



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

MANAGEMENT LETTER

ON THE

**Technical Education and Skills Development
Authority**

**Lanao Norte National
Agro-Industrial School
(LNN AIS)**

Bualan, Tubod, Lanao del Norte

For the Year Ended December 31, 2020



Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No. 10
Cagayan de Oro City

OFFICE OF THE AUDIT TEAM LEADER
Audit Group NGS,- Cluster 5
Audit Team No. R10-16

March 23, 2021

MR. VICENTE E. CRUZ
Vocational School Administrator II
Lanao Norte National Agro-Industrial School (LNNAIS)
Bualan, Tubod, Lanao del Norte

Dear Mr. Cruz:

**Management Letter on the Audit of the
Lanao Norte National Agro-Industrial School (LNNAIS)
Bualan, Tubod, Lanao del Norte
for the period January 1 to December 31, 2020**

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 1445), we have conducted financial and compliance audit of the financial transactions of the Lanao Norte National Agro-Industrial School (LNNAIS) for the period ended December 31, 2020. The audit was conducted in accordance with applicable legal and regulatory requirements, and International Standards of Supreme Audit Institutions (ISSAIs). 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 to verify the level of assurance that may be placed on management's assertions on the financial statements; recommend agency improvement opportunities; and 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, 2020 are shown in the attached audited financial statements (Annexes A-I).
4. Deficiencies observed in the course of the audit were earlier communicated through Audit Observation Memoranda (AOMs) and discussed in an exit conference on March 19, 2021 with concerned officials and employees. Their comments were incorporated in this letter where appropriate. The significant audit observations and recommendations shall be incorporated in the Management Letter (ML) of the TESDA - Region X for CY 2020.

A. INTRODUCTION

AGENCY'S MANDATE & ORGANIZATIONAL STRUCTURE

5. The Lanao Norte National Agro-Industrial School (LNNAIS), Bualan, Tubod, Lanao del Norte was established in June 1973 under the leadership of the late Governor Arsenio A. Quibranza, catering Secondary Program. It was nationalized through the effort of Congressman Abdullah D. Dimaporo by passing a bill to the congress on March 25, 1992 under Batas Pambansang Blg. 213.

6. The school acquired 16 hectares of school site through government reservation. It was surveyed in July 21, 1921 and was approved on December 31, 1921 in the name of the provincial government of Lanao del Norte for Bureau of Education.

7. In 1997, LNNAIS, became a TESDA Administered School by virtue of Republic Act 7796 popularly known as the TESDA Law. LNNAIS is a technical vocational institution offering UTPRAS registered qualifications identified as priority skills in the province. The School prepare trainees to surpass the competency assessment and become certified skilled workers by upgrading our trainers and improving our facilities. LNNAIS link partners who serve as potential channels for employment of our graduates. LNNAIS also sustain our livestock and crop projects to address a twofold target and income generating and to serve as hands-on venue for students and trainees. Alongside, LNNAIS pursue a quality assurance system.

8. Its vision is to be a globally competitive; agriculturally and industrially-based training institution supportive and committed to economic development, nurturing ecology-conscious society. And its Mission is to offer Post-Secondary Program, to produce graduates who shall serve as propellers of agro-industrial development through its competent faculty and staff, well-equipped innovative training facilities for global competitiveness.

9. The Agency is Headed by Mr. Vicente E. Cruz, Vocational School Administrator II. He is ably assisted by 24 regular employees, 1 casual employee and 22 Job Orders assisting in the Office and School.

OPERATIONAL HIGHLIGHTS

10. For Calendar Year 2020, TESDA-LNNAIS offered training program for twenty eight (28) Qualifications. The number of enrolments and graduates has decreased by nineteen (59%) percent and twenty-six (72%) percent respectively compared to last year, as shown below:

Period	CY 2020	CY 2019	Increase (Decrease)	Percent
Enrolled	1365	3380	(2015)	(59%)
Graduated	874	3153	(2279)	(72%)
Assessed (incl. walk-in)	1521	6678	(5157)	(77%)
Certified	1417	6288	(4871)	(77%)
Employed	386	893	(507)	(56%)

11. LNNAIS has conducted a total of 1,521 assessments on various qualifications. At least, 93% or 1,417 of these assessments were certified during the year.

12. TESDA-LNNAIS reported the following major accomplishments per Major Final Output (MFO) and Performance measures vis-a-vis the targets:

Key Performance Indicator (KPI)	Enrolled			Graduated		
	Target	Cumm. Output	% of Accomplishment	Target	Cumm. Output	% of Accomplishment
MFO 3: Promotion, Development and Implementation of Quality Technical Education and Skills Development Programs						
A. TESDA Technology Institution						
-Regular Program	660	1365	207%	594	874	147%
L Total Massive Training						
No. of Persons Employed (All Technical Vocational Education and Training (TVET) Graduates)	446	386	87%			
III. Assessment/Certified (All Qualifications)	Assessed			Certified		
Regular & Walk in	1,392	1,521	109%	1,281	1,417	111%

FINANCIAL PROFILE

13. For CY 2020, Lanao Norte National Agro-Industrial School has a total appropriation of ₱ 10,860,389.56 which includes the Regular Budget of ₱ 8,808,351.56, Pension & Gratuity Fund (PS) ₱ 258,403.00, MPBF of ₱ 1,598,318.00 and the

Automatic Appropriations of ₱ 195,317.00 as provided for in the General Appropriations Act (GAA) for Fiscal Year 2020. During the year, the TESDA LNNAIS received a total allotment of ₱ 10,916,583.02, out of which, total obligations of ₱ 10,682,978.29 were incurred leaving an unexpended balance of ₱11.86 as at year-end, the details of which are presented below.:.

Source of Funds	Appropriations	Allotment	Obligation Incurred	Unobligated Balance
A. Current Year Budget				
1. Agency Specific Budget				
PS	8,322,351.56	8,322,351.56	8,322,351.56	0
MOOE	486,000.00	486,000.00	486,000.00	0
Sub-total	8,808,351.56	8,808,351.56	8,808,351.56	0
2. Special Purpose Fund				
Miscellaneous Personnel Benefits Funds (PS)	1,598,318.00	1,598,318.00	1,598,249.34	68.66
Pension & Gratuity Fund (PS)	258,403.00	258,403.00	258,403.00	0.00
Sub-total	1,856,721.00	1,856,721.00	1,856,652.34	68.66
3. Automatic Appropriations				
Retirement and Life Insurance Premium (RLIP) PS	195,317.00	195,317.00	251,597.12	(56,262.12)
Sub-total	195,317.00	195,317.00	251,597.12	(56,262.12)
Total Current Year	10,860,389.56	10,860,389.56	10,916,583.02	(56,193.46)

Financial Position:

FUND 01 GENERAL FUND

	2020	2019
Assets	46,452,430.97	46,466,824.67
Liabilities	18,885.10	40,160.26
Government Equity	₱ 46,433,545.87	₱ 46,426,664.41

FUND 06 SSP

	2020	2019
Assets	1,076,537.42	982,021.08
Liabilities	61,824.48	132,204.28
Government Equity	₱1,014,712.94	₱849,816.80

Sources and Application of Funds:

	2020	2019
Revenue	₱ 11,794,209.00	₱12,544,450.4
Less: Current Operating Expenses		
MOOE	11,363,611.22	12,292,709.80
Non-Cash Expenses	265,701.64	325,849.12
Total	11,629,312.86	12,618,558.92
Surplus (Deficit) from Operations	₱ 164,896.14	₱ (74,108.52)

B. SUMMARY OF RECOMMENDATIONS

14. The following is a summary of recommendations, the details of which are discussed in the Detailed Observations and Recommendations of the report:

FINANCIAL AUDIT

15. In course of our audit, there were no deficiencies noted in relation to the financial audit.

COMPLIANCE AUDIT

Non-implementation of the provisions of RA 9184 and its 2016 Revised Implementing Rules and Regulations, Request for Quotations (RFQs) were not issued/floated to bidders to quote their existing prices in all bid opportunities of the agency.

