

PART II - OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL AUDIT

Accounting Errors and Omissions

1. **There are no material misstatements in the financial statements (FSs) of the Philippine State College of Aeronautics (PhilSCA) as of December 31, 2024. Accounting errors and improper accounting treatment of transactions found in audit that are considered departures from the International Public Sector Accounting Standards (IPSAS) totaling P45,337,854.05, as summarized in Annex A, have been adjusted in the books of accounts of the PhilSCA as at year-end.**

Accounting Deficiencies

2. **Various accounting deficiencies, such as unreconciled and unaccounted balances resulting from the absence or inadequacy of records/schedules/documents, affected the reliability of the balances of several accounts as at December 31, 2024.**
 - 2.1. The financial statements 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, Paragraph (e) Chapter 19 of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I on 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 present faithfully or could reasonably be expected to represent.
 - 2.3. Audit of financial accounts disclosed accounting deficiencies requiring further analysis, reconciliation, physical count/verification, coordination and future corrective actions as these have effects on the accuracy and reliability of the reported account balances in the FSs as shown in *Table 1*, with details on the next page.

¹ IPSAS 1, Paragraph 27

Table 1 - Summary of Accounting Deficiencies

Accounts Affected	Balance as at December 31, 2024	Nature of Accounting Deficiencies
	(in PhP)	
Cash and Cash Equivalents	451,847,165.53	a) Unreconciled year-end balance per bank and per books of the Cash in Bank-Local Currency, Current Account (CiB-LCCA) of P3,372,884.68;
		b) Unreconciled balances of the General Ledger (GL) and its related Subsidiary Ledgers (SL) totaling P154,686.90;
		c) Non-preparation and non-maintenance of separate SLs for the Special Trust Fund (STF) and Payroll fund accounts;
Inventories	742,732.27	a) Unreconciled balances of Report on Supplies and Material Issued (RSMI) and GL balances;
		b) Unsubstantiated adjustments - P6,867,214.16;
		c) Noncompliance with the use of Perpetual Inventory Method - P2,066,276.00.
Total	452,589,895.80	

CASH AND CASH EQUIVALENTS

- 2.4. Section 74 of Presidential Decree (PD) No. 1445 provides, among others, 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.
- 2.5. Moreover, 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 SL is required to check the accuracy of the controlling asset account in the GL.
- 2.6. Further, Sections 55 and 56, Chapter 19 of the GAM for NGAs, Volume I, provide the guidelines on the adjustments for unreleased commercial checks, to wit:

“Section 55: Reversion of Unused Notice of Cash Allocation.

For NGAs receiving subsidies from the national government in the form of NCA, adjusting journal entry shall be made for the reversion of the unused or unutilized NCA at the end of the accounting period. xxx

Section 56. Adjustments for Unreleased Commercial Checks.

A Schedule of Unreleased Commercial Checks shall be prepared by the Cashier for submission to the Accounting Division/Unit. All unreleased checks at the end of the year shall be reverted back

to the cash accounts. A JEV shall be prepared to recognize the restoration of the cash equivalent to the unreleased checks and the recognition of the appropriate liability/payable account. The accounting entry for the restoration of the unreleased check to the cash account shall be a debit to “CiB, Local Currency Current” account with credit to the appropriate liability account. There shall be no physical cancellation of the checks. The JEV supporting such restoration shall form part of the supporting document to the financial statements to be submitted to COA at year end. At the start of the ensuing year, another JEV shall be drawn to reverse the previous entry made and recognize the availability of the checks for release. **This procedure shall not apply to account “Cash-Modified Disbursement System (MDS)” since there is no actual cash with the GSBs.** (emphasis ours)

- 2.7. Meanwhile, Section 5 of Chapter 21, GAM for NGAs, Volume 1, provides the responsibility of the Chief Accountant/ Designated Staff in the preparation of the Bank Reconciliation Statement (BRS), to wit:

“Section 5. Preparation of the Bank Reconciliation Statement.

The Chief Accountant/ Designated Staff shall within ten days from receipt of the monthly Bank Statement (BS) together with the paid checks, original copies of Debit Memoranda (DM)/Credit Memoranda (CM) from the GSB, reconcile the BS with the GL and prepare the BRS in four copies.”

- 2.8. Furthermore, Section 8 lists the procedures for the preparation of the Bank Reconciliation Statement for “Cash-Modified Disbursement System (MDS)” accounts tranche.
- 2.9. Paragraph 2 of Section 8 thereof, specifically provides that the Accounting Unit/ Designated Staff shall ensure that the unadjusted ending book and bank balances per previous month’s BRS are the current month’s beginning book and bank balances, respectively.
 - a) *Unreconciled year-end balance per bank and per books of the CiB – LCCA of P3,372,884.68*
- 2.10. Review of the BRS and the GL balance of the CiB - LCCA account revealed the same balance amounting to P450,510,621.99.
- 2.11. However, verification of the bank reconciliation revealed a discrepancy amounting to P3,372,884.68, details as shown on the next page:

Table 2 - Discrepancy Between the Recomputed BRS and the GL

Particulars	Amount (in Php)
CiB per GL	450,510,621.99
Recomputed Balance per BRS	
Account No. 3562-1003-25	446,950,406.36
Account No. 3562-1003-84 (Payroll)	187,330.95
Total Recomputed/Adjusted Balance per BRS	447,137,737.31
Amount of Discrepancy	3,372,884.68

- 2.12. Management commented that the reconciliation between the BRS and GL are currently ongoing. However, Management added that said endeavor proves to be challenging due to shortage of personnel.
- 2.13. **We recommended and the Management agreed to reconcile the noted discrepancy between the adjusted balance of the CiB – LCCA per BRS and the GL balance, and prepare the necessary adjusting entries to ensure the correctness of the reported year-end balance, if any.**
- b) *Unreconciled Balances of GL and its related SL totaling P154,686.90;*
- 2.14. Review of the GL and its related SLs revealed that balances as at December 31, 2024 per the GL of Cash – Collecting Officer and Petty Cash accounts do not reconcile with its corresponding SLs resulting in a variance amounting to P74,941.98 and P79,744.92, respectively, detailed as follows:

Table 3 - Variance in the GL and its Related SLs

Account	Balance per GL	Balance per SL	Variance ²
	in Php		
Cash – Collecting Officer	45.00	74,986.98	74,941.98
Petty Cash	910,000.00	830,255.08	79,744.92
Total	910,045.00	905,242.06	154,686.90

- 2.15. Further validation disclosed that the causes of the noted variances were due to: a) unforwarded beginning balance in the SL; b) non-posting of transactions in the SL; c) nonrecording of collections and deposits in the SL; and d) double posting of collections deposits in the SL.
- 2.16. Management commented that the records pertaining to the GL and its related SLs for the said accounts are currently being updated. However, Management added that said endeavor proves to be challenging due to shortage of personnel.

