

EXECUTIVE SUMMARY

A. 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 (DND). Executive Order No. 85 enacted on March 13, 1999 granted 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. The Rationalization Plan of NDCP was approved by the Department of Budget and Management on June 22, 2010 pursuant to Executive Order No. 366 dated October 4, 2004.

The College is mandated 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. This mandate is affirmed by the Philippine Constitution that declares “The defense of the state is the primary duty of every citizen”. The NDCP was created to be the key educational institution for training the country’s sectoral leaders in various aspects of national defense.

The NDCP is headed by Dr. Fermin R. De Leon, Jr., MNSA College President, who assumed office on September 20, 2010. In view of the implementation of the Rationalization Plan under Executive Order No. 366 on June 22, 2010, the College maintains the same number of personnel complement as that of last year consisting of the following:

Permanent	59
Contractual	9
Detailed military officers/enlisted personnel	7
Total	<u>75</u>

Major Accomplishments

The target programs/projects versus accomplishments are tabulated as follows:

Particulars	2015 (01 JAN – 31 DEC)		
	Target	Actual	%
MFO 1 NATIONAL SECURITY EDUCATION SERVICES			
a. Conduct of national defense and strategic international studies			
Number of policy papers produced	20	25	125
Number of policy studies published	10	10	100
b. Conduct of graduate level and other courses of studies			
RC 50	65	63	97
RC 52 (on-going)	65	65	-
Percentage of scholars who rate the program as good or better	91	96	105
Percentage of program which commenced within 1 day of schedule	91	92	101
No. of participants trained in short courses			
Senior Executive Course on National Security (SECNS)	235	202	86
Executive Course on National Security	50	35	70
Number of participants who attended in international fora, workshops, and conference at NDCP/Manila	56	56	100

B. FINANCIAL HIGHLIGHTS

In accordance with the General Appropriations Act of 2015 (RA 10651), the agency's appropriation for the current year amounted to ₱149,783,000.00. The comparative financial condition, results of operations and sources and application of funds of the College are as follows:

Financial Position:

Group of Accounts	CY 2015	CY 2014	Increase/ (Decrease)
Total Assets	₱78,712,728.89	₱83,738,821.37	₱(4,031,544.24)
Total Liabilities	₱ 4,591,510.13	₱ 3,531,401.51	₱ 1,060,108.62
Government Equity	₱74,121,218.76	₱80,207,419.86	₱(5,091,652.86)

Financial Performance:

Particulars	CY 2015	CY 2014	Increase/ (Decrease)
Revenue	₱ 2,466,757.22	₱ 1,590,375.72	₱ 876,381.50
Current Operating Expenses	65,041,142.41	65,507,131.04	(465,988.63)
Surplus/ (Deficit) from Current Operations	(62,574,385.19)	(63,916,755.32)	1,342,370.13
Net Financial Assistance/subsidy	61,848,143.90	64,008,314.97	(2,160,171.07)
Gains	279,505.50	-	279,505.50
Losses	(337,546.10)	(276,094.19)	(61,451.91)
Surplus/ (Deficit) for the period	₱ (784,281.89)	₱ (184,534.54)	₱ 599,747.35)

Sources and Application of Funds:

Particulars	CY 2015	CY 2014	Increase/ (Decrease)
Allotments received	₱156,684,464.73	₱64,810,314.21	₱91,874,150.52
Obligation incurred	61,588,290.41	58,712,832.82	2,875,457.59
Unobligated balance	₱ 95,096,174.32	₱ 6,097,481.39	₱88,998,692.93

C. SCOPE OF AUDIT

The audit covered the accounts and operations of the National Defense College of the Philippines for CY 2015.

D. AUDITOR'S REPORT

A qualified opinion was rendered on the fairness of presentation of the financial statements due to the understatement of the Cash-in-Bank - Local Currency, Current account amounting to ₱235,178.40 as a result of the non-recording of the reconciling items noted during reconciliation of the book balance with the bank statements as of December 31, 2015. (*Observation No. 1*)

E. OTHER OBSERVATIONS AND RECOMMENDATIONS

1. Accounts Receivable amounting to ₱114,000.00 as of December 31, 2015 continued to exist despite management's effort to collect the same; thus, depriving the College of the needed funds to finance the expenses related to the conduct of seminar/training on National Security. (*Observation No. 2*)

We reiterated our previous year's recommendation and Management agreed to require the concerned officials/personnel to continue sending demand letters to concerned debtors, send follow-up letters to those who did not respond to the demand letters and exhaust all possible remedies to enforce collection.

2. The Inventory accounts totaling ₱389,849.62 is unreliable due to the existence of unreconciled difference of ₱25,829.34 between the balance per book and the balance per Report of Physical Count of Inventories (RPCI). (*Observation No. 3*)

We recommended and Management agreed to require the Accounting unit and Supply Section to analyze and reconcile the balances of the Inventory accounts using the latest RPCI and effect the necessary adjustments in both the accounting and property records.

3. The correctness of Other Asset account amounting to ₱600,795.57 consisting of unserviceable property could not be ascertained due to the absence of the Inventory and Inspection Report of Unserviceable Property (IIRUP) as required under Section 64 of the Manual on the New Government Accounting System (MNGAS). (*Observation No. 4*)

We recommended and Management agreed to require the concerned personnel to conduct an inventory of the properties under the Other Assets account and prepare the IIRUP in compliance with MNGAS.

4. Management failed to submit the notice of payment and monthly report to the mother agency of recipient officials regarding the honorarium paid to the latter in violation of COA Circular No. 85-25E dated April 25, 1985. (*Observation No. 5*)

We reiterated our previous year's recommendation and Management agreed to require the concerned officials/personnel to comply strictly with the above regulation by ensuring that the notice of payment and monthly report regarding the honorarium paid to the recipient official is submitted to the mother agency of the latter.

5. Copies of contracts, purchase orders and their supporting documents and delivery documents were not submitted as prescribed under COA Circular No. 2009-002 dated May 18, 2009; thus, prevented the Audit Team from the timely review thereof and inspection of deliveries. (*Observation No. 6*)

We reiterated our previous recommendation and Management agreed to require the concerned officials/personnel to comply with the above regulation by ensuring that copies of all contracts, purchase/letter orders including all supporting documents and delivery documents be submitted to COA within the prescribed period.

6. The system of monitoring on the status or outcome of the thesis/papers of the MNSA graduates was not in place to determine whether the study have been used for the formulation of policy/guidelines for the improvement of the system or for meaningful program upon their return to their respective offices. (*Observation No. 7*)

We reiterated our previous recommendation and Management agreed to develop a system on monitoring the outcome or status of every graduate's thesis/papers to ensure the attainment of the goals and objectives of the program in line with NDCP's mission to prepare and develop potential national leaders for higher position and responsibility and for high command.

Deficiencies observed in the course of the audit were communicated through Audit Observation Memoranda (AOMs) and discussed in the exit conference conducted on March 18, 2016 with the concerned NDCP officials and employees. Their comments were incorporated in this report, where appropriate.

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

Validation of the implementation of the prior years' audit recommendations disclosed that out of the 15 audit recommendations, eight were fully implemented, and seven remained unimplemented. The results are discussed in detail in Part III of this report.