

EXECUTIVE SUMMARY

A. Introduction

The Philippine State College of Aeronautics (PhilSCA) was established in 1967 as a community college, the Basa Air Base Community College, in Floridablanca, Pampanga. The College was operated under AFP Regulations s. 168-342 issued by the Armed Forces of the Philippines and approved by the Department of National Defense on April 1, 1968 to cater to the educational needs of the military personnel, civilian employees and their dependents. In 1977, then President Ferdinand Marcos signed Presidential Decree No. 1078 converting Basa Air Base Community College into a full-pledged College and was renamed Philippine Air Force College of Aeronautics (PAFCA). On June 3, 1992, Republic Act (RA) No. 7605 was approved by then President Corazon C. Aquino, converting PAFCA into a state college, the Philippine State College of Aeronautics (PhilSCA). The PhilSCA has four campuses located in Mactan, Cebu; Floridablanca, Pampanga; Lipa City; and the main campus in Villamor Air Base (VAB), Pasay City.

The College aims to provide professional and advance technical and technological instructions and trainings in the fields of aeronautical sciences and in the general area of science and technology for the Philippine Air Force and the airline industries. It also aims to promote research, extension, higher education, advance studies and progressive leadership in its field of specialization.

The administration and management of PhilSCA is vested in the Board of Trustees as the governing body of the College under Section Nos. 5 and 11 of RA No. 7605, to wit:

<u>Name</u>	<u>Position/ Designation</u>	<u>Mother Unit/Agency</u>
1. Dr. Alex Bello Brillantes, Jr.	Chairman	Commission on Higher Education (CHED)
2. Dr. Bernard Ramirez Ramirez	Vice Chairman	PhilSCA
3. Sen. Pia Schramm Cayetano	Member	Senate
4. Cong. Roman Tecson Romulo	Member	House of Representatives
5. Lt. Gen. William K. Hotchkiss III	Member	CAAP
6. Lt. Gen. Jeffrey F. Delgado	Member	Philippine Air Force
7. Mr. Arsenio M. Balisacan	Member	NEDA
8. Mr. Noel Espinosa Laguì	Faculty Trustee	PhilSCA
9. Mr. Nieck Steven Montañez Macalino	Student Trustee (Jan.-March 2015)	PhilSCA
10. Mr. Kent Joseph Arbasa Cantos	Student Trustee (April-Dec. 2015)	PhilSCA

As of December 31, 2015, there are 538 personnel from Villamor Air Base and other campuses consisting of 133 permanent, 62 part-timers, and 343 contractual. Out of the 538 workforce, 285 belong to the academe, 62 part-timers, 156 administrative support staff and 35 (others) security personnel.

B. Operational Highlights

During the School Years (SYs) 2014-2015 and 2015-2016, a total of 41,126 students were enrolled at PhilSCA VAB and in its three other campuses, 388 in graduate and 40,738 in undergraduate studies.

In SY 2014-2015, there were 2,795 students who graduated from the College, which included 9 students from the graduate studies.

The reported plans/targets vis-à-vis its accomplishments for Calendar Year (CY) 2015 are as follows:

Program/Projects/Activities	Target	Accomplishment	% of Accomplishment
MFO 1- Higher Education Services			
Total number of graduates	2,056	2,795	135.94
Percentage of total graduates that are in priority courses	BSAero 86% BSAMT 81%	BSAero 91% (50 out of 55) BSAMT 98% (472 out of 483)	105.81 120.99
Average percentage passing of licensure exams by the SUC graduates/ national average percentage passing across all disciplines covered by SUC	70%	159.37% (81.58%/51.19%)	227.67

Program/Projects/Activities	Target	Accomplishment	% of Accomplishment
Percentage of graduates who finished academic program according to the prescribed timeframe	91%	82.22% (2,298 out of 2,795 graduates)	90.35

C. Financial Highlights

PhilSCA's financial position as well as sources and application of funds for CYs 2014 and 2015 are shown below:

Particulars	CY 2015	CY 2014
Financial Position		
Assets	560,715,649.54	453,295,813.67
Liabilities	11,737,481.64	9,763,366.57
Government Equity	548,978,167.90	443,532,447.10
Sources of Funds		
Subsidy from National Government	96,483,664.93	82,358,047.58
Special Trust Fund	188,135,838.91	154,978,030.28
Total Income	284,619,503.84	37,336,077.86
Application of Funds		
Personnel Services	67,959,968.01	69,468,272.15
Maintenance & Other Operating Expenses	105,016,176.62	113,948,210.39
Non – Cash Expenses	6,448,009.46	6,107,826.02
Total Expenses	179,424,154.09	189,524,308.56
Surplus	105,195,349.75	47,811,769.30

It has an appropriation of P87,824,000.00 under the General Appropriations Act (GAA) of Fiscal Year (FY) 2015, P3,474,457.00 Special Purpose Funds and P4,592,000.00 Automatic Appropriations. Total allotments released by the Department of Budget and Management amounted to P102,052,892.00, of which, P93,799,115.08 was obligated, thereby, leaving a balance of P8,253,776.92.

