

EXECUTIVE SUMMARY

INTRODUCTION

The National Defense College of the Philippines (NDCP) was created on August 12, 1963 by virtue of Executive Order No. 44. In 1973, Presidential Decree No. 190 “Creating the National Defense College of the Philippines and Providing for an Academic Board Thereof” was issued. It was amended in 1974 by Presidential Decree No. 452, which transferred the direct control and supervision of the College from the Armed Forces of the Philippines to the Department of National Defense. On March 13, 1999, Executive Order No. 85 was issued granting the College authority to create, establish, maintain, merge and abolish institutes and centers of learning and special studies devoted to national security administration and to accept grants and endowments. Department of National Defense Order No. 125 henceforth created five institutes in NDCP.

The mandate of the College is to prepare and develop potential leaders, civilian officials of the different branches of the government and selected executives from the private sector for more effective participation in national security policy formulation and for higher responsibilities and to conduct strategic researches and special studies as bases for national policies.

The NDCP is presently headed by its President Commodore Carlos L. Agustin (Ret.). He is ably assisted by Executive Vice President and Dean of Students Ret. Commodore Francisco L. Tolin (Consultant). Other key officials of the College are Vice President for Administrative Affairs Ret. Brig. Gen. Fredelino S. Bautista (Consultant), Vice President for Academic Affairs Dr. Nestor N. Pilar (Consultant), Vice President for Research and Special Studies Ret. Commodore Mariano S. Sontillanosa (Consultant), Director of the Emergency Management Institute of the Philippines Ronald Allan Dizon, Director of Institute for Extramural and Continuing Studies Ms. Rose Shiela Flores, and Director of the Institute for Foreign Languages Eliseo M. Merin. Likewise, the total personnel complement of the College as of December 31, 2005 was 141, composed of 60 permanent, 6 casuals, 26 contractuels, 32 consultants and 17 enlisted military personnel.

FINANCIAL HIGHLIGHTS

The financial condition of the College is as follows:

Group of Accounts	CY 2005	CY 2004
Total Assets	P 80,613,433.01	P 90,726,564.25
Total Liabilities	1,564,146.11	2,562,410.72
Government Equity	79,049,286.90	88,164,153.53

Sources and Application of Funds

	CY 2005	CY 2004
Allotments received	P 39,528,732.00	P 37,410,000.00
Total Fund Application	38,278,414.91	37,408,316.25
Balance	P 1,250,317.09	P 1,683.75

SCOPE OF AUDIT

The audit was conducted on the financial transactions and operations of the College for the year 2005. The examination was made to ascertain the accuracy of the financial records and reports, as well as the fairness of the presentation of the financial statements. It was also made to ascertain the propriety of the financial transactions and compliance of the agency to the prescribed rules and regulations.

AUDITOR'S REPORT

The Auditor rendered an unqualified opinion on the fairness of presentation of the financial statements of the College.

OBSERVATIONS AND RECOMMENDATIONS

The auditor recommended that management should sustain its effort in requiring all concerned accountable officers with unliquidated cash advances totaling P139,115.42 to immediately settle the same, and make appropriate action to recover or have the unliquidated cash advances of former officials and employees settled

The above observation and recommendation was discussed with the concerned officials of the agency. Management's views and reactions were considered in the report where appropriate.

STATUS OF IMPLEMENTATION BY THE AGENCY OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Out of the three (3) prior year's audit recommendations, the College fully implemented one (1), one (1) was partially implemented, and one (1) was not implemented.

Fully implemented was the reconciliation of the property and accounting records for Inventory accounts which resulted to its fair presentation as of December 31, 2005. Partial compliance was made with regards to the implementation of the audit finding on

the unliquidated cash advances which is reiterated in Part II of this Audit Report. Not implemented was the recommendation requiring the Chief Accountant to draw a journal voucher effecting the necessary adjustments to reduce the Accounts Payable by P1,543,484.05, thus affecting the fair presentation of Accounts Payable as of December 31, 2004. Although the agency made an appeal to COA on the LAO-N Decision regarding this matter, no result has yet been made on the appeal as of this date.