



Republic of the Philippines
Department of Education
REGIONAL OFFICE NO. VIII (EASTERN VISAYAS)
 Government Center, Candahug, Palo, Leyte
ISO 9001:2015 CERTIFIED



January 14, 2020

REGIONAL MEMORANDUM

No. **028**, 2020

COMMISSION ON AUDIT (COA) AUDIT ENTRANCE CONFERENCE FOR CY 2019

To: Schools Division Superintendents
 Regional Office Personnel
 All Others Concerned

1. Attached is Memorandum OUF-2019-0405 dated December 20, 2019 with the subject: **Commission on Audit (COA) Audit Entrance Conference for CY 2019 held on December 11, 2019 at the Bulwagan ng Karunungan.**
2. Discussion/agreements during the conference are included in the said Memorandum.
3. For information and guidance.


RAMIR B. UYTICO, Ed.D., CESO IV
Director IV

Enclosure: Memorandum OUF-2019-0405

Reference: Memorandum OUF-2019-0405

To be indicated in the Perpetual Index
 under the following subjects:

COMMISSION ON AUDIT
 ENTRANCE CONFERENCE



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MEMORANDUM
OUF-2019-0405

DEPARTMENT OF EDUCATION
REGION VIII, EASTERN VISAYAS

RECEIVED

01-06-2020

Date / Tracking No.

037

FOR : SECRETARY LEONOR MAGTOLIS BRIONES

THRU : ATTY. NEPOMUCENO A. MALALUAN
Undersecretary
Chief of Staff to the Secretary

FROM : RAMON FIEL G. ABCEDE
Assistant Secretary
OIC, Office of the Undersecretary for Finance
Vice Chairperson, AQM Task Force

ATTY. ANNE RACHEL C. MIGUEL
Director for Finance Service (Legal Support)
Member, AOM Task Force

SUBJECT : COMMISSION ON AUDIT (COA) AUDIT ENTRANCE CONFERENCE
FOR CY 2019 HELD ON DECEMBER 11, 2019 AT THE BULWAGAN NG
KARUNUNGAN

DATE : DECEMBER 20, 2019

I. Background

The Audit Entrance Conference for Calendar Year (CY) 2019 for the Department of Education (DepEd) was held on December 11, 2019 at the Bulwagan ng Karunungan. The Entrance Conference is a formal meeting between heads of COA and DepEd to discuss the terms of the audit.

The conference was facilitated by the DepEd - COA Team led by Supervising Auditor Miguela S. Baon together with Audit Team Leaders Job O. Aguirre, Jr., George Roman C. Lozano, and Reynaldo B. Famorcan.

For DepEd attendees, the AOM Taskforce was present namely ASec. Ramon Fiel G. Abcede, Dir. Anne Rachel C. Miguel (Finance Service [Legal Support]), OIC - Dir. Leilani L. Galvez (Internal Audit Service), and Ms. Ma. Rhunna L. Catalan (Accounting Division). Other attendees from DepEd include Usec. Torisito M. C. Umali (Legislative Liaison

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Office, Project Management Service and External Partnerships Service), Dir. Roger B. Masapol (Planning Service), Dir. Abram Y.C. Abanil (Information and Communication Technology Service), and Mr. Adonis R. Barraquias (Contract Management Division).

The following are the agenda items of the said Conference (invitation attached as Annex A):

A. AUDIT THRUST AREAS

COA discussed the following as Audit Thrust Areas:

1. Cash
2. Cash Advances
3. Advances to DBM-PS
4. Receivables
5. Inventories
6. Prepayments
7. Investments
8. Property, Plant, and Equipment
9. Other Payables
10. Revenue
11. Audit of Agency Appropriations and Utilizations
12. Audit of funds Received and Transferred
13. National Disaster and Activities for Gender and Development (GAD)
14. Audit of Procurement
15. Programs/Projects/Activities (PPAs) Evaluations with Emphasis on Financial Aid and Compliance Audit
16. Audit of Receipt and Utilization of Yolanda and Marawi Funds Donated to Government Agencies
17. Foreign Assisted Projects (FAPs) and Official Development Assistance (ODA) funded projects
18. Review of Dept. Orders/Resolutions/Other related Issuances

B. AUDIT SCOPE

The audit shall cover the financial transactions and operation of the DepEd – Central Office (CO) funded by regular appropriations, fund transfers from various agencies and foreign assistance for the period January 1 to December 31, 2019.

