

PART II – OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL AUDIT

Accounting Errors and Improper Accounting Treatment of Transactions

1. **There are no material misstatements in the financial statement of the Philippine State College of Aeronautics (PhilSCA) as of December 31, 2023. Accounting errors and improper accounting treatment of transactions found in the audit that are considered departures from the International Public Sector Accounting Standards (IPSAS) totaling P36,186,666.69 as summarized in Annex A have been adjusted in the books of accounts of the PhilSCA.**

Accounting Deficiencies Affecting the Reliability of Account Balances

2. **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.**
 - 2.1. The FSs shall present fairly the financial position, financial performance, and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue, and expenses set out in IPSAS.¹
 - 2.2. Section 6 (e) Chapter 19, of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I on the Qualitative Characteristics of Financial Reporting states that an entity shall present information including accounting policies in a manner that meets reliable information which is free from material error and bias, and can be depended on by users to represent faithfully that which it purports to represent or could reasonably be expected to represent.
 - 2.3. Audit disclosed that there were accounting deficiencies in four (4) financial accounts with an aggregate amount of P1,516,827,742.79, which requires further analysis, reconciliation, physical count/verification, coordination, and future corrective actions as these have possible effects on the accuracy and reliability of the reported account balances of the Agency's FSs, summarized in Table 1:

¹ Section 15, Chapter 2 of the GAM for NGAs, Volume I

Table 1 – Summary of Accounting Deficiencies

Account	Balance as at December 31, 2023 (in PhP)	Particulars
1. Cash and Cash Equivalents	618,949,059.03	a) unreconciled amounts between the balances per bank and per book due to nonpreparation and nonsubmission of BRS - P2,526,678.52; and b) non-preparation and non-maintenance of separate SLs for the STF and Payroll fund accounts.
2. Inventories	15,382,194.94	c) improper recording of receipt, inspection, acceptance, and issuance of inventory items resulting in an unaccounted difference - P6,054,364.25; d) non-submission of RPCI/ RPCSP; e) nonmoving balances of Inventory accounts; and f) non-maintenance of the forms, registries, and reports
3. PPE (net of Accumulated Depreciation and Impairment Loss)	825,663,046.88	g) 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, respectively; h) non-maintenance of Property Cards (PC); and i) noncompliance with COA Circular No. 2020-006 dated January 31, 2020, on the one-time cleansing of PPE accounts
4. Inter-Agency Payables	56,833,441.94	j) unaccounted prior year (PY) balances and unremitted taxes withheld and GSIS/PhilHealth/ HDMF premiums for CY 2023
Total	1,516,827,742.79	

CASH AND CASH EQUIVALENTS

- 2.4. The reliability of the reported Cash in Bank – Local Currency, Current Account (LCCA) account balance amounting to P618,341,559.88 as of December 31, 2023, pertaining to the Special Trust Fund and Payroll Fund could not be ascertained due to various lapses in cash management, detailed as follows:

a) Unreconciled amounts between the balances per bank and per book - P2,526,678.52;

- 2.5. Section 74 of PD No. 1445 provides that the head of the agency shall see to it that a reconciliation is made between the balance shown in the reports and the balance found in the books of the agency.

- 2.6. Confirmation of the Cash in Bank accounts of the PhilSCA with the LBP-VAB Branch in Pasay City as of December 31, 2023, disclosed an unreconciled difference amounting to P2,526,678.52 between the FS and bank statement balances.

Bank Accounts		Balances		Difference
Account Name	Account Number	Per Book	Per Bank	
		(PhP)		
Current Account (CA)	3562-1003-25	617,234,084.30	619,760,762.82	(2,526,678.52)
Total		617,381,444.41	619,760,762.82	(2,526,678.52)

- 2.7. The correct balance of the CiB - LCCA account cannot be ascertained due to the non-preparation and non-submission of the monthly Bank Reconciliation Statements (BRS) for the LBP Account No. 3562-1003-25 which comprises 99.98 percent of the total reported yearend balance of CiB – LCCA.

b) Non-preparation and non-maintenance of separate SLs for the STF and Payroll fund accounts;

- 2.8. Sound internal control requires prompt and correct recording and reporting of transactions to ensure that financial information is reliable, accurate, and reported within the given accounting period. Likewise, to strengthen internal control, the maintenance of a Subsidiary Ledger (SL) is a requirement to check the accuracy of the controlling asset account in the General Ledger (GL).
- 2.9. Despite the prior year's audit recommendation to keep SLs for all real accounts, including CiB accounts, the Accounting Office still failed to prepare and maintain separate SLs for the STF and Payroll Fund accounts.

2.10. **We recommended and the Management agreed to:**

- a) reconcile the net difference of P2,526,678.52 between the balances per book and per bank 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.**

INVENTORIES

2.11. The accuracy, completeness, and existence of the recorded Inventories as of December 31, 2023, amounting to P15,382,194.94 is unreliable due to various control deficiencies in the recording of transactions. Details are as follows:

- c) Improper recording of receipt, inspection, acceptance, and issuance of inventory items - P6,054,364.25;*

2.12. IPSAS 12 prescribes the accounting treatment for inventories. Further, it provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value and on cost formulas that are used to assign costs to inventories.

2.13. Accordingly, Chapter 8 of the GAM for NGAs, Volume I, covers the definition, recognition, measurement, cost formulas to be used, and related disclosure requirements. It includes specific guidelines and procedures on the acquisition, issue, disposal, and impairment of inventory and defines the benchmark for those tangible items not enough to be considered as Property, Plant and Equipment.

2.14. Moreover, Section 15 provides the procedures for the receipt, inspection, acceptance, and recording of deliveries of inventory items.

- 2.15. Recomputation of the carrying amount of the Inventory account per submitted reports and documents disclosed a difference amounting to P6,054,364.25, detailed as follows:

Balance, 01.01. 2023 ²			P 7,808,892.13
Add:	Purchases ³	29,135,396.16	
Less:	Issuances ⁴	<u>15,507,729.10</u>	<u>13,627,667.06</u>
Recomputed Balance, 12.31.23			21,436,559.19
Balance per books, 12.31.23			<u>15,382,194.94</u>
Difference			<u>P 6,054,364.25</u>

- 2.16. An inquiry from the Accounting Office revealed that the PhilSCA does not properly comply with the procedures for the receipt, inspection, acceptance, and issuance of inventory items⁵.
- 2.17. As explained, the Supply Office forwards the copies of the Inspection and Acceptance Report (IAR), Purchase Order, and Delivery Receipt with the attached Requisition Issue Slip (RIS)/Inventory Custodian Slip (ICS) to the Accounting Office only when payment to the supplier is already being requested. The Supply Officer further commented that the said practice contributed to the Accounting Office's mistake of charging directly to the appropriate expense accounts and, consequently, not recognizing the received/accepted inventory and setting up of payables in the books of account.
- 2.18. Further review revealed that the Report on Supplies and Materials Issued (RSMI) prepared by the Supply Office only consists of three (3) Inventory accounts, namely: Office Supplies, Fuel, Oil and Lubricants and Other Supplies and Materials Inventories.
- 2.19. Moreover, a comparison of the obtained RSMI and book balances disclosed an unreconciled difference of P1,753,467.28, detailed as follows:

Table 2 - Difference Between RSMI and FSs Balances as of December 31, 2023

Particulars	Office Supplies	Fuel, Oil and Lubricants Inventory	Other Supplies and Materials		Total
			Construction Materials	Aircraft Consumables	
	(In Php)				
Balance, 1.01.23	510,106.16	119,220.00	571,823.09	156,408.60	1,357,557.85
Purchases / Delivery	3,612,454.30	311,280.00	18,171.00	-	3,941,905.30

² Per Submitted Comparative Detailed Statement of Financial Position as at December 31, 2023

³ Per Submitted Statement of Cash Flows for the Year Ended December 31, 2023

⁴ Per Submitted Comparative Detailed Statement of Financial Performance for the Year Ended December 31, 2023

⁵ Section 15 of the GAM for NGAS, Volume 1

Particulars	Office Supplies	Fuel, Oil and Lubricants Inventory	Other Supplies and Materials		Total
			Construction Materials	Aircraft Consumables	
	(In Php)				
Issuance	3,573,122.28	213,200.00	589,994.09	156,408.60	4,532,724.97
Ending Balance, 12.31.23 per RSMI	549,438.18	217,300.00	-	-	766,738.18
Balance per books, 12.31.23	1,860,259.56	430,500.00	229,445.90		2,520,205.46
Unreconciled Difference	(1,310,821.38)	(213,200.00)	(229,445.90)		(1,753,467.28)

2.20. Inquiry revealed that not all purchased inventories are validated by the Supply Office. Furthermore, the Supply Officer commented that the Supply Office does not have adequate manpower to monitor all incoming and outgoing inventories especially those procured through cash advances.

2.21. **We recommended and the Management agreed, through the Accounting Office and/or the Supply Office, to:**

- a) **reconcile the noted difference amounting to P6,054,364.25;**
- b) **properly prepare and maintain the RSMI by including all inventory accounts; and**
- 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) Non-Submission of Report on Physical Count of Inventory (RPCI) and Report on Physical Count of Semi-expendable Properties (RPCSP);

2.22. Paragraph 3 of Section 13 necessitates the conduct of the physical count/inventory semi-annually to check the integrity of property custodianship.

2.23. Conduct of physical count of Inventory is essential to verify the accuracy and reconciliation of the records maintained by the Accounting and Supply Offices; validate the existence of the reported inventories; detect possible losses and establish the integrity of property custodianship. Failure to submit RPCI/ RPCSP casts doubts as to the correctness and existence of the Inventories recorded in the College's books of accounts and exposes the inventories to possible risk of losses without early detection and recovery.

2.24. An inquiry with the Supply Officer disclosed that a physical count of inventories was conducted together with the physical count of PPEs for CY 2023. However, the required report for the physical count of inventories has not been submitted. According to the Supply Officer, the RPCI for the Villamor Campus has been signed and completed but the RPCI of the remaining three (3) campuses of the PhilSCA is still on-going. Moreover, the Accounting and

the Supply Office did not conduct periodic reconciliation of the Supplies Ledger Card (SLC) and Stock Card (SC) to identify any discrepancies.

- 2.25. **We recommended and the Management agreed, through the Accounting and Supply Office, to 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) Non-moving balances of Inventory accounts;

- 2.26. A review of the current and previous years' Statements of Financial Position disclosed that, aside from the current year transactions, the following inventory accounts were observed to be non-moving, with details below:

Table 3 - List of Non-Moving Balances of Inventory Accounts

Account Title	Balances				
	2023	2022	2021	2020	2019
Office Supplies Inventory	1,860,259.56	1,062,459.75	1,062,459.75	-	-
Medical, Dental and Laboratory Supplies Inventory	168,981.00	168,981.00	132,800.00	132,800.00	-
Textbooks and Instructional Materials Inventory	481,595.00	481,595.00	481,595.00	481,595.00	60,000.00
Other Supplies and Materials Inventory	229,445.90	191,485.00	129,250.00	129,250.00	-
Total	2,740,281.46	1,904,520.75	1,806,104.75	743,645.00	60,000.00

- 2.27. **We reiterate our prior year's recommendation and the Management agreed to validate the existence and consequent issuances, if any of the inventories.**

f) Non-maintenance of the forms, registries, and reports;

- 2.28. Further, Section 17 prescribes the preparation and/or maintenance of the following records, forms, and reports, to wit:

- a) Stock Card (SC) (*Appendix 58*);
- b) **Supplies Ledger Card (SLC)** (*Appendix 57*) – shall be used to record materials received, issued, and the balance both in quantity and amount at any time. It shall be maintained by the Accounting Division/Unit for each kind of supplies and materials. The IAR, RIS, RSMI, PO, and DR serve as the original sources for making entries on the card.
- c) Requisition and Issue Slip (RIS) (*Appendix 63*);
- d) Purchase Request (PR) (*Appendix 60*);
- e) Purchase Order (PO) (*Appendix 61*);
- f) **Report of Supplies and Materials Issued (RSMI)** (*Appendix 64*) – shall be prepared by the Property and/or Supply Custodian based on the RIS and shall be used by the Accounting Division/Unit as basis in preparing the JEV to record the supplies and materials issued.
- g) Waste Materials Report (WMR) (*Appendix 65*);

- h) **Report on Physical Count of Inventories (RPCI)** (*Appendix 66*) – shall be used to report the physical count of supplies by type of inventory as of a given date. It shows the balance of the inventory items per stock cards and per count and shortage/overage, if any;
- i) **Inspection and Acceptance Report (IAR)** (*Appendix 62*);
- j) **Report of Accountability for Accountable Forms (RAAF)** (*Appendix 67*); and
- k) **Inventory Custodian Slip (ICS)** (*Appendix 59*).

2.29. Further, the *Instructions* in the accomplishment of the SLC provide that the SLCs and controlling accounts shall be reconciled with the semestral physical inventory of supplies, and any discrepancy/ies shall be immediately verified and adjusted. It shall also be reconciled with SLCs maintained by the Accounting Unit.

2.30. Lastly, the COA Circular 2022-004 dated May 31, 2022, requires the following forms in the issuance of semi-expendable properties, to wit:

4.7.3. Annex A.3. Inventory Custodian Slip (ICS) - This form is used by the Property and/or Supply Division /Unit to issue tangible items amounting to less than P50,000 to end-users to establish accountability over them.

4.7.7. Annex A.7. Report of Semi-Expendable Property Issued (RSPI) - Prepared by the Supply and/or Property Division/Unit to report/summarize all issued semi expendable property (by semi-expendable property number) at least weekly and shall be used by the Accounting Division/Unit as basis in preparing the journal entry voucher to recognize the semi expendable property issued.