² In absolute values

- 2.17. **We recommended and the Management agreed to reconcile the balances of the GL and its related SLs and make the necessary corrections in the records.**
- c) *Non-preparation and non-maintenance of separate SLs for the STF and Payroll fund accounts.*
- 2.18. In CY 2023, we noted that the Accounting Unit does not maintain SLs for all real accounts, including CiB Accounts. We then recommended that the Accounting unit to maintain separate SLs for the STF and Payroll Fund accounts to keep track of its movement, however, the Accounting Unit still failed to prepare and maintain separate SLs for the STF and Payroll Fund accounts.
- 2.19. **We reiterated our prior year’s recommendation with modifications, and the Management agreed to prepare and regularly update the separate SLs for the STF and Payroll Fund accounts.**

INVENTORIES

- 2.20. 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.
- 2.21. Accordingly, Chapter 8 of the GAM for NGAs, Volume I covers the definition, recognition, measurement, cost formulas to be used and related disclosure requirement. It includes specific guidelines and procedures on 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.
- 2.22. Section 9, Chapter 8 of the GAM for NGAs, Volume I, requires the use of the perpetual inventory system in recording purchases of supplies and materials for inventory purposes, to wit:

“Sec. 9. Perpetual Inventory Method. Supplies and materials purchased for inventory purpose shall be recorded using the perpetual inventory system, resulting in a more accurate inventory records and a running total for the cost of goods sold in each period. The system requires accounting records to show the amount of inventory on hand at all times through the maintenance of the SLC (Appendix 57) by the Accounting Division/Unit and Stock Card (SC) (Appendix 58) by the Supply and/or Property Division/Unit for each item in stock. Regular purchases shall be coursed through the inventory account and issues thereof shall be

recorded as they take place except for supplies and materials purchased out of PCF for immediate use or on emergency cases which shall be charged directly to the appropriate expense accounts.”

- 2.23. Further, paragraph 3 of Section 13 necessitates the conduct of the physical count/inventory semi-annually to check the integrity of property custodianship.
- 2.24. Meanwhile, GAM for NGAs, Volume II, prescribes the use of the Requisition and Issue Slip (RIS) to request supplies/goods/equipment/property carried in stock and by the Supply and/or Property Division/Unit to issue the items requested³ and the Report of Supplies and Materials Issued (RSMI) to report/summarize all issues of inventories (by stock number) during the day⁴.
- 2.25. Further, the *Instructions* in the accomplishment of the Supplies Ledger Card (SLC) provides that the SLCs and controlling accounts shall be reconciled with the semestral physical inventory of supplies and any discrepancies shall be immediately verified and adjusted. It shall also be reconciled with SLCs maintained by the Accounting Unit.
- 2.26. Commission On Audit (COA) Circular 2022-004 dated May 31, 2022, likewise 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 PhilSCA, 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.”

³ Appendix No. 63, GAM for NGAs, Volume II.

⁴ Appendix No. 64, GAM for NGAs, Volume II.

a) *Unreconciled balances of RSMI and General Ledger balances totaling P948,120.70;*

- 2.27. Evaluation of the submitted documents showed that the Supply Unit only maintained RSMIs and SCs for three (3) Inventory Accounts, namely: Office Supplies, Fuel, Oil, and Lubricants, and Accountable Forms, Plates and Stickers Inventory.
- 2.28. Review of the information reported in the RSMI and the transactions recorded in the GL revealed a discrepancy in the beginning balances of the three (3) aforementioned accounts by an amount of P1,686,285.49.
- 2.29. Furthermore, discrepancies in the inventories purchased amounting to P1,102,365.80 and issuances amounting to P364,201.01 were also noted.
- 2.30. All in all, the aforementioned discrepancies resulted to a total variance of (P948,120.70) in its Office Supplies and Accountable Forms, Plates and Stickers Inventory accounts, presented as follows:

Table 4 - Unreconciled Balances Between the RSMI and GL

Particulars	Beginning	Purchases	Issuance	Balance	Remarks
	in PhP				
Account Name: Office Supplies					
RSMI Balances	532,338.71	2,733,370.82	2,758,367.70	507,341.83	Tally with SC
GL Balances	1,881,749.20	1,867,580.02	2,556,752.69	1,192,576.53	No SLC
Variance	(1,349,410.49)	865,790.80	201,615.01	(685,234.70)	
Account Name: Fuel, Oil, and Lubricants					
RSMI Balances	212,820.00	330,215.00	361,440.00	181,595.00	Tally with SC
GL Balances	430,500.00	93,640.00	342,545.00	181,595.00	No SLC
Variance	(217,680.00)	236,575.00	18,895.00	-	
Account Name: Accountable Forms, Plates and Stickers Inventory					
RSMI Balances	317,800.00	-	143,691.00	174,109.00	Tally with SC
GL Balances	436,995.00	-	-	436,995.00	No SLC
Variance	(119,195.00)	-	143,691.00	(262,886.00)	
Total Variance	(1,686,285.49)	1,102,365.80	364,201.01	(948,120.70)	

- 2.31. The noted discrepancies in the balances between the RSMIs and GLs cast doubts as to the accuracy and reliability of the listed inventory accounts.
- 2.32. The Management commented that coordination between the Accounting and Supply Units are currently ongoing to reconcile the noted discrepancies.
- 2.33. **We recommended and the Management agreed to require the Accountant and the Supply Officer to reconcile and update their records to reflect the correct year-end balances in the books.**

b) *Undocumented adjustments - P6,867,214.16;*

- 2.34. Audit of the adjustments made by the Accounting Unit to reclassify semi-expendable inventory accounts to their respective expense accounts, and to recognize issuance of the inventory to end users disclosed that there were no supporting documents such as RSMI, RSPI, RIS and/or ICS, summarized as follows:

Table 5 - List of Unsubstantiated Adjustments

JEV No.	Account	Amount (in Php)
GJ Local 24-12-156	Drugs & Medicines Inventory	633,301.00
GJ Local 24-12-156	Medical, Dental and Laboratory Supplies Inventory	168,981.00
GJ Local 24-04-009	Office Supplies and Materials Inventory	37,170.00
GJ Local 24-12-134, 136, and 177	Other Supplies and Materials Inventory	1,438,055.90
GJ Local 24-12-178	Textbooks and Instructional Materials Inventory	481,595.00
GJ Local 24-08-029, and 12-171	Semi Expendable - Furnitures and Fixtures	1,903,920.10
GJ Local 24-04-013, 06-019 & 020, 08-027, 09-038, and 12-163	Semi Expendable - Office Equipment	17,742,294.95
GJ Local 24-07-023, and 12-166	Semi-Expendable - Disaster Response and Rescue Equipment	190,186.00
GJ Local 24-05-016, 07-025, 09-042 & 045, and 12-164	Semi-Expendable - Information and Communication Equipment	2,177,889.00
GJ Local 24-12-165	Semi-Expendable - Communications Equipment	20,580.00
GJ Local 24-12-167	Semi-Expendable - Medical Equipment	168,523.01
GJ Local 24-12-168	Semi-Expendable - Sports Equipment	215,990.00
GJ Local 24-12-169	Semi-Expendable - Technical and Scientific Equipment	852,430.00
GJ Local 24-09-047, 10-054, and 12-170	Semi-Expendable - Other Equipment	610,650.00
GJ Local 24-05-014, 09-032, and 12-172	Semi Expendable Books Expenses	225,648.20
Total		6,867,214.16

- 2.35. The lack of proper documentation to support the reclassification of semi-expendable inventory accounts to their respective expense accounts casts doubts on the accuracy, reliability, and transparency of the PhilSCA's financial reporting.
- 2.36. **We recommended and the Management agreed to require the Accountant and the Supply Officer to submit the RSMI and RSPI, together with the RIS and ICS, to substantiate the adjustments made.**

c) *Noncompliance with the use of Perpetual Inventory Method.*

- 2.37. Review of the pertinent GL disclosed that various issuances of inventories were incorrectly recognized by the Accounting Unit, by derecognizing the inventory and its related accounts payable, while the corresponding inventory expense is recognized only upon payment.
- 2.38. Moreover, despite the prior year's audit observation, the Accounting Unit still incorrectly records supplies and materials purchased directly to its expense accounts.
- 2.39. Analysis of the Purchase Orders (POs) for CY 2024 transactions disclosed that various purchases of supplies and materials were directly charged to its expense accounts, instead of initially recording the same under the appropriate Inventory accounts, as evidenced by the JEVs, summarized as follows:

