

EXECUTIVE SUMMARY

A. INTRODUCTION

Agency Profile

The Western Mindanao State University (WMSU) was created under Presidential Decree No. 1427 on June 10, 1978. Its current status is greatly strengthened with the approval of Republic Act (RA) No. 8292 on June 6, 1997 providing for the uniform composition and powers of the governing board of State Universities and Colleges (SUCs) and placing them under the supervision of the Commission on Higher Education (CHED).

Audit Methodology

The Commission has been implementing risk-based audit in the conduct of its audit services. However, to meet the evolving developments in public governance and fund management, the result-based approach in audit was incorporated. The integration of these two approaches, called the Integrated Results and Risk-Based Audit (IRRBA) methodology, was applied in the audit of the accounts and operations of the WMSU.

Scope of Audit

A comprehensive audit was conducted on the accounts and operations of WMSU for 2015. The audit consisted of review of operating procedures, evaluation of the university's programs and projects, interview of concerned government officials and employees, verification, reconciliation, and analysis of accounts, and such other procedures considered necessary.

Specifically, the objective of the audit is to ascertain the propriety of the financial transactions and compliance of the agency to prescribed laws, rules and regulations. It was also made to ascertain the accuracy of the financial records and reports as well as fairness of the presentation of the financial statements. Performance audit was likewise conducted with the objective of informing management where improvement can be instituted in the field of revenues, expenditures and management of resources.

As a result of the risk assessment conducted and in compliance with the identified audit thrusts of SUCs for 2015, the following audit areas/accounts were looked into:

1. Property, Plant and Equipment
2. Inventories
3. Infrastructure Projects
4. Student Financial Assistance Program (STUFAP)/Student Assistance Fund for Education (SAFE) Loans
5. Cash

6. Accounts Receivable- Disallowances & Charges
7. Procurement of goods and services
8. Gender and Development
9. Compliance with Tax Laws
10. Compliance with GSIS Law
11. Status of Suspensions, Disallowances and Charges

However, due to manpower limitation and time constraints, the following audit areas which were identified in the audit Instruction for CY 2015 as mandatory audit areas could not be evaluated for 2015 but will be conducted in 2016:

1. Due to National Government Agencies (NGAs)
2. Income Generating Projects
3. Grants of allowances, incentives and other benefits to officers and employees
4. Senior Citizens and Persons with Disability

Other audit areas:

- 1) DAP/PDAP/MALAMPAYA FUNDS is no longer applicable since no fund was received by WMSU for 2015 and previous funds from the said sources for 2012, 2013 and 2014 were already returned to the Bureau of Treasury.
- 2) Student Fiduciary Fund- the university does not collect student fees intended for the Student Government Organization.

B. FINANCIAL HIGHLIGHTS

The financial condition and results of operations of WMSU as of December 31, 2015 are summarized as follows:

Financial Position/Results of Operations

	2015	2014	Increase/Decrease
Assets	491,139,733	415,699,752	75,439,981
Liabilities	139,453,760	102,367,385	37,086,375
Accumulated Surplus/Government Equity	351,685,973	313,332,367	38,353,606
Revenue	156,520,827	151,947,424	4,573,403
Expenses	537,522,869	513,059,898	24,462,971
Net Financial Assistance/Subsidy	422,987,917	383,814,313	39,173,604
Gain/Losses	-	-78,000.00	78,000.00
Surplus(Deficit) for the Period	41,985,875	22,623,839	19,362,036

The allotment and obligations for the year were as follows:

	2015	2014	Increase/Decrease
Allotment Received	494,044,421	635,088,718	(141,044,297)
Obligations Incurred	406,022,461	501,075,326	(95,052,865)
Unexpended Balance	88,021,960	134,013,392	(45,991,432)

Aside from funding received from Department of Budget and Management, WMSU was also a recipient of fund transfers and grants from NGAs and other non-government organizations for implementation of researches and projects. Total amount received for 2015 amounted to P 27.467M, out of which P 24.626 were obligated, leaving a balance of P 15.279 M, to include P 12.585 M balance from the previous year.

C. INDEPENDENT AUDITOR'S REPORT

We rendered a qualified opinion on the fairness of the presentation of the financial statements of WMSU due to the unreconciled differences between the general ledger and property records of the Property, Plant and Equipment and Inventories accounts which had differences of P53,935,697.18 and P4,750,349.57, respectively.

