

EXECUTIVE SUMMARY

A. Introduction

The University of the Philippines (UP) was established on June 18, 1908 by Republic Act (RA) No. 1870 to provide advanced instruction in literature, philosophy, the sciences and arts, and to give professional and technical trainings to every qualified student regardless of age, sex, nationality, religious belief, or political affiliation.

Throughout its history, the UP played a leading role in responding to the needs of the nation, stressing academic excellence and quality learning. This role finds expression in the University's principal functions: instruction, research and community service. The first three academic units organized were the Colleges of Fine Arts, Medicine and Surgery, and Agriculture.

By the passage of RA No. 9500, known as "The University of the Philippines Charter of 2008", the UP was declared the National University.

The UP System (UPS) now has eight Constituent Universities (CUs)/campuses as follows:

1. UP-Diliman (UPD) is located at the 493-hectare flagship campus in Quezon City. It also has branches in San Fernando City, Pampanga and in Olongapo City. It was declared a Constituent University (CU) on April 23, 1982 and started its operations as CU in April 26 of the same year.
2. UP-Manila (UPM) on Taft Avenue, is the country's center of excellence in the health sciences, including health professional education, training and research. Originally established on December 1, 1905 as the Philippine Medical School and later called as the UP College of Medicine and Surgery in June 10, 1907. It was renamed UP-Manila in 1983.
3. UP-Los Baños (UPLB) is located at the foot of Mt. Makiling, started out as the College of Agriculture in 1909. It is one of the first units to be organized after UP's founding in 1908. The College evolved into a separate CU in 1972.
4. UP Baguio (UPB) is located in Northern Luzon. It was formally established as the 7th CU of the UPS as approved by the BOR in its meeting on December 2, 2002. The UP Baguio is the hub of many cultural activities in Northern Luzon.
5. UP Open University (UPOU), housed in a building on a 20-hectare lot within UPLB, evolved from the UP Distance Education Program. Its creation was approved by the BOR on February 23, 1995 as the 5th CU of the UP-System.

6. UP-Visayas (UPV) with campuses in Iloilo City, Miag-ao, and Tacloban, was formally established as a CU in the UPS in 1979. The Campus is noted for its College of Fisheries.
7. UP Cebu College was organized under Executive Order No. 10 issued on November 11, 1977 by the UPS President. On September 24, 2010 the BOR proposed to elevate the status of UPV Cebu College to an Autonomous Unit under the Office of the President and was approved effecting the total separation of UP-Cebu as a regional college of UP-Visayas starting January 1, 2011.
8. UP-Mindanao (UPMin) is located at the 240-hectare campus at Bago Oshiro in Davao, was created under RA No. 7889. A resolution of the Board of Regents (BOR) adopted UP-Mindanao as the sixth member of the UPS on March 23, 1995. Its main campus is located in Mintal, Davao City.

The UP-Board of Regents (UP-BOR) is the highest policy-making/governing body of the UPS, which is composed of 12 members. The current members of the BOR are as follows:

Chairman	Chairman, Commission on Higher Education (CHED)	Hon. Patricia B. Licuanan	
Vice-Chairman:	President, University of the Philippines	Hon. Alfredo E. Pascual	
Regents	: Chairman, Senate Committee on Education	Hon. Pia S. Cayetano	
	Chairman, House Committee on Education	Hon. Roman T. Romulo	
	President, UP Alumni Association	Hon. Ramon M. Maronilla	
	Faculty Regent	Hon. Philip Ian P. Padilla	
	Student Regent	Hon. Miguel Enrico A. Pangalangan	
	Five Regents appointed by the President of the Philippines		Hon. Georgina R. Encanto
			Hon. Magdaleno B. Albarracin, Jr.
		Hon. Gizela M. Gonzales – Montinola	
		Hon. Alexis M. Mejia	
		Prof. Lilian A. de Las Llagas	

The Executive Officers of the UPS is headed by the University President who is assisted by six Vice-Presidents and a University Secretary, while the CUs are governed by its Chancellors and are assisted each by five Vice-Chancellors.

