

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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Resilient nations.*

AUDIT

OF

UNDP PHILIPPINES

DSS 2016 K TO 12 BASIC EDUCATION PROGRAM
(Directly Implemented Project No. 95022, Output No. 99082)

Report No. 1853

Issue Date: 18 August 2017

**Report on the Audit of UNDP Philippines
DSS 2016 K to 12 Basic Education Program (Project No. 95022, Output No. 99082)
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), through Deloitte (the audit firm), from 2 to 19 May 2017 conducted an audit of DSS 2016 K to 12 Basic Education Program, Project No. 95022, Output No. 99082 (the Project), which is directly implemented and managed by the UNDP Country Office in the Philippines (the Office). This was the first audit of the Project.

The audit firm conducted a financial audit to express an opinion on whether the financial statements present fairly, in all material aspects, the Project's operations. The audit covered the Project's Combined Delivery Report, which includes expenditure for the period from 1 January to 31 December 2016 and the accompanying Funds Utilization statement¹ as of 31 December 2016. The audit did not cover the Statement of Assets as no assets were held by the Project as of 31 December 2016. In addition, the audit did not cover the Statement of Cash Position as no separate bank account was established and maintained for the Project.

The audit was conducted under the general supervision of OAI in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Audit results


Based on the audit report and corresponding management letter submitted by the audit firm, the results are summarized in the table below:

Project Expenditure	
Amount (in \$ '000)	Opinion
19,423	Unqualified

The audit did not result in any recommendations.

Management comments and action plan

Management comments and/or additional information provided have been incorporated into the report, where appropriate.



Helge S. Ostveiten
Director
Office of Audit and Investigations

¹ The Funds Utilization statement includes the balance, as at a given date, of five items: (a) outstanding advances received by the project; (b) undepreciated fixed assets used at the project level; (c) inventory held at the project level; (d) prepayments made by the project; and (e) outstanding commitments held at the project level.

**REPORT ON THE FINANCIAL AUDIT OF THE
UNITED NATIONS DEVELOPMENT
PROGRAMME PHILIPPINES
DIRECTLY IMPLEMENTED PROJECT
DSS 2016 K TO 12 BASIC EDUCATION PROGRAM
PROJECT NUMBER 95022 OUTPUT NUMBER 99082
FOR THE PERIOD 1 JANUARY 2016
TO 31 DECEMBER 2016
ISSUED July 25, 2017**

REPORT ON THE FINANCIAL AUDIT OF THE UNITED NATIONS DEVELOPMENT PROGRAMME PHILIPPINES DIRECTLY IMPLEMENTED PROJECT, DSS 2016 K TO 12 BASIC EDUCATION PROGRAM, PROJECT NUMBER 95022, OUTPUT NUMBER 99082, FOR THE PERIOD 1 JANUARY 2016 TO 31 DECEMBER 2016

TABLE OF CONTENTS

	Page
PART 1 EXECUTIVE SUMMARY.....	2
1.1 Background of the project.....	2
1.2 Audit objective.....	3
1.3 Audit scope.....	3
1.4 Summary of audit opinions.....	4
PART 2 FINANCIAL AUDIT REPORTS.....	5-6
2.1 Report on statement of expenses.....	5-6
2.2 Notes to the financial statements.....	7

APPENDICES:

APPENDIX 1 COMBINED DELIVERY REPORT AND FUND UTILIZATION STATEMENT

APPENDIX 2 STATEMENT OF FIXED ASSETS

REPORT ON THE FINANCIAL AUDIT OF THE UNITED NATIONS DEVELOPMENT PROGRAMME PHILIPPINES DIRECTLY IMPLEMENTED PROJECT, DSS 2016 K TO 12 BASIC EDUCATION PROGRAM, PROJECT NUMBER 95022, OUTPUT NUMBER 99082, FOR THE PERIOD 1 JANUARY 2016 TO 31 DECEMBER 2016

PART 1 EXECUTIVE SUMMARY

1.1 Background of the Project

In 2010, the Philippine Department of Education (DepEd) started implementing the K to 12 Program. This program aims to provide sufficient time for mastery of concepts and skills, develop lifelong learners, and prepare graduates for tertiary education, middle-level skills development, employment, and entrepreneurship.

