

EXECUTIVE SUMMARY



A. Introduction

The Eastern Samar State University (ESSU) was founded on February 14, 1960 as the Eastern Samar National Regional Agricultural School – ESNRAS through Republic (RA) Act No. 2434. The school was converted into the Eastern Samar Junior Agricultural College (ESJAC) in 1973 to meet the clamor for the offering of the collegiate courses. ESJAC promptly opened a program in Associate in Agriculture and later Bachelor of Science in Agriculture (BSA) when it became Eastern Samar College of Agriculture (ESCA) in 1978. ESCA was converted into the Eastern Samar State College (ESSC) by virtue of Batas Pambansa (BP) No. 394 on May 18, 1993. This conversion eventually paved the way to rapid expansion in program offerings with courses in teacher education, vocational post-secondary education, business and commerce, engineering and law.

RA No. 8292, enacted on June 6, 1997 mandated the CHED Supervised Higher Education Institution of a province to be integrated in a State College or a University (SUC) System. ESSC Guiuan (Formerly Felipe Abrigo National Memorial College of Arts and Trade), ESSC Salcedo (Formerly Southern Samar College of Agriculture, Science and Technology) and ESSC Can-avid (Formerly Can-avid National and Agriculture College) were integrated into Eastern Samar State College in Borongan.

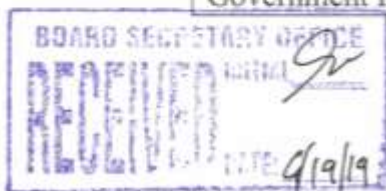
On August 7, 2004, R.A. 9312 was signed into law by President Gloria Macapagal Arroyo, converting ESSC into a University called Eastern Samar State University, which furthermore integrated the Maydolong National Agricultural School into the new University. Congressman Marcelino C. Libanan introduced the conversion bill in 2003 during the 12th congress, and Senator Francis N. Pangilinan sponsored it in the Senate.

The audit covered the review of accounts and operations of ESSU for Calendar Year (CY) 2018. The audit was conducted to: a) ascertain the propriety of transactions as well as the extent of compliance on the applicable laws, rules and regulations; b) ascertain the level of assurance that may be placed on the management's assertions on the financial statements; and c) determine the extent of implementation of prior years' audit recommendations.

B. Financial Highlights

The ESSU's total assets, liabilities, equity income, expenses, appropriation/allotments and obligations for current and previous years are as follows:

Accounts	CY 2018	CY 2017
Assets	₱ 1,280,391,616.85	₱ 1,141,630,035.79
Liabilities	102,598,364.68	125,910,670.84
Government Equity	1,177,793,252.17	1,015,719,364.95



Accounts	CY 2018	CY 2017
Income	650,229,629.54	501,734,033.61
Expenses	501,373,930.13	506,074,336.55
Appropriation	507,087,234.00	502,942,313.01
Allotment	507,087,234.00	483,115,248.00
Obligations	506,231,135.79	477,488,611.71

C. Auditor's Report on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements of ESSU for the CY 2018 due to exceptions as stated in the Independent Auditor's Report and discussed in detail in Part II of this Report as follows: a) the year-end balances of the Cash in Bank-Local Currency, Current Account, Cash-Collecting Officer, Advances for Payroll, Accounts Receivable, Property Plant and Equipment, Accounts Payable, Due to Officers and Employees accounts, and Other Payables account were unreliable which affected the fair presentation of the Financial Statements; b) the reported net income at year-end from the University's Income Generating Projects was unreliable due to the absence of financial statements, financial reports and subsidiary records for each IGP; and c) the disclosure requirement in the Notes to Financial Statements (FSs) under the Philippine Public Sector Accounting Standards (PPSASs) were not fully observed for the reclassification of several unserviceable PPE items and on the reported balances in the consolidated Statement of Financial Position of PPE, Biological Assets, Intra-agency Payables and Other Payables accounts, thus, information contained in the Notes to FSs did not adequately provide relevant information on the financial position and performance of ESSU as of year-end.

D. Significant Audit Observations and Recommendations

The following are the significant audit observations and recommendations which are discussed in detail in Part II of this Report:

1. The Fidelity bond of the Cashier of Can-avid Campus was insufficient to cover her average monthly accountability, contrary to Section 101(2) of PD No. 1445 and Section 5.1 of Treasury Circular No. 02-2009 dated August 6, 2009, thus, exposing the Can-avid Campus to the risk of not being sufficiently indemnified in case of loss of government funds due to unforeseen events, theft or robbery.

We recommended that management ensure that officers who perform duties requiring control, custody or possession of government funds or property be properly bonded in accordance with Section 101(2) of PD No. 1445 and Section 4.8 and 5.1 of Treasury Circular No. 02-2009 dated August 6, 2009.

2. The IGPs of ESSU-Main and Maydolong Campuses include ventures that do not provide maximum hands-on experience to students, contrary to the twin objectives prescribed in Chapter IV of the IGP Manual.