16. We recommend the Management follow strictly the provisions under the RA 9184 and the 2016 revised IRR and other existing COA rules and regulations for the succeeding months to avoid suspension in audit of transactions.

The agency failed to announce and publicize all their Projects/Programs/Activities (PPA) for CY 2020 and also failed to submit approved Annual Procurement Plan (APP)

17. We recommend that Management to:

- Strict comply with the State's policy on full disclosure and provisions in COA Circular No. 2013-004;
- Submit list of on-going and to be implemented PPA during the year with complete description as specified in Section 2.1 of the Circular;
- Submit quarterly monitoring report using the format in Annex A of the Circular;
- Submit approved APP and PPMP for calendar year 2020 otherwise procurements without APP shall be considered irregular as there is no legal basis for such procurements.

The management failed to submit GAD Plan and Budget for CY 2020

18. We recommend that Management to:

Submit the agency's GAD Plan and Budget and Accomplishment report for CY 2020 as well as the explanation or underlying reason on why they were not formulated/accomplished. Also information is requested from the GAD Focal Point or the Accountant on whether or not there were GAD Programs/Projects/Activities integrated in the regular budget of the agency.

C. DETAILED OBSERVATIONS AND RECOMMENDATIONS

FINANCIAL AUDIT

19. In the course of our audit, we found no deficiencies in relation to the financial audit.

COMPLIANCE AUDIT

Non-implementation of the provisions of RA 9184 and its 2016 Revised Implementing Rules and Regulations, Request for Quotations (RFQs) were not issued/floated to bidders to quote their existing prices in all bid opportunities of the agency.

20. Request for Quotations (RFQs) were prepared inconsistent to the prescribed manner set forth under Annex "H" of the 2016 Revised Implementing Rules and

Regulations of Republic Act No. 9184, otherwise known as the Government Procurement Reform Act, hence, competitiveness of eligible and qualified contracting parties and transparency in the procurement process has not been fully implemented.

21. *Item V of Annex "H" provides for the Specific Guidelines for the Alternative Methods of Procurement. Under the Shopping and Small Value Procurement, the Request for Quotation (RFQ) prepared by the Bids and Awards Committee (BAC) shall indicate the specifications, quantity, Approved Budget Cost [ABC], and other terms and conditions of the contract.*

22. *It shall also include whether the quotation the by the prospective bidder is partial bid (any of the items) or complete bid (all of the items), and the basis to AWARD- whether the lowest quoted price on any of the items (partial bid) or all of the items (complete bid).*

23. Likewise, Appendix A thereof summarizes additional documentary requirements that shall be indicated in the RFQ, to wit:

Alternative Modality	Mayor's/ Business Permit	PhilGEPS Reg. Number	PCAB License (Infra.)	Income/ Business Tax Return	Omnibus Sworn Statement
Shopping [Sec. 52.1(b)]	✓	✓			
Small Value Procurement [Sec. 53.9]	✓	✓	✓	✓ For ABC's above P500k	✓ For ABC's above P50k

24. *The BAC shall indicate in the RFQ of RFP at what stage of the procurement process these requirements must be submitted i.e., submission of offer/s, evaluation of offer/s, before issuance of Notice of Award or prior to payment.*

25. *Section 3(a) of the Guidelines for Shopping and Small Value Procurement provides that "The RFQ must indicate the specifications, quantity, ABC and other terms and conditions of the item to be procured."*

26. *Further, Section 3 (b) of the same guidelines provides- "The FRQ must also prescribe the manner by which price quotations shall be submitted i.e., by sealed or open quotation, and the deadline for their submission xxx."*

27. Records of this office show that RFQs attached to the Disbursement Vouchers failed to include the ABC's, whether the prospective bidder has valid Mayor's/ Business Permit, PhilGEPS Registration Number and PCAB License (applicable on Infrastructure). And whether the prospective bidder has submitted Income/Business Tax Infrastructure).

Return and Omnibus Sworn Statement for purchase above P500, 000.00 and P50, 000.00, respectively. No indication on the manner by which price quotations shall be submitted. No mention of the documentary requirements to be submitted. At what stage these documentary requirements shall be submitted, and the deadline for the submission of the returned RFQ was not indicated in the RFQ.

28. While there is no prescribed template of standard form for the RFQ must include aforementioned information, and prescribe the manner by which price quotations shall be submitted i.e., by sealed or open quotation. Non-observance of the foregoing provisions casts doubt on the competitiveness of eligible and qualified contracting parties and transparency in the procurement process.

29. We recommend that management follow strictly the provisions under the RA 9184 and the revised IRR for the succeeding months to avoid suspension in audit of transactions.

30. Management Comment:

The management takes your recommendation and issued Memorandum no. 034 series 2021 dated 3/24/2021 to the Supply Officer, BAC members and Accountant to follow strictly the provision of RA 9184 and the 2016 revised IRR and other existing COA rules and regulations effective immediately. And Attached herewith are the RFQs and the eligibility requirements of the suppliers stated in the audit observations memorandum.

The agency failed to announce and publicize all their Projects/Programs/Activities (PPA) and APP for CY 2020

31. The agency failed to announce and publicize all their Projects/Programs/Activities (PPA) for CY 2020 thereby precluding the right of people to information on public concerns, failed to submit list of all on-going and to be implemented PPA for the year and also failed to submit approved Annual Procurement Plan (APP) in violations of COA Circular No. 2013-004 dated January 30, 2013 and pertinent provisions of IRR of RA 9184.

Failure to publicize and submit list of all on-going and to be implemented PPA for the year

32. It is the declared policy of the State that all resources of the government shall be managed, expended or utilized in accordance with law and regulations, and safeguarded against loss or wastage through illegal or improper disposition, with a view to ensuring efficiency, economy and effectiveness in the operations of government. The responsibility to take care that such policy is faithfully adhered to rests directly with the chief or head of the government agency concerned (Sec. 2, PD 1445).

33. In addition, the State adopts and implements a policy of full disclosure of all transactions involving public interest (Sec. 28, Article II, 1987 Philippine Constitution) and recognizes the right of the people to information on matters of public concern (Sec. 7, Article III, 1987 Philippine Constitution).

34. Pertinent provisions of COA Circular No. 2013-004 dated January 30, 2013 states that:

"2.1 At the beginning of the year, all government agencies shall provide their respective assigned Supervising Auditors (SAs) and Audit Team Leaders (ATLs) with a list of all on-going government projects/programs/activities ("PPA") and those that are to be implemented during the year. The list shall include the project name; implementing unit, office or division if it is not the agency as a whole; brief description of the PPA; contractor or supplier, if any; mode of procurement; funding source; cost of approved budget; project duration including start and completion dates; and location. Other information on the PPA may be requested by the SA or ATL anytime for audit purposes.

2.2 Notification to the public and other forms of announcement and/or publicity for or otherwise relating to the PPA shall be made at the least possible cost, taking into account that the nature of and purposes of such notification, announcement and/or publicity, is to inform the public of the essential features/elements of the PPA. Accordingly, x x x

3.1 The Head of the Agency shall inform its SA and ATL within ten (10) days after the award of the infrastructure project or before the start of the program/activity that the appropriate project signboards and/or public notices are already posted, and the SA and ATL shall validate the same.