4.7.8. Annex A.8. Report on Physical Count of Semi-Expendable Property (RPCSP) – This form shall be used to report the physical count of semi expendable property, which are owned by the agency, by type of property still at the custody of the Property and/or Supply Division/Unit as at a given date. It shall be prepared annually and by fund by the Inventory Committee.

2.31. Despite numerous prior years’ audit recommendations, the PhilSCA still failed to prepare and maintain the forms, registries, and reports prescribed in COA Circular No. 2022-004, listed as follows:

Prescribed Forms, Registry, and Reports	Provisions
Stock Ledger Card (SLC)	The SLC is a form used in the Accounting Division/Unit for each type of supply to record all receipts and issues made. It shall be maintained by the fund cluster.
Stock Card (SC)	The SC is a form used in the Supply and/or Property Division/Unit for each type of supply to record all receipts and issues made. It shall be maintained by fund cluster.

Prescribed Forms, Registry, and Reports	Provisions
Semi-Expendable Property Card (SPC)	4.7.1. Maintained in the Supply and/or Property Division/Unit for each class of semi-expendable property to record promptly the acquisition (based on IAR and other supporting documents), issue/transfer/disposal and the description/ information about the asset.
Semi-Expendable Property Ledger Card (SPLC)	4.7.2. This form shall be kept in the Accounting Division/Unit to record promptly the acquisition, depreciation, custody, impairment, issue/transfer/ disposal, repair history, and other information about the property.
Registry of Semi-Expendable Property Issued (RegSPI)	4.7.4. Maintained in the Supply and/or Property Division/Unit for each class of issued semi-expendable property. The Supply and/or Property Division Custodian shall record promptly the issue, return, reissue, disposal, and other information about the property if returned and the description/information about the asset. It shall be maintained by fund.
Report of Semi- Expendable Property Issued (RSPI)	4.7.7. Prepared by the Supply and/or Property Division/Unit to report/summarize all issued semi-expendable property (by semi-expendable property number) at least weekly and shall be used by the Accounting Division/Unit as basis in preparing the journal entry voucher to recognize the semi-expendable property issued.
Report on the Physical Count of Semi-Expendable Property (RPCSP)	Used to report the physical count of semi-expendable property, which are owned by the agency, by type of property still at the custody of the Property and/or Supply Division/Unit as at a given date. It shall be prepared annually and by fund by the Inventory Committee.

- 2.32. The non-preparation and/or non-maintenance of the above forms, registry, and reports are not in keeping with the requirements set forth in the aforementioned COA Circular which manifests the PhilSCA's noncommitment in ensuring the integrity of inventory custodianship.
- 2.33. **We reiterate our prior year's recommendation and the Management agreed to prepare and maintain the required forms, reports, and registries in compliance with pertinent provisions of COA Circular No. 2022-004 dated May 31, 2022.**

PROPERTY, PLANT AND EQUIPMENT

- 2.34. IPSAS 17 prescribes the accounting treatment for PPE so that users of the FSs can discern information about an entity's investment in its PPE and the changes in such investment. The principal issues in accounting for PPE are: a) the recognition of assets; b) the determination of the carrying amounts; and c) the depreciation charges and impairment losses to be recognized in relation to them.
- 2.35. Accordingly, Chapter 10 of the GAM for NGAs, Volume I, covers the accounting for PPE which includes land, land improvements, buildings and other structures, machinery and equipment, transportation equipment, furniture, fixtures and books, leasehold improvements, and other PPE including specialist military equipment, infrastructure assets, and heritage assets. It also covers accounting treatment, recognition, measurement, and derecognition to ensure that all PPEs are properly valued and recorded, and the disclosure requirements in reporting PPE.
- 2.36. Validation of the submitted FSs disclosed a carrying amount of P825,663,046.88 for PPE representing 53.62 percent of its total assets amounting to P 1,539,895,863.33, detailed as follows:

Table 4- PhilSCA's reported PPE as of December 31, 2023

Account Title	Cost	Accumulated Depreciation	Accumulated Impairment Losses	Carrying Amount
Land	269,186,990.00	-	-	269,186,990.00
Power Supply System	63,840.00	39,421.20	-	24,418.80
Communication Network	5,800,000.00	1,790,750.00	-	4,009,250.00
Buildings	35,070,994.80	1,850,758.81	-	33,220,235.99
School Buildings	402,008,030.30	108,908,430.01	212,020.00	292,887,580.29
Other Structures	85,648,687.03	29,432,948.13	-	56,215,738.90
Other Land Improvements	522,434.50	223,774.40	-	298,660.10
Office Equipment	10,154,736.62	8,570,792.18	-	1,583,944.44
Information and Communications Technology (ICT) Equipment	24,857,320.30	14,201,970.68	-	10,655,349.62
Communications Equipment	1,025,960.00	914,631.35	-	111,328.65
Disaster Response and Rescue Equipment	292,800.00	278,160.00	-	14,640.00
Medical Equipment	336,000.00	319,200.00	-	16,800.00
Sports Equipment	443,677.15	259,646.00	-	184,031.15
Technical & Scientific Equipment	92,804,250.91	29,784,093.74	-	63,020,157.17
Aircrafts and Aircrafts Ground Equipment	15,884,781.45	12,671,167.23	-	3,213,614.22
Other Equipment	4,061,515.00	2,917,323.74	-	1,144,191.26

Account Title	Cost	Accumulated Depreciation	Accumulated Impairment Losses	Carrying Amount
Motor Vehicles	19,079,560.00	11,220,786.57	-	7,858,773.43
Furnitures and Fixtures	2,656,800.00	908,907.75	-	1,747,892.25
Books	1,382,255.00	1,118,456.15	-	263,798.85
Other Property Plant and Equipment	384,250.00	345,825.00	-	38,425.00
Construction-in-Progress (CIP) – School and Other Buildings	79,967,226.76		-	79,967,226.76
Total	1,051,632,109.82	225,757,042.93	212,020.00	825,663,046.88

2.37. Audit of PPE accounts disclosed several accounting deficiencies that require further analysis, reconciliation, physical count/verification, coordination, and future corrective actions. These deficiencies, if not corrected and/or properly addressed, will continuously affect the reliability, accuracy, completeness, and valuation of the reported PPE account balances in the FSs.

g) 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, respectively;

2.38. Section 42 of the same Chapter provides the accounting and property records to be maintained for PPE, to wit:

- a. Purchase Request;
- b. Purchase Order;
- c. Inspection and Acceptance Report;
- d. **Property Card (Appendix 70)** – this card shall be used by the Supply and/or Property Division/Unit to record the description, acquisition, transfer, disposal, and other information about the PPE. It shall be kept for each class of PPE.
- e. **Property, Plant and Equipment Ledger Card (Appendix 71)** – this card shall be used for each class of PPE to record the acquisition, description, custody, estimated life, depreciation, impairment, disposal, transfer/adjustment, repair history and other information about the property. It shall be kept and maintained by the Accounting Office/Unit.
- f. Property Acknowledgement Receipt;
- g. **Report on the Physical Count of Property, Plant and Equipment (Appendix 73)** – this form shall be used to report the physical count and condition of PPE by type as at a given date, including those which are unrecorded and those which could not be accounted for. It shows the balance of PPE per property cards and per count and the shortage/overage, if any. It shall be rendered by the Inventory Committee, on its yearly physical count of properties owned by the entity. Inventory and Inspection Report for Unserviceable Property;
- h. Report of Lost, Stolen, Damaged or Destroyed Property; and
- i. Property Transfer Report.

- 2.39. Further, the same Section provides the responsibility of the Chief Accountant to maintain the PPELC for each category of PPE including work and other animals, livestock etc. The PPELC shall be kept to record promptly the acquisition, description, custody, estimated useful life, depreciation, impairment loss, disposal, and other information about the asset. For check and balance, the Property and Supply Office/Unit shall likewise maintain PC for PPE in their custody to account for the receipt and disposition of the same. The balance per PC shall be reconciled with PPELC maintained by the Accounting Division/Unit. They shall also be reconciled with other property records like PAR.
- 2.40. Moreover, the *Instructions*⁶ in the accomplishment of the PPELC and the PC provides that the physical inventory of the PPE shall be reconciled with the PPELC and the control accounts and with the PC every year and any discrepancies shall be immediately verified and adjusted.
- 2.41. A comparison of the PPE account balances between the FS and the submitted PPELC disclosed a total discrepancy of P6,786,703.75, detailed as follows:

Table 5 - Discrepancies Between the FS and PPELC Balances

Particular	Balance		Variance
	Per FS	Per PPELC	
	(In Php)		
Office Equipment	10,154,736.62	11,040,976.62	(886,240.00)
Technical & Scientific Equipment	92,804,250.91	85,131,307.16	7,672,943.75
Total	102,958,987.53	96,172,283.78	6,786,703.75

- 2.42. On the other hand, a comparison of the balances between the FS and the submitted RPCPPE showed a discrepancy of P16,161,753.07, detailed as follows:

Table 6 - Discrepancies Between the FS and RPCPPE Balances

Particular	Balance		Variance
	Per FS	Per RPCPPE	
Other Structures	85,648,687.03	91,348,687.03	(5,700,000.00)
Other Land Improvements	522,434.50	522,434.50	-
Office Equipment	10,154,736.62	3,319,790.00	6,834,946.62
Information and Communications Technology (ICT) Equipment	24,857,320.30	17,277,358.00	7,579,962.30
Communications Equipment	1,025,960.00	492,660.00	533,300.00
Sports Equipment	443,677.15	248,580.00	195,097.15
Technical & Scientific Equipment	92,804,250.91	87,160,308.91	5,643,942.00
Aircrafts and Aircrafts Ground Equipment	15,884,781.45	15,829,581.45	55,200.00
Other Equipment	4,061,515.00	3,835,259.00	226,256.00

⁶ GAM for NGAS, Volume II

Particular	Balance		Variance
	Per FS	Per RPCPPE	
Motor Vehicles	19,079,560.00	19,079,560.00	0.00
Furnitures and Fixtures	2,656,800.00	2,294,721.00	362,079.00
Books	1,382,255.00	1,335,535.00	46,720.00
Other Property Plant and Equipment	384,250.00	-	384,250.00
Total	258,906,227.96	242,744,474.89	16,161,753.07

2.43. **We recommended and the Management agreed to require the Accounting Department to reconcile the discrepancies noted between the PPE account balances per FS and PPELC.**

2.44. **Further, we recommended and the Management agreed to require the Accounting Department and the Supply Office to reconcile the discrepancies noted between the PPE account balances per FS and RPCPPE.**

h) Non-maintenance of Property Cards (PC);

2.45. Despite the prior year's audit recommendation, the Supply Office has not complied with the submission of the PCs to the Audit Team.

2.46. **We reiterate our recommendation and the Management agreed to 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 has complied as provided in Section 122(2) of Presidential Decree No. 1445.**

i) Noncompliance with COA Circular No. 2020-006 dated January 31, 2020, on the one-time cleansing of PPE accounts;

2.47. The COA, to aid government agencies in coming up with accurate and reliable PPE account balances, issued COA Circular No. 2020-006 dated January 31, 2020, which provides the guidelines and procedures for the conduct of physical count of PPE, recognition of PPE items found at the station, and disposition for non-existing/missing PPE items, for the one-time Cleansing of PPE Account balances of Government Agencies.

2.48. Evaluation of the PhilSCA's compliance with the aforementioned Circular resulted in the following observations:

Table 7 - Compliance with COA Circular No. 2020-006

Steps Required	Status/Remarks
A. Conduct of inventory taking	RPCPPE for CY 2023 was submitted on February 02, 2024

Steps Required	Status/Remarks
B. Reconciliation of inventory count per RPCPPE with property and accounting records to be completed within ten (10) days from the rendition of the RPCPPE by the Inventory Committee	Initial updating and reconciliation are ongoing; however, this is being slowed by lack of additional manpower which recruitment is in process.
C. For non-existent/missing PPEs for which accountability could not be established/ pin-pointed after investigation, authority for derecognition thereof from the books of accounts may be requested in accordance with Paragraph 8 of COA Circular 2020-006	<p>Management has submitted a request dated May 02, 2024, for authority to derecognize non-existent/missing PPEs for which accountability could not be established/pinpointed after investigation.</p> <p>However, the Audit Team has denied the request due to lack of the required certified copy of the report of the investigation conducted pursuant to Paragraph 7.9 of the COA Circular 2020-006.</p>

- 2.49. **We recommended and Management agreed to 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 records.**

INTER-AGENCY PAYABLES

j) Unaccounted prior years' balances - P 2,058,644.72.

