

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 then College operated per the Armed Forces of the Philippines (AFP) Regulations, Series of 168-342 issued by the AFP and approved by the Department of National Defense (DND) 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 (PD) No. 1078 converting Basa Air Base Community College into a full-fledged 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 known as the PhilSCA. Currently, the PhilSCA has four campuses located in Mactan, Cebu, in Floridablanca, Pampanga, in Lipa City, Batangas, and with the main campus, in Villamor, Pasay City.

The PhilSCA aims to provide professional and advanced technical and technological instructions and trainings in the fields of aeronautical sciences and general area of science and technology for the Philippine Air Force (PAF) and the airline industries.

The administration and management of the PhilSCA is vested in the Board of Trustees (BOT) as the governing body of the PhilSCA per Section Nos. 5 and 11 of RA No. 7605, composed as follows:

Name		Position/ Designation	Mother Unit/Agency
1	Dr. Marita R. Canapi	Chairperson	Commission on Higher Education (CHED)
2	Prof. Marwin M. Dela Cruz, Ph.D.	Vice-Chairperson	PhilSCA
3	Senator Francis Joseph G. Escudero	Member	Senate of the Philippines
4	Secretary Arsenio M. Balisacan	Member	National Economic and Development Authority
5	Congressman Marquez O. Go	Member	House of Representatives
6	Lt. Gen. Stephen P. Parreño	Member	Philippine Air Force

Name		Position/ Designation	Mother Unit/Agency
7	Maj. Gen. Ramon A. Ragasa, AFP, Ret.	Member	Private Sector Representative ¹
8	Brig. Gen. Isidoro T. Macaranas, AFP, Ret.	Member	Alumni Sector Representative
9	Asst. Prof. Ramsey S. Ferrer	Member	Faculty Representative
10	Ma. Lourdes Maureen M. Vela	Member	Student Trustee

As of December 31, 2023, the PhilSCA has 464 personnel assigned in the four (4) campuses, detailed as follows:

Particulars	Total	Villamor Campus	Fernando Campus	Mactan Campus	Basa Campus
<i>Status:</i>					
Permanent	207	126	28	25	28
Contractual	257	155	28	37	37
Total	464	281	56	62	65
<i>Workforce:</i>					
Academe	279	149	37	36	38
Part-timers	31	43	1	0	6
Admin and Support Staff	154	89	18	26	21
Total	464	281	56	62	65

B. Operational Highlights

During the Academic Years (AY) 2023-2024, a total of 6,990 students were enrolled at the VAB Campus and in its three other campuses, of which 81 belong to the graduate studies and 6,909 in the undergraduate schools. Further, the total number of graduates for AYs 2022-2023 totaled 3,002 individuals, presented as follows:

Number of Graduates	Total	Villamor Campus	Fernando Air Base Campus	Mactan Air Base Campus	Basa Air Base Campus
Undergraduate Studies	2,935	1,462	572	346	555
Graduate Studies	67	67	-	-	-
Total	3,002	1,529	572	346	555

¹ As of December 31, 2022, the second position for a Private Sector Representative is vacant.

The reported plans/targets vis-à-vis its accomplishments for CY 2023 are as follows:

Major Final Outputs (MFOs) and Performance Indicators	Targets	Accomplishments	
		Actual	Percentage
MFO 1- Higher Education Program			
Outcome Indicators: 1. Percentage of first-time licensure exam-takers that pass the licensure exams	70%	84.45%	114.93
2. Percentage of graduates (two years prior) that are employed	30%	46.86%	156.20
Output Indicators: 1. Percentage of undergraduate student population enrolled in CHED-identified and RDC-identified priority programs	80%	91.44%	114.30
2. Percentage of undergraduate programs with accreditation	70%	87.50%	125.00

C. Financial Highlights

For CY 2023, the PhilSCA has total adjusted appropriations of P548,826,882.00 consisting of current year budget of P531,008,000.00 as provided for in the General Appropriations Act (GAA) for Fiscal Year (FY) 2023 or RA No. 11936 and Automatic Appropriations of P12,294,974.00 for Retirement and Life Insurance Premiums (RLIP). Total allotments received from the Department of Budget and Management (DBM) for the year amounted to P498,170,997.16, including funds from Continuing Appropriations of which P495,191,853.39 was obligated, thereby leaving an unobligated balance of P2,979,143.77, detailed as follows:

Source of Funds	Appropriation	Allotments	Obligations	Unobligated Balance
(Amount in Php)				
Current Year's Appropriations (GAA FY 2023)				
1. Agency Specific Budget				
Personnel Services	146,704,120.00	131,293,768.00	129,475,059.06	1,818,708.94
Maintenance and Other Operating Expenses	359,303,880.00	226,375,650.00	226,350,855.83	24,794.17
Capital Outlays	25,000,000.00	25,000,000.00	24,995,000.00	5,000.00
Sub-total	531,008,000.00	382,669,418.00	380,820,914.89	1,848,503.11
2. Automatic Appropriation				
Retirement and Life Insurance Premiums	12,294,974.00	12,294,974.00	11,825,499.74	469,474.26
Sub-total	12,294,974.00	12,294,974.00	11,825,499.74	469,474.26
3. Special Purpose Fund				

Source of Funds	Appropriation	Allotments	Obligations	Unobligated Balance
	(Amount in Php)			
Miscellaneous Personnel Benefits Fund	5,523,908.00	5,523,908.00	5,044,842.76	479,065.24
Sub-total	5,523,908.00	5,523,908.00	5,044,842.76	479,065.24
Total	548,826,882.00	400,488,300.00	397,691,257.39	2,797,042.61
Prior Year's Appropriations (GAA FY 2022)				
4. Agency Specific Budget				
Maintenance and Other Operating Expenses	203,237,327.16	97,682,697.16	97,500,596.00	182,101.16
Capital Outlays	7,000,000.00	0.00	0.00	0.00
Sub-total	210,237,327.16	97,682,697.16	97,500,596.00	182,101.16
Grand Total	759,064,209.16	498,170,997.16	495,191,853.39	2,979,143.77

In addition, the PhilSCA has a total allotment of P321,343,900.00 from the approved budget for Special Trust Fund (STF), of which P185,408,409.60 or 57.70 percent was utilized, leaving an unutilized balance of P135,935,490.40, summarized as follows:

Classification	Budget	Obligation	Unobligated Balance
	(Amount in Php)		
PS	16,549,000.00	13,990,872.65	2,558,127.35
MOOE	242,460,700.00	142,884,151.07	99,576,548.93
CO	62,334,200.00	28,533,385.88	33,800,814.12
Total	321,343,900.00	185,408,409.60	135,935,490.40

The PhilSCA's financial position and financial performance for CY 2023, with comparative restated figures for CY 2022, are presented hereunder:

Particulars	2023	2022 (Restated)
	(Amount in Php)	
Financial Position		
Assets	1,539,895,863.33	1,433,038,327.86
Liabilities	73,511,700.20	59,709,934.98
Equity	1,463,907,270.83	1,364,961,848.53
Financial Performance		
Revenue	299,090,931.64	153,523,810.30
Current Operating Expenses	681,279,351.45	444,919,702.93
Deficit from Current Operations	(382,188,419.81)	(291,395,892.63)
Net Financial Assistance/Subsidy	481,856,820.94	311,156,342.28
Surplus for the period	99,668,401.13	19,760,449.65

The significant increase in revenue in CY 2023 was due to collection from DBM for the Free Higher Education (FHE) Subsidy budget downloaded to the Regular Agency Fund (F01) representing billing made for the enrolled qualified students. The amount is being transferred to Internally Generated Funds (F05) for use in the College operations.

D. Scope of Audit

The audit covered the review of the accounts and operations of the PhilSCA and its Campuses for the year ended December 31, 2023, in accordance with International Standards of Supreme Audit Institutions (ISSAIs). The audit was conducted to: a) ascertain the level of assurance that may be placed on Management's assertions on the financial statements (FSs); b) determine the propriety of transactions as well as the extent of compliance with applicable laws, rules and regulations; and c) determine the extent of implementation of prior years' audit recommendations.

E. Independent Auditor's Report

The Auditor rendered an unmodified opinion on the fairness of the presentation of the financial statements of the PhilSCA for CY 2023.