The salient features of the K to12 Program are the following:

- a. strengthening early childhood education;
- b. making curriculum relevant to learners;
- c. ensuring integrated and seamless learning;
- d. building proficiency through language;
- e. gearing up for the future; and
- f. nurturing holistically developed Filipino.

On 07 December 2015, DepEd officially requested the assistance of United Nations Development Programme (UNDP) through the provision of procurement and capacity building services to fully implement the K to12 Basic Education Program.

In this said assistance of UNDP to DepEd, the specific objectives are:

- Provision of demand based development support services, including, but not limited to the following:
 - conduct of competitive procurement processes for and in behalf of DepEd, at international and national levels, as inputs to the Project, in accordance with the procurement details and timelines agreed between DepEd and UNDP;
 - physical delivery of the goods and services to where the goods and services are required in various regions nationwide where DepEd beneficiaries are located, including customs clearing where required, and ensuring availability of after-sales support where needed, in accordance with the procurement details and timelines agreed between DepEd and UNDP;
 - recruitment of project personnel and engagement of consultants/experts or individual contractors;
 - disbursement of personnel salaries and payments to vendors of goods, services and works, based on the authorization of DepEd; and
- Monitoring, reporting and evaluation, including:
 - timely reporting on the status of project funds (physical and financial);
 - third party monitoring of deliveries to ensure that goods are received only by intended beneficiaries.

REPORT ON THE FINANCIAL AUDIT OF THE UNITED NATIONS DEVELOPMENT PROGRAMME PHILIPPINES DIRECTLY IMPLEMENTED PROJECT, DSS 2016 K TO 12 BASIC EDUCATION PROGRAM, PROJECT NUMBER 95022, OUTPUT NUMBER 99082, FOR THE PERIOD 1 JANUARY 2016 TO 31 DECEMBER 2016

1.2 Audit objective

The objective of the financial audit is to express an opinion on the Project's financial statements. The specific objectives were to:

- Express an opinion on whether the financial expenses incurred by the Project from 1 January 2016 to 31 December 2016 and the funds utilization as at 31 December 2016 are fairly presented in accordance with UNDP accounting policies and that the expenses incurred were: (i) in conformity with the approved project budgets; (ii) for the approved purposes of the Project; (iii) in compliance with the relevant regulations and rules, policies and procedures of UNDP; and (iv) supported by properly approved vouchers and other supporting documents;
- Express an opinion on whether the statement of fixed assets presents fairly the balance of assets of the UNDP project as at 31 December 2016; and
- Express an opinion on whether the statement of cash held by the Project presents fairly the cash and bank balance of UNDP project as at 31 December 2016. Based on discussion with management, the Project does not operate a dedicated bank account, consequently, there was no statement of cash balance as at 31 December 2016.

Financial statements of the UNDP project include: the statement of expenses with related annexes as well as, where applicable, the statement of fixed assets and the statement of cash position.

The Financial Audit was conducted in accordance with the International standards of Auditing (ISA), 700 series.

1.3 Audit scope

The audit covered all activities of the Project during the period from 1 January 2016 to 31 December 2016 as well as a review of project reports and records located at the UNDP country office in the Philippines.

The scope of the audit did not include:

- Activities and expenses incurred or undertaken at the level of responsible parties i.e. subcontract / contract signed by 3rd party for the Project, unless the inclusion of these expenses is specifically required in the request for proposal; and
- Expenses processed and approved in locations outside the country such as UNDP Regional Centres and UNDP Headquarters and where the supporting documentation is not retained at the level of the UNDP country office.