Table 6 - List of Purchase Transactions Using the Expense Method

JEV No.	Account	Amount (in PhP)
2024-08-677	Fuel, Oil and Lubricants Expenses	11,025.00
2024-03-211, 234, 254, and 287	Office Supplies Expenses	377,560.00
2024-03-279, 07-604, 09-403, 734 & 732, 11-1048, 12-1165 & 1168	Other Supplies and Materials Expenses	1,271,577.00
2024-04-357	Semi-Expendable Furnitures and Fixtures Expenses	37,170.00
2024-08-716	Semi-Expendable Office Equipment	368,944.00
Total		2,066,276.00

- 2.40. **We reiterated our prior year's recommendation that the Management require the Accounting Unit to record the purchases and issuances of inventories using the Perpetual Inventory Method.**

B. OTHER AUDIT AREAS

Budget Utilization

3. **Of the total allotments received by the PhilSCA amounting to P339,400,067.00 for the CY 2024, the amount of P333,817,443.27 or 98.36 percent thereof was obligated, leaving an unobligated balance of P5,582,623.73 or 1.64 percent, as at year-end, which is largely attributed to Maintenance and Other Operating Expenses (MOOE), thus, failed to attain the purpose for which these funds were allocated.**
 - 3.1. Section 70 of the General Provisions (GPs) of the FY 2024 General Appropriations Act (GAA) provides that all 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, 2025, except for personnel services which shall be available for release, obligation, and disbursement until December 31, 2024.

- 3.2. Section 3.4 of National Budget Circular No. 590⁵ dated January 3, 2024 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. 292⁶ and shall not be available for expenditure except by subsequent legislative enactment.
- 3.3. Further, Department of Budget and Management (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 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, 2024 disclosed that out of the total adjusted appropriations amounting to P597,269,633.00 for CY 2024, only P339,400,067.00 was received as allotments. Of the total adjusted allotments received, the amount of P333,817,443.27 or 98.36 percent thereof was obligated, leaving an unobligated balance of P5,582,623.73 or 1.64 percent. Further, the PhilSCA had a disbursement rate of 91.39 percent, detailed as follows:

Table 7 - Summary of Appropriations, Allotments, Obligations, and Disbursements

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
in PhP						
Current Year's Appropriations (GAA FY 2024)						
A. Agency Specific Budget						
Personnel Services (PS)	160,271,428.55	156,613,317.55	156,613,250.62	156,579,250.62	3,658,111.00	66.93
Maintenance and Other Operating Expenses (MOOE)	258,994,571.45	132,711,346.45	127,516,639.67	126,417,656.63	126,283,225.00	5,194,706.78
Capital Outlays (CO)	25,000,000.00	25,000,000.00	24,937,000.00	3,540,164.00	0.00	63,000.00
Sub-total	444,266,000.00	314,324,664.00	309,066,890.29	286,537,071.25	129,941,336.00	5,257,773.71
B. Automatic Appropriation						
Retirement and Life Insurance Premiums	14,101,403.00	14,101,403.00	13,776,552.98	12,554,019.62	0.00	324,850.02
Sub-total	14,101,403.00	14,101,403.00	13,776,552.98	12,554,019.62	0.00	324,850.02
C. Special Purpose Fund						
Personnel Benefits	5,974,000.00	5,974,000.00	5,974,000.00	5,974,000.00	0.00	0.00
Sub-total	5,974,000.00	5,974,000.00	5,974,000.00	5,974,000.00	0.00	0.00
Total	464,341,403.00	334,400,067.00	328,817,443.27	305,065,090.87	129,941,336.00	5,582,623.73
Continuing Appropriations						

⁵ Guidelines on the Release of Funds for FY 2024

⁶ Executive Order No. 292 – The Administrative Code of 1987, July 25, 1987.

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
in PhP						
<i>Agency Specific Budget</i>						
Maintenance and Other Operating Expenses	132,928,230.00	5,000,000.00	5,000,000.00	0.00	127,928,230.00	0.00
<i>Sub-total</i>	<i>132,928,230.00</i>	<i>5,000,000.00</i>	<i>5,000,000.00</i>	<i>0.00</i>	<i>127,928,230.00</i>	<i>0.00</i>
Grand Total	597,269,633.00	339,400,067.00	333,817,443.27	305,065,090.87	257,869,566.00	5,582,623.73
Obligation Rate (%)		100.00	98.36			1.64
Disbursement Rate (%)			100.00	91.39		

- 3.5. Although the obligation rate of the PhilSCA for CY 2024 is at 98.36 percent, it should be noted that the disbursement for CO only amounted to P3,540,164.00 or only 14.20 percent of the total obligation incurred. Further, the amount of P5,000,000.00 for MOOE under the Continuing Appropriations remained as unpaid obligations for the CY 2024.
- 3.6. An inquiry made to the Budget Unit disclosed that the unobligated janitorial and security services allotments were due to timing differences in the billings and payment for the month of December 2024.
- 3.7. Further review of the Budget and Financial Accountability Reports disclosed an amount of unreleased appropriations in CY 2024 amounting to P129,941,336.00 and P127,928,230.00 for the Current and Continuing Appropriations, respectively, detailed as follows:

Table 8 - PhilSCA Unreleased Appropriations for CY 2024

Particulars	Adjusted Appropriation	Allotment Received	Unreleased Appropriations
	in PhP		
Current Year Appropriations			
Other Personnel Benefits			
Lump-sum for Filling of Positions - Civilian	27,401,000.00	23,742,889.00	3,658,111.00
Financial Assistance/ Subsidy			
Subsidies – Others	214,323,000.00	88,039,775.00	126,283,225.00
Sub-total	241,724,000.00	111,782,664.00	129,941,336.00
Continuing Appropriation			
Financial Assistance/ Subsidy			
Subsidies – Others	127,928,230.00	0.00	127,928,230.00
Sub-total	127,928,230.00	0.00	127,928,230.00
Total	369,652,230.00	111,782,664.00	257,869,566.00

- 3.8. Consultation with the Budget Unit revealed that the unreleased appropriations for Fiscal Year 2024 include P3,658,111.00 for the filling of positions and P126,283,225.00 for the Free Higher Education (FHE) Subsidy.

- 3.9. Further, the unreleased PS allotment was due to hiring constraints, such as difficulties in attracting qualified applicants for technical or specialized roles, particularly in remote campuses like Mactan-Medellin.
- 3.10. Meanwhile, the unreleased FHE Subsidy was due to a new and more rigorous vetting process for qualified enrollees, which resulted in the delay in the submission of the billing. As of date, the amount of P105,089,820.00 has already been released.
- 3.11. Moreover, for the continuing FY 2023 appropriation of P127,928,230.00, the PhilSCA had already submitted a full billing of P179,948,770.00 covering subsidies for the 2nd Semester of AY 2022–2023, Summer 2023, and the 1st Semester of AY 2023–2024.
- 3.12. The Management commented that to improve the utilization of Regular Agency Fund in the next fiscal year, the Budget Unit commits to take a more proactive role in maintaining the communication with the other PhilSCA departments and oversight agencies such as DBM and Commission On Audit (COA) to anticipate delays in billings, fund releases, approvals, procurement or procedural changes. Further, the Budget Unit has undertaken to the timely release and efficient use of all appropriated funds under the GAA to support the welfare of our personnel, students, and stakeholders.
- 3.13. **We commended the PhilSCA for the substantial utilization of its allotments, thus, enabling the establishment of an adequate and integrated system of education which is relevant to the needs of its student and faculty.**

Utilization of Special Trust Fund

4. **Of the total approved budget for STF amounting to P462,234,940.40, the amount of P277,303,443.27 or 60 percent thereof was utilized by PhilSCA, leaving an unutilized budget of P184,931,497.13 or 40 percent which is largely attributed to unimplemented programs and projects, thereby, depriving the optimum benefits that could have been realized through the allotted budget.**
 - 4.1. Republic Act (RA) No. 8292, or the “Higher Education Modernization Act of 1997” provides that the governing board has the power to fix the tuition fees and other necessary school charges, such as but not limited to matriculation fees, graduation fees and laboratory fees, as their respective boards may deem proper to impose after due consultations with the involved sectors.⁷

⁷ Section 4(d), RA No. 8292, June 6, 1997.