3.2 Based on the data sourced from the monthly monitoring report prepared by the agency and verified by the Technical Audit Specialist of this Commission, the Project Status (in Annex "A") should be maintained as current as possible and updated, using the following schedule: x x x (underline supplied)"

35. Review of documents and reports submitted to the Office of the Auditor for the months of January to December 2020 revealed that the agency did not submit list of all on-going and to be implemented projects, programs and activities during the year. Going

over the agency's premises did not show any postings or announcements concerning their PPA. Verbal communications with the officials of the agency requesting for the quarterly report/status of their on-going and to be implemented PPA was ineffective.

36. Failure of the agency to provide relevant information on all their projects, programs and activities using the prescribed design and format and displaying the same in appropriate locations precludes the right of the people to information on matters of public concern and public participation. Furthermore, the condition violated the above provisions and the State's objective of good governance through transparency and accountability.

Failure to submit approved APP

37. Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 9184, also known as Government Procurement Reform Act, prescribed the necessary rules and regulations for the modernization, standardization and regulation of the government procurement activities. In line with this, Section 7.2 provides that:

"7.2. No procurement shall be undertaken unless it is in accordance with the approved APP of the procuring entity. The APP shall bear the approval of the Head of the Procuring Entity or second-ranking official designated by the Head of the Procuring Entity to act on his behalf, and must be consistent with its duly approved yearly budget."
(Underline supplied)

38. Verification of records showed that approved Annual Procurement Plan (APP) and Project Procurement Management Plan (PPMP) were not submitted by the agency for calendar year 2020. Verbal communications with the management requesting for the submission of the said reports were also ineffective.

39. Without the APP, there is no evidence showing that all procurements were meticulously and judiciously planned by the agency and that only those crucial to the efficient discharge of the agency functions were considered in the procurement.

40. We recommended that management:

1. Strictly comply with the State's policy on full disclosure and provisions in COA Circular No. 2013-004;
2. Submit list of on-going and to be implemented PPA during the year with complete description as specified in Section 2.1 of the Circular;
3. Submit quarterly monitoring report using the format in Annex A of the Circular;

4. Submit approved APP and PPMP for calendar year 2020 otherwise procurements without APP shall be considered irregular as there is no legal basis for such procurements.

41. Management Comment:

The management takes your recommendation and will follow strictly the state policy on full disclosure and provision in COA Circular No. 2013-004. Also Annual Procurement Plan for CY 2020 was actually prepared and submitted to DBM and posted in our website but failed to submit to COA office, hence we have attached herewith our APP and PPMP for CY 2020.

The management failed to submit GAD Plan and Budget for CY 2020

42. The management failed to submit GAD Plan and Budget for CY 2020 in violation of COA Circular No. 3014-001 dated March 18, 2014, hence the gender issues in their area of responsibility may not be addressed.

43. Section 35 of Republic Act No. 10717 provides that all agencies of the government shall formulate a Gender and Development (GAD) Plan designed to address gender issues within their concerned sectors and mandate and implement the applicable provisions under R.A. NO. 9710 or the Magna Carta of Women, Convention on the Elimination of all Forms of Discrimination against Women, the Beijing Platform for Action, the Philippine Plan for Gender-Responsive Development (1995-2025), and The Philippine Development Plan (2011-2016).

44. The GAD plan shall be integrated in the regular activities of the agencies, which shall be at least five percent (5%) of their budgets. For this Purpose, activities currently being undertaken by agencies which relate to GAD or those that contribute to promotion and fulfillment of women's human rights, and practice of gender-responsive governance are considered sufficient compliance with said requirement. Utilization of the GAD Budget shall be evaluated based on the GAD performance identified by said agencies.

45. The preparation and submission of the Annual GAD Plan/Budget and Annual Accomplishment Report shall be subject to the guidelines issued by the agencies concerned.

46. Under Section V of COA Circular No. 3014-001 dated March 18, 2014, it is the responsibility of the audited agency to submit a copy of the Annual GAD Plan and Budget (GPB) to the COA Audit Team Assigned to the agency within five (5) working days from the receipt of the approved plan from the Philippine Commission on Women (PCW) or their mother or central offices, as the case maybe. Likewise, a copy of the corresponding Accomplishment Report shall be furnished the said Audit Team within five (5) working days from the end of January of the preceding year.

4. Submit approved APP and PPMP for calendar year 2020 otherwise procurements without APP shall be considered irregular as there is no legal basis for such procurements.

41. Management Comment:

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47. The GAD Focal Point shall facilitate the institutionalization of gender mainstreaming within the agency and be responsible to advocate the development and implementation of GAD Plan and GAD-related Programs, activities and Projects.

48. For calendar year 2020, the Management failed to submit the GAD Plan and Budget which are necessary in the evaluation of the agency's accomplishment and the targeted activities. As a result, the gender issues in their area of responsibility may not be addressed.

49. We recommended that management submit the agency's GAD Plan and Budget and Accomplishment report for CY 2020 as well as the explanation or underlying reason on why they were not formulated/accomplished. Also information is requested from the GAD Focal Point or the Accountant on whether or not there were GAD Programs/Projects/Activities integrated in the regular budget of the agency.

50. Management Comment:

The management known that GAD focal prepared the GAD Plan and Budget and GAD Accomplishment Report CY 2020 but submitted to our Regional Office only and failed to submit to COA. We have attached herewith GAD Plan and Budget and GAD Accomplishment Report for CY 2020. Also please note that GAD Program/Projects/Activities are formulated and integrated in the report with at least 5% in the regular budget of the agency.

Compliance with Tax Laws

51. As of December 31,2020 tax withheld from employees and suppliers totaling P639,292.60 as summarized below:

Taxes Withheld	Amount Withheld	Amount Remitted
Employees' Withholding Tax	P 206,178.00	P 206,178.00
Tax withheld from purchase of Goods & Services	433,114.6	433,114.6
TOTAL	P 639,293.60	P 639,292.60

Gender and Development (GAD)

52. The Agency had set to develop an understanding, knowledge and awareness on moral values formation. In line with this objectives, the agency has appropriated P463,750.00 for CY 2020 and expended P470,850.00 for GAD activity for its personnel.

Compliance with GSIS Laws

53. As of December 31, 2020 there was a total remittance **P 938,282.24** of GSIS both employer and employee share.

Senior Citizen and Persons with Disability

54. During the year, LNNAIS conducted training in various qualification to senior citizens and persons with disability.

Status of Suspensions, Disallowances and Charges

55. For Calendar Year 2020, there was no notice of suspensions, disallowances and charges issued.

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

56. Monitoring and validation of the actions taken by the management relative to the implementation of prior year's audit recommendations embodied in the Management Letter for CY 2020 of Lanao Norte National Agro-Industrial School, Tubod, Lanao del Norte, disclosed that the one (1) audit recommendations was fully implemented during the year.

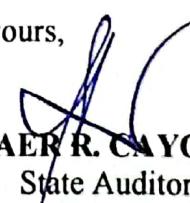
57. The results of the validation of the implementation of prior year's recommendations are presented in Annex "J".

ACKNOWLEDGEMENT

We wish to express our appreciation to the Management and staff of Lanao Norte National Agro-Industrial School (LNNAIS) for the cooperation and assistance extended to our audit team, during the audit.

We request that a status report, by accomplishing the attached Agency Action Plan and Status of Implementation (AAPSI) form, on the actions taken on the audit recommendations be submitted within 60 days from receipt of this report, pursuant to Section 89 of the General Provisions of the General Appropriations Act FY 2019 (R.A. 11465).