As such, the total expenses charged against the Project and was subjected to financial audit amounted to USD 19,422,595.

The audit scope also includes follow up of previous audit recommendations. Since there was no previous audit made for the Project, this scope is not necessary.

**REPORT ON THE FINANCIAL AUDIT OF THE UNITED NATIONS DEVELOPMENT PROGRAMME PHILIPPINES DIRECTLY IMPLEMENTED PROJECT, DSS 2016 K TO 12 BASIC EDUCATION PROGRAM, PROJECT NUMBER 95022, OUTPUT NUMBER 99082, FOR THE PERIOD 1 JANUARY 2016 TO 31 DECEMBER 2016
PART 1 EXECUTIVE SUMMARY (Continued)**

1.4 Summary of Audit Opinions

(i) Combined Delivery Report and Funds Utilization Statement

In our opinion, the attached combined delivery report (CDR) and funds utilization statement, present fairly in all material respects the expenditure of USD 19,422,595 incurred by the Project for the period 1 January 2016 to 31 December 2016 in accordance with UNDP accounting policies and in conformity with the basis of accounting described in note 2.2 of financial statements.

(ii) Statement of Fixed Assets

The Project does not maintain any fixed assets. UNDP provided statements of fixed assets as at 31 December 2016 with nil balance.

(iii) Statement of Cash

The Project does not operate a dedicated bank account. Consequently, there was no statement of cash balance as at 31 December 2016 since this is not required for projects with no dedicated bank account.

Use of this Report

This report is solely for the purpose set forth in the above objective and for your information. This report relates only to the report of expenses, fixed assets and cash specified above and does not extend to any financial statements of the UNDP, taken as a whole.


We look forward to discussing our report with you and would be pleased to provide any further information or assistance which may be required.

For Navarro Amper & Co

BOA Registration No. 0004, valid from December 4, 2015 to December 31, 2018

Place: Taguig

Date: July 25, 2017


Avis B. Manlapaz
Partner
(CPA License No. 0074249)

REPORT ON THE FINANCIAL AUDIT OF THE UNITED NATIONS DEVELOPMENT PROGRAMME PHILIPPINES DIRECTLY IMPLEMENTED PROJECT, DSS 2016 K TO 12 BASIC EDUCATION PROGRAM, PROJECT NUMBER 95022, OUTPUT NUMBER 99082, FOR THE PERIOD 1 JANUARY 2016 TO 31 DECEMBER 2016

The Director
Office of Audit and Investigations (OAI)
United Nations Development Programme (UNDP)

Dear Sir,

PART 2 FINANCIAL AUDIT REPORTS

2.1 Report on Statement of Expenses

We have audited the accompanying Combined Delivery Report (CDR) and Funds Utilization statement ("the statement") of the UNDP project 95022, DSS 2016 K to 12 Basic Education Program for the period from 1 January 2016 to 31 December 2016.

The CDR expenditure totaling to USD 19,422,595 is comprised of expenditure directly incurred by the UNDP Country Office in 2016.

Opinion

In our opinion, the attached CDR and Funds Utilization statement present fairly, in all material respects, the expenses of USD 19,422,595 incurred by the UNDP Country Office in the Philippines and charged to the Project for the period 1 January 2016 to 31 December 2016 in accordance with UNDP accounting policies and as described in note 2.2 of notes to the financial statements and were: (i) in conformity with the approved project budgets; (ii) for the approved purposes of the Project; (iii) in compliance with the relevant regulations and rules, policies and procedures of UNDP; and (iv) supported by properly approved vouchers and other supporting documents.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those provisions and standards are further described in the auditors' responsibilities for the audit of the CDR and Funds Utilization section of our report. We are independent of UNDP in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with this code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management Responsibilities

Management is responsible for the preparation of the CDR and the Funds Utilization statement of the Project, and for such internal control as management determines is necessary to enable the preparation of a CDR and Funds Utilization statement that are free from material misstatement, whether due to fraud or error.