- 4.2. Relatedly, the Commission on Higher Education (CHED) issued CHED Memorandum Order (CMO) No. 20, series of 2011, dated August 4, 2011, which prescribes the policies and guidelines on the use of income, STF, and Programs of Receipts and Expenditures (PRE) of the SUCs.
- 4.3. Review of the PhilSCA's 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) disclosed that of the total Adjusted Budgeted Revenue (ABR) of P462,234,940.40, the amount of P277,303,443.27 was utilized, leaving an unutilized balance of P184,931,497.13, detailed as follows:

Table 9 - STF Utilization Rate Per Allotment Class

Allotment Class	ABR (in PhP)	Utilized (in PhP)	Unutilized (in PhP)	Rate (%)	
				Utilized	Unutilized
PS ⁸	17,731,902.75	15,494,667.20	2,237,235.55	87.38	12.62
MOOE ⁹	355,386,815.65	182,576,241.61	172,810,574.04	51.37	48.63
CO ¹⁰	89,116,222.00	79,232,534.46	9,883,687.54	88.91	11.09
Total	462,234,940.40	277,303,443.27	184,931,497.13	60.00	40.00

a) *Unutilized Budget for PS - P2,237,235.55;*

- 4.4. Per verification, the unutilized budget for PS pertain to Other Compensation amounting to P725,235.55 and Other Personnel Benefits amounting to P1,512,000.00, detailed as follows:

Table 10 - Unutilized Budget for PS

Particulars	Unutilized Budget(in PhP)
Other Compensation	725,235.55
a. Representation Allowance	187,000.00
b. Transportation Allowance	187,000.00
c. Honoraria	351,235.55
Other Personnel Benefits	1,512,000.00
Total	2,237,235.55

- 4.5. Per inquiry from the Budget Unit, the said budget was intended for milestones incentives to be given to the PhilSCA's personnel during the founding anniversary, which did not push through due to the lack of issued guidelines.
- 4.6. **We recommended and the Management agreed to align the use of the unutilized budget for PS with both of the PhilSCA's organizational goals and employees' needs by getting feedback from its personnel where the greatest impact can be made.**

⁸ Personnel Services

⁹ Maintenance and Other Operating Expenses

¹⁰ Capital Outlays

b) *Unutilized Budget for MOOE - P172,810,574.04;*

4.7. Per verification, the PhilSCA failed to utilize the amount of P172,810,574.04 or 48.63 percent of the total ABR for MOOE, detailed as follows:

Table 11 - Utilization Rate Per Budget Line Item under MOOE

Particulars	ABR	Utilized		Unutilized	
		Amount (in PhP)	%	Amount (in PhP)	%
Traveling Expenses	4,143,260.00	4,023,429.42	97.11	119,830.58	2.89
Training and Scholarship Expenses	108,278,470.00	82,662,104.18	76.34	25,616,365.82	23.66
Supplies and Materials Expenses	15,762,343.00	9,010,950.28	57.17	6,751,392.72	42.83
Utility Expenses	6,265,000.00	6,122,172.01	97.72	142,827.99	2.28
Communication Expenses	2,710,000.00	1,411,321.59	52.08	1,298,678.41	47.92
Survey, Research, Exploration and Development Expenses	3,500,000.00	182,067.85	5.20	3,317,932.15	94.80
Professional Services	38,532,865.27	30,198,661.44	78.37	8,334,203.83	21.63
General Services	21,316,275.64	17,324,487.49	81.27	3,991,788.15	18.73
Repairs and Maintenance	9,297,550.00	3,554,004.85	38.23	5,743,545.15	61.77
Taxes, Insurance Premiums and Other Fees	6,777,791.70	5,804,753.34	85.64	973,038.36	14.36
Other Maintenance and Operating Expenses	138,803,260.04	22,282,289.16	16.05	116,520,970.88	83.95
Total	355,386,815.65	182,576,241.61	51.37	172,810,574.04	48.63

- 4.8. As shown above, the PhilSCA was not able to utilize at least 60 percent of the allocated budget for the following budget line items, to wit: Supplies and Materials Expenses; Communication Expenses; Survey, Research, Exploration and Development Expenses; Repairs and Maintenance Expenses; and Other Maintenance and Operating Expenses.
- 4.9. Furthermore, comparison between the PhilSCA's utilization rate for MOOE per budget line item for CYs 2023 and 2024 revealed that the PhilSCA suffered an average net decrease of 7.56 percent utilization rate for CY 2024, detailed as follows:

Table 12 - Assessment of the PhilSCA's Utilization Rate for CYs 2023 and 2024

Budget Line Items Under MOOE	Utilization Rate (%)		Increase/ (Decrease) (%)
	2023	2024	
Traveling Expenses	61.07	97.11	36.04
Training and Scholarship Expenses	46.44	76.34	29.90
Supplies and Materials Expenses	49.94	57.17	7.23
Utility Expenses	81.12	97.72	16.60
Communication Expenses	69.82	52.08	(17.74)
Survey, Research, Exploration and Development Expenses	1.20	5.20	4.00
Professional Services	86.93	78.37	(8.56)
General Services	91.45	81.27	(10.18)
Repairs and Maintenance	26.15	38.23	12.08

Budget Line Items Under MOOE	Utilization Rate (%)		Increase/ (Decrease) (%)
	2023	2024	
Taxes, Insurance Premiums and Other Fees	81.46	85.64	4.18
Other Maintenance and Operating Expenses	45.96	16.05	(29.91)
Total	58.93	51.37	(7.56)

- 4.10. As shown above, the decrease in utilization rate for MOOE are mainly attributable to the following budget line items, to wit: Communication Expenses; Professional Services; General Services; and Other Maintenance and Operating Expenses, with the last one representing a significant decrease of 29.91 percent, a drop from 45.96 to 16.05 percent.
- 4.11. Verification from the Budget Unit revealed that the low utilization of the MOOE budget was due to several factors, to wit: failed bidding processes caused by lack of qualified bidders and time constraints, the discontinuance of certain programs like International Organization for Standardization (ISO) related activities and Learning Management System (LMS) upgrades, and the availability of alternative funding sources for some expenses, such as research and development. Additionally, actual costs of services and materials were lower than estimated, and the inclusion of the Mandatory Reserve Fund and Unprogrammed Funds under Other MOOE further contributed to the apparent underutilization.
- 4.12. **We recommended and the Management agreed to allocate the funds on the current needs of the PhilSCA and any ongoing challenges that it may be facing.**

c) Unutilized Budget for CO – P9,883,687.54.

