

EXECUTIVE SUMMARY

Introduction

The University of Northern Philippines (UNP) was created by virtue of Republic Act 4449 holding the distinction of being the first state university in Northern Luzon. Dr. Gilbert R. Arce is the President for his second term. The University is mandated to give technical and professional trainings, advanced instructions in literature, philosophy, the science and arts besides promotion of technological and scientific researches and extension services.

The total personnel of the University was 1,077 consisting of 383 Permanent/Temporary (Teaching), 174 Permanent (Non-Teaching), 47 Contractual (Teaching), 10 Temporary (Teaching) 169 Part-Time (Teaching), and 294 Contractual (Emergency) personnel. Dr. Mario P. Obrero is now the newly designated Vice President for Academic Affairs while Dr. Agustina R. Tactay is the newly designated Vice President for Students and External Affairs.

A. Scope of Audit

A comprehensive audit was conducted on the accounts and operations of the University of Northern Philippines, Vigan City, Ilocos Sur for the year ended December 31, 2017. The audit consisted of the review of operating procedures, post audit of disbursement vouchers, payrolls and receipts; inspection and evaluation of programs and projects; verification, reconciliation and analysis of accounts and such other procedures we deemed necessary in the circumstances. Likewise, a Value for Money Audit (VFM) was conducted to determine whether the resources of the University were utilized in an economical, efficient and effective manner.

B. Financial Highlights

For the year 2017, the university's total assets, liabilities and equity amounted to ₱1,172,143,741.79, ₱105,501,564.03 and ₱1,066,642,177.76, respectively. Compared to last year's assets, liabilities and equity of ₱978,292,264.57, ₱261,786,096.90 and ₱716,506,167.67, respectively, assets and equity increased by ₱193,851,477.22 or 19.82% and ₱350,136,010.09 or 48.87%, respectively while liabilities decreased by ₱156,284,532.87 or 59.70%.

Total revenue and expenses amounted to ₱223,066,167.58 and ₱575,457,473.72, respectively. Compared to last year's total revenue of ₱74,553,700.13 and expenses of ₱461,260,956.83, there was an increase of ₱148,512,467.45 or 199.20% and ₱114,196,516.89 or 24.76%, respectively. The huge increase in revenue was attributed to the reclassification of Trust receipts collected which were recorded as Trust Liabilities instead as Income/Revenue accounts.

Appropriations during the year amounted to ₱779,489,044.59 and the total allotment was ₱765,741,168.85. Of the total allotment, ₱620,415,713.63 was obligated.

Compared to last years, appropriations, allotments and obligations of ₱492,753,057.00, ₱646,625,908.62 and ₱511,033,099.63, respectively, these have increased by ₱286,735,987.59 or 58.19%, ₱119,115,260.23 or 18.42%, and ₱109,382,614.00 or 21.40%, respectively.

C. Operational Highlights

Among the major accomplishments of the University during the year which were validated by the audit team are the following:

1. Advance and higher education services

Enrolment in all levels had decreased by 546 or 2.28% from 24,454 enrollees in 2016 to 23,908 enrollees in 2017.

The University has produced 3,556 graduates from the different colleges for the degree and certificate programs for CY 2017. Among the graduates there were nine magna cum laude and 183 cum laude. CY 2017 is the 52nd graduation exercises of the university.

During the year, an Indian graduate from the College of Medicine (Batch 2013) passed the Medical Council of Indian Board Examination for 2017 as Topnotcher.

For accreditation, three programs of the College of Teachers Education (BSE, BEED and BSID) were evaluated for Level IV, while BS Architecture was evaluated for Level III.

2. Research services

The university had completed a total of 97 researches which were funded internally by the university. Out of these there were 39, 22 and 2 researches which were presented internationally, nationally and regionally, respectively.

3. Development/ improvement of physical facilities, buildings and other structures.

Infrastructure projects implemented by the university during the year are as follows:

<u>Name of Projects</u>	<u>Amount</u>	<u>Date Completed</u>
A. Completed Projects		
Const. of Fine Arts –Phase III	₱2,821,891.61	7-21-2017
Expansion of UNP Gymnasium Phase V	40,000,000.00	7-22-2017
Const. of Classrooms	9,693,671.12	7-31-2017
Const. of UNP Athletic Oval	17,945,229.60	8-10-2017
Const./Rehab of Multi-Purpose Building	913,636.62	7-30-2017
Const. of Sports Facilities	482,682.82	7-30-2017
Const. of Shaded Walkway and Student Park	1,456,442.94	9-25-2017

Const. of Hostel Phase II & III	24,504,546.17	5-8-2017
Const. of Fine Arts Phase II	3,880,783.91	4-5-2017
Const./Rehab/Repair of Academic Buildings	6,375,998.20	5-8-2017
Const. of Four Storey Student Service Center	3,885,338.90	1-3-2017

4. Extension Services

Under the extension services, the university conducted the following:

- 84 Skills training and technology transfer with 3,261 beneficiaries,
- 13 UNP-DSWD Field Office Microenterprise Development – Skills Training for Sustainable Development Program,
- 10 Trainings, Seminar Workshop, Information Drive, Consultancy Services on Humanitarian Projects, Administrative Communication, etc.
- 5 Health and Other Services (Community Outreach)

Auditor's Opinion on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements for the year then ended since receipts/collections under Fund 164 totalling ₱28,664,524.09 were not recognized as revenue of the fund but as Trust Liabilities, contrary to CHED Memorandum Order No. 20-2011 on the Use of Income, and the Government Accounting Manual in the accounting of the collections. This resulted to the accumulation of a huge balance of ₱52,588,528.19 in the Trust Liability account, thus affecting the fairness of presentation of the accounts in the financial statements.