- 2.50. The yearend balances per books of the Due to BIR, Due to GSIS, Due to Pag-IBIG and Due to PhilHealth accounts amounting to P3,198,082.67 P872,331.95, P728,698.65 and P21,158.37, respectively, are unreliable due to unaccounted amounts in prior years amounting to P1,034,095.37, P280,551.61, P722,893.92 and P21,103.82, respectively. The details of this could not be verified in the absence of Subsidiary Ledgers (SL) for the Due to BIR, Due to GSIS, Due to Pag-IBIG and Due to PhilHealth accounts.
- 2.51. **We recommended and the Management agreed, through the Accounting Unit, to analyze and reconcile the PY balances 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.**

B. OTHER AUDIT AREAS

Utilization of the Budget under the General Appropriations Act (GAA)

3. **Of the total allotments received amounting to P498,170,997.16 in CY 2023, P495,191,853.39 or 99.40 percent thereof was obligated by the PhilSCA, leaving an unobligated balance of P2,979,143.77 as at yearend, which is largely attributed to Personnel Services. Further, significant amounts of unreleased appropriations amounting to P 148,338,582.00 and P112,554,630.00 for Current and Continuing Appropriations, respectively, were noted. On the other hand, the PhilSCA posted a 99.73 percent utilization rate of the NCAs received amounting to P474,200,237.00.**
 - 3.1. Section 70 of the General Provisions of the FY 2023 GAA provides that appropriations authorized shall be available for release and obligation for the purpose specified, and under the same general and special provisions applicable thereto, until December 31, 2024, except for personnel services which shall be available for release, obligation, and disbursement until December 31, 2023.
 - 3.2. Section 3.4 of the National Budget Circular No. 590 dated January 3, 2023⁷ provides that after the end of the specified applicable validity period, all unreleased appropriations or unexpended or undisbursed funds shall revert to the unappropriated surplus of the General Fund, in accordance with Section 28, Chapter 4, Book VI of Executive Order (E.O.) No. 292⁸ and shall not be available for expenditure except by subsequent legislative enactment.
 - 3.3. Further, DBM Circular Letter No. 2019-37 dated January 4, 2019, provides the guidelines covering the crediting and validity of Notice of Cash Allocation (NCA) for Regular MDS Sub-Accounts effective the first quarter of FY 2019 and onwards.
 - 3.4. Review of the PhilSCA's Financial Accountability Report (FAR) No. 1-A - Statement of Appropriations, Allotment, Obligations, Disbursements and Balances by Object of Expenditures (SAAODBOE) as of December 31, 2023 disclosed that out of the total adjusted appropriations amounting to P759,064,209.16 for CY 2023, only the amount of P498,170,997.16 was received as allotments including funds from Continuing Appropriations. Of the total allotments received, P495,191,853.39 or 99.40 percent was obligated, leaving an unobligated balance of P2,979,143.77, details shown in Table 8:

⁷ Guidelines on the Release of Funds for FY 2023

⁸ Executive Order No. 292 – The Administrative Code of 1987, July 25, 1987.

Table 8 - PhilSCA SAAODBOE as of December 31, 2023

Source of Funds	Adjusted Appropriation	Adjusted Allotments	Obligations Incurred	Disbursements	Balance	
					Unreleased Appropriations	Unobligated Allotments
	1	2	3	4	5=1-2	5=2-3
Current Year's Appropriations (GAA FY 2023)						
<i>Agency Specific Budget</i>						
Personnel Services	146,704,120.00	131,293,768.00	129,475,059.06	129,475,059.06	15,410,352.00	1,818,708.94
Maintenance and Other Operating Expenses	359,303,880.00	226,375,650.00	226,350,855.83	224,043,522.92	132,928,230.00	24,794.17
Capital Outlays	5,000,000.00	25,000,000.00	24,995,000.00	3,749,250.00	-	5,000.00
<i>Sub-total</i>	<i>531,008,000.00</i>	<i>382,669,418.00</i>	<i>380,820,914.89</i>	<i>357,267,831.98</i>	<i>148,338,582.00</i>	<i>1,848,503.11</i>
<i>Automatic Appropriation</i>						
Retirement and Life Insurance Premiums	12,294,974.00	12,294,974.00	11,825,499.74	11,825,499.74	-	469,474.26
<i>Sub-total</i>	<i>12,294,974.00</i>	<i>12,294,974.00</i>	<i>11,825,499.74</i>	<i>11,825,499.74</i>	<i>-</i>	<i>469,474.26</i>
<i>Special Purpose Fund</i>						
Miscellaneous Personnel Benefits Fund	5,523,908.00	5,523,908.00	5,044,842.76	5,044,842.76	-	479,065.24
<i>Sub-total</i>	<i>5,523,908.00</i>	<i>5,523,908.00</i>	<i>5,044,842.76</i>	<i>5,044,842.76</i>	<i>-</i>	<i>479,065.24</i>
Total	548,826,882.00	400,488,300.00	397,691,257.39	374,138,174.48	148,338,582.00	2,797,042.61
Prior Year's Appropriations (GAA FY 2022)						
<i>Agency Specific Budget</i>						
Personnel Services	-	-	-	-	-	-
Maintenance and Other Operating Expenses	203,237,327.16	97,682,697.16	97,500,596.00	95,520,596.00	105,554,630.00	182,101.16
Capital Outlays	7,000,000.00	-	-	-	7,000,000.00	-
<i>Sub-total</i>	<i>210,237,327.16</i>	<i>97,682,697.16</i>	<i>97,500,596.00</i>	<i>95,520,596.00</i>	<i>112,554,630.00</i>	<i>182,101.16</i>
Grand Total	759,064,209.16	498,170,997.16	495,191,853.39	469,658,770.48	260,893,212.00	2,979,143.77
Obligation /Disbursement Rate (%)		100.00	99.40	94.84		

3.5. Notwithstanding the obligation rate of 99.40 percent, the disbursement rate was only 94.84 percent, detailed as follows:

Table 9 - RAF CY 2023 Budget Obligation and Disbursement Rate

Source of Funds	Adjusted Allotments	Obligations Incurred	Disbursements	Obligation Rate	Disbursement Rate
	(In Php)				
Current Appropriations					
Agency Specific Budget					
Personnel Services	131,293,768.00	129,475,059.06	129,475,059.06	98.61	100.00
Maintenance and Other Operating Expenses	226,375,650.00	226,350,855.83	224,043,522.92	99.99	98.98
Capital Outlays	25,000,000.00	24,995,000.00	3,749,250.00	99.98	15.00
Automatic Appropriation					
Retirement and Life Insurance Premiums	12,294,974.00	11,825,499.74	11,825,499.74	96.18	100.00
Special Purpose Fund					
Miscellaneous Personnel Benefits Fund	5,523,908.00	5,044,842.76	5,044,842.76	91.33	100.00
Continuing Appropriations					
Agency Specific Budget					
Maintenance and Other Operating Expenses	97,682,697.16	97,500,596.00	95,520,596.00	99.81	97.97
Grand Total	498,170,997.16	495,191,853.39	469,658,770.48	99.40	94.84

3.6. Although the obligation rate of the PhilSCA for the 2023 appropriation is considerably high, it should be noted that the disbursement for the line item

“Capital Outlays” under Current Appropriation only amounts to P3,749,250.00 or only 15 percent of the total obligation incurred.

- 3.7. Further review of the BFARs showed a significant amount of unreleased appropriations in CY 2023 amounting to P148,338,582.00 and P112,554,630.00 for Current and Continuing Appropriations, respectively, detailed as follows:

Table 10 - Unreleased Appropriations

Particulars	Adjusted Appropriation	Allotment Received	Unreleased Appropriations
<i>Current Year Appropriations</i>			
General Administration and Support			
a. Lump-sum for Filling of Positions - Civilian	20,106,000.00	4,695,648.00	15,410,352.00
Locally-Funded Project(s)			
b. Capacity Development on Futures Thinking and Strategic Foresight	2,000,000.00	-	2,000,000.00
c. Free Higher Education	307,877,000.00	179,948,770.00	127,928,230.00
d. Higher Education Research and Innovation Project	3,000,000.00	-	3,000,000.00
<i>Sub-total</i>	<i>332,983,000.00</i>	<i>184,644,418.00</i>	<i>148,338,582.00</i>
<i>Continuing Appropriation</i>			
Locally-Funded Project(s)			
e. Infrastructure and Smart Campus Development, Operationalization of Face-to-Face Classes and Upgrading/Procurement of Equipment	11,400,000.00	-	11,400,000.00
f. Student Assistance Program	500,000.00	-	500,000.00
g. Free Higher Education	195,661,740.00	95,007,110.00	100,654,630.00
<i>Sub-total</i>	<i>207,561,740.00</i>	<i>95,007,110.00</i>	<i>112,554,630.00</i>
Grand Total	540,544,740.00	279,651,528.00	260,893,212.00

- 3.8. As shown above, a significant amount of appropriations for line item “Lump-sum for Filling of Positions – Civilian” amounting to P15,410,352.00 or 76.65 percent of the total appropriation of P20,106,000.00 remained unreleased as of December 31, 2023.
- 3.9. Further, appropriations for Capacity Development on Futures Thinking and Strategic Foresight and Higher Education Research and Innovation Project amounting to P2,000,000.00 and P3,000,000.00 respectively under the Current Appropriations were not released as at yearend.
- 3.10. Moreover, locally-funded projects under the Continuing Appropriations with the amount of P11,400,000.00 and P500,000.00 pertaining to the Infrastructure and Smart Campus Development, Operationalization of Face-to-Face Classes and Upgrading/Procurement of Equipment and the Student Assistance Program respectively remain unreleased as at yearend.

- 3.11. On the other hand, the FHE program, which is subject to the submission of the program of receipts and expenditures based on the actual number of enrollees and fees authorized under RA No. 10931⁹ and duly approved by the board of regents/trustees, an appropriation amounting to P307,877,000.00 was made which covers the 2nd semester of the Academic Year (AY) 2022-2023 and 1st semester of AY 2023-2024.
- 3.12. However, as of December 31, 2023, the DBM only released an amount of P179,948,770.00 for the Tuition and Other School Fees (TOSF), leaving an unreleased appropriation of P127,928,230.00 or 41.55 percent of the adjusted current year appropriation. Further, only an amount of P95,007,110.00 was released from last year's continuing appropriations of P195,661,740.00, leaving a balance of P100,654,630.00 or 51.44 percent.
- 3.13. Per the letter dated April 02, 2024, addressed to the College President, the Audit Team has requested from the Management the reasons for the unreleased or partial release of appropriations, but to date, Management's reply is yet to be received.
- 3.14. Meanwhile, a review of the submitted Monthly Reports of Disbursement¹⁰ disclosed that the PhilSCA received NCAs totaling P474,200,237.00. Of this, an amount of P472,922,683.42 or 99.73 percent was utilized, leaving a balance of P1,277,553.58 or 0.27 percent.
- 3.15. **We commended the PhilSCA for the substantial utilization of its allotments and cash allocations.**

Underutilized Special Trust Fund (STF)

4. **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.**
- 4.1. Paragraph 2, Section 4(d) of RA No. 8292 states that fees and charges, including government subsidies and other income generated by the university or college, shall constitute the STF which shall be deposited in any authorized government depository bank, and all interests that shall accrue therefrom shall form part of the same fund for the use of the university or college.

⁹ Universal Access to Quality Tertiary Education Act

¹⁰ FAR No. 4

- 4.2. Any income generated by the university or college from tuition fees and other charges, as well as from the operation of auxiliary services and land grants, shall be retained by the university or college, and may be disbursed by the Board of Regents/Trustees (BOR/T) for instruction, research, extension or other programs/projects of the university or college.¹¹
- 4.3. Commission on Higher Education (CHED) Memorandum Order (CMO) No. 20, series of 2011, dated August 4, 2011, prescribes the policies and guidelines on the use of income, STF, and Programs of Receipts and Expenditures (PRE) of the SUCs. Section 24, Article IV of the same provides that the budget authorized by the BOR/T shall be implemented within the CY for which it was formulated.
- 4.4. Review of PhilSCA's Financial Accountability Report (FAR) No. 2 - Statement of Approved Budget, Utilizations, Disbursements and Balances (SABUDB) and FAR No. 2-A - Statement of Approved Budget, Utilizations, Disbursements and Balances by Object of Expenditures (SABUDBOE) showed that of the total Adjusted Budgeted Revenue (ABR) of P321,343,900.00, the amount of P185,408,409.60 or 57.70 percent was utilized, leaving an unutilized balance of P135,935,490.40, summarized as follows:

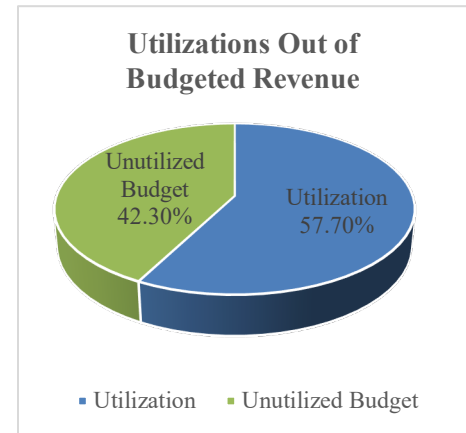


Table 11- STF Budget Utilization Per Allotment Class

Allotment Class	ABR	Utilizations	Unutilized Budget	Percentage	
				Utilized	Unutilized
PS	16,549,000.00	13,990,872.65	2,558,127.35	84.54	15.46
MOOE	242,460,700.00	142,884,151.07	99,576,548.93	58.93	41.07
CO	62,334,200.00	28,533,385.88	33,800,814.12	45.77	54.23
Total	321,343,900.00	185,408,409.60	135,935,490.40	57.70	42.30

a) Unutilized Personnel Service (PS) Budget - P2,558,127.35

- 4.5. Of the allotted PS budget amounting to P16,549,000.00, an amount of P13,990,872.65 was utilized, leaving a balance amounting to P2,558,127.35 or 15.46 percent of the allotted PS budget.
- 4.6. Verification of the unutilized PS budget amounting to P2,558,127.35 disclosed that an amount of P1,614,127.35 pertains to payments of honoraria for teaching overload and part-time faculty members.