- 4.13. Per validation, the unutilized budget for CO was for Property, Plant and Equipment of P9,158,989.54 and Intangible Assets amounting to P724,698.00, detailed as follows:

Table 13 - Unutilized Budget for CO

Particulars	Unutilized Budget (in PhP)	
Property, Plant and Equipment		9,158,989.54
a. Buildings and Other Structures	744,333.54	
b. Machinery and Equipment	8,372,291.00	
c. Furniture and Fixtures and Books	42,365.00	
Intangible Assets		724,698.00
Total		9,883,687.54

- 4.14. From the foregoing, the PhilSCA had failed to substantially utilize its STF budget, demonstrating a deficiency in the effective and efficient allocation of funds intended for the implementation of its programs, activities, and projects.

- 4.15. Consequently, this gap adversely affected the student body, faculty, and other personnel, who were deprived of the optimum benefits that could have been realized through sound planning and prudent utilization of the allocated resources.
- 4.16. Inquiry from the Budget Unit disclosed that while an 88.91% utilization rate was achieved for the CO budget, some PAPs – such as the procurement of the PhilSCA License Operating System under Other Intangible Assets – did not materialize due to constraints in the procurement process.
- 4.17. Management commented that they are reviewing the historical budget data to identify underspending or overspending trends and analyzing campus-level utilization rates in coordination with Campus Directors and their administrative teams.
- 4.18. Further, Management commented that they are exploring modular budgeting, which breaks large projects into fundable phases to enhance implementation and monitoring. Moving forward, priority will be given to programs, activities, and projects (PAPs) that demonstrate full implementation readiness, as assessed by the Institutional and Development Planning Office, while procurement feasibility will be evaluated by the Supply and Procurement Offices.
- 4.19. **We recommended and the Management agreed to prioritize upgrading or purchasing essential equipment, technology, or infrastructure that aligns with its strategic goals, such as modernizing office facilities, acquiring more efficient machinery, or expanding information technology (IT) systems.**

C. COMPLIANCE ISSUES

Implementation of the FHE Program, particularly on the Exceptions to FHE

5. **The PhilSCA is compliant with Section 6 of RA No. 10931 and its Implementing Rules and Regulations (IRR), with respect to the implementation of the FHE program, specifically the Exceptions to Free Tertiary Education.**
 - 5.1 As set forth in Section 6 of RA No. 10931 and its IRR, the following students are ineligible to avail of the FHE:
 - a) Students who have already obtained a bachelor's degree or comparable undergraduate degree from any public or private HEI;
 - b) Students who fail to comply with the admission and/or retention policies of the SUCs or LUCs, provided that the failure to comply with the SUC

or LUC's retention policies results in the student's permanent disqualification from enrolling in any SUC or LUC;

- c) Students who fail to complete their bachelor's degree or comparable undergraduate degree within a year after the period prescribed in their program;
 - i. provided, that in the case of shifters, any semester wherein the student has availed of the benefits of FHE will be subtracted from the expected duration of the current program in which the student is enrolled;
 - ii. provided further, that in the case of transferees, any semester wherein the student has availed of any form of government-funded StuFAP shall be subtracted from the expected duration of the current program in which the student is enrolled;
 - iii. provided further, that in the case of returning students and other students who went on a leave of absence (LOA), the determination and computation of their FHE benefit shall be without prejudice to the most expedient way of completing their studies;
 - iv. provided finally, that the SUCs and LUCs shall decide on the cases that merit the extension of the availment of FHE; and
- d) Students who voluntarily opt out of the free higher education provision.

5.2 Further, it provides that students who are not eligible to avail of the FHE provision shall be charged tuition and other school fees as determined by the Governing Boards of the SUCs and LUCs.

5.3 The audit covered the review of Tuition and Other School Fees (TOSF) of actual enrolled students in Other SUCs - NCR billed to the DBM, specifically for the 2nd semester of Academic Year 2023-2024. Randomly selected¹¹ 100 4th year students of different undergraduate programs were used as samples. The results of the evaluation conducted are summarized as follows:

Compliant/ Not an Exception to the FHE

5.4 Out of 100 students, ninety-four (94) were confirmed as eligible for FHE provision, thus, compliant with Section 6 of RA No. 10931 and its IRR. The ninety-four (94) students have not obtained a bachelor's degree or comparable undergraduate degree from any public or private Higher Education Institution (HEI). Further, they were able to comply with the admission, enrollment, retention, and residency policies required under

¹¹ With the use of Microsoft Excel functions

Section 6 of RA No. 10931 and its IRR as well as those prescribed by PhilSCA. Finally, they have not voluntarily opted out of the free higher provision.

Not Compliant/ Exception to the FHE

- 5.5 Out of 100 students, six (6) students were confirmed as exceptions to the FHE. The six (6) students were tagged as non-compliant for not conforming with the admission and enrollment policies of the PhilSCA.
- 5.6 The PhilSCA requires the students to submit the original copies of the following documents during enrollment, to wit:
- Form 138/ Transfer Credentials;
 - Certificate of Good Moral Character;
 - Medical Certificate¹²; and
 - Philippine Statistics Authority (PSA) Birth Certificate.
- 5.7 Validation of the submitted documents disclosed that the foregoing admission requirements were not submitted by the six (6) students who have been flagged as exceptions, as presented below:

Table 14 - List of Students Tagged as Exceptions

No.	Student No.	Remarks
1	11920-xxxxxx	Lacks Transfer Credentials
2	12021MN-xxxxxx	Lacks Form 138 and Certificate of Good Moral Character
3	11920-xxxxxx	Lacks Medical Certificate
4	12021MN-xxxxxx	Lacks PSA Birth Certificate
5	12021MN-xxxxxx	Lacks Form 138
6	12021MN-xxxxxx	Lacks Form 138

- 5.8 When asked for comment, the Management appealed for consideration on the ground that most of the randomly picked folders of students containing the documents were received during the onslaught of the COVID-19 pandemic.
- 5.9 Further, the Management admitted on the relaxation of the strict implementation regarding the submission of original documents as requirements for enrolment/ registration purposes.
- 5.10 **We commended the Management for its compliance with Section 6 of RA No. 10931 and its IRR, with respect to the implementation of the FHE program, specifically the Exceptions to Free Tertiary Education.**

¹² Should include results of Ishihara Test and Neuro-Psychological Test, for applicable programs.

Compliance with Pertinent Provisions of RA No. 9184 and its Revised Implementing Rules and Regulations (RIRR) and Other Issuances on Government Procurement

6. The PhilSCA incurred delays in the issuance of the Notices of Award (NOA) ranging from 10 to 91 calendar days, and Notices to Proceed (NtP) ranging from 3 to 9 calendar days, contrary to Section 37 of Republic Act (RA) No. 9184 and its Implementing Rules and Regulations (IRR).

- 6.1 Section 37, Rule XI of the IRR of RA No. 9184 provides the rules and regulations on the notice and execution of award. It provides that within a period not exceeding fifteen (15) calendar days from the determination by the Bids and Awards Committee (BAC) of the bidder with the Lowest Calculated Responsive Bid (LCRB), Highest Rated Responsive Bid (HRRB), Single Calculated Responsive Bid (SCRB), or Single Rated Responsive Bid (SRRB), and the recommendation to award the contract, the Head of the Procuring Entity (HoPE) or his duly authorized representative shall approve or disapprove the said recommendation.¹³
- 6.2 Moreover, it states that the concerned Procuring Entity shall issue the Notice to Proceed (NtP) together with a copy or copies of the approved contract to the successful bidder within seven (7) calendar days (CD) from the date of approval of the contract by the appropriate government approving authority.¹⁴
- 6.3 For CY 2024, the PhilSCA had procured, through public bidding, various goods and services totaling P204,533,482.88. Review of the corresponding 15 contracts revealed that delays were incurred in the issuance of eight NOA from 10 to 91 CDs, and four NtP from three to nine CDs, to wit:

Table 15 - Delays in the Issuance of NOA and NtP for CY 2024

No.	Particulars	Amount (in Php)	Delays in NOA (in CD)	Delays in NTP (in CD)
1	Supply and Delivery of Technical Equipment and Scientific Equipment (Gas Turbine Engine – Assembly/Disassembly) for Philippine State College of Aeronautics – Institute of Engineering and Technology	17,100,000.00	14	3
2	Rebidding of The Repair and Rehabilitation of Water Line System of PhilSCA Villamor Campus	5,888,888.88	0	0
3	Procurement of Janitorial and Manpower Services for the Philippine State College of Aeronautics for CY 2024 (Early Procurement)	12,428,319.00	48	0
4	Supply, Delivery and Installation of PhilSCA Internet Access Subscription (Line 1)	962,500.00	36	0

¹³ Section 37.1.2, Rule XI, IRR, Updated as of 03 July 2023.

