

EXECUTIVE SUMMARY

A. Introduction

The National Defense College of the Philippines (NDCP) was formally created by virtue of Presidential Decree No. 190 as amended by PD 452 which was further amended by Administrative Code of 1987.

The NDCP, as the zenith of military education in the Armed Forces of the Philippines, is the highest educational and research institution in the country that conducts an Academic Program consisting of graduate level and special courses on national security and undertakes researches and strategic studies on national security both of which are geared towards the enhancement of national security formulation. Its Academic Program follows a curriculum which includes the different dimension of national security while the Research Program pursues a research agenda as approved by the Secretary of National Defense. Through the years, the College had produced 2,358 graduates of MNSA program and about the same number of research and special studies.

Executive Order No. 85 enacted on March 13, 1999 granted the College authority to create, establish, maintain, merge and abolish institutes and centers of learning and special studies devoted to national security administration and to accept grants and endowments.

The NDCP is headed by Director Archimedes H. Viaje, Ph.D, MNSA, as College President. The College has a total personnel complement of 94, consisting of 55 permanent, 33 contractual and six detailed military/enlisted personnel.

B. Financial Highlights

The College's financial position, financial performance and sources and application of Funds for CY 2019 with corresponding figures for CY 2018 are as follows:

Financial Position:

Particulars	2019	2018	Increase/ (Decrease)
Assets	259,730,102.17	194,631,162.54	65,098,939.63
Liabilities	2,760,934.19	9,649,124.24	(6,888,190.05)
Net Assets/Equity	256,969,167.98	184,982,038.30	71,987,129.68

Financial Performance:

Particulars	2019	2018	Increase/ (Decrease)
Revenue	1,945,607.24	2,691,787.98	(746,180.74)

Particulars	2019	2018	Increase/ (Decrease)
Current Operating Expenses	90,858,777.15	86,792,346.63	4,066,430.52
Surplus/ (Deficit) from Current Operations	(88,913,169.91)	(84,100,558.65)	(4,812,611.26)
Net Financial Assistance/Subsidy	161,489,031.85	169,983,714.64	(8,494,682.79)
Losses	(131,899.03)	0.00	(131,899.03)
Surplus/ (Deficit) for the period	72,443,962.91	85,883,155.99	(13,439,193.08)

Sources and Application of Funds:

Particulars	2019	2018	Increase/ (Decrease)
Allotments received	181,604,200.00	645,175,664.00	(463,571,464.00)
Obligation incurred	120,147,035.31	630,802,663.87	(510,655,628.56)
Unobligated balance	61,457,164.69	14,373,000.13	47,084,164.56

C. Operational Highlights

As reported by Management, the following are among the College's significant accomplishments by Organizational Outcome (OO) and Performance Indicators (PI) for CY 2019:

OO/PI	2019		
Defense and Security Leaders' Capacity Improved	Target	Actual	%
<i>National Defense and Security Policy Studies Program</i>			
1. Percentage of research papers accepted by requesting agencies	100%	100%	100
2. Number of research papers produced	22	17	77
3. Number of publications produced	11	5	45
<i>National Defense and Security Education Program</i>			
1. Percentage of Senior Leaders from DND and AFP who completed MNSA program	69%	64%	93
2. Teacher to student ratio	1:8	1:16	50
3. Number of graduates	65	64	98
4. Number of enrollees	65	65	100

Other significant accomplishments of the College are as follows:

1. Conducted various lectures on four (4) modules, which include: NSA 201 – National Security Administration; NSA 202 – Research Seminar; NSA 203 – National Security Policy Analysis; NSA 204A – Area Security Studies.

2. Conducted National Security and Development Study (NSDS) from December 3 to 7, 2019 in Central Luzon Region (Bataan and Tarlac), and Benguet.
3. Conducted MNSA Regular Course (RC) 55 Post-course Assessment for Term 1 on December 12, 2019 at the New NDCP Library Building.
4. NDCP Personnel participated on the 5th and 6th Leg Constitutional Reform Forum on December 5, 6 and 15, 2019 and Women, Peace and Security: An Introductory Workshop on December 6 and 16, 2019.
5. Conducted Planning Session on Developing the NDCP Research Agenda on December 12, 2019 at the new NDCP Library Building.
6. Submitted the Revised NDCP Citizen's Charter on December 13, 2019 to Anti-Red Tape Authority.
7. Updated the FOCIS Database on December 18 and 20, 2019 at the FOCIS Division in OJ5, AFP.
8. Participation to the DND and Bureaus- Defense Press Corps Christmas Fellowship on December 19, 2019 at the PVAO Covered Court.

D. Scope of Audit

The audit covered the accounts and operations of the National Defense College of the Philippines for CY 2019.

E. Independent Auditor's Report

An unmodified opinion was rendered on the fairness of presentation of the financial statements of the NDCP as of December 31, 2019.

F. Significant Observations and Recommendations

1. Failure to accrue various expenses for the CY 2019 due to delayed submission of the necessary documents by the Administrative Division to the Accounting Office for proper recording understated the Expense accounts by ₱218,581.05 and the Liability accounts by same amount or a total misstatements on Financial Statements by ₱437,162.10.

We recommended and the Administrative Division agreed to expedite the submission of the complete documents to the Accounting Office. If unmanageable, Management set a cut-off date in processing of documents at year-end by submitting advance copy of billing statements to ensure that all expenses and liabilities will be recognized on the period it was actually incurred in compliance with the accrual method.

2. Submission of copy of contract and other pertinent documents for the supply, delivery, installation, configuration and testing for various projects totaling P34,449,423.21 was delayed contrary to COA Circular No. 2009-001; thus, hindered the Auditor to conduct a complete/comprehensive and timely review of the contract.

We recommended that Management furnish the Audit Team copy of the contract and each of the documents forming part thereof with tabbing for easy reference within five (5) working days from the execution of the contract in compliance with COA Circular No. 2009-01 dated February 12, 2009.

3. Management failed to submit copy of the Notice of Accepted Deliveries of supplies, materials, etc. amounting to ₱11,009,277.03 based on approved Purchase Order; thus, hindered the auditor from validating the actual items delivered and providing management reliable and prompt observations based on actual inspection.

We recommended that the Supply Accountable Officer submit to the Audit Team copy of Notice of Delivery with complete and properly filled up attachments within 24 hours from the acceptance of deliveries in order to conduct timely inspection and to communicate the results thereof.

4. The propriety of appraised value/valuation cost of two unserviceable motor vehicles cannot be validated due to delayed submission of copy of disposal documents prior to the actual disposal which was not in accordance with COA Circular No. 89-296 dated January 27, 1989.

We recommended and the Disposal/Appraisal Committee agreed to submit all the necessary documentary requirements on the disposal of unserviceable properties prior to the actual conduct of disposal in order for the Technical Services Office (TSO) and Audit Team to evaluate the appraised value set by the Committee as its basis for decisions in accordance with COA Circular 89-296.

The foregoing observations and recommendations were discussed with concerned officials of the agency during the exit conference conducted on February 27, 2020. Management's views and comments were incorporated in this report, where appropriate.

G. Status of Implementation of Prior Years' Audit Recommendations

The 10 audit recommendations contained in the CY 2018 Annual Audit Report were all implemented. Details are shown in Part III of this report.