D. SUMMARY OF SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

In addition to the above-noted deficiency which is the basis for the qualification of the opinion on the financial statements, presented below are significant audit observations and recommendations noted in the course of audit:

1. Loans granted to students under the STUFAP and SAFE program totaling P2,347,100.00 had remained outstanding for more than seven (7) to eleven (11) years without following up payment from them thus depriving other graduating students the opportunity to avail of said loan.

We recommended that an employee be assigned to follow-up and monitor the status of STUPAF and SAFE loans availed by student-borrowers in 2004-2005 and 2008. We also recommended that the University institute applicable measures stipulated in the loan agreement to ensure repayment of said loans so that other graduating students can benefit from the said program.

2. Lack of adequate monitoring of the implementation of infrastructure projects of the university contributed to the non-completion of four projects and failure to impose liquidated damages for delays in project completion and /or recoup advances for mobilization fees

To address the observations, we recommended the following:

- a) Adopt adequate control measures on the implementation of infrastructure projects like assigning a project engineer to oversee and be responsible for the monitoring of project/s, maintenance of records pertaining to the project and regular reporting of the status of projects or problems encountered in their implementation, conduct site inspection on daily or regular basis to ensure that the projects are completed within the contract time and to recommend the imposition of liquidated damages to erring contractors for negative slippages or delays in project implementation.
 - b) Institute measures to complete the four unfinished projects so that the buildings can be fully utilized as intended.
 - c) Impose prescribed sanctions against, or recommend blacklisting of contractors who abandon their projects.
 - d) Communicate with contractors for the refund of the portion of the mobilization fee advanced to them but was not yet deducted or recouped based on their work accomplishments.
3. Entitlement to monetization of leave credits was made discretionary as claims of personnel who availed were processed even if their vacation leave credits were insufficient; others availed twice; some of them without applications for leave and letter-requests approved by the agency head as required under the provisions of Sections 22 and 23 of the Omnibus Rules on Leave, Rule XVI of the Omnibus Rules Implementing Book V of Executive Order No. 292, Sec. 5.14 of COA Circular No. 2012-001 dated June 14, 2012, and Section 2 of the CSC-DBM Joint Circular No. 2-97 dated June 25, 1997.

We recommended that the Human Resource Management Office (HRMO) promptly update the Leave Ledger Cards of each personnel to give accurate data on of leave credit balances. The HRMO should make it a policy to require letter-requests for those who want to avail monetization of more than 10 days. The same office should recommend to the head of the agency who shall be granted higher number of days based on their evaluation on the reasons given in the letter which shall fall within the conditions enumerated in the provisions of Section 23 of Omnibus Rules on Leave. Furthermore, personnel should be required to maintain five (5) days balance on their vacation leave otherwise they should not be entitled to monetization, nor would they be entitled to avail another monetization when they have already applied for monetization and were paid during the year.

We further recommended that the Accountant should double check supporting documents presented to her office to ensure that all requirements are met before processing to avoid overpayment and require the concerned employees to refund the excess monetization paid to them amounting to P 222,861.91.

4. The University still maintains accounts and transacts business with banks which are not considered as authorized government depository banks (AGDBs) in violation of

Section 107 of Presidential Decree No. 1445 and Section 5.2 of Department of Finance (DOF) Circular No. 001.2015 dated June 1, 2015.

We recommended that the management should require the transfer of funds deposited with PNB and PVB to the GFIs that are compliant with the provisions of Section 5.2 of DOF Circular 2015-001.

E. SUMMARY OF TOTAL SUSPENSIONS, DISALLOWANCES CHARGES

For calendar year 2015, the team issued Notices of Disallowance amounting to P43,232.00. Total settlement of suspensions amounted to P24,042,436.41 while settlement of disallowances amounted to P29,542.21. No Notice of Charge was issued.

F. STATUS OF IMPLEMENTATION BY MANAGEMENT OF PRIOR YEAR'S AUDIT RECOMMENDATION

Out of the 21 audit recommendations contained in the CY 2014 Annual Audit Report, five (5) were fully implemented and fourteen (14) were partially implemented and two (2) not implemented as shown below:

Year	Fully Implemented	Partially Implemented	Not Implemented	Total
2014	3	8	1	12
2013	2	1	-	3
2012		2	-	2
2011		2	-	2
2010		1	1	2
Total	5	14	2	21

The details are discussed in Part III of this report.