¹⁴ Section 37.4.1, *Id.*0

No.	Particulars	Amount (in Php)	Delays in NOA (in CD)	Delays in NTP (in CD)
5	Procurement of Security Services for the Philippine State College of Aeronautics (All Campuses) for CY 2024 (Early Procurement)	14,939,742.23	91	0
6	Construction of New Academic and Admin Building at New PhilSCA – Mactan Campus with Furniture and Fixtures	44,777,777.77	0	0
7	Rehabilitation of Speech Laboratory for the Philippine State College of Aeronautics/ Rebidding for the Supply, Delivery, Installation and Commissioning of Digital Speech Laboratory Including Fixtures	9,320,160.00	27	0
8	Supply, Delivery and Installation of Scientific and Technical Equipment of Aeronautical Laboratory (Fully Functional Wind Tunnel with Accessories) for the Institute of Engineering and Technology –PhilSCA	24,937,000.00	36	0
9	Outsourcing of Flight Training Services of Thirty-Nine (39) BSAT Students for PPL and CPL - Lot 2: Commercial Pilot License Ground and Flight Training	38,220,000.00	10	0
10	Outsourcing of Flight Training Services of Thirty-Nine (39) BSAT Students for PPL and CPL - Lot 1: Private Pilot License Ground and Flight Training	17,472,000.00	10	0
11	Procurement of Various License IT Software Application for PhilSCA - Lot 2: Procurement of PhilSCA License Operating System	1,341,150.00	0	0
12	Procurement of Document Management Solution with Hardware	7,854,791.00	0	9
13	Procurement of PhilSCA Information Security Appliance and Application	7,980,000.00	0	0
14	Lot 1: Procurement of Various Medicines, Medical Supplies, Tools and Equipment for PhilSCA Campuses	657,363.00	0	6
15	Lot 2: Procurement of Various Medicines, Medical Supplies, Tools and Equipment for PhilSCA Campuses	653,791.00	0	6
Total		204,533,482.88		

- 6.4 Inquiry with the Management revealed that the delay was due to the delay in the presentation and approval of the same to the PhilSCA Board of Trustees which only convenes on a quarterly basis.
- 6.5 **We recommended and the Management agreed to, henceforth, strictly comply with the prescribed rules and regulations in the notice and execution of award, which includes adhering to the deadlines set on the issuance of the NoA and the NtP.**

Delay in the Submission of Contracts and POs

7. **Non-submission of 17 POs and delayed submission of 11 contracts and 34 POs, with delays ranging from 2 to 23 days, and 1 to 67 days, respectively, prevented the implementation of a systematic and effective review and evaluation process, thereby, hindering the generation of timely and relevant audit results that would aid Management in decision making.**

- 7.1 Paragraph 3.1.1 of COA Circular 2009-001 dated February 12, 2009 requires the submission of contracts to the Auditor within five (5) workings days from the execution of the contract, to wit:

“Within five (5) working days from the execution of a contract by the government or any of its subdivisions, agencies or instrumentalities, including government-owned and controlled corporations and their subsidiaries, a copy of said contract and each of all the documents forming part thereof by reference or incorporation shall be furnished to the Auditor of the agency concerned. In case of agencies audited on an engagement basis, submission of a copy of the contract and its supporting documents shall be to the Auditor of the mother agency or parent company, as the case may be.”

- 7.2 Further, the COA directs the submission of POs within five (5) working days from the issuance thereof, to wit:

“**3.2.1.** A copy of any purchase order irrespective of amount, and each and every supporting document, shall, within five (5) working days from issuance thereof, be submitted to the Auditor concerned.”

- 7.3 Validation of the PhilSCA’s compliance with the submission of contracts and POs disclosed that, out of the 14 contracts executed for the CY 2024, only three contracts were submitted within the deadline. The remaining 11 contracts were submitted with delays ranging from two to 23 days.
- 7.4 Meanwhile, out of the 80 POs issued for the CY 2024, only 29 POs were submitted within the deadline. The remaining 51 POs were either not submitted or were submitted with delays ranging from one to 67 days, detailed as follows:

Table 16 - Compliance with the Submission of POs

Particulars	No. of POs	Remarks
Delayed Submission	34	With delay ranging from 1 to 67 days
Not submitted	17	For status verification
Total	51	-

- 7.5 The delayed and/or non-submission of the contracts and POs prevented the implementation of a systematic and effective review process and consequently, hindered the generation of timely and relevant audit results.
- 7.6 **We recommended and the Management agreed to strictly comply with the deadline set for the submission of contracts and POs.**

Transparency in Government Operations (Transparency Seal)

8. **The PhilSCA's Transparency Seal lacks postings and updates of the information as required under Section 103 of the GAA, CY 2024, thereby, depriving the people of the right to information on matters of public concern.**

- 8.1 Section 7, Article III of the 1987 Constitution 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 basis for policy development, shall be afforded the citizen, subject to such limitations as may be provided by law."

- 8.2 Accordingly, Section 103 of the GPs of the GAA, CY 2024 states, to quote:

"Section 103. 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)*

- 8.3 Audit of the PhilSCA's compliance with the maintenance of the Transparency Seal disclosed, per its official website¹⁵, the following observations:

Table 17 - The PhilSCA's Compliance with Section 103 of GAA for FY 2024

Required Information in Transparency Seal	Audit Observations	PhilSCA's Compliance
Agency's mandates and functions, names of its officials with their position and designation, and contact information	The PhilSCA's mandates and functions were posted. However, the names of its officials with their position and designation, and contact information were not updated.	Not Compliant
Approved budget and targets immediately upon approval of the GAA	Appropriations and physical targets for CY 2024 were not posted.	Not Compliant
Modifications made pursuant to the general and special provisions in the GAA	No approved modification of allotment class or realignment of object of expenditure in the GAA was posted.	Not Compliant
Annual procurement plan/s (APP) and contracts awarded with the winning supplier, contractor or consultant	APPs from CY 2018-2025 were posted, However, in CY 2024 the contracts awarded with the winning suppliers, contractors or consultants were not posted except for Competitive Public Bidding.	Not Compliant
Major activities or projects and their target beneficiaries	Major projects, programs and activities, beneficiaries and status of implementation for CY 2024 were 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 for CY 2024 were not posted.	Not Compliant
Budget and Financial Accountability Reports	a.) FAR No.1B - 4th Quarter report was not posted b.) FAR No. 2 - 2024 reports were not posted c.) FAR No.2A - 2024 reports were not posted d.) FAR No. 3 – 2024 reports were not posted	Not Compliant
Updated People's Freedom of Information (FOI) Manual signed by head of agency, Updated One-Page FOI Manual and Agency FOI Reports	Updated People's Freedom of Information (FOI) Manual signed by head of agency, Updated One-Page FOI Manual and Agency FOI Reports were not posted.	Not Compliant

¹⁵ <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 be deposited outside the National Treasury, which 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, were not posted.	Not Compliant

8.4 We recommended and the Management agreed to post and update the information as required under Section 103 of the GPs of the GAA, CY 2024 on the PhilSCA's Transparency Seal.