Auditors' responsibilities

Our objectives are to obtain reasonable assurance about whether the CDR and the Funds Utilization statement are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these documents.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the CDR and Funds Utilization statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of UNDP's internal control.

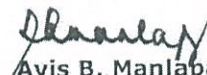
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

For Navarro Amper & Co

BOA Registration No. 0004, valid from December 4, 2015 to December 31, 2018

Place: Taguig

Date: July 25, 2017


Avis B. Manlapaz
Partner
(CPA License No. 0074249)



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2.2 Notes to the Financial Statements

2.2.1 Significant Accounting Policies

2.2.1.1 Basis of Accounting

The financial statements comprised the Combined Delivery Report "CDR", Statement of Fixed Assets and Statement of Cash (the last statement was not provided as there was no dedicated bank account for the Project). These financial statements were prepared in accordance with International Public Sector Accounting Standards (IPSAS).

Basis of Preparation and Authorization to Submit Financial Statements for Audit

Basis of Measurement

These financial statements are prepared on an accrual basis of accounting in accordance with IPSAS and the Financial Regulations and Rules of UNDP.

2.2.1.2 Expenditure

Disbursements are recognized when they are actually incurred according to the agreement / purchase order and are adjusted for encumbrance's account which represents any open purchase order which is not yet executed at end of reporting period.

2.2.1.3 Currency

The presentation currency of the CDR and the financial summary is the USD which is the currency of the reporting system and the CDR.

Disbursements in Philippine Peso or any other currency are converted into USD equivalent using the exchange rate applied by UNDP on transaction dates.

2.2.1.4 Commitments

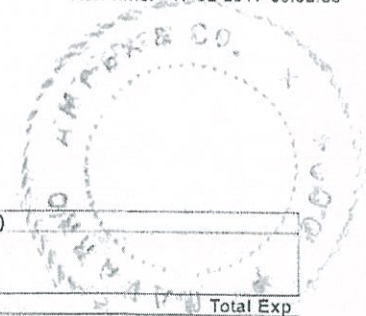
This represents a legal and financial obligation arising from a contract, agreement, or other form of undertaking by UNDP, which are pending execution:

Purchase Order	Commitment USD
For services and material	15,637,469



Selection Criteria :

Business Unit : PHL10
Period : March-Dec (2016)
Selected Project Id : 00095022
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : ALL



Project Id : 00095022 DSS 2016 K to 12 Basic Educati	Period :	March-Dec (2016)
Output # : 00099082 K to 12 Basic Education Progra	Impl. Partner :	99999 UNDP
	Location :	Philippines
	Govt Exp	UNDP Exp
	UN Agencies Exp	Total Exp

Dept: 42804 (Philippines - Dem. Governance)

Fund : 30071 (Programme Cost Sharing GOV1)

71205 - Intl Consultants-Shrt Term-Tech	0.00	3,200.00	0.00	3,200.00
71211 - Intl Consult Security Charge	0.00	136.00	0.00	136.00
71405 - Service Contracts-Individuals	0.00	5,593.11	0.00	5,593.11
71410 - MAIP Premium SC	0.00	13.52	0.00	13.52
71415 - Contribution to Security SC	0.00	229.74	0.00	229.74
71605 - Travel Tickets-International	0.00	717.68	0.00	717.68
71615 - Daily Subsistence Allow-Intl	0.00	799.10	0.00	799.10
71635 - Travel - Other	0.00	304.00	0.00	304.00
72405 - Acquisition of Communic Equip	0.00	12,001,791.00	0.00	12,001,791.00
72410 - Acquisition of Audio Visual Eq	0.00	298,780.00	0.00	298,780.00
72415 - Courier Charges	0.00	378,034.43	0.00	378,034.43
72505 - Stationery & other Office Supp	0.00	14.43	0.00	14.43
72805 - Acquis of Computer Hardware	0.00	4,513,032.00	0.00	4,513,032.00
72815 - Inform Technology Supplies	0.00	1,051,440.49	0.00	1,051,440.49
74505 - Insurance	0.00	9,384.15	0.00	9,384.15
74507 - Warranty Expense	0.00	150,000.00	0.00	150,000.00
74525 - Sundry	0.00	24.61	0.00	24.61
74705 - Port Operatton	0.00	51,145.29	0.00	51,145.29
74720 - Distribution Cost	0.00	81,026.22	0.00	81,026.22
74725 - Other L.T.S.H.	0.00	279,894.55	0.00	279,894.55
75105 - Facilities & Admin - Implement	0.00	565,966.81	0.00	565,966.81
75709 - Learning - training of counter	0.00	40,000.00	0.00	40,000.00
76125 - Realized Loss	0.00	0.01	0.00	0.01
76135 - Realized Gain	0.00	-8,932.25	0.00	-8,932.25

