

EXECUTIVE SUMMARY

Introduction

The University of Antique (UA) started as a trade technical institution, the Antique School of Arts and Trades (ASAT), on January 19, 1954. On November 14, 1982, Batas Pambansa 281 authorized the conversion of the school into a state college, the Polytechnic State College of Antique (PSCA). With the passage of Republic Act (RA) 8292, otherwise known as the “Higher Education Modernization Act of 1997,” and through CHED Memorandum Order No. 27, CHED-supervised institutions namely Antique College of Agriculture in Hamtic, Antique and Tario-Lim Memorial School of Fisheries in Tibiao, Antique, were integrated with PSCA.

The PSCA Board of Trustees, in its Resolution No. 105, series of 2000, approved the opening of extension classes on Bachelor of Science in Industrial Technology (BSIT) Program in Semirara, Caluya, Antique effective school year 2000-2001 but the MOA was not renewed. Then the Board approved Resolution No. 201 series of 2002 to open the extension classes at the island Municipality of Caluya, Antique effective school year 2002-2003.

Also, with Resolution No. 25, series of 2005, the Board approved the opening of extension classes in the Municipality of Libertad, Antique effective school year 2005-2006. Extension classes at Caluya and Libertad are still operational as of this date.

On November 10, 2009, President Gloria Macapagal-Arroyo signed RA 9746, an Act converting PSCA in the municipality of Sibalom into a state university to be known as the University of Antique (UA), including its external campuses in the municipalities of Hamtic and Tibiao.

Governance of UA is vested upon the Board of Regents, which exercises policy-making functions to carry out the mission and programs of the University by virtue of RA No. 8292.

UA is administered by SUC President III, Victor E. Navarra, Ed.D., who retired on December 15, 2017, assisted by three central administrative officers: the Vice President for Academic Affairs – Dr. Pablo S. Crespo, Jr., who was elected UA President by the BOR during its meeting on January 26, 2018; the Vice President for Research, Extension, Continuing Education and Training Services – Dr. Nelibeth P. Fedelicio; and the Vice President for Administration and Finance – Dr. Ronilo A. Soriano, CPA.

The External Campuses are under the leadership of the following Campus Directors: Hamtic Campus - Prof. Noel M. Montaña and Tario-Lim Memorial Campus (TLMC) - Dr. May T. Delgado. Extension Campuses are headed by Mr. Achilles Gomez, in lieu of Mr. Marvin C. Casalan who is on study leave, for Caluya and Dr. Wilfredo N. Muhat for Libertad.

The total personnel complement of UA comprises the following:

Campus	No. of Employees				
	Permanent	Part Time	Casual	Contractual	Total
UA – Main (MC)	280	39	2	5	326
UA – Hamtic (HC)	44	2	1	1	48
UA – TLMC	96	17	0	0	113
GRAND TOTAL	420	58	3	6	487

Scope and Objectives of Audit

The audit covered the accounts and operations of UA-Main (including the 2 extension campuses) and its two external campuses for the year ended December 31, 2017. The audit was conducted to: (a) verify the level of assurance that may be placed on management's assertions on the financial statements; (b) recommend agency improvement opportunities; and (c) determine the extent of implementation of prior years' audit recommendations.

Financial Highlights

Its assets, liabilities, government equity, and sources and application of funds for CY 2017 with comparative figures in CY 2016 are presented as follows:

Particulars	2017	2016	Inc. (Dec)
A. Financial Position			
Assets	510,175,179.05	494,781,126.92	15,394,052.13
Liabilities	114,690,707.55	93,254,112.30	21,436,595.25
Net Assets/Equity	395,484,471.50	401,527,014.62	(6,042,543.12)
B. Financial Performance			
B.1 Sources of Funds			
Subsidy from National Government	307,338,740.01	214,826,411.75	92,512,328.26
Service & Business Income	82,117,108.48	139,287,772.04	(57,170,663.56)
Total Income	389,455,848.49	354,114,183.79	35,341,664.70
B.2 Application of Funds			
Personnel Services	173,150,118.03	131,798,428.50	41,351,689.53
MOOE	148,444,118.05	145,855,040.95	2,589,077.10
Financial Expenses	689,405.71	863,423.34	(174,017.63)
Non-cash Expenses	31,090,874.78	12,748,989.30	18,341,885.48
Total Expenses	353,374,516.57	291,265,882.09	62,108,634.48
Excess of Income over Expenses	36,081,331.92	62,848,301.70	(26,766,969.78)