¹¹ Section 4(d), Republic Act (RA) No. 8292, or the Higher Education Modernization Act of 1997

b) Unutilized MOOE Budget - P99,576,548.93

- 4.7. Of the allotted MOOE budget amounting to P242,460,700.00, an amount of P142,884,151.07 was utilized, leaving a balance amounting to P99,576,548.93 or 41.07 percent of the allotted MOOE budget, detailed as follows:

Table 12 - Utilization of MOOE Budget

Particulars	ABR	Utilizations		Unutilized Budget	
		Amount	%	Amount	%
Traveling Expenses	5,631,982.34	3,439,224.51	61.07	2,192,757.83	38.93
Training and Scholarship Expenses	86,764,616.44	40,289,934.20	46.44	46,474,682.24	53.56
Supplies and Materials Expenses	25,449,956.57	12,710,552.57	49.94	12,739,404.00	50.06
Utility Expenses	9,713,464.74	7,879,748.68	81.12	1,833,716.06	18.88
Communication Expenses	2,542,907.00	1,775,492.74	69.82	767,414.26	30.18
Survey, Research, Exploration and Development Expenses	2,065,000.00	24,800.00	1.20	2,040,200.00	98.80
Professional Services	39,151,694.34	34,034,939.35	86.93	5,116,754.99	13.07
General Services	19,725,505.66	18,039,013.85	91.45	1,686,491.81	8.55
Repairs and Maintenance	5,556,258.74	1,452,946.39	26.15	4,103,312.35	73.85
Taxes, Insurance Premiums and Other Fees	6,089,293.06	4,960,107.96	81.46	1,129,185.10	18.54
Other Maintenance and Operating Expenses	39,770,021.11	18,277,390.82	45.96	21,492,630.29	54.04
Total	242,460,700.00	142,884,151.07	58.93	99,576,548.93	41.07

- 4.8. The Audit Team could not identify the programs, projects, and activities to which the unutilized budget was allotted due to the non-maintenance of the Budget Office of a separate Registry of Budget Utilization and Disbursements (RBUD) by Major Final Output (MFO) or PPAs for MOOE.

c) Unutilized Capital Outlay (CO) Budget – P33,800,814.12

- 4.9. Of the allotted CO budget amounting to P242,460,700.00, an amount of P28,533,385.88 was utilized, leaving a balance of P33,800,814.12 or 54.23 percent thereof, the details are in Table 13:

Table 13- Utilization of CO Budget

Particulars	ABR	Utilizations		Unutilized Budget	
		Amount	%	Amount	%
Buildings and Other Structures	17,550,000.00	10,888,888.88	62.04	6,661,111.12	37.96
Machinery and Equipment	43,839,200.00	17,644,497.00	40.25	26,194,703.00	59.75
Furniture, Fixtures and Books	750,000.00	0.00	0.00	750,000.00	100.00
Intangible Assets	195,000.00	0.00	0.00	195,000.00	100.00
Capital Outlays	62,334,200.00	28,533,385.88	45.77	33,800,814.12	54.23

4.10. From the foregoing, the PhilSCA had failed to substantially utilize its STF budget which reflects its inability to maximize the use of allocated funds to implement its programs, activities, and projects, and consequently, depriving its studentry, faculty, and other PhilSCA personnel of the maximum benefits that would have been derived if only the PhilSCA had efficiently and effectively planned and utilized said funds.

4.11. **We reiterate our prior years' recommendations and the 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.**

Compliance with Sections 37 and 38 of Republic Act (RA) No. 9184 and its Revised Implementing Rules and Regulations (RIRR)

5. **The overall compliance rate of 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 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.**

5.1. Pursuant to Office Order No. 2023-009 dated September 8, 2023, issued from the Office of the Supervising Auditor, a Special Audit Team was constituted to evaluate the compliance of the State Universities and Colleges (SUCs) in the National Capital Region (NCR) with Sections 37 and 38 of the Government Procurement Law or RA No. 9184 and its RIRR.

- 5.2. The audit covered the ten largest contracts based on amount procured by the PhilSCA from January 1, 2022 to July 31, 2023, listed as follows:

Table 14 - Ten (10) Largest Awarded Contracts (In Amount)

No.	Particulars	Amount	Date of Award
1	Supply and Delivery of Five (5) Mock-Up Engines for the PhilSCA	P37,450,000.00	08/04/2021
2	Construction of Laboratory Building at the PhilSCA BAB – Palmayo Campus	24,999,953.31	12/07/2021
3	Procurement of Security Services of the PhilSCA for CY 2022	13,556,187.36	01/06/2022
4	Construction of Students’ Dormitory at the PhilSCA Villamor Campus, Pasay City	79,948,888.88	03/11/2022
5	Rebidding for the Procurement of Integrated School Management Information System Phase II	14,888,000.00	03/15/2022
6	Procurement for the Supply, Delivery and Installation of Turbo Jet Trainer with Re-heat for the PhilSCA – Institute of Engineering Technology	21,936,000.00	03/14/2022
7	Procurement of Outsource Ground and Flight Training Services for Seventy-Two (72) BSAT Students of the PhilSCA	30,420,000.00	05/24/2022
8	Outsourcing of Flight Training of Thirty-Six (36) BSAT Students - PPL (Private Pilot License)	14,940,000.00	01/23/2023
9	Outsourcing of Flight Training of Seventy-One (71) BSAT Students – IR/ME (Instrument Rating/ Multi-Engine)	44,375,000.00	01/23/2023
10	Outsourcing of Flight Training of Sixty-Six (66) BSAT Students CPL (Commercial Pilot License)	63,690,000.00	01/23/2023

- 5.3. Computation of the PhilSCA’s overall compliance rate is as follows:

Table 15 - Computation of Overall Compliance Rate

Contract No.	Audit Criteria						Compliance Rate per Contract
	1 37.1.2	2 37.2.1	3 37.1.5 & 38	4 37.1.4 (b)	5 37.2.3	6 37.4.1	
1	No	Yes	Yes	Yes	Yes	Yes	83.33%
2	No	Yes	No	No	No	Yes	33.33%
3	No	Yes	Yes	Yes	Yes	Yes	83.33%
4	No	Yes	Yes	Yes	Yes	Yes	83.33%
5	No	Yes	No	No	No	Yes	33.33%
6	No	Yes	Yes	No	No	Yes	50.00%
7	No	Yes	No	No	No	No	16.67%
8	No	Yes	No	No	No	Yes	33.33%
9	No	Yes	No	No	No	Yes	33.33%
10	No	Yes	No	No	No	Yes	33.33%
Compliance Rate per Criterion	0%	100%	40%	30%	30%	90%	48.33%

- 5.4. The extent of compliance with the pertinent provisions of RA No. 9184 and its RIRR was evaluated, and the following observations were noted as follows:

Table 16 - Summary of Audit Observations per Audit Criterion

Criterion No.	Pertinent Provisions of RA 9184 and its RIRR	Audit Observations	Compliance Rate
1	Sec. 37.1.2. Within a period not exceeding fifteen (15) calendar days from the determination and declaration by the BAC of the bidder with LCRB, HRRB, SRCB, or SRRB, and the recommendation to award the contract, the HoPE or his duly authorized representative shall approve or disapprove the said recommendation.	Of the ten (10) contracts, no contract was found to have been approved within fifteen (15) calendar days from the determination and declaration by the BAC of the bidder with LCRB, HRRB, SRCB, or SRRB, and the recommendation to award the contract.	0%
2	Sec. 37.2.1. The winning bidder shall post the required Performance Security and enter into contract with the Procuring Entity within ten (10) calendar days from receipt by the winning bidder of the Notice of Award.	Of the ten (10) contracts, all contracts were found to have been entered into by the winning bidder within ten (10) calendar days from receipt by the winning bidder of the Notice of Award.	100%
3	Sec. 37.1.5. Contract award shall be made within the bid validity period provided in Section 28 of this IRR. Sec. 38.1. The procurement process from the opening of bids up to the award of contract shall not exceed three (3) months, or a shorter period to be determined by the Procuring Entity concerned. xxx	Of the ten (10) contracts, two (2) contracts were found to have a bid validity period exceeding 120 calendar days. Per validation, one (1) of the contracts had a bid validity period of 145 calendar days while the other had 146 calendar days. Of the ten (10) contracts, six (6) contracts were found to have been awarded outside the timeframe of three (3) months, counted from the opening of bids up to the award of the contract.	40%
4	Sec. 37.1.4. Within ten (10) days from receipt of by the winning bidder of the Notice of Award, the following conditions should be complied before the contract may be awarded: xxx (b) Posting of performance security in accordance with Section 39 of this IRR;	Of the ten (10) contracts, seven (7) of the contracts were found to have been entered into without the required Performance Securities, as follows: a) Two (2) contracts have insufficient Performance Securities as to amount and validity period;	30%

Criterion No.	Pertinent Provisions of RA 9184 and its RIRR	Audit Observations	Compliance Rate
	xxx	<p>b) Two (2) contracts have insufficient Performance Securities as to amount; and</p> <p>c) Three (3) contracts have insufficient Performance Securities as to validity period.</p> <p>It should be noted that the four (4) insufficient Performance Securities as to amount were posted by the same contractor, the Fast Aviation Academy.</p>	
5	<p>Sec. 37.2.3. The following documents shall form part of the contract:</p> <p>a) Contract Agreement;</p> <p>b) Bidding Documents;</p> <p>c) Winning bidder's bid, including the Eligibility requirements, Technical and Financial Proposals, and all other documents/statements submitted;</p> <p>d) Performance Security;</p> <p>e) Notice of Award of Contract; and</p> <p>f) Other contract documents that may be required by existing laws and/or the Procuring Entity concerned in the Bidding Documents, such as the construction schedule and S-curve, manpower schedule, construction methods, equipment utilization schedule, construction safety and health program approved by the Department of Labor and Employment, and PERT/CPM or other acceptable tools of project scheduling for infrastructure projects.</p>	<p>Of the ten (10) contracts, all contracts were found to have the complete set of attached documentary requirements. However, upon further validation, seven (7) contracts were found to have insufficient Performance Securities as discussed above.</p>	30%
6	<p>Section 37.4.1. The concerned Procuring Entity shall issue the Notice to Proceed together with a copy or copies of the approved contract to the successful bidder within seven (7) calendar days from the date of approval of the contract by the appropriate government approving authority.</p>	<p>Of the ten (10) contracts, one (1) contract was found to have an NtP issued not within seven (7) calendar days from the date of approval of the contract by the HoPE.</p>	90%

Criterion No.	Pertinent Provisions of RA 9184 and its RIRR	Audit Observations	Compliance Rate
	All notices called for by the terms of the contract shall be effective only at the time of receipt thereof by the successful bidder.		
Overall Compliance Rate			48.33%

- 5.5. In view of the foregoing audit observations, the PhilSCA, as a Procuring Entity, is deemed to have not fully complied with Sections 37 and 38 of the RA No. 9184. Said noncompliance is not in line with the commitment of the Government to promote good governance and its effort to adhere to the principles of transparency, accountability, equity, efficiency, and economy in its procurement process.
- 5.6. It is worth mentioning that noncompliance with laws, rules, and regulations constitutes an illegal and/or irregular transaction, and expenditures related thereof may be subject to audit disallowances.
- 5.7. **We recommended and the Management agreed that the Procuring Entity in coordination with the BAC to strictly comply with the procurement timelines prescribed in Sections 37 and 38 of RA No. 9184 and its RIRR.**
- 5.8. **Further, we recommended and the 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 need board approval.**

Compliance with COA-DBM Joint Circular No. 2, s.2020

6. **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.**
- 6.1. Commission on Audit (COA) – Department of Budget and Management (DBM) Joint Circular (JC) No. 2, s. 2020 dated October 20, 2020 provides the updated rules and regulations governing Contract of Service (COS) and Job Order (JO) workers in the Government. It covers all national government agencies, government-owned or controlled corporations with original charters, state universities and colleges, and constitutional bodies, which avail of the services of COS and JO workers.

6.2. The JC defines COS as the engagement of the services of an individual, private firm, other government agency, non-governmental agency, or international organization as consultant, learning service provider, or technical expert to undertake special project or job within a specific period.

6.3. Further, Section 7.3 of the same sets the limitations in the hiring of COS, to wit:

Section 7.3. COS and JO workers should not, in any case, be made to perform functions which are part of the job description of the agency's existing regular employees.

6.4. Moreover, Section 11.5 of the same provides the amount of wages/ salary to be paid for COS, to wit:

Section 11.5. Services of individuals engaged through COS basis, excluding persons or entities engaged through RA 9184, and JO shall be paid wages equivalent to the daily wage/salary of comparable positions in government.

Subject to the availability of funds, the COS and JO workers may also be granted a premium of up to 20% of their respective wage/salary.

The premium payment may be paid monthly, in lump sum, or in tranches as may be stated in the agreement or contract with the agency. The payment of services shall be charged against the MOOE in the approved agency budget.

6.5. Verification of the submitted documents revealed that the PhilSCA had engaged the services of 229 COS workers for CY 2023, 113 of them were assigned as teaching personnel, while the remaining 116 COS workers were assigned for administration and support to assist in the efficient and effective delivery of its services to its stakeholders.

6.6. The Audit Team has evaluated 13 COS workers holding different positions, as supplied in their respective contracts, to evaluate the extent of the PhilSCA's compliance with the JC. The results of such evaluation are as follows:

a) COS workers performed functions that are part of the job description of the agency's existing regular employees

6.7. Validation of the submitted contracts of service disclosed that for the CY 2023, the PhilSCA had engaged the services of five (5) nurses under COS who were assigned to different PhilSCA campuses, as follows: two (2) for VAB; one (1) for FAB; one (1) for BAB and one (1) for MBEAB.

6.8. However, verification of the DBM Personal Service Information and Plantilla of Personnel (PSIPOP) for the PhilSCA revealed the existence of a plantilla position of *Nurse II* which is currently held by a regular employee assigned in

VAB. This finding prompted the Audit Team to request the job description of the said employee.

