

EXECUTIVE SUMMARY

A. Introduction

The Advanced Science and Technology Institute (ASTI) was created as a research and development institute of the Department of Science and Technology by virtue of Executive Order No. 128 on January 30, 1987. It is mandated to conduct scientific research and development in Information and Communications Technology (ICT) and Electronics Technology.

The institute was headed by Engr. Denis F. Villorente, OIC, Office of the Director, who oversees the over-all welfare of the agency and manages the Institute's programs and projects. It has five divisions, namely: Finance and Administrative Division, Solutions Services Engineering Division, Computer Software Division, Knowledge Management Division and Research and Development Division. ASTI has 65 filled-up plantilla positions and 64 project contractuales as of December 31, 2015. A new Director, Joel Joseph S. Marciano, Jr., PhD. had been appointed on March 29, 2016.

B. Financial Highlights

The agency received total appropriations of P747,643,493 for CY 2015 under RA 10651. Allotments received, obligations incurred and unobligated balances are shown in the table below:

	Appropriation	Allotments	Obligations	Balances	
				Unreleased Appropriation	Unobligated Balances
Current					
PS	38,193,000	39,809,667	37,934,655	(1,616,667)	1,875,012
MOOE	502,948,000	501,331,333	183,844,158	1,616,667	317,487,175
CO	201,030,000	201,030,000	142,012,325	0.00	59,017,675
RLIP	2,786,000	2,786,000	2,744,051	0.00	41,949
SPF	2,686,493	20,286,493	20,171,815	(17,600,000)	114,678
Total	747,643,493	765,243,493	386,707,004	(17,600,000)	378,536,489
Continuing					
MOOE		11,196,002	11,140,954		55,048
Total	747,643,493	776,439,495	397,847,958	(17,600,000)	378,591,537

The Agency's assets, liabilities and net assets/equity and financial performance as of December 31, 2015 as compared to December 31, 2014 were as follows:

<i>Financial Condition</i>			
	2015	2014	Increased/(Decreased)
Assets	502,153,013.12	837,004,923.01	(334,851,909.89)
Liabilities	149,339,344.30	507,057,701.44	(357,718,357.14)
Net Assets/Equity	352,813,668.82	329,947,221.57	22,866,447.25

Results of Operation

	2015	2014	Increased/(Decreased)
Revenue	6,548,693.62	35,531,967.85	(28,983,274.23)
Net Financial Subsidy	203,585,982.07	119,745,761.77	83,840,220.30
Total Revenue	210,134,675.69	155,277,729.62	54,856,946.07
Less: Current Operating Expenses			
PS	43,322,520.43	41,934,324.76	1,388,195.67
MOOE	65,933,768.08	54,427,498.43	11,506,269.65
Non-Cash Expenses	63,608,488.44	46,543,631.12	17,064,857.32
Total	172,864,776.95	142,905,454.31	29,959,322.64
Surplus/(Deficit) for the period	37,269,898.74	12,372,275.31	24,897,623.43

C. Scope of Audit

The audit covered the accounts and operations of ASTI for the year ended December 31, 2015. The audit was conducted to: a) verify the level of assurance that maybe placed on management's assertions on the financial statements; b) recommend agency improvement opportunities; and c) determine the extent of implementations of prior year's audit recommendations.

D. Independent Auditor's Report on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements due to the following accounting errors and deficiencies:

1. Unreconciled balance of ₱4.780 million, rendered the accuracy of *Cash-Treasury/Agency Deposit, Trust account* balance unreliable. (*Observation No. 1*)
2. Overstatement of *Office Supplies Inventory* by ₱30,277.88 as of December 31, 2015 due to unrecorded issuance of supplies. (*Observation No. 2*)
3. Unreliable balances of *PPE* accounts due to discrepancies between balances per accounting and property records; non-submission of the RPCPPE; and overstatement of PPE by ₱1.025 million due to non-provision of depreciation. (*Observation No. 4*)
4. Unreconciled balance of *Due to NGAs* of ₱3.564 million; and inclusion of excess balance of completed projects and unliquidated fund transfer to DOST ROs and other offices. (*Observation No.5*)

E. Summary of Significant Observations and Recommendations

Financial and Compliance

1. Longevity Pay (LP) in the total amount of ₱1,722,269.40 paid to employees in CY 2015 was not in accord with the provisions of DBM-DOST Joint Circular No.1 , s. 2013 resulting in the overpayment of LP by ₱584,071.69.(*Observation No. 6*)

We recommended that management to direct the accountant to strictly follow the guidelines of DBM-DOST JC No. 1, s. 2013 dated June 25, 2013 in the computation of longevity pay and cause the refund.

Value for Money Audit

2. The ASTI’s involvement in internet infrastructure and connectivity relative to the NAMRIA’s project Philippine Geoportal: One Nation One Map costing ₱43 million was effectively carried out with the participation of 82 government agencies. The project registered 70 percent or 260 geospatial data layers collected out of targeted 372 layers and 90 percent or 235 were shared/uploaded out of the 260 layers. (*Observation No. 9*)

We recommended and Management agreed to coordinate with NAMRIA to increase public awareness/information to fully maximize the utilization of the project and to promote sound decision making in considering the data provided by the project.

The observations and recommendations were discussed during the exit conference conducted on March 30, 2016. Management comments were incorporated in the report, where appropriate.

F. Status of Suspensions, Disallowances and Charges

There was no NS/ND/NC issued during CY 2015. The balances as of December 31, 2015 of audit suspensions, disallowances and charges are as follows:

	Beg. Bal. Jan 1, 2015	Adjustment in Beg. Bal	This Period, Jan.1-Dec. 31, 2015		Balance As of Dec. 31, 2015
			NS/ND/NC	NSSDC	
Notice of Suspensions	.00		.00	.00	.00
Notice of Disallowances	6,963,005.13		.00	.00	6,963,005.13
Notice of Charges	.00		.00	.00	.00
Total	6,963,005.13		.00	.00	6,963,005.13

G. Implementation of Prior Years’ Recommendations

Out of the 25 audit recommendations, 17 were fully implemented, six were partially implemented, and two were not implemented. Those that were partially implemented and not implemented recommendations were reiterated in Part II of this report. Details of the implementations are shown in Part III of this Report.

We enjoin Management to ensure full implementation of audit recommendations to improve the financial and operational efficiency of the Agency.