F. Significant Observations and Recommendations

The following are the other significant audit observations and corresponding recommendations, which were discussed with Management officials concerned through the issuance of Audit Observation Memoranda (AOMs), and discussed during the Exit Conference held on April 25, 2024, details of which are further discussed in Part II of this report. Management views and comments were incorporated in the report, where appropriate.

1. The accounting deficiencies, non-implementation of controls required under existing regulations and prescribed accounting standards in the reconciliation and validation of account balances of four (4) accounts totaling P1,516,827,742.79 affected the reliability and accuracy of the account balances as at yearend. (*Observation 2*)

We recommended and Management agreed to:

Lapses in cash management resulting in a) unreconciled amounts between the balances per bank and per book - P2,526,678.52; and b.) non-preparation and non-maintenance of separate SLs for the STF and Payroll fund accounts

- a) **Reconcile the net difference of P 2,526,678.52 between the balances of per book and per bank and henceforth, prepare and submit the BRSs for LBP Account No. 3562-1003-25; and**
- b) **Maintain separate SLs for the STF and Payroll Fund accounts to keep track of the movement of the respective account balances, otherwise, cause the suspension of payment of salaries of the concerned personnel.**

Unreliable yearend balance of Inventory Accounts due to: a) improper recording of receipt, inspection, acceptance and issuance of inventory items resulting in an unaccounted difference - P6,054,364.25; b) non-submission of RPCI and RPCSP; c.) moving balances of Inventory accounts; and d) non-maintenance of the forms, registries and reports.

- a) Reconcile the noted difference amounting to P6,054,364.25;**
- b) Properly prepare and maintain the RSMI by including all inventory accounts;**
- c) Henceforth, strictly comply with the procedures in the receipt, inspection, acceptance and issuance of inventory items as prescribed in Section 15 of the GAM for NGAs;**
- d) Fast track the preparation and submit the RPCI for 2023 and henceforth, prepare and submit the RPCI/ RPCSP not later than July 31 and January 31 of each year;**
- e) Validate the existence and consequent issuances, if any, of the inventories; and**
- f) Prepare and maintain the required forms, reports and registries in compliance with pertinent provisions of COA Circular No. 2022-004 dated May 31, 2022.**

Lapses in PPE management which resulted in: a) discrepancies in the balances between the FS and the PPELC and between the FS and the RPCPPE amounting to P6,786,703.75 and P16,161,753.07; b) non-maintenance of Property Cards (PC); and c) noncompliance with COA Circular No. 2020-006 dated January 31, 2020, on the one-time cleansing of PPE accounts.

- a) Require the Accounting Department to reconcile the discrepancies noted between the PPE account balances per FS and PPELC;**
- b) Require the Accounting Department and the Supply Office to reconcile the discrepancies noted between the PPE account balances per FS and RPCPPE;**
- c) Require the Supply Office to prepare and maintain the PCs and submit copies of the same to this Office, otherwise, suspend the payment of salaries of the personnel concerned until the latter shall have complied as provided in Section 122(2) of Presidential Decree No. 1445; and**
- d) Comply with the guidelines for the one-time cleansing of PPE account balances as provided under COA Circular No. 2020-006 dated January 31, 2020 to fully eliminate discrepancies between the accounting and property record.**

Unaccounted prior year (PY) balances and unremitted taxes withheld and /GSIS/PhilHealth/HDMF premiums for CY 2023

Through the Accounting Unit to analyze and reconcile the PY unaccounted balances of P2,058,644.72 and effect the necessary adjustment and/or remittance whichever is appropriate; and prepare and maintain the SL to closely monitor and ensure that taxes and premiums withheld are fully remitted within the prescribed period pursuant to BIR, GSIS, Pag-IBIG and PhilHealth regulations.