- 6.9. Validation of the requested document containing the duties and responsibilities of the said employee vis-a-vis the subject contract of service disclosed that out of the ten (10) specified functions of the regular employee, five (5) of them were also performed by the COS nurses assigned in VAB, as follows:
- Dispenses medicine to students and personnel;
 - Keeps and maintains health records/ history of students and personnel;
 - Takes blood pressure and body temperature;
 - Assists in the care and treatment of patients; and
 - Ensure the sanitation of surgical instruments and other medical equipment.
- 6.10. **We recommended and the Management agreed to strictly adhere to 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.**

Management's Comments

- 6.11. The Management will review the functions /duties of the COS personnel, specifically the COS nurses to comply with the observation. The Medical Unit Head was requested to provide the Management with the specific task of the three nurses of the main campus, to be evaluated and will act on her compliance if there is really a duplication of tasks, the Management may discontinue the services of COS nurses for us to be compliant with the provision of COA-DBM JC no. 2 s .2020.

b) Paid wages to COS workers were not equivalent to the wage/salary of comparable positions in government

- 6.12. Further audit disclosed that COS workers were not paid wages which are equivalent to the daily wage/salary of comparable positions in government. Wage/salary with discrepancies ranging from 1.79% to 40%, as follows:

Table 17 - Audit of the PhilSCA's Compliance with Section 11.5

No.	Per Contract		Per ROSS/IOS			Difference
	Position	Monthly Wage	Comparable Position	Salary Grade	Rate	
1	Utility	12,034.00	Utility Worker 1	1	13,000.00	7.43%
2	Support Staff	13,572.00	Administrative Aide I	2	13,819.00	1.79%
3	Guidance Clerk	13,572.00	Administrative Aide I	2	13,819.00	1.79%
4	Skilled Worker	13,572.00	Administrative Aide I	2	13,819.00	1.79%
5	Driver	14,400.00	Administrative Aide IV (Driver II)	4	15,586.00	7.61%
6	Electrician	14,400.00	Electrician I	4	15,586.00	7.61%
7	Payroll Staff	16,200.00	Administrative Aide VI (Clerk III)	6	17,553.00	7.71%

No.	Per Contract		Per ROSS/IOS			Difference
	Position	Monthly Wage	Comparable Position	Salary Grade	Rate	
8	Secretary	17,179.00	Secretary 1	7	18,620.00	7.74%
9	Data Controller	16,200.00	Information Officer I	11	27,000.00	40.00%
10	Psychometrician	26,052.00	Psychologist I	11	27,000.00	3.51%
11	Computer Technician	17,179.00	Computer Maintenance Technologist I	11	27,000.00	36.37%
12	Librarian	21,205.00	College Librarian 1	13	31,320.00	32.30%
13	Nurse	33,575.00	Nurse I	15	36,619.00	8.31%

- 6.13. **We recommended and the Management agreed to strictly adhere to Section 11.5 of the COA-DBM Joint Circular No. 2, s. 2020 and ensure that COS workers shall be paid wages equivalent to the daily wage/ salary of comparable positions in government.**

Compliance with the Granting, Utilization and Liquidation of Cash Advances

7. **The reported yearend balance of the Advances to SDO and AOE accounts amounting to P1,440,494.77 and P709,663.59 respectively are unreliable due to unliquidated cash advances (CAs) amounting to P1,284,575.00 resulting in the overstatement of the said accounts and understatement of the related asset and/or expense accounts. Moreover, the PhilSCA failed to fully adhere to the rules and regulations on the grant, utilization and liquidation of CAs such as: a) grant of additional CAs to Accountable Officers (AOs) with prior unliquidated CAs; and b) delay in the liquidation of CAs ranging from 1 to 258 days, contrary to Section 89 of Presidential Decree No. 1445 (PD 1445) and COA Circular No. 97-002.**

- 7.1. Section 89 of PD 1445 provides the limitations on CA, to wit:

Section 89. Limitations on cash advance. No cash advance shall be given unless for a legally authorized specific purpose. A cash advance shall be reported on and liquidated as soon as the purpose for which it was given has been served. No additional cash advance shall be allowed to any official or employee unless the previous CAs given to him first settled or a proper accounting thereof is made.

- 7.2. COA Circular No. 97-002¹² dated February 10, 1997, provides the rules and regulations on the granting, utilization and liquidation of CAs. Section 4 of the same provides the general guidelines in the grant and utilization of CAs, to wit:

xxx

4.1.2. No additional CAs shall be allowed to any official or employee unless the previous cash advance given to him is first settled or a proper accounting thereof is made.

¹² Subject: Restatement with amendments of the rules and regulations on the granting, utilization and liquidation of cash advances provided for under COA Circular No. 90-331 dated May 3, 1990.

4.1.3. A cash advance shall be reported as soon as the purpose for which it was given has been served.
xxx

- 7.3. Further, Section 5.8 of the same requires that all CAs be fully liquidated at the end of each year.
- 7.4. Validation of the submitted FSs disclosed the following yearend balances of the ASDO and AOE amounting to P1,440,494.77 and P709,663.59, respectively:

Table 18 - ASDO and AOE Balances as of December 31, 2023

Account	Fund 01	Fund 05	Total
	Amount (in Php)		
Advances to SDO	531,000.00	909,494.77	1,440,494.77
Advances to OE	-	709,663.59	709,663.59
Total	531,000.00	1,619,158.36	2,150,158.36

- 7.5. Audit of the Advances to SDO and OE accounts, together with the other submitted documents revealed deficiencies in the grant, utilization, and liquidation of CAs as follows:

a) Unliquidated CAs as at yearend - P1,284,575.00;

- 7.6. Verification of the submitted records disclosed that CAs amounting to P1,284,575.00 remained unliquidated as at yearend, detailed as follows:

Table 19 - Unliquidated CAs as of December 31, 2023

Employee No.	Check No.	Date	Particulars	Amount (In Php)
1	118177	26-Oct-23	C/A for the traveling expenses in attending the National Convention for HRM Practitioners and People Managers of State Universities and Colleges at COA International Training Center, Tagaytay City on October 10-12, 2023	6,100.00
2	118366	25-Nov-23	C/A of travelling expenses for training of Aircraft Type Rating Course Level 3 on December 4-9, 2023 at Omni Aviation Clark,	11,600.00
3	118367	25-Nov-23	C/A of travelling expenses for training of Aircraft Type Rating Course Level 3 on December 4-9, 2023 at Omni Aviation Clark,	31,700.00
4	118368	25-Nov-23	C/A of travelling expenses for training of Aircraft Type Rating Course Level 3 on December 4-9, 2023 at Omni Aviation Clark,	30,900.00
5	118301	13-Nov-23	C/A for the travelling expenses in Campus Familiarization Visit with the Audit Team	415,500.00
6	118217	17-Oct-23	C/A travel expenses to attend in the 44th National Conference on Local and National History on October 19-21, 2023 at Siliman University, Dumaguete City	22,400.00
7	118365	25-Nov-23	C/A of travelling expenses for training of Aircraft Type Rating Course Level 3 on December 4-9, 2023 at Omni Aviation Clark,	11,600.00

Employee No.	Check No.	Date	Particulars	Amount (In Php)
8	118364	25-Nov-23	C/A of travelling expenses for training of Aircraft Type Rating Course Level 3 on December 4-9, 2023 at Omni Aviation Clark,	9,290.00
9	118363	25-Nov-23	C/A of travelling expenses for training of Aircraft Type Rating Course Level 3 on December 4-9, 2023 at Omni Aviation Clark,	9,290.00
10	118103	15-Sep-23	C/A travelling expenses in attending the 101st Founding Anniversary and Annual Convention on October 24-26, 2023 at Iloilo City	31,400.00
11	118401	05-Dec-23	C/A expenses in the Yearend Assembly at the PhilSCA VAB Campus on December 21, 2023	250,000.00
12	118375	29-Nov-23	C/A expenses for the 11th PASUC-NCR Culture and Arts Festival in the New Normal	454,795.00
Total				1,284,575.00

- 7.7. From the foregoing, it may be inferred that the purpose for which the CAs were intended was already completed; thus, liquidation of the same should have been made by the Accountable Officers pursuant to Item 4.1.3 of COA Circular No. 97-002.
- 7.8. The non-liquidation of the Advances to SDOs and OEs has led to the overstatement of those accounts and understatement of the related asset and/or expense accounts by P1,284,575.00. Additionally, the non-liquidation of said cash advances as at yearend is not in accord with Section 5.8 of COA Circular COA Circular No. 97-002.
- 7.9. **We recommended and Management agreed to require the immediate liquidation of the abovementioned CAs.**
- 7.10. Further review of the PhilSCA's compliance with the said COA Circular disclosed other deficiencies as follows:
- b) Grant of additional CAs to AOs with existing unliquidated CAs - P10,287,215.84;*
- 7.11. Validation of the records revealed that 19 AOs were granted with additional CAs even though said AOs have existing unliquidated CAs.
- 7.12. **We recommended and the Management agreed to refrain from granting additional cash advances to the same AO unless the previous CA/s had been settled or proper accounting had been made thereof.**
- c) Delay in the liquidation of CAs ranging from 1 to 258 days.*
- 7.13. Validation of the submitted liquidation reports revealed that liquidations of CAs were attended with delay ranging from 1 to 258 days. Further, excess funds

pertaining to the granted CAs were only returned after 3 to 218 days, summarized as follows:

Table 20 - Delay in the Liquidation of CAs

No. of Days Delay	Amount Liquidated /			Refund of excess CAs	Total
	Purpose of CAs				
	Travel - Local	Travel - Foreign	Special Purpose		
Less than 30 days	586,745.84	1,497,597.51	9,174,510.13	872,933.79	12,131,787.27
31-60 days	159,270.02	0	3,247,131.56	237,014.10	3,643,415.68
61-90 days	327,066.48	0	806,678.71	49,326.88	1,183,072.07
91-120 days	13,090.00	0	1,120,461.16	5,282.00	1,138,833.16
121 days to 1 year	14,814.00	0	1,012,135.09	326,727.54	1,353,676.63
Total	1,100,986.34	1,497,597.51	15,360,916.65	1,491,284.31	19,450,784.81

- 7.14. **We recommended and Management agreed that henceforth, will strictly comply with the rules and regulations on the grant, utilization and liquidation of CAs.**

Delay in the Submission of Financial and Budgetary Reports

8. **The PhilSCA incurred delays ranging from 2 to 444 days in the submission of disbursement vouchers, financial and budgetary reports, including its supporting schedules and other required documents contrary to pertinent provisions of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I, which hindered the timely audit of the accounts, receipts and disbursements.**

- 8.1. Section 122 of Presidential Decree No. 1445 provides the authority of this Commission to require government agencies the submission of its financial and budgetary reports, to quote:

Section 122. Submission of reports. Whenever deemed necessary in the exigencies of the service, the Commission may under regulations issued by it require the agency heads, chief accountants, budget officers, cashiers, disbursing officers, administrative or personnel officers, and other responsible officials of the various agencies to submit trial balances, physical inventory reports, current plantilla of personnel, and such other reports as may be necessary for the exercise of its functions.

- 8.2. Further, it states that failure on the part of the officials concerned to submit the documents and reports required by the Commission shall automatically cause

the suspension of payment of their salaries until the said officials have complied with the listed requirements.

- 8.3. The GAM for NGAs, Volume I, provides the deadlines on the submission of various accounting reports and financial statements as follows:

Table 21- List of Reports and Corresponding Submission Deadlines and Basis

Type of Report	Deadline	Basis
Report of Collections and Deposits (RCD), Report of Cash Disbursements (ROCD), Report of Checks Issued (RCI), Liquidation Reports (LR), Report of Accountability for Accountable Forms (RAAF)	Every 10 th day after the end of each month	Sec.7.2.1(a) of the Rules and Regulations on the Settlement of Accounts (RRSA) as prescribed under COA Circular No. 2009-006 dated September 15, 2009
Monthly Trial Balances (TB) and Supporting Schedules (SSs) including the Journal Entry Vouchers (JEVs)	10 days after the end of the month	Section 60-c, Chapter 19 GAM Volume I
Quarterly TBs, Financial Statements (FS) and Supporting Schedules	10 days after the end of the quarter	
Yearend TB and FSs and Supporting Schedules (consolidated)	February 14, of the following year	
Bank Reconciliation Statements (BRS)	20 days after receipt of monthly Bank Statements (BS)	Section 7, Chapter 21, GAM Volume I
Statement of Appropriations, Allotments, Obligations, Disbursements and Balances – FAR No. 1 (SAAODB)	30 days after the end of each quarter	Section 32-a, Chapter 3, GAM Volume I
Summary of Appropriations, Allotments, Obligations, Disbursements and Balances by Object of Expenditures – FAR No. 1.A (SAAODBOE)	30 days after the end of each quarter	
List of Allotments and Sub-Allotments – FAR No. 1.B (LASA)	30 days after the end of each quarter	
Statement of Approved Budget, Utilizations, Disbursements and Balances – FAR No. 2 (SABUDB)	30 days after the end of each quarter	
Summary of Approved Budget, Utilizations, Disbursements and Balances by Object of Expenditures – FAR No. 2.A (SABUDBOE)	30 days after the end of each quarter	

Type of Report	Deadline	Basis
Quarterly Report of Revenue and Other Receipts –FAR No.5(QRROR)	30 days after the end of each quarter	
Aging of Due and Demandable Obligations – FAR No. 3 (ADDO)	On or before 30th day following the end of the year	Section 32-b, Chapter 3, GAM Volume I
Monthly Report of Disbursements – FAR No. 4(MRD)	On or before 30th day of the following month covered	Section 32-c, Chapter 3, GAM Volume I
Consolidated Statement of Allotments, Obligations, and Balances per Summary of Appropriations under FCR under GAA, GARO, and SARO	On or before February 14 of the following calendar year	Section 32-d, Chapter 3, GAM Volume I

- 8.4. Validation of the submitted reports disclosed that except for the submission of RAAFs, Management has incurred delay in the submission of the other financial and budgetary reports as of May 09, 2024 as follows:

Table 22 – Delay in Submission of Reports

Reports	Last Month Submitted	Days Delayed
Report of Collections and Deposits (RCD) including Official Receipts and Deposit Slips	December 2023	Eight to 66 days
Report of Disbursements (RODs)	December 2023	Two to 66 days
Report of Checks Issued (RCI) including Disbursement Vouchers 9DVs) and supporting documents	December 2023	32 to 66 days
Liquidation Reports (LR) including Official Receipts and other supporting documents	December 2023	Six to 137 days
Monthly TBs	December 2023	Two to 82 days
Financial and Accountability Reports	4 th Quarter	Two to 192 days

- a. Further, the delays in the submission of the quarterly FSs range from 3 to 60 days, as follows:

Table 23 - No. of Days Delay in the Submission of the Quarterly FS

Quarter	Delay per Fund 01	Delay per Fund 05	Remarks
1st	58	60	SFCs were not submitted: 1. Fund 01 – 3 rd Quarter 2. Fund 05 – 1 st to 3 rd Quarter
2nd	3	16	
3rd	57	56	
4th	35	35	

- b. Moreover, records showed that the Accounting Office incurred delays ranging from 3 to 444 days in the submission of BRSSs. The BRSSs for Cash in Bank-LCCA No. 3562-1003-25 were not submitted for the months of January to December 2023. The latest BRS received by the Audit Team on October 17, 2023, was for the month of December 2022.