Very truly yours,


SUBAER R. CAYONGCAT
State Auditor III
Audit Team Leader

Copy Furnished:

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

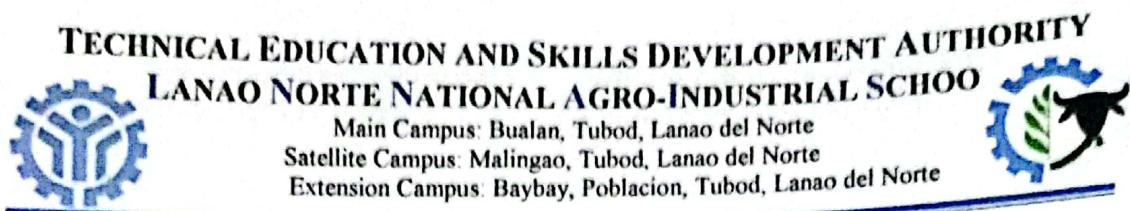
The Regional Director
COA RO No. X
Cagayan de Oro City

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

File

ANNEXES

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **LANAO NORTE NATIONAL AGRO INDUSTRIAL SCHOOL** is responsible for all information and representations contained in the accompanying Statement of Financial Position as at December 31, 2020 and the related Statement of Financial Performance, Statement of Cash Flows, Statement of Comparison of Budget and Actual Amounts, Statement of Changes in Net Assets/Equity and the Notes to Financial Statements for the year then ended. The financial statements have been prepared in conformity with the Philippine Public Sector Accounting Standards and 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.


Jasmine C. Galenzoga
AOI-Designate Budget and Accounting
Officer


Vicente E. Cruz
Vocational School Administrator II

LANAO NORTE NATIONAL AGRO INDUSTRIAL SCHOOL
CONDENSED STATEMENT OF FINANCIAL POSITION

ALL FUND
AS OF DECEMBER 31, 2020
 (With Comparative Figures in 2019)

	<u>Note</u>	<u>2020</u>	<u>2019</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	6	145,270.62	219,200.48
Inventories	7	486,257.81	52,109.97
Total Current Assets		<u>631,528.43</u>	<u>271,310.45</u>
Non-Current Assets			
Property, Plant and Equipment	8	46,632,579.96	46,912,675.30
Biological Assets	9	264,860.00	264,860.00
Total Non-Current Assets		<u>46,897,439.96</u>	<u>47,177,535.30</u>
Total Assets		<u>47,528,968.39</u>	<u>47,448,845.75</u>
LIABILITIES			
Current Liabilities			
Inter-Agency Payables		80,709.58	172,364.54
Intra-Agency Payables		80,709.58	172,364.54
Total Current Liabilities		<u>80,709.58</u>	<u>172,364.54</u>
Total Liabilities	10	<u>80,709.58</u>	<u>172,364.54</u>
Total Assets less Total Liabilities		<u>47,448,258.81</u>	<u>47,276,481.21</u>
NET ASSETS/EQUITY			
Accumulated Surplus/(Deficit)		47,448,258.81	47,276,481.21
Total Net Assets/Equity		<u>47,448,258.81</u>	<u>47,276,481.21</u>

LANAO NORTE NATIONAL AGRO INDUSTRIAL SCHOOL
DETAILED STATEMENT OF FINANCIAL POSITION
ALL FUND
AS OF DECEMBER 31, 2020
(With Comparative Figures in 2019)

	2020	2019
ASSETS		
Current Assets		
Cash and Cash Equivalents	145,270.62	219,200.48
Cash on Hand	-	-
Cash Collecting Officer	-	-
Cash in Bank-Local Currency	145,270.62	219,200.48
Cash in Bank-Local Currency, Current Account	145,270.62	219,200.48
Inventories		
Inventory Held for Consumption	52,109.97	-
Agricultural Supplies Inventory	244,071.78	-
Office Supplies Inventory	242,186.03	52,109.97
Total Current Assets	631,528.43	271,310.45
Non-Current Assets		
Property, Plant and Equipment	46,632,579.96	46,912,675.30
Land	45,684,676.69	45,684,676.69
Land	45,684,676.69	45,684,676.69
Accumulated Impairment Losses-Land	45,684,676.69	45,684,676.69
Net Value	17,371.19	33,556.39
Land Improvements	430,988.75	430,988.75
Other Land Improvements	(413,617.56)	(397,432.36)
Accumulated Depreciation-Other Land Improvements	17,371.19	33,556.39
Net Value	363,314.58	445,209.48
Buildings and Other Structures	500,000.00	500,000.00
Buildings	(455,209.10)	(431,459.06)
Accumulated Depreciation-Buildings	44,790.90	68,540.94
Net Value	1,175,985.30	1,175,985.30
School Buildings	(986,411.44)	(977,928.88)
Accumulated Depreciation-School Buildings	189,573.86	198,056.42
Net Value	1,352,480.76	1,342,480.76
Other Structures	(1,258,703.18)	(1,255,763.54)
Accumulated Depreciation-Other		

Structures		
Net Value	93,777.58	96,717.22
Machinery and Equipment		
Machinery	528,391.98	741,911.46
Accumulated Depreciation-Machinery	36,000.00	36,000.00
Net Value	(34,200.00)	(34,200.00)
Office Equipment	1,800.00	1,800.00
Accumulated Depreciation-Office Equipment	731,213.14	646,213.14
Net Value	(593,226.80)	(549,731.97)
Information and Communication Technology Equipment	137,986.34	96,481.17
Accumulated Depreciation-Information and Communication Technology Equipment	572,966.54	572,966.54
Net Value	(477,136.12)	(426,711.92)
Agricultural and Forestry Equipment	95,830.42	146,254.62
Accumulated Depreciation-Agricultural and Forestry Equipment	1,774,823.97	1,774,823.97
Net Value	(1,686,082.79)	(1,649,429.48)
Communication Equipment	88,741.18	125,394.49
Accumulated Depreciation-Communication Equipment	59,020.00	59,020.00
Net Value	(56,069.00)	(56,069.00)
Disaster Response and Rescue Equipment	2,951.00	2,951.00
Accumulated Depreciation - Disaster Response and Rescue Equipment		
Net Value	1,708,025.90	1,708,025.90
Technical and Scientific Equipment		
Accumulated Depreciation-Technical and Scientific Equipment	(1,512,693.43)	(1,350,015.81)
Net Value	195,332.47	358,010.09
Other Machinery and Equipment	46,899.75	46,899.75
Accumulated Depreciation-Other Machinery and Equipment	(41,149.18)	(35,879.66)
Net Value	5,750.57	11,020.09
Transportation Equipment	61,171.82	69,217.70
Motor Vehicles	1,384,354.10	1,384,354.10
Accumulated Depreciation-Motor Vehicles	(1,323,182.28)	(1,315,136.40)
Net Value	61,171.82	69,217.70
Furniture and Fixtures and Books	12,825.94	19,998.48
Furniture and Fixtures	78,725.00	78,725.00
Accumulated Depreciation - Furniture	(74,108.11)	(66,935.57)

and Fixtures		
Net Value	4,616.89	11,789.43
Books	164,181.00	164,181.00
Accumulated Depreciation-Books	(155,971.95)	(155,971.95)
Net Value	8,209.05	8,209.05
Biological Assets	264,860.00	229,460.00
Breeding Stocks	114,100.00	153,500.00
Livestock	82,000.00	7,200.00
Trees, Plants and Crops	68,760.00	68,760.00
Accumulated Impairment Losses - Breeding Stocks		
Net Value	264,860.00	264,860.00
Total Non-Current Assets	46,897.439.96	47,177,535.30
 TOTAL ASSETS	 47,528,968.39	 47,448,845.75
 LIABILITIES	 	
Inter-Agency Payables	80,709.58	172,364.54
Accounts Payable		
Due to BIR	80,709.58	172,364.54
Other Payables		
Total Current Liabilities	80,709.58	172,364.54
Total Liabilities	80,709.58	172,364.54
Total Assets less Total Liabilities	47,448,258.81	47,276,481.21
 Net Assets/Equity	 	
Equity		
Government Equity	47,276,481.21	47,676,060.99
Accumulated Surplus/(Deficit)	171,777.60	(399,579.78)
 Total Net Assets/Equity	 47,448,258.81	 47,276,481.21