During the year, the total allotment received, obligation and unexpended balance of allotment are as follows:

Particulars	Appropriation	Allotment/ Funds Received	Obligation/ Amount Expended	Balances
Agency Specific Budget				
New Gen Appropriation	304,233,036.00	303,834,036.00	289,913,343.19	13,920,692.81
Continuing Appropriation	8,924,879.93	8,924,879.93	6,261,105.26	2,663,774.67
Supplemental Appropriation	30,709,487.00	30,709,487.00	29,272,582.79	1,436,904.21
Off Budgetary Funds				
Retained Income Fund	147,011,866.41	147,011,866.41	115,792,673.56	31,219,192.85
Revolving Funds	0.00	0.00	0.00	0.00
Unprogrammed Funds	0.00	0.00	0.00	0.00
Custodial Funds*				
Trust receipts, grants and donations from other gov't agencies (ex. Scholarship funds, research grants, endowment fund, CHED funded projects)		25,036,208.00	19,731,450.83	5,304,757.17

*Please see Annex 1 for details and composition of this fund.

In addition to the allotment received, UA collected a total income of ₱82,117,108.48 from tuition fees and other charges as well as from its income generating projects that constitute the Special Trust Fund by virtue of RA 8292. This is a 41.04% reduction from last year's income of ₱139,287,772.04

Independent Auditor's Report on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements of UA for the year ended December 31, 2017 due to exceptions as stated in the Independent Auditor's report and as discussed in Part II of this Annual Audit Report.

Summary of Significant Audit Observations and Recommendations

The following are the other significant observations with the corresponding recommendations:

- 1. The existence and accuracy of Property, Plant and Equipment (PPE) as of December 31, 2017 amounting to P356,204,640.00 are doubtful due to non-conduct of actual physical count of PPE and non-maintenance of PPELC and PC contrary to the pertinent provisions of the GAM for NGAs, affecting the reliability and fairness of presentation of the PPE accounts in the Financial Statements.**

We recommended that the University President, in coordination with the External Campuses' Directors, College Deans, and Heads of Departments/Units:

- (a) Initiate the establishment of workable strategies/system of inventory taking with property tagging commencing from the departments/units, providing them with formatted RPCPPE for evaluation and consolidation by the Supply Unit;
- (b) Issue a memorandum for this purpose setting the activities to be taken with corresponding deadlines; and
- (c) Submit the required RPCPPE on prescribed deadline.

We also recommended that the Accounting Units of all campuses prepare and update the required PPELC and coordinate with the Supply Office for the reconciliation of the equivalent PC.

- 2. The existence and accuracy of Inventory accounts as of year-end amounting to P7,428,727.00 are doubtful due to (a) non-conduct of physical count of inventories and non-reconciliation of RPCI against ledger records and (b) untimely submission of RSMI contrary to pertinent provisions of the GAM for NGAs.**

We recommended and the UA management agreed that the Inventory Committee, Supply Officers, and Accounting Units of all campuses, strictly adhere with the provisions of the GAM on the conduct of actual physical count of inventories, as well as Semi-Expendable Properties covered by ICS, as of December 31, 2017 and thereafter and the prompt submission of the RPCI and RSMI.

- 3. Receivable – Disallowances/Charges account with a ledger balance of P2,456,349.63 is not accurately presented contrary to Section 46 Chapter 6 of the Government Accounting Manual, Volume I, affecting the fairness of presentation of the account in the Financial Statements.**

We recommended and the Accountants of the UA-MC and UA-TLMC committed to adhere with the rules in accounting for disallowances pursuant to the provisions of the GAM and make necessary adjusting journal entries (*see Annex 3*) on the first quarter of CY 2018 to correct the deficiencies found in audit.