Delay in the Submission of Financial and Budgetary Reports

9. The PhilSCA incurred delays ranging from two to 292 days in the submission of financial and budgetary reports, including supporting schedules and other required documents, contrary to pertinent provisions of the GAM for NGAs, Volume I and Section 122 of PD No. 1445, which hindered the timely audit of the accounts, receipts, disbursements, and consequently, the prompt corrections of deficiencies, if any.

9.1 Section 122 of PD 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.”

9.2 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.

9.3 Pertinent provisions of the Rules and Regulations on Settlement of Accounts (RRSA) prescribed under COA Circular No. 2009-006 dated September 15, 2009 provides the following, to wit:

“Section 7.1.1(a). The head of the agency, who is primarily responsible for all government funds and property pertaining to his agency, shall ensure that: a) the required financial and other reports and statements are submitted by the concerned agency officials in such form and within the period prescribed by the Commission.

Section 7.2.1(a). The Chief Accountant, Bookkeeper, or other authorized official performing accounting and/or bookkeeping functions of the audited agency shall ensure that: a) the reports and supporting documents submitted by the accountable officers are immediately recorded in the books of accounts and submitted to the Auditor within the first ten (10) days of the ensuing month.”

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

Table 18 - 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 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	
Year-end 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	

Type of Report	Deadline	Basis
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	
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

9.5 Section 11, Chapter 2, GAM for NGAs, Volume I lists the complete set General Purpose Financial Statements, as follows:

- a. Statement of Financial Position;
- b. Statement of Financial Performance;
- c. Statement of Changes in Net Assets/Equity;
- d. Statement of Cash Flows;
- e. Statement of Comparison of Budget and Actual Amounts (SCBAA); and
- f. Notes to the Financial Statements, comprising a summary of significant accounting policies and other explanatory notes.

9.6 Validation of the submitted reports disclosed that, except for the submission of RAAFs, the Management have incurred delays in the submission of the financial and budgetary reports, summarized as follows:

Table 19 - Delays in the Submission of Financial and Budgetary Reports

Type of Report	No of Days Delayed
Report on Collections and Deposits	9 to 60
Report of Cash Disbursements	2 to 41
Report of Checks Issued	7 to 75
Liquidation Reports	4 to 88
Monthly Trial Balances (TB) and Supporting Schedules (SSs) including the Journal Entry Vouchers (JEVs)	5 to 186
Quarterly TBs, Financial Statements (FS) and SSs	40 to 292
Year-end TB and FSs and SSs	21
Bank Reconciliation Statements (BRS)	9 to 262
Budget and Financial Accountability Reports	2 to 183

- 9.7 The delayed and/or non-submission of the abovementioned reports, schedules and other documents hindered the timely audit of transactions of the agency. Further, it stalled the execution of essential audit procedures relating to the review of the financial statements.
- 9.8 **We recommended and the Management agreed to, henceforth, submit the reports within the set deadlines to facilitate the audit of financial transactions.**

Non-compliance with the Use and Maintenance of the Prescribed Forms under GAM for NGAS, Volume I and COA Circular No. 2022-004 dated May 31, 2022

10. **The use and maintenance of the forms, registry, and reports prescribed under the pertinent provisions of GAM for NGAS, Volume I, and Section 4.7 of COA Circular No. 2022-004 dated May 31, 2022 were not complied with, thus, had compromised the effectiveness of internal controls over inventories and PPE, potentially leading to lapses in accountability, tracking, and asset management.**
- 10.1 Despite numerous prior recommendations, the agency still failed to prepare and maintain the forms, registries and reports prescribed under Section 17, Chapter 8, and Section 42, Chapter 10, of the GAM for NGAs, Volume I and Section 4.7 COA Circular No. 2022-004, listed as follows:

Table 20 - List of Prescribed Forms, Registries and Reports

	Prescribed Forms, Registry, and Reports	Provisions
Section 17.b, Chapter 8 of GAM for NGAS, Vol. I	SC	Used to record all receipts and issues of supplies and the balance in quantity at any time. It shall be maintained by the Property and/or Supply Division/Unit for each item in stock. The IAR, RIS, PO and DR serve as the original sources of information for making entries on the card.
Section 17.c, Chapter 8 of GAM for NGAS, Vol. I	Supplies Ledger Card (SLC)	Used in the Accounting Division/Unit for each type of supplies to record all receipts and issues made. It shall be maintained by fund cluster.
Section 17.g, Chapter 8 of GAM for NGAS, Vol. I	Report of Supplies and Materials Issued (RSMI)	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.
Section 42.d, Chapter 10 of GAM for NGAS, Vol. I	Property, Plant and Equipment Ledger Card (PPELC)	The PPELC shall be kept in the Accounting Division/Unit for each class of PPE. The Accounting Staff in charge in maintaining the PPELC shall record promptly the acquisition, description, custody, estimated life, depreciation, impairment, issue/transfers/ disposal, repair history and other

	Prescribed Forms, Registry, and Reports	Provisions
		information about the property. It shall be maintained by fund cluster.
Section 42.c, Chapter 10 of GAM for NGAS, Vol. I	Property Card (PC)	The PC shall be maintained in the Supply and/or Property Division/Unit for each class of PPE. The Supply and/or Property Custodian shall record promptly the acquisition (based on the IAR and other supporting documents), issue/transfer/disposal and the description/ information about the asset. It shall be maintained by fund cluster.
Section 4.7 COA Circular No. 2022-004	Semi-Expendable Property Ledger Card (SPLC)	This form shall be kept in the Accounting Division/Unit to record promptly the acquisition, description, custody, impairment, issue/transfer/disposal, repair history and other information about the property.
Section 4.7 COA Circular No. 2022-004	Registry of Semi-Expendable Property Issued (RegSPI)	Maintained in the Supply and/or Property Division/Unit for each class of issued semi-expendable property. The Supply and/or Property 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.
Section 4.7 COA Circular No. 2022-004	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.
Section 4.7 COA Circular No. 2022-004	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 in 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.

- 10.2 The non-preparation and/or non-maintenance of the above forms, registry, and reports is not in keeping with the requirements set forth in the abovementioned regulations which manifests the PhilSCA's noncommitment in ensuring the integrity of inventory and property custodianship.
- 10.3 **We reiterated our prior year's audit recommendation and the Management agreed to require the Accounting Unit and the Supply Unit to prepare and maintain the required forms, reports and registries as prescribed in the GAM for NGAs, Volume I, and the COA Circular No. 2022-004 dated May 31, 2022.**

Granting of Additional Cash Advances (CA) Despite Non-liquidation of Prior CAs Given and Delay in the Liquidation of CAs Ranging from 12 to 273 Days

11. **Additional cash advances (CAs) were granted to three (3) Accountable Officers (AO) despite non-liquidation of the prior cash advances. Furthermore, delays in the liquidation of CAs, ranging from 15 to 287 days, as of year-end were noted, contrary to Section 89 of PD No. 1445 and COA Circular No. 97-002.**

11.1 Section 89 of PD No. 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.”

11.2 Meanwhile, Section 4.1.2 of COA Circular No. 97-002¹⁶ (Circular) dated February 10, 1997 provides that 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.

11.3 Further, it prescribes that a cash advance shall be reported on as soon as the purpose for which it was given has been served¹⁷.