LANAO NORTE NATIONAL AGRO INDUSTRIAL SCHOOL
STATEMENT OF FINANCIAL PERFORMANCE
ALL FUND
FOR THE QUARTER ENDED DECEMBER 31, 2020
(With Comparative Figures in
2019)

Revenue	<u>Note</u>	<u>2020</u>	<u>2019</u>
Service and Business Income	11	11,794,209.00	12,509,050.40
Gains			35,400.00
Total Revenue		11,794,209.00	12,544,450.40
Less: Current Operating Expenses			
Personnel Services	12	10,434,046.59	10,362,479.27
Maintenance and Other Operating Expenses	13	11,764,611.22	12,746,208.82
Non-Cash Expenses	14	365,095.34	649,043.25
Total Current Operating Expenses		22,563,753.15	23,757,731.34
Surplus/(Deficit) from Current Operations		(10,769,544.15)	(11,213,280.94)
Net Financial Assistance/Subsidy	15	10,941,321.75	10,813,701.16
Surplus/(Deficit) for the period		171,777.60	(399,579.78)

LANAO NORTE NATIONAL AGRO INDUSTRIAL SCHOOL
DETAILED STATEMENT OF FINANCIAL PERFORMANCE
ALL FUND
FOR THE QUARTER ENDED DECEMBER 31, 2020
(With Comparative Figures in 2019)

Revenue	2020	2019
Service and Business Income		
Business Income		
School Fees	4,180.00	8,900.00
Seminar /Training Fee	9,236,400.00	6,614,075.00
Examination Fee	900,780	5,076318.40
Income from Hostel & Dormitories		2,525.00
Other Business Income	1,652,849.00	807,232.00
Total Business Income	11,794,209.00	12,509,050.40
Gains		
Gain from Changes in Fair Value Less Costs to Sell of Biological Assets Due to Physical Change		35,400.00
Total Revenue	11,794,209.00	12,544,450.40
Less: Current Operating Expenses		
Personnel Services		
Salaries and Wages-Regular	6,981,864.68	5,907,753.09
Salaries and Wages-Casual/Contractual	136,419.76	132,816.00
Total Salaries and Wages	7,118,284.44	6,040,569.09
Personal Economic Relief Allowance (PERA)	566,000.00	526,000.00
Representation Allowance (RA)	60,000.00	60,000.00
Transportation Allowance (TA)	60,000.00	60,000.00
Clothing/Uniform Allowance	144,000.00	126,000.00
Year End Bonus	597,055.00	524,325.00
Cash Gift	121,000.00	110,000.00
Collective Negotiation Agreement - Civilian	475,000.00	557,500.00
Productivity Enhancement	122,000.00	112,000.00
Incentive - Civilian		
Performance Based Bonus - Civilian		
Other Bonuses and Allowances	558,527.00	452,497.00
Total Other Compensation	2,703,582.00	2,528,322.00

Personnel Benefit Contributions		
Retirement and Life Insurance Premiums	200,755.08	726,812.67
Pag-IBIG Contributions	28,100.00	26,100.00
PhilHealth Contributions	100,358.57	75,799.01
Employees Compensation Insurance Premiums	21,100.00	26,500.00
Other Personnel Benefits		
Terminal Leave Benefit	258,403.00	541,337.00
Other Personnel Benefit	3,463.50	397,039.50
Total Personnel Benefit Contributions	<u>612,180.15</u>	<u>1,793,588.18</u>
Total Personnel Services	<u>10,434,046.59</u>	<u>10,362,479.27</u>
Maintenance and Other Operating Expenses		
Traveling Expenses		
Traveling Expenses-Local	436,991.21	976,528.52
Total Traveling Expenses	436,991.21	976,528.52
Training and Scholarship Expenses		
Training Expenses	8,200.00	229,202.56
Total Training and Scholarship Expenses	8,200.00	229,202.56
Supplies and Materials Expenses		
Office Supplies Expenses	809,967.22	267,160.49
Accountable Forms Expenses	5,400.00	3,600.00
Agriculture and Marine Supplies Expenses	905,403.93	1,408,048.25
Semi-expendable - ICT Equipment Expenses	27,024.00	
Semi-expendable - technical and Scientific Equipment		18,827.00
Fuel, Oil and Lubricants Expenses	262,338.52	311,427.36
Other Supplies and Material Expenses	2,724,968.61	3,855,629.00
Total Supplies and Materials Expenses	4,735,102.28	5,864,692.10
Utility Expenses		
Water Expenses	51,840.49	6,927.00
Electricity Expenses	252,644.72	55,582.42
Total Utility Expenses	304,485.21	62,509.42
Communication Expenses		
Postage and Courier Services	3,095.00	
Telephone Expenses – Landline		
Telephone Expenses – Mobile	34,000.00	24,000.00

Internet Subscription Expenses	37,533.33	31,500.00
Total Communication Expenses	74,628.33	55,500.00
General Services		
Security Services	848,460.18	547,402.56
Survey Expenses		25,000.00
Other Professional Fees	116,361.92	445,245.36
Other General Services	3,425,305.86	2,982,242.51
Total General Services	4,390,127.96	3,999,890.43
Awards/Rewards and Prizes		
Awards/Rewards Expenses		30,000.00
Repairs and Maintenance		
Repairs and Maintenance-Land & Other Improvements		
Repairs and Maintenance-Buildings and Other Structures	1,532,125.20	932,320.54
Repairs and Maintenance-Machinery and Equipment		6,000.00
Repairs and Maintenance-Transportation Equipment		410,870.81
Total Repairs and Maintenance	1,534,385.20	1,349,191.35
Taxes, Insurance Premiums and Other Fees		
Insurance Expenses	25,732.22	35,175.19
Fidelity Bond Premiums	16,136.25	17,846.25
Total Taxes, Insurance Premiums and Other Fees	54,529.32	
Other Maintenance and Operating Expenses		
Advertising Expenses		
Rent Building & Other Structure		
Rent - Motor Vehicles	184,293.24	
Printing & Publication Expenses		
Other MOOE		
Total Other Maintenance and Other Operating Expenses	<u>184,293.24</u>	<u>125,673.00</u>
Total Maintenance and Other Operating Expenses	<u>11,764,611.22</u>	<u>12,746,208.82</u>
Non-Cash Expenses		
Depreciation		
Depreciation-Land Improvements	16,185.20	32,413.38
Depreciation-Buildings and Other Structures	2,939.64	35,172.24
Depreciation Technical and Scientific Equipment	162,677.62	

Depreciation-Machinery and Equipment	5,269.52	447,219.69
Depreciation-Transportation Equipment	8,045.88	8,045.88
Depreciation-Furniture and Fixture	7,172.54	7,790.04
Impairment Loss - Property, Plant and Equipment	118,402.02	
Total Depreciation	<u>365,095.34</u>	<u>649,043.25</u>
Total Non-Cash Expenses	<u>365,095.34</u>	<u>649,043.25</u>
Current Operating Expenses	<u>22,563,753.15</u>	<u>23,757,731.34</u>
Surplus (Deficit) from Current Operations	<u>(10,769,544.15)</u>	<u>(11,213,280.94)</u>
Financial Assistance/Subsidy from NGAs, LGUs, GOCCs	<u>-</u>	<u>-</u>
Subsidy from National Government	10,727,506.69	10,404,385.01
Subsidy from Regional Office	<u>213,815.06</u>	<u>409,316.15</u>
Total Financial Assistance/Subsidy from NGAs, LGUs, GOCCs	10,941,321.75	10,813,701.16
Net Financial Assistance/Subsidy	<u>10,941,321.75</u>	<u>10,813,701.16</u>
Surplus (Deficit) for the period	<u>171,777.60</u>	<u>(399,579.78)</u>