total for Fund 30071	0.00	19,422,594.89	0.00	19,422,594.89
Total for Dept : 42804	0.00	19,422,594.89	0.00	19,422,594.89
Total for Output : 00099082	0.00	19,422,594.89	0.00	19,422,594.89

Project Total :	0.00	19,422,594.89	0.00	19,422,594.89
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Signed By: EMMANUEL E. BUENDIA
Democratic Governance Team leader

Date: 20 FEBRUARY 2017

Signed By: ENRICO GAVEGLIA
Deputy Country Director

Date: 21 FEB 2017



Navarro Amper & Co.
For Identification Only
Deloitte



UN
DP UN Development Programme
Report ID: unglcdrp


Combined Delivery Report By Project

Page 2 of 3
Run Time: 17-02-2017 09:02:37

Selection Criteria :

Business Unit : PHL10
Period : March-Dec (2016)
Selected Project Id : 00095022
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : ALL

Project Id : ALL	Period :	March-Dec (2016)			
Output # : ALL	Impl. Partner :				
	Location :				
		Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
42804 - Philippines - Dem. Governance		0.00	19,422,594.89	0.00	19,422,594.89

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Funds Utilization

Selection Criteria :

Business Unit : PHL10
Period : March-Dec (2016)
Selected Project Id : 00095022
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : ALL

Project/Award: 00095022 DSS 2016 K to 12 Basic Educati Period : As at Dec 31, 2016

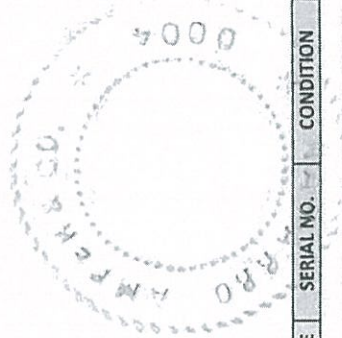
Output #	Impl. Partner	UNDP AMOUNT
00099082	:99999 UNDP	
Outstanding NEX advances		0.00
Undepreciated Fixed Assels		0.00
Inventory		0.00
Prepayments		0.00
Commitments		15,637,468.97

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STATEMENT OF ASSET AND EQUIPMENT
AS OF DECEMBER 31, 2016
UNDP PHILIPPINES

PROJECT TITLE: DEVELOPMENT SUPPORT SERVICES TO 2016 K TO 12 BASIC EDUCATION PROGRAM

UNDP TAG No.	ACQUISITION DATE	ITEM DESCRIPTION	TYPE	ASSET CUSTODIAN	ITEM LOCATION	PESO AMOUNT	DOLLAR VALUE	SERIAL NO.	CONDITION	REMARKS
NO PROJECT ASSETS										



Prepared by: *M.A. Fullante*
MA. KRISTINE A. FULLANTE
 Project Assistant

Cleared by: *F. Capistrano*
FRANCISCO CAPISTRANO
 Project Officer

Approved by: *E. Garveita*
ENRICO GARVEITA
 Deputy Country Director



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