.00	
Other Professional Services	1,032,506.33	
Total Professional Services	1,053,186.33	124,660.40

13.9 Other General Services

Particulars	2017	2016
Security Services	535,588.48	513,434.58
Total General Services	535,588.48	513,434.58

13.10 Repairs and Maintenance

Particulars	2017	2016
Repairs and Maintenance - Buildings and Other Structures	59,065.90	214,117.28
Repairs and Maintenance - Machinery and Equipment	20,500.00	29,723.00
Repairs and Maintenance - Transportation Equipment	105,190.00	88,540.00
Total Repairs and Maintenance	184,755.90	332,380.28

13.11 Taxes, Insurance Premiums and Other Fees

Particulars	2017	2016
Taxes, Duties and Licenses	8,340.00	2,260.00
Fidelity Bond Premiums	13,875.00	18,375.00
Insurance Expenses	43,885.43	48,928.46
Total Taxes, Insurance Premiums and Other Fees	66,100.43	69,563.46

13.12 Other Maintenance and Operating Expenses

Particulars	2017	2016
Advertising Expenses	-	2,000.00
Transportation and Delivery Expenses	32,333.42	
Rent/Lease Expenses	198,544.14	245,843.38
Membership Dues and Contributions to Organizations	500.00	11,000.00
Other Maintenance and Operating Expenses	2,695,912.81	2,245,575.41
Total Other Maintenance and Operating Expenses	2,927,290.37	2,504,418.79

14 Non-Cash Expenses

13.1 Depreciation

Particulars	2017	2016
Depreciation-Infrastructure Assets	40,070.76	40,070.76
Depreciation-Buildings and Other Structures	784,364.52	783,176.04
Depreciation-Machinery and Equipment	3,067,041.15	3,597,796.33

Depreciation-Transportation Equipment	72,642.84	73,128.84
Depreciation-Furniture, Fixtures and Books	4,732.09	52,510.56
Depreciation-Other Property, Plant and Equipment		10,198.20
Total Depreciation	3,968,851.36	4,556,880.73

15 Net Financial Assistance/Subsidy

Particulars	2017	2016
Subsidy from National Government	20,270,814.00	19,616,336.83
Subsidy from Regional Office	1,921,194.10	1,468,818.18
Assistance from Local Government Units		-
Total Financial Assistance/Subsidy from NGAs, LGUs, GOCCs	22,192,008.10	21,085,155.01

Less: Financial Assistance/Subsidy to NGAs, LGUs, GOCCs, NGOs/Pos

Particulars	2017	2016
Financial Assistance to NGAs	-	-
Financial Assistance to Local Government Units	-	-
Budgetary Support to GOCCs	-	-
Total Financial Assistance/Subsidy to NGAs, LGUs, GOCCs	-	-

Net Financial Assistance/Subsidy	22,192,008.10	21,085,155.01
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16 Non-Operating Income/Gain

Particulars	2017	2016
Other Gains	-	6,381.10
Total Non-Operating Income/Gain	-	6,381.10

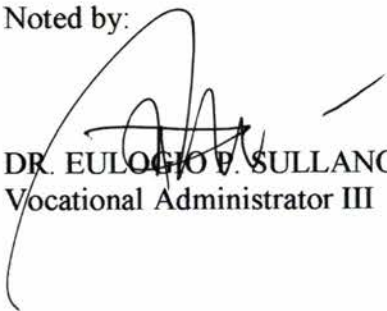
NOTE TO USERS:

Although efforts were exerted to provide this basic model, this cannot be expected to address every type of transactions or disclosure requirements and it is not comprehensive enough in all respects to meet the needs of every user. Further, this model is not intended to cover all aspects of standards with regard to disclosures. Applying the PPSASs requires professional judgment.

Prepared by:


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Noted by:


DR. EULOCIO P. SULLANO, JR.
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