2. Of the total approved budget for Special Trust Fund (STF) amounting to P321,343,900.00, the amount of P185,408,409.60 or 57.70 percent thereof was utilized by the PhilSCA, leaving an unutilized budget of P135,935,490.40 or 42.30 percent which can be attributed to overbudgeting and non-implementation of programs, activities and projects (PAPs) within the budget year. (*Observation 4*)

We reiterate our prior years' recommendations and Management agreed to:

- a) **prepare a more realistic budget by considering the needs and capability of the PhilSCA to disburse the same; and**
 - b) **instruct the Budget Office to maintain a separate RBUD by MFO or PPAs for MOOE.**
3. The overall compliance rate of the PhilSCA with Sections 37 and 38 of RA No. 9184 and its RIRR is 48.33 percent. Further, various deficiencies were noted in the review of contracts such as: (a) delay in the approval of the ten (10) contracts by the Head of the Procuring Entity (HoPE) ranging from 11 to 97 days; (b) delay in the awarding of six (6) contracts ranging from 13 to 72 days; (c) excess in the determination of the bid validity period of two (2) contracts ranging from 25 to 26 days; (d) insufficient b.)performance securities posted for two (2) contracts as to amount and validity period, two (2) contracts as to amount and three (3) contracts as to validity period; and (e) delay of fifteen (15) days in the issuance of the Notice to Proceed (NtP) for one (1) contract. (*Observation 5*).

We recommended and Management agreed that the Procuring Entity in coordination with the BAC strictly comply with the procurement timelines prescribed in Sections 37 and 38 of RA No. 9184 and its RIRR;

Further, we recommended and Management agreed that the Procuring Entity discuss the herein issues and concerns on the delay in the procurement process with the governing board and propose measures to expedite its action on the phases of procurement that needs board approval.

4. The PhilSCA did not fully comply with the updated rules and regulations governing Contract of Service (COS) and Job Order (JO) workers in the government, such as:
 - a) COS workers performed functions that are part of the job description of the

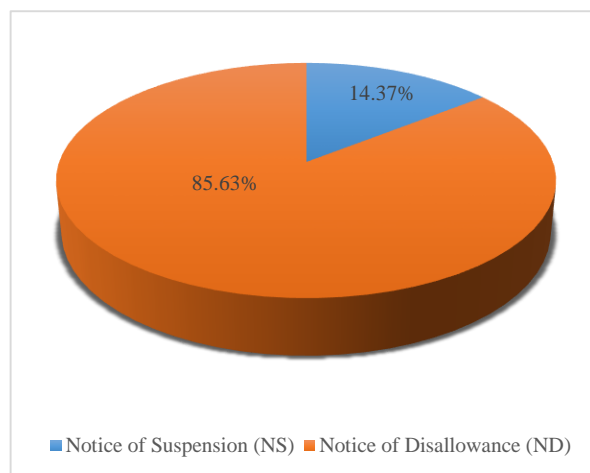
agency's existing regular employees; and b) paid wages were not equivalent to the wage/salary of comparable positions in government, contrary to pertinent provisions of COA-DBM Joint Circular No. 2, s. 2020. (*Observation 6*).

We recommended and Management agreed to strictly adhere to:

- a) **Section 7.3 of COA-DBM Joint Circular No. 2, s. 2020 and ensure that no overlapping of functions exists between its regular employees and COS workers; and**
- b) **Section 11.5 of the COA-DBM Joint Circular No. 2, s. 2020 and ensures that COS workers shall be paid wages equivalent to the daily wage/ salary of comparable positions in government.**

G. Summary of Total Suspensions, Disallowances and Charges

As at December 31, 2023, the PhilSCA has unsettled suspensions and disallowances of P5,067,410.70 and P30,200,531.26, respectively, due to Management's failure to enforce settlement from the persons held liable contrary to pertinent provisions of COA Circular No. 2009-006 which prescribes the use of the 2009 Rules and Regulations on Settlement of Accounts (RRSA). Details of the status of the audit suspensions, disallowances and charges are presented in Part II of this Report.



H. Status of Implementation of Prior Years' Audit Recommendations

Of the 85 prior year's audit recommendations, 29 were reiterated/restated in Part II of this Report, while 14 were closed². Of the remaining 42 recommendations, 37 were implemented while 5 were not implemented as at audit date, details of which are discussed in Part III of this Report.

² Closed recommendations pertain to: a) recommendations that can no longer be implemented as they were already overtaken by events; or b) recommendations that were already issued with Notice of Disallowance/Suspensions.