

EXECUTIVE SUMMARY

A. INTRODUCTION

The Nueva Vizcaya State University, Bayombong, Nueva Vizcaya was established under Republic Act 9272 on March 20, 2004. The law integrated the Nueva Vizcaya State Institute of Technology (NVSIT) located at Bayombong, Nueva Vizcaya, and the Nueva Vizcaya State Polytechnic College (NVSPC) at Bambang, Nueva Vizcaya.

The University has the general powers of a corporation. Its corporate power is vested exclusively on the Board of Regents, chaired by Dr. Alex B. Brillantes, Jr.. The University President is directly responsible in the general administration of the College, assisted by three (3) vice presidents. It has 2 campuses, namely Bayombong, the main campus and Bambang Campus which are both headed by Campus Administrators.

The University is mandated to provide advanced instruction and professional training in agriculture, arts, science, technology, education and other related fields. It is also mandated to undertake research and extension services, and provide progressive leadership in its area of specialization.

SCOPE OF AUDIT

A financial and compliance audit was conducted on a test basis on the submitted accounts of Nueva Vizcaya State University, Bayombong, Nueva Vizcaya for calendar year 2015. The audit was aimed to evaluate whether sufficient controls are in place to warrant an efficient, economical and effective operations and its compliance with applicable laws, rules and regulations. It was also focused on the verification on the level of assurance that maybe placed to management assertions on the financial statements and to recommended measures to improve operations.

B. FINANCIAL HIGHLIGHTS

Shown below is the financial profile of the university:

1. Financial Condition

| | 2015 | 2014 | Increase (Decrease) | % |
|-------------------|----------------|----------------|------------------------|------|
| Total Assets | 555,092,924.08 | 416,311,769.07 | 138,781,155.01 | 33% |
| Total Liabilities | 249,896,407.58 | 122,953,493.32 | 126,942,914.26 | 103% |
| Government Equity | 305,196,516.50 | 293,358,275.75 | 11,838,240.75 | 4% |

2. Income and Expenses

| | 2015 | 2014 | Increase (Decrease) | % |
|----------------|----------------|----------------|------------------------|-------|
| Total Income | 381,082,650.06 | 363,349,294.57 | 17,733,355.49 | 5% |
| Total Expenses | 376,565,030.57 | 335,710,208.01 | 40,854,822.56 | 12% |
| Net Income | 4,517,619.49 | 27,639,086.56 | (23,121,467.07) | (84%) |

3. Appropriations, Allotments and Obligations

| | 2015 | 2014 | Increase (Decrease) | % |
|----------------|----------------|----------------|------------------------|-----|
| Appropriations | 444,618,241.64 | 330,355,144.02 | 114,263,097.62 | 35% |
| Allotments | 444,618,241.64 | 330,355,144.02 | 114,263,097.62 | 35% |
| Obligations | 429,063,154.41 | 324,097,124.16 | 104,966,030.25 | 32% |

C. OPERATIONAL HIGHLIGHTS

This Fiscal Year marked the final year of Dr. Florentina S. Dumlao as University President, who retired last October 17, 2015. Her legacy to the University could best be exemplified by the University's milestones in the road to being a premiere university, specifically towards ISO certification and various other standard setting endeavors.

This year also marks the beginning of Dr. Andres Z. Taguiam's service as the new University President beginning October 17, 2015. Dr. Taguiam's participatory leadership style has added a fresh dynamism to the University management system.

With regards to the academic mandate of the University, it has recorded an increase in enrollment from 10,845 to 11,650 enrollees from school year 2014 to 2015, or a 6.9% increase. This year, the University takes pride of the notable 8.5% increase in the number of its graduates (from 1,570 students to 1,716 students). Also, NVSU posted an average ratings of 43.41% as against the 36.28% mean of national passing rate in nine licensure examinations.

In compliance to attaining quality and excellence, the University continually subjected its academic programs to accreditation through the Accrediting Agency for Chartered Universities and Colleges in the Philippines (AACCUP). As such, the university was awarded a Certificate of Recognition by AACCUP as one among the Top 12 ranking State Colleges and Universities (SUCs) with the most number of programs awarded Level III Re-accredited Status.

The NVSU R and D Program has maintained three (3) programs and 15 projects. There were also 86 completed researches, most of which are action researches. Paper and

poster presenters bagged awards placing the University in the limelight in international and regional R&D fora. The awards include five (5) best papers and one best poster, two (2) second places and one (1) third and fourth respectively, international level and one (1) best paper.

The University Extension Program (UEP) is continuously making important and distinctive contributions in the provision and delivery of high quality services for the benefit of the communities in Nueva Vizcaya through the implementation of practical and adoptable technical and technological projects, activities and programs (PAP) sustained through effective partnership with government and private organizations. Through the various PAPs of the UEP, all the 15 Local Government Units of Nueva Vizcaya, ten schools, eight organizations, and 6,788 individuals have been served.