Table 24 - No. of Days of Delay in the Submission of BRSSs

Month	Required Date of Submission	Date submitted to COA	No. of Days Delayed	Date submitted to COA	No. of Days Delayed	Date submitted to COA	No. of Days Delayed
		3562-1003-84 (Payroll)		3562-1003-25		3562-1003-25	
January 2023	02/20/2023	08/23/2023	184	Not Submitted	444	06/15/2023	115
February 2023	03/20/2023	08/23/2023	156		416	06/15/2023	87
March 2023	04/20/2023	08/23/2023	125		385	06/15/2023	56
April 2023	05/20/2023	08/23/2023	95		355	07/13/2023	54
May 2023	06/20/2023	08/23/2023	64		324	07/13/2023	23
June 2023	07/20/2023	08/23/2023	34		294	07/13/2023	-
July 2023	08/20/2023	08/23/2023	3		263	08/15/2023	-
August 2023	09/20/2023	10/17/2023	27		232	09/11/2023	-
September 2023	10/20/2023	10/17/2023	-		202	11/08/2023	19
October 2023	11/20/2023	02/23/2024	95		171	12/06/2023	16
November 2023	12/20/2023	02/19/2024	61		141	01/26/2024	37
December 2023	01/20/2024	02/19/2024	30		110	01/26/2024	6

8.5. We recommended and the Management agreed to:

- a) **require the officials concerned to immediately submit the bank reconciliation report of LBP Account No. 3562-1003-25 for the CY 2023;**
- b) **implement Section 122 of PD No. 1445 on the withholding of salary of the officials and employees concerned, if warranted by the circumstances; and**
- c) **henceforth, submit the required reports within the set deadlines.**

Management's Comments

- 8.6. The Head of the Accounting Office commented that delays in the submission of the required financial and budgetary reports are due to the turn-around time in transmitting official receipts and other related reports from other PhilSCA campuses which are necessary for recording in the books. Also, the overlapping activities of the accountable officer in charge of the reports contributed to the observed delays in the submission of the financial and budgetary reports.

Compliance with the General Provisions of RA No. 11936 or the GAA for FY 2023 Relating to Transparency and Public Disclosure

9. **The PhilSCA failed to fully comply with the General Provisions of the GAA for FY 2023 relating to transparency and accountability in government operations, such as: i) non-maintenance of the Transparency Seal; and ii) non-posting of information and reports on the official PhilSCA website, contrary to Section 7, Article III of the 1987 Constitution, depriving the people of the right to information on matters of public concern.**

- 9.1. Section 28, Article II of the 1987 Constitution provides the State's policy on public disclosure, to wit:

Section 28. Subject to reasonable conditions prescribed by law, the State adopts and implements a policy of full public disclosure of all its transactions involving public interest.

- 9.2. Further, Section 7, Article III of the same provides the State's recognition of the right of the people on matters of public concern, to wit:

Section 7. The right of the people to information on matters of public concern shall be recognized. Access to official records, and to documents and papers pertaining to official acts, transactions, or decisions, as well as to government research data used as the basis for policy development, shall be afforded the citizen, subject to such limitations as may be provided by law.

- 9.3. In accordance with the said provisions, Section 104 of the General Provisions of the GAA for FY 2023 reads as follows:

Section 104. To enhance transparency and enforce accountability, **all agencies of the government shall maintain a Transparency Seal to be posted on their websites.** The Transparency Seal shall contain the following: (i) the agency's mandates and functions, names of its officials with their position and designation, and contact information; (ii) approved budgets and corresponding targets, immediately upon approval of this Act; (iii) modifications made pursuant to the general and special provisions in this Act; (iv) annual procurement plan/s and contracts awarded with the winning supplier, contractor or consultant; (v) major activities or projects and their target beneficiaries; (vi) status of implementation, evaluation or assessment reports of said programs or projects; (vii) Budget and Financial Accountability Reports; (viii) Updated People's Freedom of Information (FOI) Manual signed by head of agency, Updated One-Page FOI Manual and Agency FOI Reports; and (ix) annual reports on the status of income authorized by law to be retained or used and be deposited outside of the National Treasury, which shall include the legal basis for its retention or use, the beginning balance, income collected and its sources, expenditures, and ending balance for the preceding fiscal year.

The **heads of the agencies and their web administrators or their equivalent** shall be responsible for ensuring compliance with this Section. *(emphasis supplied)*

a) *Non-maintenance of Transparency Seal;*

9.4. Audit of the PhilSCA's compliance with the maintenance of the Transparency Seal per its official website,¹³ disclosed the following observations:

Table 25 – The PhilSCA's Compliance with Section 104 of GAA for FY 2023

Required Information in Transparency Seal	Audit Observations	PhilSCA's Compliance
The agency's mandates and functions, names of its officials with their positions and designation, and contact information	The PhilSCA's mandates and functions, names of its officials with their positions and designation, and contact information are posted.	Compliant
Approved Budget and Targets immediately upon approval of GAA	Appropriations and physical targets for FY 2023 are posted.	Compliant
Modifications made pursuant to the general and special provisions in this Act	No approved modification of allotment class or realignment of the object of expenditure in GAA is posted.	Not Compliant
Annual procurement plan/s (APP) and contracts awarded with the winning supplier, contractor, or consultant	APPs from FY 2018-2023 are posted, However, the contracts awarded with the winning suppliers, contractors, or consultants are not posted.	Not Compliant
Major activities or projects and their target beneficiaries	Major projects, programs and activities, beneficiaries, and status of implementation for FY 2023 are not posted.	Not Compliant
Status of implementation, evaluation, or assessment reports of said programs or projects	Status of implementation, evaluation, or assessment reports of said programs or projects are not posted.	Not Compliant
Budget and Financial Accountability Reports	a.) FAR No. 3 – 2023 reports are not posted b.) FAR No. 5 – 2019 - 2023 reports are not posted c.) BAR No.1 - 3rd Quarter report is not posted	Not Compliant
People's Freedom of Information Manual signed by the head of the agency, Agency Information Inventory, 2020 and 2021 FOI Summary Report, and 2020 and 2021 FOI Registry	People's Freedom of Information (FOI) Manual signed by the head of the agency, Agency Information Inventory, 2020 and 2021 FOI Summary Report, and 2020 and 2021 FOI Registry are posted.	Compliant

¹³ <https://www.philsca.edu.ph/good-governance/transparency-seal/>

Required Information in Transparency Seal	Audit Observations	PhilSCA's Compliance
Annual reports on the status of income authorized by law to be retained and/or used and be deposited outside the National Treasury, which shall include the legal basis for its retention and/or use, the beginning balance, income collected and its sources, expenditures, and ending balance for the preceding fiscal year.	Annual reports on the status of income authorized by law to be retained and/or used and deposited outside the National Treasury are not posted.	Not Compliant

b) Non-posting of information and reports on the PhilSCA website.

9.5. Likewise, the PhilSCA was not compliant with certain GAA provisions which mandate the posting of some information on their websites, to wit:

Table 26 – PhilSCA's Compliance with Transparency and Public Disclosure GAA Provisions

Section	Requirement	Audit Observations
Sec. 4. Receipts or Revenues Collected by Agencies	Schedule of fees, charges, and assessments collectible by any government agency, as well as any updates thereon	Schedule of fees, charges, and assessments collectible by any government agency, as well as any updates thereon are not posted.
Sec. 5. Donations	Quarterly reports of all donations received, whether in cash or in kind, and expenditures or disbursements thereon, within thirty (30) days after the end of every quarter	Quarterly reports of all donations received, whether in cash or in kind, and expenditures or disbursements thereon are not posted.
Sec. 6. Trust Receipts	Quarterly reports of all trust receipts collected or received	Quarterly reports of all trust receipts collected or received are not posted.
Sec. 7. Performance Bonds and Deposits	Quarterly reports of performance bonds and deposits received	Quarterly reports of performance bonds and deposits received are not posted.
Sec. 11. Transparency on Public Funds	Information related to public funds deposited, maintained, and invested by the agency with any banking or financial institution	Information related to public funds deposited, maintained, and invested by the agency with any banking or financial institution are not posted.

Section	Requirement	Audit Observations
Sec. 98. Submission of Annual Reports and Audited Financial Statements on Accounts Deposited Outside of the National Treasury	Audited Financial Statements, annual reports, and narrative reports stating therein a detailed description of the utilization of funds	Audited Financial Statements, annual reports, and narrative reports stating therein a detailed description of the utilization of funds are not posted.
Sec. 99. Report on Commission on Audit Findings and Recommendation	Status Report on the actions taken on audit findings and recommendations using the prescribed form under COA Memorandum No. 2014-002 dated March 18, 2014	Status reports on the actions taken on audit findings and recommendations are not posted.
Sec. 101. Quarterly Financial and Physical Reports	Quarterly reports on its financial and physical accomplishments within thirty (30) days after the end of each quarter	Quarterly reports on its financial and physical accomplishments are not posted.
Sec. 102. Submission of Post FY 2023 Budget Status	Post FY 2023 budget status report, which shall indicate brief accomplishment on all programs, activities, and projects, including specific activities and projects funded from lump-sum appropriations and special purpose funds	Post FY 2023 budget status report is not posted.
Sec. 103. Transparency in Infrastructure Projects	Project title, location and detailed description, detailed estimates, detailed estimates in arriving at the Approved Budget for the Contract; winning contractor and the detailed estimates of the bid as awarded; source of the fund; implementing office; responsible official and their contact details; and start of construction date and target date of completion, within thirty (30) calendar days from entering into contract	Project title, location and detailed description, detailed estimates, detailed estimates in arriving at the Approved Budget for the Contract; winning contractor and the detailed estimates of the bid as awarded; source of fund; implementing office; responsible official and their contact details; and start of construction date and target date of completion are not posted.

9.6. We recommended and the Management agreed to update the information and post the missing requirements¹⁴ on the PhilSCA's official website.

¹⁴ As listed in Table 2

10. The PhilSCA currently does not have an Internal Audit Service (IAS) which could have assisted the Management to achieve an efficient and effective fiscal administration and performance of agency affairs and functions, contrary to RA No. 3456, AO No. 278, s. 1992, AO No. 70 s.2003, and other related issuances.

- 10.1. Internal auditing is a pre-emptive function and is a valuable tool to maintain operational efficiency and provides assurance that internal control processes are operating effectively and economically, and compliant with any existing government policies, plans, procedures, rules, and regulations. It strengthens accountability and good governance in public service organizations.
- 10.2. Section 2 of RA No. 3456, known as the Internal Auditing Act of 1962, mandates the creation, organization, and operation, in all departments, bureaus and offices of the National Government, of internal audit services which shall assist management to achieve an efficient and effective fiscal administration and performance of agency affairs and functions.
- 10.3. Section 1 of AO No. 278, s.1992, and AO No. 70 s. 2003 dated April 28, 1992, and April 14, 2003, respectively, require all heads of Government-Owned and/or Controlled Corporations (GOCCs), including Government Financial Institutions (GFIs), State Universities and Colleges (SUCs), and Local Government Units (LGUs), to organize an IAS in their respective offices.
- 10.4. Section 1.1 of AO No. 278, s.1992 states that the Internal Audit Service (IAS) shall be an integral part of the office/organization and shall assist the institution management in the effective discharge of its responsibilities insofar as the same would not encroach on or be adversarial with those of the auditors of the Commission on Audit. It shall function in accordance with the policies established by the provisions of RA No. 3456, as amended by RA No. 4177, and shall perform staff functions with primary responsibilities encompassing the examination and evaluation of the adequacy and effectiveness of internal control and the quality of performance. The internal audit activities are as follows:
 - Ascertaining the reliability and integrity of financial and operational information and the means used to identify, measure, classify, and report such information;
 - Ascertaining the extent of compliance and reviewing the systems established to ensure compliance with government policies, plans and procedures, laws and regulations that have impact on operations;
 - Ascertaining the extent to which the assets and other resources of the institutions are accounted for and safeguarded from losses of all kinds;

- Reviewing and evaluating the soundness, adequacy, and application of accounting, financial, and other operating controls and promoting the most effective control at a reasonable cost;
- Reviewing operations or programs to ascertain whether or not results are consistent with established objectives and goals and whether or not such programs are being carried out as planned;
- Evaluating the quality of performance of groups/individuals in carrying out their assigned responsibilities; and
- Recommending corrective actions on operational deficiencies observed.

10.5. Moreover, it requires that agencies without an internal audit service/unit shall constitute one to be staffed by assigning or deploying personnel from other units of the Agency.