D. Summary of Significant Observations and Recommendations

We commend the University for the following:

1. Records of Property, Plant and Equipment accounts between the Accounting and Supply Office were already reconciled. Accumulated depreciation and depreciation expenses were provided per property item. Properties valued below ₱15,000.00 were dropped from PPE accounts and recorded as Semi-Expendable Supplies with separate records.
2. The University procured common use supplies and equipment from the PS-DBM with a total amount of ₱2,505,390.19 in pursuance with Section 53.5 of RA 9184 and its IRR as a sign of their modest contribution to achieve a good governance.
3. Also, the University Accountant and Cashier were able to collect a total amount ₱56,679,350.91 representing withholding taxes from VAT, E-VAT and taxes on compensation income and remitted the same to the Bureau of Internal Revenue except for the contributions withheld in December, 2017 amounting to ₱1,719,840.17 which were remitted in January of the following year, thus, helping the government to finance its programs, projects and activities.

4. Also, the Expanded Student's Grants-in-Aid Program for Poverty Alleviation (ESGP-PA) and Tulong Dunong Scholarship programs for CY 2017 were properly implemented by the college in accordance with CHED Memorandum Order No. 13 series of 2014 through proper supervision and monitoring by the Scholarship Coordinator.

However, some of the significant observations and recommendations which were also noted and discussed with the agency officials concerned are enumerated below. Their corresponding comments were incorporated in Part II of the report, where appropriate.

1. **Receipts/collections under Fund 164 totalling ₱28,664,524.09 were not recognized as revenue of the fund but as Trust Liabilities, contrary to CHED Memorandum Order No. 20-2011 on the Use of Income, and the Government Accounting Manual in the accounting of the collections, resulting to the accumulation of a huge balance of ₱52,588,528.19 in the Trust Liability account, thus affecting the fairness of presentation of the accounts in the financial statements.**

We recommended the following course of actions:

1. **Ensure that all collections/receipts under Fund 164 be reported to the Board of Regents for approval in accordance with CHED Memorandum Order No. 20-2011 on the Use of Income;**
 2. **Instruct the University Accountant to recognize the collections/receipts under Fund 164 as revenue of the fund in accordance with the Revised Chart of Accounts prescribed in the Government Accounting Manual; and that funds received for Special Programs/Projects be classified to the proper accounts;**
 3. **The Board of Regents should take appropriate action against the University officials responsible for the continued violation of the above-mentioned regulations, and its inaction to the auditors prior year's audit recommendations on the use of income without prior authority from the Board of Regents, in accordance with Section 43, Chapter 5 and Section 80, Chapter 7, Book VI of E.O. 292.**
2. **The account Investment in Stocks under the General Fund with a balance of ₱2,525,470.00 remained in the books for over eight (8) years from the time it was authorized, and was not reverted to the Bureau of the Treasury as provided under COA Circular No. 2015-001 dated January 29, 2015.**

We recommended the following course of actions:

1. **The University President should cause the termination of the balance of the Investment in Stocks under the General Fund 101, the proceeds of which to be remitted to the Bureau of the Treasury pursuant to**

Permanent Committee Joint Circular No. 4-2012 and COA Circular No. 2015-001.

2. **The Board of Regents should take appropriate action against the responsible officials for the non-compliance on the reversion, as provided under Section 5.0 of COA Circular 2015-001.**
3. **The procurement of motor vehicles (buses) with a total costs of ₱8,175,000.00 was tailored-fit in violation of Section 18 of the revised IRR of R.A. No. 9184, thus defeating the purpose of competitive bidding, and that the delivered buses were not brand new to the disadvantage of the University.**

We recommended that management ensure that all procurements should be done strictly in accordance with the 2016 revised IRR of RA No. 9184, specifically on the requirement of an approved Annual Procurement Plan with the corresponding Approved Budget for the Contract and in the preparation of Specifications.

Further, the Board of Regents should take appropriate legal action against the university officials concerned for violation of the procurement law and other related laws stated above in accordance with Section 43, Chapter 5 and Section 80, Chapter 7 of E.O. 292.

E. Summary of total Suspensions, Disallowances and Charges

Total suspensions and disallowances in the post audit of transactions during the year amounted to P0.00 and ₱11,639,231.60, respectively. Below is a breakdown of the beginning and ending balances with the settlements made.

	<u>Suspensions</u>	<u>Disallowance</u>
Beginning Balance 1/1/2017	P 0.00	P6,681,015.30
Add: January to December, 2017	<u>0.00</u>	<u>11,639,231.60</u>
Total	P 0.00	P18,320,246.90
Less: Settlements made	0.00	3,252,980.52
Adjustments due to overpayment of settlement	<u>0.00</u>	<u>880.00</u>
Balance, end, December 31, 2017	<u>P 0.00</u>	<u>P15,066,386.38</u>

F. Implementation of Prior Year's Audit Recommendations

Out of the 13 audit recommendations contained in the last year's Annual Audit Report, four were fully implemented, three were partially implemented and six were not implemented. The unimplemented recommendations were reiterated under Part II of this report.