NVSU has maintained excellent stature in its operations. In a span of eleven years as a university, it has proven its worth as one of the strong pillars of education in the region and in the country as well.

D. STATE AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements of the Nueva Vizcaya State University, Bayombong, Nueva Vizcaya as of December 31, 2015 due to the unreliability of the existence and valuation of the Property, Plant and Equipment (PPE) accounts totaling P345,323,969.60 as of December 31, 2015 because of the unreconciled balances between the accounting and property records amounting P285,935,591.00, and non-liquidation of the cash advances totaling P1,128,561.09.

E. SUMMARY OF SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

Below are the audit observations and recommendations which were discussed with concerned University officials through the issuance of Audit Observation Memoranda (AOM) and exit conference conducted last March 1, 2016 and their comments were incorporated in the report, where appropriate.

1. The existence and valuation of the Property, Plant and Equipment (PPE) with a balance of P345.3 Million was unreliable due to unreconciled balances of the accounting records and property records showing a difference of P285.9 Million.

We recommended that Management require the Property Officer to update the PPE Inventory Reports of the two campuses and reconcile the corresponding balances with the accounting records ending December 31, 2015. Ensure that the Inventory Committee undertake the inventory-taking of PPE at least once a year to ascertain the condition, whereabouts and account balances of the property accounts in the financial statement and submit timely reports thereof.

2. Unserviceable properties and equipment with a total cost of P2.8 Million are still included in the Properties, Plant and Equipment accounts, thereby overstating the said account.

We recommended that Management reclassify the unserviceable properties and equipment to Other Asset account in conformity with the accounting standards, awaiting for disposal of these assets;

3. Unexpended balances of fund transfers from the Department of Science and Technology for various completed research activities amounting to P526,975.48 remained in the cash balances of the University.

We recommended that Management return immediately these unutilized balances to the DOST so that the funds may be used for other purposes which will benefit the public;

4. Cash advances totaling P1.1 Million remained unliquidated at the end of the year contrary to Section 89 of Presidential Decree (PD) No. 1445 otherwise known as the Government Auditing Code of the Philippines and COA Circular 97-002.

We recommended that Management require the accountable officers concerned to liquidate or refund their cash advances pursuant to Section 89 of PD 1445. Stop the grant of additional cash advances to those personnel with existing outstanding cash advances;

5. The University did not fully maximize its capital outlay financial resources due to slow implementation of the obligated amount of P112.1 Million and non-utilization of appropriation of P22.4 Million, which could have greatly contributed to the modernization and upgrading of the University's physical properties.

We recommended that Management plan its undertakings concerning the utilization of its capital outlay to address the needs of the University. Also, we recommended that Management utilize its budgeted funds, and facilitate the implementation of its investing activities for each calendar year pursuant to its mandate;

6. Calamity funds under Rehabilitation and Reconstruction Program (RRP) amounting to P79.09 Million were not utilized in accordance to the purpose stated in the SARO of the said funds.

We recommended that such funds must be utilized in accordance to the purpose to which it was created so that the intended purpose will be achieved.

F. STATUS OF NOTICE OF SUSPENSIONS, DISALLOWANCES AND CHARGES

During the CY 2015, the Team issued four Notice of Suspensions (NS) amounting to P145,958.00, wherein the amount of P6,078.00 matured into disallowance, thus the corresponding Notice of Disallowance (ND) were issued. These NDs were part of the six (6) notice of disallowances issued for the period ending December 31, 2015 which totaled to P80,808.00. As of year-end, total suspensions have a balance of P139,880.00 while total disallowances have a balance of P2,435,150.24.

Summary of the notices of suspensions, disallowances and charges is presented below:

| Notice of | Balance as of December 31, 2014 | ISSUED | SETTLEMENT | Balance as of December 31, 2015 |
|--------------|---------------------------------------|-------------------|-------------------|---------------------------------------|
| Suspension | | 145,958.00 | 6,078.00 | 139,880.00 |
| Disallowance | 2,459,932.04 | 80,808.00 | 105,589.80 | 2,435,150.24 |
| Charge | - | - | - | - |
| TOTAL | 2,459,932.04 | 226,766.00 | 111,667.80 | 2,575,030.24 |

G. STATUS OF IMPLEMENTATION BY THE AUDITEE OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Out of the eleven recommendations of prior year's Annual Audit Report, one was fully implemented, nine were partially implemented and only one was not implemented. Because of the implementation of the recommendations on audit observations, the operation of the Management has improved particularly on the acceptance of completed projects. The University has now strictly imposed liquidated damages on the delayed delivery of projects.