LANAO DEL NORTE NATIONAL AGRO INDUSTRIAL SCHOOL
STATEMENT OF CHANGES IN NET ASSETS/EQUITY
ALL FUND
FOR THE QUARTER ENDED DECEMBER 31, 2020
(With Comparative Figures in 2019)

	<u>2020</u>	<u>2019</u>
Balance at January 1	<u>47,276,481.21</u>	<u>47,676,060.99</u>
Add/(Deduct):	-	-
Changes in accounting policy	-	-
Restated balance	<u>47,276,481.21</u>	<u>47,676,060.99</u>
Add/(Deduct):	-	-
Surplus/(Deficit) for the period	<u>171,777.60</u>	<u>(399,579.78)</u>
Balance at December 31	<u>47,448,258.81</u>	<u>47,276,481.21</u>

LANAO NORTE NATIONAL AGRO INDUSTRIAL SCHOOL
STATEMENT OF CASH FLOWS
ALL FUND
FOR THE QUARTER ENDED DECEMBER 31, 2020

	(With Comparative Figures in 2019)	
	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities		
Cash Inflows		
Receipt of Notice of Cash Allocation	11,195,177.00	10,206,437.00
Proceeds from sales of goods & services	11,794,209.00	12,509,050.40
Receipts of Intra Agency Fund Transfer	<u>130,889.26</u>	409,316.15
Receipts of Inter Agency Fund Transfer		
Total Cash Inflows	<u>23,120,275.26</u>	<u>23,124,803.55</u>
Cash Outflows		
Remittance to National Treasury	-	-
Payment of Expenses	19,970,816.00	20,177,089.45
Purchase of Inventory		
Remittance of Personnel Benefit	2,313,123.15	2,595,141.23
Contribution and Mandatory		
Release of other inter agency fund transfer		
Release of other intra agency fund transfer	130,889.26	5,146,375.75
Reversal of Unutilized NCA	708,996.91	12,136.53
Remittance of taxes withheld not covered by TRA	70,379.80	275,255.19
Total Cash Outflows	<u>23,194,205.12</u>	<u>28,205,968.15</u>
Net Cash Provided by (Used in) Operating Activities	<u>23,194,205.12</u>	<u>28,205,968.15</u>
Cash Outflows		
Purchase of Property Plant & Equipment	-	160,640.00
Purchase of Biological Assets	-	-
Total Cash Inflows	-	160,640.00
Net Cash Provided by (Used in) Investing Activities	-	<u>160,640.00</u>
Increase (Decrease) in Cash and Cash Equivalents	<u>(73,929.86)</u>	<u>(5,241,804.60)</u>
Cash and Cash Equivalents, January 1	<u>219,200.48</u>	<u>5,461,005.08</u>
Cash and Cash Equivalents, December 31	<u>145,270.62</u>	<u>219,200.48</u>

Annex H

LANAO NORTE NATIONAL AGRO INDUSTRIAL SCHOOL
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT
ALL FUND

Particulars	Notes	Budgeted Amounts		Actual Amounts on Comparable Basis	Difference Final Budget and Actual
		Original	Final		
RECEIPTS					
Assistance and Subsidy		9,275,000.00	10,678,288.00	10,678,288.00	-
Services and Business Income		275,704.96	12,509,050.40	12,509,050.40	-
Total Receipts		<u>8,932,704.96</u>	<u>23,192,040.55</u>	<u>23,192,040.55</u>	<u>-</u>
PAYMENTS					
Personnel Services		8,203,500.00	10,229,490.15	10,229,479.27	10.88
Maintenance and Other Operating Expenses		453,500.00	453,500.00	453,499.02	0.98
Maintenance and Other Operating Expenses		275,704.96	12,509,050.40	12,504,980.00	4,070.40
Total Payments		<u>8,932,704.96</u>	<u>23,192,040.55</u>	<u>23,187,958.29</u>	<u>4,082.26</u>
NET RECEIPTS/PAYMENTS		<u>-----</u>	<u>-----</u>	<u>4,082.26</u>	<u>4,082.26</u>

NOTES TO FINANCIAL STATEMENTS
All Funds
For the Year ended as of December 31, 2020

I. Agency Profile

The Lanao Norte National Agro-Industrial School (LNNAIS), Bualan, Tubod, Lanao del Norte was established in June 1973 under the leadership of the late Governor Arsenio A. Quibranza, catering Secondary Program. It was nationalized through the effort of Congressman Abdullah D. Dimaporo by passing a bill to the congress on March 25, 1992 under Batas Pambansa Blg. 213.

The high school was nationalized through the effort of Congressman Abdullah D. Dimaporo by passing a Bill to the Congress on March 25, 1921 by virtue of Batas Pambansa Blg. 213.

The school acquired 12 hectares of school site through government reservation. It was surveyed in July 21, 1921 and was approved on December 31, 1921 in the name of the provincial government of Lanaodel Norte for Bureau of Education.

In the school year 1985-1986, the school opened annex classes in barangay Pualas of the same town, 14 kilometers away from the main school which was again realized through the efforts of the founder Gov. Arsenio A. Quibranza.

The faculty and staff strive hard to provide quality education alongside with the Department of Education, Culture and Sports thrusts, plans and projects.

By virtue of Republic Act 7796, known as the TESDA Law 1994, LNNAIS became one of the schools administered by the Technical Education and Skills Development Authority (TESDA).

On March 22, 1997, TESDA-DECS Joint Memorandum Circular No. 1 Series 1997 was implemented that is the transfer of General Appropriation Act 1997 from DECS to TESDA.

In the school year 1997-1998, LNNAIS started offering Post-Secondary Programs in Automotive, Electricity, Agriculture and Garments. The twofold tasks of offering Secondary and Post-Secondary programs of LNNAIS have to be resolved to meet TESDA's mandate. A series of consultations at different levels were made to resolve the issue in the Realization of the Secondary Program of TESDA. In the school year 2003-2004, the high school started its operations back to DepEd under the name Arsenio A. Quibranza National High School and the Post-Secondary Programs are pushed through under the TESDA banner bearing the original name LANA NORTE NATIONAL AGRO-INDUSTRIAL SCHOOL. A proportionate sharing of facilities budget and

personnel talk place. Twelve teaching positions and twelve non-teaching personnel remain with LNNAIS, four hectares' land area was given to Arsenio A. Quibranza National High School and the remaining land area has to be left with LNNAIS.

Expansion efforts were made on September 25, 2006 in Malingao, Tubod, Lanaodel Norte. A native building was lent by the good Barangay Captain Leoncio C. Bagol and his councilors in one of the barangay owned site at the back of the Malingao Elementary School. Only two qualifications offered during the year 2006-2008, namely Building Wiring Installation NCII and Bread and Pastries Production NCII. The partnership with barangay council of Malingao was strengthened through a MOA signing in the presence of Congresswoman Imelda Q. Dimaporo on January 7, 2008 when the Satellite campus was launched after a perfected Deed of Donation of a one-hectare permanent site by the philanthropic couple Mr. Marcelino P. Noval, Sr. and mayor Nelieta Q. Noval. The satellite campus located at the Noval Village, Babuyan, Malingao, Tubod, Lanaodel Norte was formally turned over on September 25, 2008 with one building called the 'Bayanihan" as this was erected through the hardship and generosity of the barangay residents. The inauguration was graced with the presence of the Noval donors, the barangay council of Malingao, TESDA Regional Director Ofelia del Bando, DBM Regional Director AnnabelledAtillo, and the Provincial Governor of Lanao del Norte Hon. Abdul Khalid Q. Dimaporo.