As of December 31, 2015, the UPS had a total personnel complement of 12,502, of which 3,788 are faculty members, and 7,584 non-faculty, and 1,130 Research and Extension Program Staff (REPS), distributed in the following Units/CUs:

CU	Faculty	Administrative	REPS	Total
UPSA	-	191	17	208
UPD	1,504	1,336	424	3,264
UPM	604	448	102	1,154
PGH		3,542	100	3,642
UPLB	982	1,365	390	2,737
UPOU	32	65	16	113
UPB	126	70	9	205
UPV	340	439	48	827
UP-Mindanao	94	63	13	170
UP-Cebu	106	65	11	182
Total	3,788	7,584	1,130	12,502

B. Operational Highlights

The UPS reported the following major accomplishments per Major Final Outputs (MFOs) and Performance Indicators for CY 2015:

Major Final Output	Targets	Accomplishments	Percentage
MFO 1 Higher Education Services			
Total Number of Graduates in mandated and priority programs	6,422	8,330	130
Percentage of total graduates that are in priority courses	100%	100%	100
Average percentage passing across all disciplines covered by the SUCs	1.2	1.316	109.7
Percentage of programs accredited at/or equivalent to Level 4	100%	100%	100
Percentage of graduates who finished academic program according to the prescribed timeframe	78.83%	97.4%	123.6
MFO 2 Advanced Education Services			
Total number of graduates	1,747	2,302	131.8
Percentage of graduates engaged in employment within six months after graduation	90%	91.6%	101.7
Percentage of students who rate timeliness of education delivery/ supervision as good or better	90.10%	98.3%	109.1

Major Final Output	Targets	Accomplishments	Percentage
MFO 3 Research Services			
Number of research studies completed	900	1,704	189.3
Percentage of research projects completed in the last three years	45%	97.27%	216.18
Percentage of research outputs published in a recognized journal or submitted for patenting or patented	31.74%	32.7%	102.9
Percentage of research projects completed within the original project timeframe	60.26%	91.5%	151.8
MFO 4 Technical Advisory Extension Services			
Number of persons trained weighted by the length of training	59,691	85,645	143.5
Number of persons provided with technical advice	5,000	24,028	480.6
Percentage of trainees who rate the training course as good or better	88.26%	91.86%	104.8
Percentage of clients who rate the advisory services as good or better	85%	83.2%	97.9
Percentage of requests for training that are responded to within three days	90%	87.64%	97.38
Percentage of requests for technical advice that are responded to within three days	90%	97.6%	108.4
Percentage of persons who receive training or advisory services who rate timeliness of services delivery as good or better	88.42%	84.55%	95.62
MFO 5 Hospital Services			
Number of in-patients managed	46,000	42,343	92.1
Number of out-patients managed	480,000	449,960	93.7
Number of elective surgeries	20,000	20,449	102.2
Number of emergency surgeries	4,900	6,882	140.4
Number of in-patients bed	1,343	1,293	96.3
Net death rate among in-patients	4.2%	4.52%	107.7
Percentage of clients who rate the hospital services as satisfactory or better	90%	94.5%	105
Percentage of patients with hospital acquired infection	13%	6.277%	48.283
Percentage of readmitted cases for mental and drug rehabilitation clients within three months after discharge	5%	4.775%	95.506
Percentage of out-patient medically attended to within two hours after registration	25%	26.71%	106.85
Number of weeks waiting period for elective surgery	12 weeks	9.38	78.17
Occupancy rate of in-patients beds	75%	68.04%	90.72

C. FINANCIAL HIGHLIGHTS

For CY 2015, the total appropriations of the UPS was ₱15,543,810,811.70 consisting of the authorized appropriations in the General Appropriations Act (GAA) for Fiscal Year 2015 or RA No. 10651 of ₱14,391,327,830.00 and continuing appropriations of ₱15,542,810,811.70, out of which, a total obligations of ₱12,656,305,527.20 were incurred leaving an unexpended balance of ₱2,886,505,284.35 as at year-end, the details of which are presented below:

Source of Funds	Appropriations	Allotments	Obligations Incurred	Unobligated Balance
A. Current Year Budget-GAA				
1. Agency Specific Budget				
Programs and Locally Funded Projects				
PS	6,077,653,000.00	6,077,653,000.00	6,077,653,000.00	-
MOOE	2,436,980,000.00	2,435,980,000.00	2,395,923,000.00	40,057,000.00
CO	4,521,598,000.00	4,521,598,000.00	1,711,353,233.76	2,810,244,766.24
Foreign Assisted Projects				
PS	650,000.00	650,000.00	650,000.00	0.00
MOOE	21,925,000.00	21,925,000.00	11,371,481.89	10,553,518.11
CO	84,194,000.00	84,194,000.00	58,544,000.00	25,650,000.00
Sub - Total	13,143,000,000.00	13,142,000,000.00	10,255,494,715.50	2,886,505,284.35
2. Automatic Appropriations				
Retirement and Life Insurance Premium - PS	565,747,661.00	565,747,661.00	565,747,661.00	-
Miscellaneous Personnel Benefits Fund and Pension and Gratuity Fund - PS	632,682,469.00	632,682,469.00	632,682,469.00	-
Sub - Total	1,198,430,130.00	1,198,430,130.00	1,198,430,130.00	-
3. Supplemental Appropriations				
CO	49,897,700.00	49,897,700.00	49,897,700.00	-
Sub - Total	49,897,700.00	49,897,700.00	49,897,700.00	-
Total Current Year Budget	14,391,327,830.00	14,390,327,830.00	11,503,822,545.50	2,886,505,284.35
B. Prior Years' Budget/Continuing Appropriations				
1. Agency Specific Budget				
MOOE	214,557,828.75	214,557,828.75	214,557,828.75	-
CO	898,253,198.02	898,253,198.02	898,253,198.02	-
Sub-Total	1,112,811,026.77	1,112,811,026.77	1,112,811,026.77	--
2. Special Purpose funds				
CO	39,671,955.00	39,671,955.00	39,671,955.00	-
Total Continuing Appropriations	1,152,482,981.77	1,152,482,981.77	1,152,482,981.77	-
Total GAA	15,543,810,811.70	15,542,810,811.70	12,656,305,527.20	2,886,505,284.35

The financial position and performance of the UP System for the CYs 2015 and 2014 are as follows:

Particulars	CY 2015	CY 2014
	(In PhP)	
Financial Condition		
Assets	60,146,035,588.16	56,837,322,721.88
Liabilities	31,545,194,599.60	29,742,416,205.40
Net Assets / Equity	28,600,840,988.56	27,094,906,516.48
Financial Performance		
Revenue	1,688,656,829.30	1,452,110,759.04
Less: Current Operating Expenses		
Personnel Services	7,749,102,265.09	7,239,400,885.68
Maintenance and Other Operating Expenses	3,085,741,252.14	2,726,104,088.94
Financial Expenses	24,200,465.67	24,233,059.59
Non-Cash Expenses	793,917,520.54	653,933,236.23
Surplus (Deficit) from Current Operations	(9,964,304,674.14)	(9,191,560,511.40)
Net Financial Assistance / Subsidy	11,147,013,920.51	9,796,084,299.93
Gains	11,390,047.06	3,985,073.90
Losses	(6,675.00)	
Surplus (Deficit) for the Period	1,194,092,618.43	608,508,862.43

D. Scope of Audit

The audit covered in accordance with applicable legal and regulatory requirements and the Philippine Public Sector Standards on Auditing (PPSSA). Those standards require that we plan and perform the audit to obtain a reasonable basis for our conclusions.

The audit covered the financial transactions and operations of the UPS for CY 2015. It was aimed at determining whether: (a) the financial statements were presented fairly in adherence to Philippine Public Sector Accounting Standards (PPSAS); (b) laws, rules and regulations were complied with; and (c) funds were utilized in the most efficient, effective and economical manner.

E. Independent Auditor's Report on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements of the University of the Philippines as of December 31, 2015 due to exceptions noted in audit which are stated in the Independent Auditor's Report and discussed in detail in Part II of the report.

F. Summary of Significant Audit Observations and Recommendations

The following are the Audit Teams' significant audit observations and recommendations which were discussed with the concerned Management officials in an exit conference conducted on May 30, 2016:

1. The lapses by the UP Management to regularly monitor and coordinate with research centers/institutes resulted in conflicting/differing reports, thus the veracity of the reported 900 completed internally funded research studies with allocated/budgeted amount of ₱544,463,000.00 during the year could not be ascertained. (Observation No. 1)

We recommended that the Management:

- a. **require the OVCRD/OVCRE/CU Research Monitoring Unit to closely monitor the research projects that are being undertaken by the research centers/institutes of the Campuses, to include the timely completion of the projects, the outcome of the project deliverables and the number of projects that the Project Leaders handle at a time;**
 - b. **require the centers/institutes to coordinate with the OVCRD/OVCRE on the projects handled by them for record and monitoring purposes;**
 - c. **consider assigning the over-all coordination and consolidation of information on research to the Office of the Vice President for Academic Affairs in the UP-System level; and**
 - d. **instruct the Accounting Units of the CUs to come up with strategies and workable plan to facilitate the updating of the project subsidiary ledgers and preparation of the financial reports on research projects.**
2. Of the five Core Information Systems that are to be implemented in four CUs (Phase 1) of the eUP Project with a total budget of ₱134,618,243.88, three or 60 percent were already go-live in the three CUs/units; while one system, the Student Academic Information System (SAIS) was installed only in three CUs, and the other one, the Executive Information System (EIS), was still on-going implementation in all four CUs, after the lapse of the 15 months timeframe of project implementation which started in August 2012, thus, the objective of having an integrated information and communications technology operating across all UP Campuses was not yet attained. (Observation No. 2)

We recommended that the Management expedite the completion of the project and submit to the Audit Team the documents mentioned above and other necessary information to complete the audit/evaluation of the eUP Project.