C. AUDIT APPROACH AND METHODOLOGY

The general audit processes shall be as follows:

1. Obtain/Update understanding of DepEd operations, its critical processes and information flow.



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2. Evaluate the adequacy and effectiveness of financial and management controls, including compliance with government prescribed policies and procedures.
3. Evaluate effectiveness of existing controls by performing test of controls using selected samples.
4. Perform substantive test of transactions.
5. Proceed with the execution phase on significant and material accounts

D. AUDIT MATERIALITY THRESHOLDS IN FINANCIAL AUDIT

The Overall Planning Materiality is ₱2,105,451,704.49 which is .5% of the Total Expenditures of ₱421,090,340,897.31.

This is based on Section III (A) Determining the Materiality Thresholds on the Financial Audit Manual by the Commission on Audit (Annex B). It should be noted, however, that the threshold on the Financial Audit is the only area wherein the threshold is disclosed and is used to form the Commission's audit report (i.e, unqualified, qualified, adverse and disclaimer opinions). Thresholds used by the Commission on other areas such as expense accounts to be audited, testing threshold etc., shall not be disclosed and does not form as basis for the said audit opinion.

E. AUDIT OUTPUTS

1. Audit Observation Memoranda (AOM) to communicate significant deficiencies/observations and material weaknesses noted during the audit
2. Notice of Suspension/Disallowances and/or Charges, if warranted
3. Management Letter consolidating the audit observations and recommendations contained in the AOMs and incorporating management comments, where applicable
4. Consolidated Annual Audit Report (CAAR) covering results of audit of DepEd-Central Office and the Regional Offices

F. SIGNIFICANT DATES AND MILESTONES

The audit shall be guided by the following *tentative* timetable, to which the AOM Task Force has noted and shall provide necessary assistance to the Audit Team:

Particulars	Target Dates
Entrance Conference	December 11, 2019
Audit Execution	December 12, 2019 to April 15, 2020
Last day of issuance of AOMs	April 15, 2020
Last day of receipt of Management Comments	15 days after the receipt of AOM
Exit Conference	April 23, 2020
Issuance of the following Audit Reports:	
Management Letter- DepEd-CO	April 30, 2020
Consolidated Annual Audit Report	June 15, 2020



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G. ADMINISTRATIVE MATTERS

To facilitate the conduct of the audit, COA requested for DepEd's cooperation and assistance on the following, wherein the management assured COA of its continuing and strengthened partnership:

- Assignment of focal person/s to facilitate meetings and requests relative to audit;
- Preparing schedules or analyses and providing needed documents;
- Conferring with your officials and staff to facilitate understanding of the agency operation;
- Response to audit queries, questionnaires and audit memoranda on or before the date specified therein;
- Access to the work of internal auditors to facilitate review of internal control and risk assessment related to the audit of financial transactions; and
- Facilitating requirements of the audit team to conduct field inspections and observations.

H. AUDIT DOCUMENTS

To facilitate the conduct of the audit, COA requests management to provide the following documents:

Report/Document	Deadline of Submission to the Office of the Auditor
1. Transaction Reports	
a) Journal Entry Vouchers (JEVs)	On the 10 th day after end of each month
b) Disbursements Vouchers (DVs) with Advice to Debit Account (ADA)	On the 10th day after end of each month
c) Report of Checks Issued (RCI)	On the 10th day after end of each month
d) Payroll	On the 10th day after end of each month
e) Liquidation Vouchers	On the 10th day after end of each month
f) Advanced Copy of Purchase Orders (POs) and Contracts	Within 5 days from date of execution/perfection
2. Financial Reports	On the 10th day after end of each month
a) Trial Balance	On the 10th day after end of each month
b) Financial Statements	On the 10th day after end of each month



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Report/Document	Deadline of Submission to the Office of the Auditor
c) General Journal	On the 10th day after end of each month
d) Check Disbursement Journal (CDJ)	On the 10th day after end of each month
e) Cash Receipts Journal (CRJ)	On the 10th day after end of each month
f) Budget and Financial Accountability Reports (BFARs)	On the 30th day after end of each quarter
3. Others	
a) Monthly Report of Cash Advance Granted and Liquidated	On the 10th day after end of each month
b) Status of Unliquidated Cash Advances, Fund Transfers and Other Receivables	Within 15 days after the end of each semester
c) Bank Reconciliation Statement (BRS)	On the 10th day after end of each month
d) Enhanced Quarterly Report of the Publicized Government Projects, Programs and Activities (GPPAs)	On the 3 rd day of after end of each quarter
e) Report on Actual MOOE provided by the Audited Agency	July 25th of each year for the 1 st semester and January 25th of each year for the 2 nd semester
f) Report on Physical Count of Property, Plant and Equipment	January 31st of the following year
g) Report on Physical Count of Inventories	July 25th of each year for the 1 st semester and January 25th of each year for the 2 nd semester
h) Accomplishment Report - Gender and Development	January 31st of the following year
i) Accomplishment Report - Senior Citizens and Persons with Disability	January 31st of the following year
j) Agency Action Plan and Status of Implementation (AAPSI)	Within 60 days from receipt of ML and CAAR

II. Discussion / Agreements

- **On the Unliquidated Cash Advances.** The Audit Team has been informed that the Accounting Division has issued notices to the accountable officers instructing them to liquidate, as withholding of salary of said officers shall be executed until they have settled their respective deficiencies. Also, no cash advance has been issued to



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newly authorized disbursing officers until the person has undergone proper training.