Despite these efforts, the enrolment rate has not reached into an expected peak and the school faced a most challenging state of being at a "red list"

The challenges placed the institution at a springboard to explore higher avenues. The dream of having a campus in the town proper was initiated by ABC pres. Leoncio C. Bagol. The Sangguniang Bayan of Tubod chaired by Vice Mayor Edward O. Pido passed a resolution empowering Mayor Nelieta Q. Noval to donate a property at the town proper. The Deed of Donation a lot located at Baybay, Poblacion, Tubod, Lanaodel Norte took effect on December 3, 2014. By then, some STEP, LEED thru STEPPS and TWSPA Scholarship programs were implemented in the extension campus. This campus is so promising that we are now serving a bigger social market. Finally, we had taken off.

In early 2005, the top managers designed a medium-term plan of programming the three campuses (the Bualan main campus, Malingao satellite and Baybay extension campuses) to have flagship programs for each campus. The Bualan Main Campus suitably aims to focus on Agriculture occupations, the Malingao Satellite Campus has to focus mainly in Organic Agriculture Production NCII and the BaybayTubod Extension Campus serves as the nest of Tourism sector occupations, and other hard Trades. Major turnabouts have to take place, more funds need to be sourced out and a larger community has to be served. After all, this is what the late Gov. Arsenio a. Quibranza foresee many years back to leave a legacy to the next generations and his heirs continually lives up to his expectations.

LNNAIS continues to expand the better services to the public, it serves the needs and demands of the community and develops the educational, culture, moral and economic facets of individuals by training them how to fish.

Year 2017 to 2019 was a turning point as the institutional covers' education and training services to other municipalities of Lanao del Norte like Kolambungan, Baroy, Lala, Sapad, Nunungan, Sultan Naga Dimaporo and our very own Tubod.

Indeed, in the FY 2019, LNNAIS received as the best performing institution in region 10 in terms of enrollment, graduate, assessed and certified, as team LNNAIS works together to serve more.

2. Statement of Compliance and Basis for Financial Statement Presentation

The consolidated 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 consolidated financial statements 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 Principles

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.

3.1 Notice of Cash Allocation is recorded on the Regular Agency (RA) books as well as those income/ receipts which the agency is authorized to use.

3.2 Supplies and materials purchased for inventory purposes are recorded using the Perpetual Inventory Method.

3.3 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 instructional and 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.

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, LNNAIS 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 straightline method of depreciation is adopted unless another method is more appropriate for agency operation.

Estimated Useful Life

LNNAIS uses the Schedule on the Estimated Useful Life of PPE by classification prepared by COA.

LNNAIS uses a residual value equivalent to at least five percent (5%) of the cost of the PPE acquired.

Impairment

An asset's carrying amount is written down to its recoverable amount, or recoverable service amount, if the asset's carrying amount is greater than its estimated recoverable service amount.

Derecognition

LNNAIS 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.

3.4 Gifts and Donations

LNNAIS recognizes assets and revenue from gifts and donations when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Goods in-kind were recognized as assets when the goods were received, or there is a binding arrangement to receive the goods. If goods in-kind were received without conditions attached, revenue is recognized immediately. If conditions were attached, a liability is recognized, which is reduced and revenue recognized as the conditions were satisfied.

4. Changes in accounting policies and estimates

LNNAIS recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy were applied prospectively if retrospective application is impractical.

LNNAIS recognizes the effects of changes in accounting estimates prospectively by including in surplus or deficit.

LNNAIS 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.

5. Prior Period Adjustments

LNNAIS has no prior period adjustment.

6. Cash and Cash Equivalents

Cash in Bank – Local Currency, Current Account P 145,270.62

Of the total balance of Cash in Bank - Local Currency, Current Account, ₦ 80,709.58 remaining for the payment of tax withheld on December 2020. The remaining balance of ₦ 82,925.80 represents maintaining balance of the current account.

7. Inventories

Accounts	Office Supplies Inventory	Agricultural and Marine Inventory	Other Supplies Inventory	Semi-expandable TSE	Total++
Beg. Balance	52,109.97	-	-	-	52,109.97
Addition	876,697.98	1,149,475.71	2,697,208.61		4,723,382.30
Expenses	686,621.92	905,403.93	2,697,208.61		4,289,234.46
Adjustments	-	-	-	-	-
End Balance	242,186.03	244,071.78	-	-	486,257.81

The cost of supplies inventory is computed at moving average cost. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations.

8. Property, Plant and Equipment

	Land	Land Improvements	Buildings and Other Structures	Machinery and Equipment	Transportation Equipment	Furniture and Fixtures and Books	TOTAL
Carrying Amount, 01-Jan-20	<u>45,684.67</u> 6.69	<u>33,556.39</u>	<u>363,314.5</u> 8	<u>741,911.46</u>	<u>69,217.70</u>	<u>19,998.4</u> 8	<u>46,912.67</u> 5.30
Additions/Acquisitions	-	-	-	85,000	-	-	-
Total	<u>45,684.67</u> 6.69	<u>33,556.39</u>	<u>363,314.5</u> 8	<u>741,911.46</u>	<u>69,217.70</u>	<u>19,998.4</u> 8	<u>46,912.67</u> 5.30
Disposals Depreciation (As per Statement of Financial Performance)	-	16,185.20	35,172.24	213,519.48	8,046.88	7,172.54	280,096.3 4
Carrying Amount, December 31, 2020 (As per Statement of Financial Position)	<u>45,684.67</u> 6.69	<u>17,371.19</u>	<u>328,142.3</u> 4	<u>528,391.98</u>	<u>61,172.82</u>	<u>12,825.9</u> 4	<u>46,632.57</u> 8.96

Land valued at ₱44,160,000.00 represents the market value of twelve (12) hectares of school site in main campus.

Problems of ownership regarding this land arose when settlers or squatters occupied an estimated area of ten (10) hectares. At present, LNNAIS is occupying barely an area of two (2) hectares.

Land valued at ₱1,413,488.00 represents the market value of 3,841 sq.m located in Poblacion, Tubod, Lanaodel Norte serve as LNNAIS extension campus, donated by the Municipal Government of Tubod.

Land valued at ₱111,188.69 represents the market value of 10,000 sq.m. located in Malingao, Tubod, Lanao del Norte serve as LNNAIS satellite campus, donated by Marcelino Noval Jr.

9. Biological Assets

ACCOUNTS	RECONCILIATION OF BIOLOGICAL ASSETS AS OF DECEMBER 31, 2020			
	Livestock	Trees, Plants & Crops	Breeding Stocks	Total
Carrying Amount, January 1, 2020	7,000.00	68,760.00	189,100.00	263,860.00
Additions due to purchase				
Additions due to physical/price change				
Reduction to sales				
Reduction due to physical/price change				
TOTAL CARRYING AMOUNT, DECEMBER 31, 2020	7,000.00	68,760.00	189,100.00	264,860.00

The biological assets were measured on initial recognition and at each reporting date at its fair value less costs to sell.

10. Inter-Agency Payables

The total amount of Inter Agency Payable of 80,709.58 consist of the following:

Due to BIR of ₱ 80,709.58 represents taxes withheld and remitted to BIR on January 9, 2020

11. Service and Business Income

Particulars	2020	2019
Business Income	12,509,050.40	13,252,196.82
Seminar/Training Fee	6,614,075.00	8,511,674.48
Examination Fee	5,076,318.40	3,972,885.00
School Fees	8,900.00	12,270.00
Other Business Income	807,232.00	733,967.34
Total Service and Business Income	12,509,050.40	13,252,196.82

School fees represents collection from honorable dismissal, transcript of records, certificates of trainings and registration fees.