3. The failure of UPSA, UPD and UPB Management to fully enforce the terms and conditions of the Lease Contracts (LC) between the University and their respective Lessees for the UP-Town Center, Citimall - Philcoa, and the UPB Canteen, resulted to under-collection of rental income and interest/penalties for late payments in the aggregate amount of ₱6,385,723.41, which could be utilized by the University to fund its priority projects; the accuracy of the collections from Citimall tenants totaling ₱8,063,142.91, is doubtful due to application of varying rates of rental per square meter and interest/penalty for late payments for stalls within the same location, non-renewal of lapsed contracts and allowing renters to occupy the spaces even without contract/s. (Observation No. 3)

We recommended that the Management:

- a. **require the Accounting Office to bill the Lessees and issue the corresponding Order of Payment and closely monitor the monthly rental payments due pursuant to the Contract of Lease;**
 - b. **require the BCO to –**
 - **enforce the terms and conditions of the Lease Contracts; and**
 - **review the rental rates and prepare the Schedule of Rental Fees per area considering the location of the leased premises to be approved by the authorized university officials.**
 - c. **instruct the Office of the Vice-Chancellor for Administration along with the Diliman Legal Office to facilitate the preparation/renewal of the LC.**
4. Out of the bank accounts totaling ₱21,577,003,640.18, the amount of ₱92,776,967.13 were unauthorized/unutilized/dormant balances of DAP/PDAF/Fund Transfers including interests thereon from four CUs, which remained undeposited/unremitted to the BTr, contrary to COA Circular No. 2015-001 dated January 29, 2015, which could be used by the government to finance other priority projects. (Observation No. 5)

We recommended and Management agreed to immediately return/ deposit to the BTr the unutilized amount and/or dormant funds including bank interests in accordance with existing regulations.

5. The account Cash in Bank - Local Currency, Current Account amounting to ₱21,577,003,640.18 is understated by ₱34,485,601.82 due to: a) unrecorded on-line collections of ₱514,355.00 from the NBS program and negative balances of ₱28,483,909.29 in UP-Manila, b) unrecorded deposit of ₱375,436.44 in UP-Cebu; and c) unreleased checks of ₱5,111,901.09 not reversed to the cash accounts in UP-Los Baños; while in UP Manila, six accounts totaling ₱18,187,612.36 were closed but still reflected in the books; in UP-PGH there was an unreconciled net variance of ₱37,364,386.85

between the Subsidiary Ledger account balance of ₱601,813,925.03 and confirmed bank balances of ₱639,178,311.88; and 12 bank accounts in three CUs have no Bank Reconciliation Statements (BRS), thus, affecting the fair presentation of the cash account in the FS. (Observation No. 6)

We recommended and the Management agreed to:

- a. **require the Accountants of the three CUs to regularly prepare the monthly BRS for submission to the Audit Team, record all the reconciling items in the books and notify the bank for any bank adjustment;**
- b. **The Accountants of UPM and PGH to:**
 - **maintain only one bank account for similar funds except for trust accounts with existing agreements with the Donors requiring maintenance of separate bank accounts;**
 - **investigate the negative account balances; and**
 - **recognize accrued interest on time deposits as Interest Income in accordance with the RCA.**

UPLB

- **the Cashier to promptly furnish the Accountant with a Schedule of Unreleased Checks at the end of each year; and**
 - **the Accountant to restore the cash and recognize the liability at year-end equivalent to the amount of unreleased checks.**
- c. **The Cashier of UP-Cebu to regularly furnish the Accountant with copies of bank statement/certified true copies of passbooks of the time deposit accounts or secure a certificate of time deposits from the banks.**

G. Status of Implementation of Prior Years’ Audit Recommendations

The status of implementation of prior years’ audit recommendations is shown below, the details of which are discussed in Part III of this report:

Status	Number	Percentage
Fully Implemented	7	10
Partially Implemented	60	82
Not Implemented	6	8
Total	73	100