Source of Funds	Appropriations	Allotment	Obligation Incurred	Unobligated Balance
A. Current Year Budget				
1. Agency Specific Budget				
Personnel Services	49,519,000.00	49,519,000.00	49,441,985.34	77,014.66
Maintenance & Other Operating Expenses	25,191,000.00	25,191,000.00	24,405,136.87	785,863.13
Capital Outlay	13,114,000.00	13,114,000.00	8,000,000.00	5,114,000.00
Sub – Total	87,824,000.00	87,824,000.00	81,847,122.21	P5,976,877.79

Source of Funds	Appropriations	Allotment	Obligation Incurred	Unobligated Balance
2. Special Purpose Funds				
2.1. Miscellaneous Personnel Benefits Fund				
Personnel Services	P3,474,457.00	9,057,508.00	7,178,359.96	1,879,148.04
2.2. Pension and Gratuity Fund/Terminal Leave Benefits				
Personnel Services		116,915.00	116,913.82	1.18
Sub - Total	P3,474,457.00	P9,174,423.00	P7,295,273.78	P1,879,149.22
3. Automatic Appropriations				
Retirement and Life Insurance Premium				
Personnel Services	P4,592,000.00	5,054,469.00	4,656,719.09	397,749.91
Sub - Total	P4,592,000.00	P5,054,469.00	P4,656,719.09	P397,749.91
Grand Total	P95,890,457.00	P102,052,892.00	P93,799,115.08	P8,253,776.92

Also, PhilSCA has a total allotment of P125,653,420.84 from the approved budget on income utilization under the Special Trust Fund (STF), of which P112,429,981.27 was obligated and the difference of P13,223,439.57 remained unobligated as of December 31, 2015.

D. Scope of Audit

The audit covered the accounts and operations of PhilSCA and its campuses for the year ended December 31, 2015. 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 implementations of prior years' audit recommendations.

E. Auditor's Report on the Financial Statements

The auditor rendered a qualified opinion on the fairness of the presentation of the financial statements of PhilSCA for the year ended December 31, 2015 due to exceptions as stated in the Independent Auditor's Report and as discussed in Part II of this Annual Audit Report.

F. Summary of Significant Audit Observations and Recommendations

Among the significant observations with the corresponding recommendations, which are discussed in details in Part II of this report are:

1. The College implementation of the Expanded Students' Grant-in-Aid Program for Poverty Alleviation (ESGP-PA) left much to be desired as for school year (SY) 2014-2015, the scholars were reduced from 20 to eight, while at the end of the current SY 2015-2016 only 33 out of the 35 grantees remained at end of school year due to failed grades, late releases of funds and inability of PhilSCA to institute bridging program by providing remedial/mentoring program to cater to the special needs of the scholars required in the Joint Memorandum Circular No. 2014-1 dated February 3, 2014-Guidelines on the Implementation of the ESGP-PA. (Observation No. 1)

We recommended that Management:

- a. continuously monitor the academic performance of the Program grantees and conduct remedial and mentoring programs to cater to the special needs of the students-grantees;
 - b. coordinate with the DSWD, CHED, DBM and DOLE, the other key players/implementers of the Program to address the delay in the release of benefits, and other issues preventing the efficient and effective implementation of the program;
 - c. require the Accountant and the Scholarship Coordinator to have a database on scholarship to prevent occurrence of double charges from cash allocation, and revert back to BTr the excess cash allocation of ₱283,400.00; and
 - d. require the Budget Officer to be accurate in reporting of budgetary data.
2. The implementation of the Tulong Dunong Program incurred delays in the selection of scholars due to confusion on the actual allocation per legislator and absence of internal guidelines resulting to the non-utilization of the entire allotment of ₱324,000.00 as of December 31, 2015, hence depriving the scholars of the much needed financial assistance. (Observation No. 2)

We recommended that the Management initiate action to come up with its own internal policy to implement the Tulong Dunong Scholarship Program effectively and efficiently; and make representation with the Office of the Legislators to promptly submit their list of scholars.

3. The details of the approved Special Trust Fund (STF) budget of ₱125,653,420.84 as well as other required information were not indicated in both the Summary of Approved Budget, Utilizations, Disbursements and Balances (SABUDB) and Summary of Approved Budget, Utilizations, Disbursements and Balances by Object of Expenditures (SABUDBOE) for 2015 rendering these reports unreliable and preventing determination if the obligations incurred were within the amounts per class/object of expenditure. (Observation No. 3)

We recommended that Management correctly and completely provide data required in the SABUDB and SABUDBOE by including the detailed budget of each class/item of expenditure, UACS codes, among others, in compliance with the format and instructions in filling up these reports. Those pertaining to Fiduciary Fees and Other Fiduciary Fees should be separately shown in order to facilitate monitoring of their utilization.

4. PhilSCA failed to substantially discharge its research services function as shown by the low rate of 19 percent utilization of its budget of ₱6,832,834.83, non-completion of the five Board of Trustees approved proposals, failure to undertake the budgeted activities, and the Research Council not convening since last year, contrary to its mandated function and mission that could be a minus factor in the leveling of the College. (Observation No. 4)

We recommended and the Management agreed, to strengthen PhilSCA's research services thru the Research and Development Council and the Research Council, by assessing its research program strategy towards the effective and efficient implementation of the planned research programs/projects/activities and proposals. Prioritize the completion of the five approved research proposals if the outcome thereof will benefit PhilSCA and the aviation industry. Likewise, maximize the utilization of the budget as planned in accordance with existing rules and regulations.

The above audit observations and recommendations were discussed with agency officials in an exit conference conducted on April 20, 2016 and their comments were considered in the report, where appropriate.

G. Status of Implementation of Prior Years' Audit Recommendations

The status of implementation of prior years' audit recommendations embodied in the 2015 AAR of the PhilSCA is shown below, the details of which are discussed in Part III of this report.

Status	Number	Percentage
Fully Implemented	2	12
Partially Implemented	12	70
Not Implemented	3	18
Total	17	100