We recommended that management revisit the current operations of these IGPs in order that their operations are geared toward the twin-objectives for the establishment of IGPs pursuant to Chapter IV of the IGP Manual.

We likewise recommended that income from projects which do not qualify as IGP should not be considered as income for IGP but for the campus, thus, should be reclassified to Other Business Income (40202990) under IGF (FC 05).

3. The Income earned by ESSU-Main Campus from the profit sharing equivalent to 25% of the annual income earned from the operations of its IGPs totaling ₱536,593.85 remained in the IGP books and was neither set aside nor made payable to its Internally Generated Fund (IGF), thus depriving ESSU-Main of the much needed resources to finance its programs and projects.

We recommended that the President direct the Accountant to remit to ESSU IGF (FC 05) its 25% share for the current and prior years' net income from IGP operations and henceforth, ensure that the 25% share of ESSU is always appropriately allotted and remitted from the yearly net income from IGP operations.

4. ESSU's delayed submission/non-submission of Trial Balances (TBs), Financial Statements and Supporting Schedules (SSs), Monthly Bank Reconciliation Statements (BRSs) and other financial reports, contrary to Sections 41 and 122 of PD No. 1445; COA Circular No. 2009-006 dated September 15, 2009; pertinent provisions of the GAM for NGAs Volume I; and the related Government Accountancy and Financial Management Information System (GAFMIS) issuance, precluded the prompt audit of Financial Statements and other financial reports; early detection and correction of errors/deficiencies; and timely reporting of the audit results.

We recommended that the President require the Accountant and other officials responsible to prepare and submit the BRS, the Monthly/Quarterly/Year-end Trial Balances (TBs), Quarterly and Consolidated Financial Statements and the corresponding Supporting Schedules/Statements, and other financial reports within the reglementary period pursuant to Sections 41 and 122 of PD No. 1445, Section 7.2.1(a) of COA Circular No. 2009-006 dated September 15,

2009, Section 60 of Chapter 19 of the GAM for NGAs Volume I, and the related GAFMIS; and to take appropriate actions against officials/employees concerned for the repeated failure to adhere to the existing laws, rules and regulations.

5. Properties with total net book value of ₱627,760,075.16 which comprised 69.43% of the total book value of PPE of ESSU were not insured with the General Insurance Fund (GIF) of Government Service Insurance System (GSIS), contrary to Sec. 5 of Republic Act (RA) No. 656 as amended by PD No. 245 and COA Circular No. 2018-002 dated May 31, 2018, thus, exposing these properties to risk of not being indemnified for any damages or loss.

We recommended that management of all campuses ensure that all insurable assets and properties are adequately covered/insured with the GIF of the GSIS by appropriately including in the agency budget the amount of premiums for the general insurance, thus protecting ESSU in the event of loss of its properties due to fire, earthquake, typhoon and/or flood.

6. The contracts of nine projects on procurement of infrastructure amounting to ₱52,619,897.51 were submitted beyond the reglementary period of five days from their execution or for a period ranging from seven to 31 days, contrary to Section 3 of COA Circular No. 2009-001 dated February 12, 2009, thus, precluding timely review and evaluation and prompt communication of audit results.

We recommended that the President require all personnel concerned to submit copies of approved contracts within five days after their execution/issuance pursuant to COA Circular No. 2009-001 dated February 12, 2009 to generate a timely and relevant audit results.

7. Lapses in monitoring and supervision in the procurement of infrastructure projects and the non-implementation of calibrated actions in consonance with Department of Public Works and Highways (DPWH) Department Order (DO) No. 193 dated September 15, 2016 resulted in the non-completion within the contract period of two infrastructure projects totaling ₱19,557,021.66, thereby depriving ESSU of the early/timely benefits from the projects.

We recommended that management: a) ensure that the implementation of infrastructure projects is efficiently carried out within the prescribed period, monitor closely the project accomplishments and address immediately causes of delay, and notify defaulting contractors any time during the implementation of the project whenever there is deviation from the Program Evaluation and Review Technique (PERT)/Critical Path Method (CPM); b) enforce calibrated actions on infrastructure projects incurring negative slippage and impose recommended penalty

pursuant to DPWH Department Order No. 193 dated September 15, 2016; and c) enforce liquidated damages equal to at least one tenth (1/10) of one (1) percent of the cost of the unperformed portion of the works for every day of delay on the defaulting contractor pursuant to Annex E.8.1 of the 2016 Revised IRR of RA No. 9184.

8. The grant of contract time extensions to infrastructure projects amounting to ₱63,118,089.97 could not be verified as to its conformity with the guidelines in Annex E of the 2016 RIRR of RA No. 9184 due to the non-submission of supporting documents as required under COA Circular No. 2009-001.

We recommended that management strictly adhere to the guidelines set forth in Annex E of the 2016 RIRR of RA No. 9184 and submit the lacking documents for further evaluation by the Audit Team.