4. **Errors and other reconciling items in the Cash in Bank balances were not corrected resulting to the understatement of book balances and overstatement of bank balances by P11,648,032.20 and P9,937.93, respectively. Further, stale checks amounting to P5,359.60 were not cancelled and adjusted in the books, contrary to the pertinent provisions of the GAM for NGAs Volume I, thus affecting the fairness of presentation of Cash in Bank and related accounts in the Financial Statements.**

We recommended that the Accountant/Bookkeeper, in cooperation of the Cashier's Office, undertake the following measures:

1. Adhere with the rules and procedures in the cancellation and accounting of spoiled or unclaimed stale checks prescribed under the GAM for NGAs;
 2. Coordinate with the authorities in the bank to correct items relative to bank errors and adjustments; and
 3. Apply the necessary adjustments in the Cash in Bank ledger balances for the noted errors in the book balances and submit copies of journal entry vouchers for the adjusting entries made.
5. **Audit disallowances were not settled despite the issuance of Notices of Finality of Decision (NFD) and COA Orders of Execution (COE), contrary to Section 7.1 of COA Circular No. 2009-006, resulting to undue accumulation of disallowances amounting to P9,626,654.12 as of December 31, 2017.**

We recommended that the University President undertake the following measures:

1. Enforce the immediate settlement of the disallowance pursuant to the pertinent provisions of COA Circular 2009-006, especially those persons liable as members of the Board of Trustees/Regents;
 2. Initiate in sending the notice/letter of demand to persons liable who are neither employees of the University nor current members of the BOR to pay their unsettled liabilities;
 3. Submit the lacking documents for the processing of the request for installment of disallowance totaling P7,011,000.00; and
 4. Require the Cashiers/Accountants to promptly submit reports of refunds to disallowances to this Office for reconciliation of records for issuance of Notice of Settlement of Suspensions/Disallowances/Charges (NSSDC).
6. **The agency's practice of transferring the External Campuses' allocation totaling P151,558,814.36 for CYs 2016 and 2017 directly to the operating units instead of the DBM releasing to respective MDS Accounts is contrary to DBM NBC Nos. 561 and 567 dated January 4, 2016 and January 3, 2017, respectively, thereby defeating the purpose of achieving effective and efficient cash management system, and cost reduction for the government as a whole.**

We recommended that the SUC President, in coordination with the Campuses' Directors, Accounting, Budget and Cashiers' Offices, undertake the following measures:

- a. Ensure strict compliance with DBM NBC Nos. 561 and 567 by discontinuing the practice of fund transfers to operating units within the same Department/Agency;

- and GAM for NGAs, through the use of the proper accounts in the accounting of MDS transactions pertaining to State Universities and Colleges;
- b. Make representations with the Bureau of Treasury (BTr) on the Authority to Open MDS Sub-Accounts for the External Campuses; and
 - c. Coordinate with the Development Bank of the Philippines (DBP) with regards to the opening of the MDS Sub-Accounts and issuances of Notices of Transfer of Allocation (NTAs) for the releases of NCAs to the External Campuses.

The above findings together with other observations and recommendations were discussed with management in an exit conference conducted on March 5, 2018. Management comments are incorporated in the report where appropriate.

Summary of Total Suspension, Disallowances and Charges

The Status of Suspensions, Disallowances and Charges for the year ending December 31, 2017 is as follows:

Notice	Balance, 01/01/17	Issued this Year	Total	Settled this Year	Balance, 12/31/17
Suspension	744,178.11	118,703.94	862,882.05	569,636.23	293,245.82
Disallowance	15,450,324.49	9,802.78	15,460,127.27	1,485,170.00	13,974,957.27
Charge	0.00	0.00	0.00	0.00	0.00
TOTAL	16,194,502.60	128,506.72	16,323,009.32	2,054,806.23	14,268,203.09

The balance of the disallowances issued before the implementation of the Revised Rules on Settlement of Accounts (RRSA), net of settlements, amounting to P899,499.63 is not included in the above Table.

Status of Implementation of Prior Years' Recommendations

The status of implementation of prior years' audit observations is shown below:

Status of Implementation	No.	Percentage
Fully Implemented	18	72.00%
Partially Implemented	6	24.00%
Not Implemented	1	4.00%
Total	25	100.00%

The details of the status of implementation of prior years' audit observations are presented in Part III of this Report.