10.6. Verification of the DBM Personal Service Information and Plantilla of Personnel (PSIPOP) for the PhilSCA revealed that two (2) plantilla positions of Internal Auditors remain unfilled as of December 31, 2023, to wit:

Unique Item No.	Position Title	SG
PSCAB-IAUD1-31-2023	Internal Auditor I	11
PSCAB-IAUD3-31-2023	Internal Auditor III	18

10.7. Inquiry with the Director of Human Resource Management & Services Division revealed that the hiring of the abovementioned plantilla positions is still ongoing from the time of the release of the Revised Organization and Staffing Standards (ROSS) last June 2023.

10.8. **We recommended and the Management agreed to intensify the filling up of plantilla positions for Internal Auditors through the publication of the vacant positions.**

Gender and Development (GAD)

11. **The PhilSCA did not fully comply with Section 35 of the GP of RA No. 11936 specifically on the guidelines in the preparation of Annual Gender and Development Plans and Budgets (GPB) and Accomplishment Reports (AR) prescribed in PCW-NEDA-DBM Joint Circular No. 2012-01. These are: (a) Inability to secure a PCW-endorsed GPB; (b) non-submission of the pertinent documents accompanying the GAD AR; (c) Non-implementation of the seven (7) proposed GAD programs/activities totaling P3,030,000.00; and d) Non-utilization of the budget allocated for the reported seven (7) GAD implemented activities amounting to P23,990,098.**

11.1. Paragraph 2(a) of Section 36 of RA No. 9710, or the *Magna Carta for Women*, states the authority of the Commission on Audit to conduct an annual audit on

the use of GAD Budget for the purpose of determining its judicious use and the efficiency, and effectiveness of interventions in addressing gender issues towards the realization of the objectives of the country's commitments, plans, and policies on women empowerment, gender equality, and GAD.

- 11.2. Section 35 of the GP of GAA FY 2023 mandates the preparation and submission of the annual GAD Plan and annual GAD AR, to wit:

Section 35. All agencies of the government shall formulate a Gender and Development (GAD) Plan designed to address gender issues within their concerned sectors or mandate and implement the applicable provisions under R.A. No. 9710 or the Magna Carta of Women, Convention on the Elimination of All Forms of Discrimination Against Women, the Beijing Platform for Action, the Philippine Plan for Gender-Responsive Development (1995-2025) and the Philippine Development Plan.

The GAD Plan shall be integrated in the regular activities of the agencies, which shall be at least five percent (5%) of their budgets. For this purpose, activities currently being undertaken by agencies which relate to GAD or those that contribute to poverty alleviation, economic empowerment especially of marginalized women, protection, promotion, and fulfilment of women's human rights, and practice of gender-responsive governance are considered sufficient compliance with said requirement. Utilization of GAD budget shall be evaluated based on the GAD performance indicators identified by said agencies.

The preparations and submission of the annual GAD Plan and annual GAD Accomplishment Report shall be subject to the guidelines issued by the agencies concerned. (*emphasis supplied*)

- 11.3. The Philippine Commission on Women (PCW), the National Economic Development (NEDA), and the DBM issued Joint Circular No. 2012-01 (JC) which provides the guidelines for the preparation of Annual GPB and AR to implement the Magna Carta for Women.
- 11.4. Under Section 8.1.2 of the JC, the SUCs shall submit its GAD Plan and Budget (GPB) to the Commission on Higher Education (CHED) for review and the latter shall forward the same to the PCW for endorsement to the DBM.
- 11.5. Further, on the preparation and submission of GAD AR, Section 10.1 of the same JC states that the agency GAD Focal Point Systems (GFPS) shall prepare the annual GAD AR based on the PCW-endorsed GPB.
- 11.6. Moreover, Section 10.2 states the conduct of the Harmonized Gender and Development Guidelines (HGDG) test, to wit:

Section 10.2. In case an agency attributes a portion or the whole of the budget of its major program to the GAD budget, it shall subject the same to the HGDG test to determine the actual expenditures that may be attributed to the GAD budget (Please see Sec. 6.4 above). If required, the agency may present the HGDG test result to GAD funds audit to justify GAD budget expenses. The result of the HGDG test shall be submitted to PCW.

- 11.7. Section 10.4 of the same JC lists the pertinent documents that shall accompany the submitted annual GAD AR, to wit:

Section 10.4. The annual GAD AR shall be accompanied by the following: (1) brief summary of the reported program or project; (2) copies of reported policy issuances; (3) results of HGDG tests, if any; and (4) actions taken by the agency on the COA audit findings and recommendations, if any.

- 11.8. Verification of the submitted documents pertaining to the PhilSCA's compliance with the JC revealed that the PhilSCA has allocated P45,600,000.00 or 8.59 percent of its total appropriation per GAA with details as follows:

Table 27 - PhilSCA GPB for FY 2023

GAD Activities	No. of Activities	Budget
Client-Focused	7	2,850,000.00
Organizational-Focused	5	2,750,000.00
Attributed Program	2	40,000,000.00
Total GPB	14	45,600,000.00
Total Appropriation per GAA		531,008,000.00
Percentage		8.59

- 11.9. However, further review of the submitted documents disclosed the following audit observations:

a) Inability to secure a PCW-endorsed GPB;

- 11.10. Our verification of the submitted Annual GPB disclosed that it remained unendorsed as shown in the Gender Mainstreaming Monitoring System (GMMS) Document Status. Records show that per an email from PCW dated July 17, 2023, addressed to the Focal Person (FP), the submitted GPB was denied endorsement and we quote:

“Based on our review, we regret to inform you that we cannot endorse your submission as it only partially complies with the provisions of Section 1.2.5 of PCW MC 2022-03, “Preparation and Submission of FY 2023 GPB”. Specifically, the entries in the GPB do not fully adhere to the MCW and relevant guidelines on GAD Planning and Budgeting. Thus, the minimum 5% GAD budget requirement will not be met.”

- 11.11. Further, the email stated that the action needed from the FP was a revision of the submitted GPB and resubmission of the same. However, per the Reply dated July 26, 2023, the FP stated and we quote:

“Based on our Annual GPB, the total GAA of our organization is P537,341,000.00 and the total GAD Budget is P45,600,000.00 with Attributed Program and it is over 5% of our GAD Allocation which amounted to 8.49%.”

11.12. It appears from the foregoing communications that the FP failed to comply with the action needed, which is to revise the GPB and resubmit the same, thereby resulting to the non-endorsement of the same.

b) Non-submission of the pertinent documents accompanying the GAD AR;

11.13. Validation of the submitted documents revealed that the submitted GAD AR lacked the accompanying papers, such as: (1) a brief summary of the reported program or project; (2) copies of reported policy issuances; (3) results of HGDG tests, if any; and (4) actions taken by the agency on the COA audit findings and recommendations, if any.

11.14. Non-submission of the accompanying papers hindered the proper conduct of audit with respect to the PhilSCA's compliance with the JC, specifically on the propriety of the allocation of its GAD budget to its identified Attributed Programs.

c) Non-implementation of the 7 out of 14 proposed GAD programs totaling P3,030,000.00;

11.15. Per submitted GAD AR, the PhilSCA reported that out of the total GPB of P45,600,000.00, it incurred actual expenditures for GAD-related activities of P18,579,901.56 or equivalent to 40.75 percent, leaving an unutilized budget of P27,020,098.44 or 59.25 percent of the total GPB for CY 2023, detailed as follows:

Table 28 - Overall GAD Budget Utilization Rate for FY 2023

GAD Activities	Count	Budget	Actual Expenditure		Unutilized Budget	
			Amount	%	Amount	%
Client-Focused	7	2,850,000.00	751,481.64	26.37	2,098,518.36	73.63
Organizational-Focused	5	2,750,000.00	102,522.60	3.73	2,647,477.40	96.27
Attributed Program	2	40,000,000.00	17,725,897.32	44.31	22,274,102.68	55.69
Total	14	45,600,000.00	18,579,901.56	40.75	27,020,098.44	59.25

11.16. Audit of the GAD AR revealed that out of the total budget of P45,600,000.00 for the client-focused and organizational activities, seven (7) GAD activities: four (4) client-focused and three (3) organizational-focused activities, with a total budget of P3,030,000.00, remained unimplemented, detailed as follows:

Table 29 - Unimplemented GAD Activities

No.	GAD Activity	Approved Budget
Client-Focused Activities		
1	Conduct of an art exhibit of ten (10) women who contributed significantly, Seminar/Forum in connection with the women's month theme (thru online platform or limited face to face);	500,000.00

No.	GAD Activity	Approved Budget
2	Conduct of an Advocacy Forum in the Aviation Industry (Face to Face/Online);	400,000.00
3	Conduct of a forum on adolescent and reproductive health issues in all PhilSCA campuses, Mental Health Awareness Amidst the COVID19;	400,000.00
4	Posting of updates in the GAD Advocacy Corner or as the need arises; Development of a GAD page in the PhilSCA website.	80,000.00
Sub-total		1,380,000.00
Organizational-Focused Activities		
1	Conduct GST for the PhilSCA GFPS members and Faculty Members;	800,000.00
2	Development of a comprehensive sex-disaggregated database;	50,000.00
3	Conduct Strategic Planning and write shop.	800,000.00
Sub-total		1,650,000.00
Total		3,030,000.00

d) Non-utilization of GAD budget amounting to P23,990,098.44 or 56.35%.

11.17. Further audit of the PhilSCA's GAD AR disclosed that of the total budget of P42,570,000.00 allocated for seven (7) reported GAD implemented activities, only P18,579,901.56 or 43.65% thereof was expended as of December 31, 2023, thereby resulting to an unutilized budget of P23,990,098.44 or 56.35 percent, detailed as follows.

Table 30 - GAD Budget Utilization Rate for Implemented GAD Activities

Table 30: GAD Budget Utilization Rate for Implemented GAD Activities						
No.	GAD Activity	Approved Budget	Actual Expenditure		Unutilized Budget	
			Amount	%	Amount	%
Client-Focused Activities						
1	Conduct Gender Sensitivity Seminar w/ Integration of RA 11313 for students, faculty, and admin personnel for the four (4) Campuses PhilSCA Villamor, FAB Lipa, BASA-Palmayo Pampanga & Mactan-Medellin, Cebu (thru online platform/Face to Face);	470,000.00	53,000.00	11.28	417,000.00	88.72
2	Conduct of training/deepening session for the curriculum writers to integrate gender perspective in the gender education subjects;	500,000.00	206,200.00	41.24	293,800.00	58.76
3	Conduct of info drive and webinars on VAW in the four (4) PhilSCA	500,000.00	492,281.64	98.46	7,718.36	1.54

No.	GAD Activity	Approved Budget	Actual Expenditure		Unutilized Budget	
			Amount	%	Amount	%
	Campuses thru online platform or limited face to face;					
Organization-Focused Activities						
4	Attendance and participation to seminars sponsored by other agencies local and international;	700,000.00	84,200.00	12.03	615,800.00	87.97
5	Training and strengthening of CODI for timely, effective, and efficient action /delivery of services needed such as counseling for both victims and alleged perpetrators.	400,000.00	18,322.60	4.58	381,677.40	95.42
Attributed Program						
6	Supply and Delivery of (6) units of Instructional Static Aircraft for the Philippine State College of Aeronautics Satellite Campuses	15,000,000.00	14,177,500.00	94.52	822,500.00	5.48
7	Procurement of Four (4) Units of Gas Turbine Engine Removal and Replacement System for BSAMT Students of Four (4) PhilSCA Campus	25,000,000.00	3,548,397.32	14.19	21,451,602.68	85.81
Total		42,570,000.00	18,579,901.56	43.65	23,990,098.44	56.35

11.18. **We recommended and the Management agreed to require the GAD Focal Person to ensure strict compliance with the reporting guidelines as prescribed in PCW-NEDA-DBM JC No. 2012-01.**

Senior Citizens and Persons with Disability (PWDs)

12. The PhilSCA Management failed to formulate plans, programs, and projects and integrate the same in their regular activities in addressing the concerns of the SC and PWD, contrary to Section 36 of the General Provisions of the GAA FY 2023.

12.1. Section 36 of the GP of RA No. 11936 or the GAA for FY 2023 provides the responsibility of all agencies of the government to formulate plans, programs, and projects related to SC and PWD.

12.2. To verify the PhilSCA's adherence with the said provision, the Audit Team requested the submission of the plans and budget for SC and PWD and accomplishment reports on projects for the welfare of SC and PWD for CY 2023 through a letter dated January 18, 2024, addressed to the Management.

12.3. In compliance thereto, the PhilSCA submitted the following documents:

- a. Special Order (SO) No. 16, Series 2023;
- b. SO No. 17, Series 2023;
- c. SO No. 16-A, Series 2023 dated August 2, 2023; and
- d. Annual Proposed Policy, Plans, and Programs of Senior Citizen (Proposal) for PhilSCA dated.

12.4. Validation of the submitted documents revealed the following information:

Table 31- List of Observations per Validation of Submitted Documents

Date	Document	Particulars
March 29, 2023	SO No. 16	constitution of the PhilSCA SC Committee with named Chairperson and its responsibility to prepare and submit policies, procedures and plans/programs for SC
March 29, 2023	SO No. 17	constitution of the PhilSCA PWD Committee with named Chairperson and its responsibility to prepare and submit policies, procedures and plans/programs for PWD
August 2, 2023	SO No. 16-A	composition of the PhilSCA SC Committee as to members
October 24, 2023	Proposal	proposed Policy, Plans and Programs for SC

12.5. Further verification resulted in the following audit observations:

- a. The PhilSCA PWD committee failed to prepare and submit the policies, procedures, and plans/programs for PWD to the Office of the President within fifteen (15) days upon issuance of the SO No. 17;
- b. The PhilSCA SC Committee failed to submit the prepared policies, procedures, and plans/programs for PWD to the Office of the President within fifteen (15) days upon issuance of SO No. 16;
- c. The submitted Proposal for SC did not bear the approval of the Director for HRMSD and consequently, the College President; No accomplishment reports for both SC and PWD were submitted.

