

## EXECUTIVE SUMMARY

### A. INTRODUCTION

The Mindanao State University (MSU), founded on September 1, 1961 through Republic Act 1387 and Republic Act 1893, has evolved over the years in keeping with national and local developments. The brain-child of late Senator, Domocao Alonto, it has grown from its main campus in Marawi City to a University System that now comprises several campuses located in major centers of Mindanao and Sulu, namely: 1) MSU Main Campus, Marawi City; 2) MSU General Santos; 3) MSU Maguindanao, Dinaig; 4) MSU Naawan, Naawan; 5) MSU Sulu, Jolo; 6) MSU LNCAT, Marawi; 7) MSU LNAC, Lanao del Norte; and 8) MSU Maigo. Its first president was Dr. Antonio P. Isidro, who came in from his position as the Vice President for Academic Affairs in the University of the Philippines. The incumbent Acting MSU President is Dr. Ricardo F. de Leon, a retired military General.

The mandates of the University are: (1) To perform the traditional functions of a university on instruction, research and extension service; (2) To help accelerate the program of integration among the peoples of Southern Philippines, particularly the Muslims and other cultural minorities, and (3) To provide trained manpower skills and technical know how for the economic development of the Mindanao, Sulu and Palawan (MINSUPALA) region. Furthermore, MSU's current vision is to be a premier supra-regional university committed to the social, political and economic development of Mindanao while achieving international recognition as a leading institution of higher learning.

The governing body of the University is vested in the Board of Regents as constituted by law composed of a Chairman, Vice Chairman, 11 designated and 5 appointive members.

Chairman –	Chairman, Commission on Higher Education
Vice Chairman-	President, Mindanao State University
Regents-	Chairman, Senate Committee on Education and Culture
	Chairman, House of Representative, Committee on Education and Culture
	Secretary, DBM
	Director- General, NEDA
	Assemblyman, ARMM
	Chancellors, MSU-IIT, MSU -Tawi Tawi CTO and MSU-General Santos
	President, MSU Faculty Confederation
	President, MSU Alumni association
	President, FEMSUSSCO
	Five Appointive members

The Mindanao State University has a total of 3,475 employees. Of this number, 1,338 are fulltime faculty members, 116 are lecturers, 141 are non-teaching academic

personnel, while 1,880 are administrative and support staff. Compared to prior year of 3,306 employees, the 2006 working force complement of the University had an increase of 169 employees or 5.1 percent.

## **B. FINANCIAL HIGHLIGHTS**

The Mindanao State University System has the following financial highlights as of December 31, 2006 presented in comparative figures of 2005:

	2006	2005	Increase in %
<b>A. Financial Condition</b>			
Assets	583,482,105.82	570,669,388.80	2.24
Liabilities	46,923,188.10	41,547,256.77	12.94
Government Equity	536,558,917.72	529,122,132.03	1.41
<b>B. Sources and Application of Funds</b>			
Subsidy Income	1,195,736,027.50	1,142,361,358.01	4.67
Income from Operation	48,790,177.46	45,189,624.46	7.96
Expenditures	1,180,215,333.26	1,117,838,229.32	5.58

## **C. SCOPE OF AUDIT**

We conducted financial and compliance audit on the accounts and operations of the Mindanao State University for the Calendar Year ended December 31, 2006.

## **D. AUDITOR'S REPORT**

The auditor rendered a qualified opinion on the fairness of the presentation of the financial statements of the University as of December 31, 2006 due to material observations on certain accounts which warranted the issuance of the said opinion.

## **E. OBSERVATIONS AND RECOMMENDATIONS**

Among the significant audit observations together with the corresponding recommendations are the following:

1. Undeposited collections accumulated to ₱2.9 million despite repetitive recommendations for their deposit exposing the money to loss through theft or malversation while in the custody of accountable officers.

We recommend that management require the immediate deposit of all collections and impose administrative sanctions, if warranted. We further recommend that the Internal Audit Service be directed to conduct regular check on the cash accountabilities

of accountable officers to ensure that all collections are fully and timely deposited with the authorized government depository bank.

2. Collections totaling ₱3.9 million from income generating projects (IGPs) were not recorded in the University's books of accounts, in adverse representation of its cash position/financial condition and results of operations in the financial statements.

We recommend that the personnel in the Auxiliary Service Office be detailed in the Accounting Division for proper supervision and training in the preparation of the financial reports and prompt submission of the supporting documents for recording in the books of accounts.

3. Cash advances in the aggregate amount of ₱31.9 million granted to disbursing officers, for payroll fund and payment for travels of officers and employees and for Manila Information Office's operating expenses remained unliquidated at the end of the year.

We reiterate our recommendations to the University head to require the liquidation of all cash advances within the reglementary period, and record the liquidation/disbursement reports under the proper expense accounts and update the balance of corresponding cash advance and receivable accounts. Observe strictly the limitations on the grant and utilization of cash advances; and stop granting cash advances to any employee without the previous ones first settled.

4. The absence of updated bank reconciliation statements due to neglect of those in charge and delay by the depository bank in serving the monthly bank statements renders unreliable the balance of ₱ 8.4 million in Cash in Bank – LCCA.

We reiterate that the accountant give priority to this backlog, and prepare and submit regularly the updated bank reconciliation statements to ensure that the Cash-LCCA account is properly presented in the books.

5. The existence, condition, and ownership of the property, plant and equipment valued at ₱ 305.4 million could not be ascertained due to inadequacy of records and failure to conduct physical count.

We recommend that management conduct an annual physical count of all property, plant and equipment, and require the concerned Accountant and Property Officers to maintain adequate and updated property records which shall be periodically reconciled.

6. The amount of ₱9.89 million from Special Trust Fund for income generating projects (IGPs) were disbursed without the approved special budget required under Republic Act 8292 and COA Circular No. 2000-02 dated April 4, 2000.

We recommend that a) Budget officers stop the practice of preparing obligation slips/documents for disbursements from fiduciary fund for which no special budget has been duly approved by the Board of Regents pursuant to RA 8292 and COA Circular No.

2000-02 dated April 4, 2000; and b) Accountants stop processing for payment, disbursements or claims without the special budget duly approved by the Board of Regents furnished to them.

7. Procured office supplies and materials were directly recorded as expenses and construction materials which were inadequately documented, were directly recorded as construction in progress, while issues from stock were not reported, rendering the balances of inventory and related expense accounts unreliable.

We recommend that management record the procurement of supplies and materials to inventory account and cause the regular preparation of Report of Supplies and Materials Issued as basis for recording expenses of issuances from stock.

The observations and recommendations contained in the report were discussed with concerned officials of the Institute. Their comments were incorporated in the report, where appropriate.

#### **G. IMPLEMENTATION OF PRIOR YEAR'S RECOMMENDATIONS**

Out of the 13 audit recommendations in the 2005 Annual Audit Report, 4 were implemented, 7 were partially implemented; and 2 were not implemented.