- **On Public Private Partnership.** The Audit Team informed the Department that 2017 and 2018 documents were submitted late. COA advised to submit on the prescribed period as late submission for the 3rd time would provide for a sanction to the property custodial based on administrative law. The management cited that since DepEd is the biggest bureaucracy, consolidation of reports has been a constant challenge. But nevertheless, reforms are being made in order to comply with requirements from the overhead agencies.
- **On the AAPSI Delays.** There are still lacking submissions from some regions. The Department has submitted a partial submission on October 2019 but has been in constant coordination with the regions in order to submit the latest and most updated CY 2018 AAPSI before the end of December 2019.
- **On the legal review of procurement contracts.** Procurement Management Service (ProcMS) ensured the body that the set timelines are always met. However, challenges include: 1) Preparation of pre-evaluation, post-qualification and technical specifications of major Programs/Activities/Projects (PAPs); and 2) Review of contracts, wherein COA observed that they always see requests from the ProcMS for legal review to the Legal Affairs, but there are no revisions from the Legal Service. COA advised that the legal review should be done by ProcMS during the procurement process, not after the approval of each contract. DepEd through Undersecretary Tonisito M.C. Umali, informed COA that review of procurement contracts shall be undertaken by the Office of Assistant Secretary Salvador Malara, III (Procurement and Administration).
- **On the process of salary of Job Order (JO) and Contract of Service (COS).** The Audit Team requested for documentation on the process of payment thereof. According to the Accounting Division, they can process 1 payroll in 30 minutes and there are currently 1000 COS personnel. The process also involves the Personnel Division, Budget Division, Cash Division and Offices of the Executive Committee (ExeCom) Members for approval. Nonetheless, DepEd shall endeavor to provide said documentation, as requested.
- **On substitute documents.** During Official Travel Abroad, for example, when attendees cannot request a certificate of appearance for the activity/meeting/conference they have attended/participated in, COA suggested submitting picture of temporary ID, picture of attendance sheet with the time stamp of the photo. This may be used as proof in exchange of the certificate.
- **On other matters.** (1) Secretary Leonor Magtolis Briones has requested for the inclusion of Private Education Assistance Committee (PEAC) in the performance audit of COA for the past two (2) years. The Department of Budget and Management (DBM) has also sent a group to review the system of PEAC. DepEd



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suggested that matters concerning PEAC shall be directly coursed through the PEAC Secretariat, copy furnished the Office of the Secretary and the AOM Task Force.

III. Recommendations

- This is to respectfully recommend complete attendance of all Executive Committee Members, perhaps even the Bureau/Service Directors, to attend Entrance/Exit Conferences. Not only does this show oneness of the Department and support to the Commission, but this activity also impacts the DepEd as a whole. It is thus deemed imperative that the management would be guided by principles and thrusts governing the audit agency in order to be made more effective, efficient and economical in decision-making.
- For section I(D) on the Audit Materiality Thresholds in Financial Audit, it was agreed upon that the Department shall provide the Audit Team with comments regarding the identified threshold (.5%) for the Department. This may put the Department at a disadvantage considering, again, its standing as the biggest bureaucracy and with the biggest appropriation. During our initial research, the said threshold is within the Auditor's discretion. This Office plans to draft the said position paper, to be discussed by the ExeCom and approved by the Secretary, stating that increasing the threshold for DepEd will mainly make an impact to its Financial Statements. Increasing the threshold would then allow for more chances of a better opinion for the Department. To strengthen the argument, we could also cite that we were able to correct misstatements during the previous year (where we were initially going to be given an adverse opinion) and that the Commission's recommendations relative to the matter were taken into consideration and some, even implemented.

Since this stage of audit is during the Reporting Phase¹, the comments shall be submitted to the ExeCom by the 1st/2nd Quarter of CY 2020, for discussion and appropriate action.

Cc: AOM Task Force

¹ (Preliminary Engagement Activities, Planning Phase, Audit Execution Phase, Reporting Phase and Quality Control Review)