12.6. We recommended and the Management agreed to timely prepare and submit the plans, programs and projects, and the resulting accomplishment reports, relative to the concerns of the SC and PWD.

Remittances to the Bureau of Internal Revenue (BIR), Government Service Insurance System (GSIS), Pag-IBIG Fund and PhilHealth

13. The PhilSCA had substantially complied with the laws and regulations on the deduction of premium contributions from its personnel and remittance of the same, including the government share, to the BIR, GSIS, Pag-IBIG, and PhilHealth.

13.1. The laws, rules, and regulations that govern the deduction and remittance required by BIR, GSIS, PhilHealth, and Pag-IBIG and the corresponding compliance by the PhilSCA are as follows:

- Section II(b) of RMO No. 8-2003 dated March 3, 2003;
- Section 14, Rule III of RA No. 8291, the GSIS Act of 1997;
- Section 3(a), Rule VII of the IRR of RA No. 9679, the Home Development Mutual Fund (HDMF) Law; and
- Paragraphs (a) and (b) of Section 18 of the IRR of RA No. 7875 as amended by RA No. 9241 and RA No. 10606, the National Health Insurance Act of 2013.

13.2. Revenue Memorandum Order (RMO) 16-2013 dated June 5, 2013, directs all government offices including any of its agencies, political subdivisions or instrumentalities, or government-owned or controlled corporations (GOCCs) to act and serve as "Role Model" to the taxpaying public with regards to tax compliance.

13.3. Section II(b) of RMO No. 8-2003 dated March 3, 2003, provides that the Heads of Offices (officials holding the highest position) and Chief Accountant/s or other person/s holding similar positions in departments, bureaus, agencies, instrumentalities officially designated as such by the head of office shall be personally charged with the duty to correctly withhold taxes on compensation, expanded and final withholding tax as well as government money payments to persons registered as Non-VAT (percentage, franchise, etc.) and VAT taxpayers and the timely remittance of taxes withheld.

13.4. During the CY 2023, the PhilSCA withheld a total amount of P42,720,502.08 of taxes, premiums/contributions/loan amortizations and remitted a total amount of P42,847,936.95 including the government share, leaving an unremitted balance of P4,864,310.44 as of December 31, 2023, as shown in the table below:

Table 32 - Summary of Deductions and Remittances of Inter-Agency Payables

Government Institution	Beginning Balance	Withheld	Remitted	Unremitted Balance
BIR	3,790,147.19	18,753,484.97	19,301,510.69	3,242,121.47

Government Institution	Beginning Balance	Withheld	Remitted	Unremitted Balance
GSIS	280,551.61 ¹⁵	18,799,627.76	17,927,295.81	872,331.95
Pag-IBIG	722,893.92	4,526,465.40	3,797,766.75	728,698.65
PhilHealth	21,103.82	1,842,522.07	1,821,363.70	21,158.37
Total	4,991,745.31	42,720,502.08	42,847,936.95	4,864,310.44

- 13.5. Of the total unremitted balances, a substantial portion thereof were remitted to the concerned government institutions in the ensuing year, while the remaining were still subjected to reconciliation.
- 13.6. **The Audit Team commended the PhilSCA's substantial compliance with the requirement of RMO No. 8-2003 and RA Nos. 8291, 9679, and 10606, its IRRs and other issuances in the timely withholding and remittance of taxes, and premium contributions to the BIR, GSIS, Pag-IBIG, and PhilHealth during the year.**
- 13.7. **However, we recommended and the Management agreed to:**
- a) **facilitate the immediate reconciliation of prior and current years' transactions and effect the necessary adjustment or remittance, whichever is appropriate; and**
 - b) **remit immediately the premiums deducted from the PhilSCA personnel in the current year and provide the audit team the proof of remittance for validation purposes.**

Compliance with RA No. 656 or the Property Insurance Law

14. **The PhilSCA failed to prepare and submit the required Property Inventory Form (PIF) which resulted in the: a) incorrect determination of the amounts of insurable assets; and b) noninsurance of its other insurable assets amounting to P76,526,686.77, thereby, denying the government adequate and reliable protection against any damage to or loss of its properties or assets and interests due to fire, earthquake, storm or other fortuitous events/casualty, contrary to Republic Act No. 656 and COA Circular 2018-002.**
- 14.1. RA No. 656, otherwise known as the Property Insurance Law, as amended by Presidential Decree (PD) No. 245, as emphasized in COA Circular No. 2018-002¹⁶, requires all government agencies (except municipal governments below the first-class category) to insure against any insurable risk of their properties,

¹⁵ Net payment of RLIP and ECIP for the period covered October 2007 to December 2022 dated December 28, 2023 amounting to P177,048.77.

¹⁶ Guidelines prescribing the submission of the Property Inventory Form as basis for the assessment of general insurance coverage over all insurable assets, properties and interests of the government with the General Insurance Fund of the Government Service Insurance System, May 31, 2018.

assets, and interests with the General Insurance Fund (GIF), as administered by the Government Service Insurance System (GSIS).

- 14.2. The GIF was established to indemnify or compensate the Government for any damage to, or loss of, its properties due to fire, earthquake, storm, or other casualty.¹⁷
- 14.3. To assist in the implementation of the provisions of RA No. 656, as amended, on the insurance and bonding of risks on insurable government assets and properties with the GIF, the Commission on Audit (COA) issued COA Circular 2018-002, which prescribes the submission of the PIF as the basis for the assessment of general insurance coverage over all insurable assets, properties, and interests of the government with the GIF of the GSIS.
- 14.4. Validation of Disbursement Voucher No. 202300100113 dated January 25, 2023 and paid with Check No. 110543, disclosed that for calendar year (CY) 2023, the PhilSCA paid the GSIS an amount of P3,221,958.93 for Fire Insurance covering the period December 31, 2022 to December 31, 2023 under Policy No. FI-NM-GSISHO-0044157 and Policy No. FI-NM-GSISHO-0044148.
- 14.5. Verification of the abovementioned insurance policies revealed that assets comprised of buildings, office equipment, and supplies and materials amounting to P687,657,021.42 were covered therein, details as follows:

Table 33 - Covered Assets under GSIS Insurance Policies

Policy No.	Location of Property	Type of Property Insured	Amount
FI-NM-GSISHO-0044157	MBEAB Campus	Buildings	10,087,500.00
		Office Equipment	2,262,482.08
		Supplies and Materials	7,108,019.85
	FAB Campus	Buildings	108,020,000.00
		Office Equipment	9,517,161.57
		Supplies and Materials	6,361,546.22
	BAB Campus	Buildings	5,146,913.50
		Office Equipment	13,916,651.34
		Supplies and Materials	6,964,245.62
	Palmayo Campus	Buildings	28,779,234.09
	Medellin Campus	Buildings	23,274,114.98
<i>Subtotal</i>			<i>221,437,869.25</i>
FI-NM-GSISHO-0044148	VAB Campus	Buildings	381,947,801.23
		Equipment	52,450,566.02
		Supplies and Materials	31,820,784.92
<i>Subtotal</i>			<i>466,219,152.17</i>
Total			687,657,021.42

¹⁷ RA No. 656, as amended by PD No. 245, July 13, 1973.

- 14.6. On the other hand, validation of the PhilSCA's submitted Comparative Detailed Statement of Financial Position disclosed that the PhilSCA had insurable assets amounting to P467,924,828.25 as of December 31, 2022, detailed as follows:

Table 34 - List of the PhilSCA's Insurable Assets

Type of Insurable Asset	Particulars	Carrying Amount
<i>Inventories</i>		
Inventory Held for Consumption	Office Supplies Inventory	1,062,459.75
	Accountable Forms, Plates and Stickers Inventory	110,887.00
	Drugs and Medicines Inventory	633,301.00
	Medical, Dental and Laboratory Supplies Inventory	168,981.00
	Fuel, Oil and Lubricants Inventory	119,220.00
	Textbooks and Instructional Materials Inventory	481,595.00
	Other Supplies and Materials Inventory	191,485.00
Semi-Expendable Equipment	Semi-Expendable - Office Equipment	2,918,368.90
	Semi-Expendable - Information and Communication Equipment	192,594.65
	Semi-Expendable - Communications Equipment	4,287.50
	Semi Expendable - Sports Equipment	139,029.71
	Semi-Expendable - Technical and Scientific Equipment	466,557.33
	Semi-Expendable - Medical Equipment	110,553.52
	Semi-Expendable - Other Equipment	198,268.66
	Semi-Expendable - Furniture and Fixtures	906,839.43
	Semi-Expendable – Books	89,699.47
	Semi-Expendable - Other Equipment	14,764.21
<i>Subtotal</i>		<i>7,808,892.13</i>
<i>Property, Plant and Equipment</i>		
Buildings and Other Structures	Buildings	9,462,761.93
	School Buildings	252,662,952.58
	Other Structures	79,566,276.02
Infrastructure	Power Supply Systems	36,548.40
	Communication Network	4,560,250.00
Machinery and Equipment	Office Equipment	4,414,490.01
	ICT Equipment	25,776,313.05
	Communications Equipment	207,292.59
	Disaster Response and Rescue Equipment	14,640.00
	Medical Equipment	32,760.00
	Sports Equipment	249,570.16
	Technical and Scientific Equipment	1,021,754.81
	Other Equipment	6,580,178.70
Furniture, Fixtures and Books	Furniture and Fixtures	2,349,348.88
	Books	165,098.25
Other PPE	Other PPE	77,580.10
Intangible Assets	Computer Software	128,000.00

Type of Insurable Asset	Particulars	Carrying Amount
Construction-in-Progress (CIP)	CIP – Buildings and Other Structures	72,810,120.64
<i>Subtotal</i>		<i>460,115,936.12</i>
Total		467,924,828.25

14.7. Validation of the PhilSCA's compliance with the COA Circular No. 2018-002 dated May 31, 2018 revealed the following deficiencies:

a) Nonsubmission of PIF;

14.8. Despite the prior audit recommendation, the Supply Office still failed to prepare and submit the PIF, listing all of the PhilSCA's insurable assets and showing its latest appraised valuations and other relevant information, as prescribed under COA Circular No. 2018-002.

b) Incorrect determination of the amounts of insurable assets;

14.9. Comparison of the amounts of insured assets per insurance policy vis à vis the amounts of insurable assets per submitted financial statements revealed that the amounts of insurable assets reported to the GSIS were based on its acquisition costs rather than its carrying costs, resulting to a discrepancy totaling P296,258,879.94, detailed as follows:

Table 35 – Discrepancy in the Amounts of Insurable Assets

Type of Insurable Asset	Insured Assets Per Insurance Policy	Insurable Assets Per Submitted FS	Discrepancy
Buildings	557,255,563.80	346,288,788.93	210,966,774.87
Equipment	78,146,861.01	42,341,423.80	35,805,437.21
Supplies and Materials	52,254,596.61	2,767,928.75	49,486,667.86
Total	687,657,021.42	391,398,141.48	296,258,879.94

c) Noninsurance of other insurable assets – P76,526,686.77.

14.10. Further verification of the PhilSCA's insured assets versus its insurable assets disclosed that the PhilSCA failed to insure its other insurable assets amounting to P76,526,686.77, detailed as follows:

Table 36 - Uninsured Assets

Type of Insurable Asset	Amount per FS
Semi-Expendable - Furniture and Fixtures	906,839.43
Semi-Expendable - Books	89,699.47
Furniture and Fixtures	2,349,348.88
Books	165,098.25
Other PPE	77,580.10
Computer Software	128,000.00
CIP – Buildings and Other Structures	72,810,120.64
Total Amount of Noninsurance	76,526,686.77

14.11. The preparation of the required PIF cannot be overemphasized. When accomplished correctly, it allows an agency to properly determine the values of its insurable assets, thereby, minimizing, if not preventing, the risks of overpayment of insurance premiums and noninsurance of insurable assets.

14.12. **We recommended and Management agreed to require the Supply Officer to prepare the PIF, listing all of the PhilSCA's insurable assets and showing its appraised valuations and other relevant information, as prescribed under COA Circular No. 2018-002 dated May 31, 2018.**

Status of Settlement of Audit Suspensions, Disallowances and Charges

15. **Suspensions and disallowances totaling P5,067,410.70 and P30,200,531.26, respectively, remained unsettled as of December 31, 2023, contrary to COA Circular No. 2009-006 dated September 15, 2009, which prescribes the rules and regulations in the settlement of accounts.**

Table 37 - Status of Audit Suspensions, Disallowances and Charges

Particulars	Beginning Balance, January 1, 2023	Issuances During the Year	Settlements During the Year	Ending Balance, December 31, 2023
Notice of Suspension (NS)	28,949,904.57	5,067,410.70	28,949,904.57	5,067,410.70
Notice of Disallowance (ND) ¹⁸	30,201,916.26	-	1,385.00	30,200,531.26
Total	59,151,820.83	5,067,410.70	28,951,289.57	35,267,941.96

15.1. Of the unsettled disallowances of P30,200,531.26, the amount of P8,554,353.16 and P19,113,300.00 are on appeal with the Cluster Director and Commission Proper respectively, while P 327,096.79 is with Notice of Finality of Decision (NFD).

15.2. **We recommended and the Management agreed to require the responsible/liable persons to immediately settle the audit suspensions and disallowances in accordance with the revised RRSA.**

¹⁸ Excludes disallowances issued prior to the implementation of the RRSA in CY 2009 amounting to P263,000.00