Examination fees represents from assessment fees for the conduct of national assessments to candidates (regular trainees, scholarships and walk in clients)

Seminars/Training Fees represents collections from training cost of regular trainees and scholarships such as Training for Work Scholarship Program (TWSP), Special Training for Employment Program, and Entrepreneurship Development Training.

Other Business Income represents sales from agricultural products.

12. Personnel Services

12.1 Salaries and Wages

Particulars	2020	2019
Salaries and Wages-Regular	6,981,864.68	5,907,753.09
Salaries and Wages-Casual/Contractual	136,419.76	132,816.00
Total Salaries and Wages	7,118,284.44	6,040,569.09

12.2 Other Compensation

Particulars	2020	2019
Personal Economic Relief Allowance (PERA)	566,000.00	526,000.00
Representation Allowance (RA)	60,000.00	60,000.00
Transportation Allowance (TA)	60,000.00	60,000.00
Clothing/Uniform Allowance	144,000.00	126,000.00
Year End Bonus	597,055.00	524,325.00
Cash Gift	121,000.00	110,000.00
Collective Negotiation Agreement - civilian	475,000.00	557,500.00
Productivity Enhancement Bonus - Civilian	122,000.00	112,000.00
Other Bonuses and Allowances	558,527.00	452,497.00
Total Other Compensation	2,703,582.00	2,528,322.00

12.3 Personnel Benefit Contributions

Particulars	2020	2019
Retirement and Life Insurance Premiums	200,755.08	726,812.67
Pag-IBIG Contributions	28,100.00	26,100.00
PhilHealth Contributions	100,358.57	75,799.01
Employees Compensation Insurance Premiums	21,100.00	26,500.00
Total Personnel Benefit Contributions	350,313.65	855,211.68

12.4 Other Personnel Benefits

Particulars	2020	2019

Particulars	2020	2019
Terminal Leave Benefits	258,403.00	541,337.00
Other Personnel Benefit	3,463.50	397,039.50
Total Other Personnel Benefits	261,866.50	938,376.50

13. Maintenance and Other Operating Expenses

13.1 Traveling Expenses

Particulars	2020	2019
Traveling Expenses-Local	436,991.21	976,528.52
Total Traveling Expenses	436,991.21	976,528.52

13.2 Training Expenses

Particulars	2020	2019
Training expenses	8,200.00	229,202.56
Total Traveling Expenses	8,200.00	229,202.56

13.3 Supplies and Materials Expenses

Particulars	2020	2019
Office Supplies Expenses	809,967.22	267,160.49
Accountable Forms Expenses	5,400.00	3,600.00
Agriculture and Marine Supplies Expenses	905,403.93	1,408,048.25
Textbooks and Instructional Materials Expenses		
Semi-expendable - Technical and Scientific Equip.		18,827.00
Fuel, Oil and Lubricants Expenses	262,338.52	311,427.36
Semi-expendable -ICT Equipment Expense	27,024.00	
Other Supplies and Material Expenses	2,724,968.61	3,855,629.00
Total Supplies and Materials Expenses	4,735,102.28	5,864,692.10

13.4 Utility Expenses

Particulars	2020	2019
Water Expenses	51,840.49	6,927.00
Electricity Expenses	252,644.72	55,582.42
Total Utility Expenses	304,485.21	62,509.42

13.5 Communication Expenses

Particulars	2020	2019
Postage and Courier Services	3,095.00	

Particulars	2020	2019
Telephone Expenses - Mobile		
Telephone Expenses - Landline	34,000.00	24,000.00
Internet Subscription Expenses	37,533.33	31,500.00
Total Communication Expenses	74,628.33	55,500.00

13.6 General Services

Particulars	2020	2019
Security Services	848,460.18	547,402.56
Survey Expenses		25,000.00
Other Professional Fees	116,361.92	445,245.36
Other General Services	3,425,305.86	2,982,242.51
Total General Services	4,390,127.96	3,999,890.43

13.7 Repairs and Maintenance

Particulars	2020	2019
Repairs and Maint. -Buildings and Other Structures	1,532,125.20	932,320.54
Repairs and Maint.-Machinery and Equipment		6,000.00
Repairs and Maint.-Transportation Equipment		410,870.81
Repairs and Maint. – Motor Vehicles	2,260.00	
Total Repairs and Maintenance Expenses	1,534,385.20	1,349,191.35

13.8 Taxes, Insurance Premiums and Other Fees

Particulars	2020	2019
Taxes, Duties, and Licenses	54,529.32	
Awards/Rewards Expenses		30,000.00
Insurance Expenses	25,732.22	35,175.19
Fidelity Bond Premiums	16,136.25	17,846.25
Total Taxes, Insurance Premiums and Other Fees	96,397.79	83,021.44

13.9 Other Maintenance and Operating Expenses

Particulars	2020	2019
Advertising Expenses		
Other MOOE		125,673.00
Total Other Maintenance and Operating Expenses		125,673.00

14 Non-Cash Expenses

14.1 Depreciation

Particulars	2020	2019
Depreciation-Land Improvements	16,185.20	32,413.38
Depreciation-Buildings and Other Structures	2,939.64	35,172.24
Depreciation-Technical and Scientific Equipment	162,677.62	
Depreciation-ICT Equipment	50,424.20	
Depreciation – School Buildings	8,482.56	
Depreciation – Buildings	23,750.04	
Depreciation- Office Equipment	43,494.83	
Depreciation – Agricultural and Forestry Equipment	36,653.31	
Depreciation-Machinery and Equipment	5,269.52	447,219.69
Depreciation-Transportation Equipment	8,045.88	8,045.88
Depreciation-Furniture and Fixture	7,172.54	7,790.04
Impairment Loss - Property, Plant and Equipment		118,402.02
Total Depreciation	365,095.34	649,043.25

15. Financial Assistance/Subsidy from NGAs, LGUs, GOCCs

Particulars	2020	2019
Subsidy from National Government	10,727,506.69	10,404,385.01
Subsidy from other NGAs	213,815.06	409,316.15
Total Financial Assistance/Subsidy from NGAs, Regional Office	10,941,321.75	10,813,701.16

Subsidy Income from National Government for ₱ 10,727,506.69 represents NCA received from DBM-X for the period January – December 2020 through the Land Bank of the Philippines – Tubod Branch. Of the total amount received ₱ 23,597.90 was reverted back to National Treasury as cash savings. The agency tax remittance advice for year 2020 amounting to ₱ 217,534.98.

Subsidy from Regional Office of ₱213,815.06 for payment of salary of casual employee.

**STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT
RECOMMENDATIONS**

Observation and Recommendations	Ref.	Action Taken by the Management	Status of Implementation	Reason for Partial / Non-Implementation
<p>Documentary requirements pursuant to the provisions in Annex "H" of the 2016 Revised Implementing Rules and Regulations Act No. 9184, otherwise known as the Government Procurement Reform Act, were not included as attachments in the Disbursement Vouchers (DVs) which precluded the auditor in the evaluation whether the procuring entity negotiated a contract with a technically, legally and financially capable supplier, contractor or consultant.</p> <p>- We recommend the Management to follow strictly the provisions under the RA 9184 and the revised IRR for the succeeding months to avoid suspension in audit of transactions</p>	ML 2019 page 7-8	<p>The management issued memorandum no. 005 series 2020 dated January 31, 2020 to the BAC members, supply officer and designate accounting officer to strictly implement the provision of revised IRR of RA 9184 specifically under Annex H.</p>	<i>Fully Implemented</i>	