9. ESSU external campuses extended the implementation of the Department of Science and Technology (DOST)-funded projects totaling ₱2,758,882.00 beyond the agreement period of implementation even with the absence of a written authority from the Source Agency, and the liquidation documents were not submitted for accounting and auditing purposes within the prescribed period; contrary to pertinent provisions of the Memoranda of Agreement (MOA) entered into between DOST and the campuses.

We recommended that management revisit the MOA entered into by them in behalf of ESSU and require all personnel concerned to comply with the pertinent provisions therein.

We also recommended that ESSU President require the Accountants of external campuses to submit for audit the authority from DOST to extend the project implementation and all other documents pertaining to the disbursement of funds.

10. On the implementation of ESSU's CY 2018 Gender and Development Plan and Budget (GPB): (a) the GPB and the corresponding Accomplishment Report (AR) were not endorsed by the Philippine Commission on Women (PCW) and the same were not submitted for audit; (b) Gender and Development (GAD) fund was not fully utilized with only 13.12% actual utilization rate; (c) the GPB and AR submitted by Guiuan Campus and GPB of Maydolong and Can-avid Campuses were not in accordance with the prescribed template and not supported with the required documents; and (d) other deficiencies were noted relative to the execution of GPB, contrary to the pertinent provisions of Philippine Commission on Women (PCW)-National Economic Development Authority (NEDA)-DBM Joint Circular No. 2012-01, COA Circular No. 2014-001, and RA No. 9170 or the Magna Carta of Women.

We recommended that the President require the GAD Focal Person and other personnel concerned to:

- a) ensure that the GAD Plan and Budget and the corresponding GAD Accomplishment Report are reviewed and endorsed by PCW to DBM in accordance with PCW-NEDA-DBM Joint Circular No. 2012-1 before its implementation and submit the same to the Audit Team within the prescribed period as required in Paragraph V of COA Circular No. 2014-001;**
- b) maximize the utilization of GAD fund by ensuring that the PAPs as embodied in the GAD PB are implemented as planned;**
- c) ensure that the GAD PB and GAD AR are prepared in accordance with Annexes A & B of PCW-NEDA-DBM Joint Circular No. 2012-1 and properly supported with the required documents;**
- d) develop and maintain GAD database with adequate and systematically gathered data to provide as input for gender-responsive planning, programming and policy formulation; and**
- e) create an active Women's Desk in ESSU-Main Campus and external campuses to ensure that violations against women and children will be properly addressed.**

We also recommended that the President ensure the establishment of GAD Focal Point Systems in accordance with RA No. 9170 which should be composed of the agency head, an executive committee, and a TWG or secretariat.

The above audit observations and recommendations were communicated to management through Audit Observation Memoranda (AOM) and were discussed with the agency officials in an exit conference conducted on June 4, 2019 and their comments were considered in the report, where appropriate.

E. Compliance with Tax Laws

From the taxes withheld by ESSU from its employees' compensation, percentage taxes, and value-added taxes in CY 2018 totalling to ₱29,663,042.86 and inclusive of the beginning balance of ₱4,590,734.35, it remitted to the BIR the total amount of ₱32,290,603.58 leaving an unremitted balance of ₱1,963,173.63 as of December 31, 2018. The ending balance represented taxes withheld in December 2018 which were remitted in January 2018. The details are discussed in Part II of this Report.

F. Compliance with Government Service Insurance System (GSIS) Act of 1997

ESSU complied with the requirements on withholding and remittance of GSIS contributions for CY 2018 pursuant to RA 8291. During the year, a total of ₱57,195,665.14 was withheld from employees and ₱57,227,249.29 was remitted on time. As of December 31, 2018, the ending balance of the Due to GSIS account amounted to ₱1,213,700.15.

G. Compliance with PhilHealth Contributions

ESSU complied with the requirements on withholding and remittance of PhilHealth contributions for CY 2018. During the year, a total of ₱2,645,933.73 was withheld from employees and ₱2,646,533.72 was remitted on time. As of December 31, 2018, the ending balance of the Due to Phil health account amounted to ₱153,505.88.

H. Compliance with Home Development Mutual Fund Contributions (HDMF)

ESSU complied with the requirements on withholding and remittance of HDMF contributions for CY 2018. During the year, a total of ₱4,004,860.20 was withheld from employees and ₱4,005,549.92 was remitted on time. As of December 31, 2018, the ending balance of the Due to HDMF account amounted to ₱514,265.27.

I. Status of Audit Suspensions, Disallowances and Charges

As of December 31, 2018, ESSU had a total unsettled suspensions and disallowances of ₱2,304,817.83 and ₱12,477,878.00, respectively. There was no settlement of suspensions and disallowance during the year. The details are discussed in Part II of this Report.

J. Status of Implementation of Prior Years' Audit Recommendations

Shown below is the status of implementation of the eighty-six (86) audit recommendations embodied in the CY 2017 and prior years' Annual Audit Reports. Fourteen (14) were fully implemented, sixty-one (61) were partially implemented, and eleven (11) were not implemented. The details are discussed in Part III of this Report.

Status of Implementation	No. of Audit Recommendations
Fully Implemented	14
Partially Implemented	61
Not Implemented	11
Total	86