11.4 Additionally, the Circular states that within ten (10) days after receipt of the report and supporting documents from the AO, the Accountant shall verify the report, record it in the books and submit the same with all the vouchers/payrolls and supporting documents to the Auditor. The cash advance shall be considered liquidated upon the recording thereof by the Accountant in the books of accounts although not yet audited by the COA auditor.¹⁸

11.5 Moreover, the Circular requires that all CAs be fully liquidated at the end of each year. Except for petty cash fund, the AO shall refund any unexpended balance to the Cashier/Collecting Officer who will issue the necessary official receipt.¹⁹

¹⁶ 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.

¹⁷ Section 4.1.3, COA Circular No. 97-002, February 10, 1997.

¹⁸ Section 5.3, *Id.*

¹⁹ Section 5.8, *Id.*

- 11.6 Likewise, the Circular pronounces that the responsibility of ensuring the proper granting, utilization and utilization of all cash advances in accordance with these rules and regulations rests with the Head of the Agency.²⁰
- 11.7 Review of the Report on Status of Unliquidated CAs as of December 31, 2024 revealed that three (3) AOs were granted with additional CAs even though said AOs have existing unliquidated CAs, as shown in table 21.
- 11.8 Further examination disclosed that the liquidation process of CAs was delayed ranging from 15 to 287 days as of December 31, 2024, as presented below:

Table 21 - AOs with Additional CAs and Computed Delay in Liquidation

AO No.	Date of Grant	Due Date of Liquidation	Date of Liquidation	No. of Days in Delay
1	March 11, 2024	April 11, 2024	January 23, 2025	287
	December 3, 2024	January 18, 2025	February 2, 2025	15
2	November 12, 2024	December 4, 2024	March 28, 2025	114
	December 9, 2024	January 9, 2025	February 26, 2025	48
3	July 26, 2024	September 4, 2024	January 10, 2025	128
	August 16, 2024	September 24, 2024	January 24, 2025	122

- 11.9 **We reiterated our prior year's audit recommendations and the Management agreed to:**
- refrain from granting additional cash advance to the same AO unless the previous CA/s had been settled or proper accounting had been made thereof;**
 - require the AOs to liquidate their CAs within the required period; and**
 - henceforth, strictly comply with the rules and regulations on the grant, utilization and liquidation of CAs.**

Gender and Development (GAD)

12. **Out of the P444,266,000.00 total appropriations of the PhilSCA, the total amount of P46,457,500.00 or 10.45 percent was allocated for GAD-related programs and activities. However, the PhilSCA has not utilized the amount of P38,941,235.34 or 83.82 percent of its P46,457,500.00 GAD Agency Approved Budget, due to the non-implementation of seven proposed GAD activities, as well as incomplete budget utilization for four proposed GAD activities, thus, not fully addressing the identified gender issues.**

²⁰ Section 8, *Id.*

- 12.1 Section 35 of the GP of GAA CY 2024 mandates the preparation and submission of the annual GAD Plan and annual GAD Accomplishment Report (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 RA 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.”

- 12.2 Further, Paragraph 1.8 of the Philippine Commission on Women (PCW) Memorandum Circular No. 2024-05²¹ dated December 10, 2024 reiterates that the computation of the minimum five percent (5%) GAD expenditure shall be based on the agency’s total budget appropriations provided in the FY 2024 GAA.
- 12.3 Additionally, the PCW, the National Economic Development (NEDA) and the DBM had 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.
- 12.4 On the preparation and submission of GAD AR, the JC requires the submission of the final GAD AR to the PCW by January²².
- 12.5 Further, Section 10.4 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,

²¹ Subject: Submission of FY 2024 GAD Accomplishment Report

²² Section 10.1, PCW-NEDA-DBM Joint Circular 2012-01.

if any; and (4) actions taken by the agency on the COA audit findings and recommendations, if any.”

- 12.6 Verification of the submitted Gender and Development Plan and Budget (GPB) and GAD AR revealed that the allocation for GAD-related programs and activities amounted to P46,457,500.00 or 10.45 percent of the P444,266,000.00 total appropriations per GAA, thus, complying with Section 35 of the GP of GAA FY 2024, detailed as follows:

Table 22 - GPB for FY 2024

GAD Activities	No. of Activities	Budget (in Php)
Client-Focused	7	4,300,000.00
Organizational-Focused	4	2,400,000.00
Attributed Program	1	39,757,500.00
Total Agency Approved Budget per GPB	12	46,457,500.00
Total Appropriation per GAA		444,266,000.00
Percentage		10.45%

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

a) *Non-implementation of 7 out of 11 proposed GAD client-focused and organizational-focused activities totaling P3,400,000.00;*

- 12.8 Validation of the submitted GAD AR revealed that out of the total Agency Approved Budget of P6,700,000.00 for the 11 client-focused and organizational-focused activities, seven GAD activities: four client-focused and three organizational-focused activities, with a total budget of P3,400,000.00, were not carried out by the agency, detailed as follows:

Table 23 - Unexecuted GAD Activities

No.	GAD Activity	Approved Budget (in Php)
Client-Focused Activities		
1	Posting of updates in the GAD Advocacy Corner; Development of a GAD Page in the PhilSCA website	100,000.00
2	Conduct of training/ deepening session for the curriculum writers to integrate gender perspective in the gender education subjects	400,000.00
3	Conduct Advocacy Forum in the Aviation Industry	800,000.00
4	Conduct of forum on adolescent and reproductive (health issues)	500,000.00
Sub-total		1,800,000.00
Organizational-Focused Activities		
1	Attendance and participation to seminars sponsored by other agencies (local and international)	800,000.00
2	Development of a comprehensive sex-disaggregated database;	100,000.00

No.	GAD Activity	Approved Budget (in Php)
3	Conduct and Update Strategic	700,000.00
Sub-total		1,600,000.00
Total		3,400,000.00

12.9 It is worth mentioning that of the seven unexecuted GAD activities, five were already included in the previous year's GPB and, similarly, were not implemented, which casts doubts as to the PhilSCA's capacity to implement these kinds of GAD activities.

12.10 The Management posited that the seven GAD activities were not implemented due to several cancellation of classes, as well as work suspensions, caused by the high heat index and bad weather. Further, the GAD Focal Person submitted the pertinent documents accompanying the GAD AR.

12.11 While we accept as true that there have been class cancellations, as well as work suspensions, throughout the year, no other evidence was provided by the Management that these fortuitous events were the ultimate reason for the non-implementation of the said activities.

12.12 We recommended and the Management agreed to develop a comprehensive contingency and risk mitigation plans to ensure the uninterrupted implementation of GAD activities.

b) Failure to completely utilize its GAD Agency Approved Budget by P38,941,235.34;

12.13 Validation of the submitted GAD AR disclosed that of the total GAD Agency Approved Budget amounting to P46,457,500.00, the PhilSCA incurred actual cost/expenditures amounting to P7,516,264.66 or equivalent to 16.18 percent, leaving an unutilized amount of P38,941,235.34 or 83.82 percent of the total GAD Agency Approved Budget, detailed as follows:

Table 24 - GPB Utilization for FY 2024

Type of GAD Activity	Count	Total GAD Agency Approved Budget	Actual Cost/ Expenditure	Unutilized
		in PhP		
Client-Focused	7	4,300,000.00	320,000.00	3,980,000.00
Organizational -Focused	4	2,400,000.00	479,598.00	1,920,402.00
Attributed Program	1	39,757,500.00	6,716,666.66	33,040,833.34
Total	12	46,457,500.00	7,516,264.66	38,941,235.34
Percentage		100%	16.18%	83.82%

- 12.14 The noted low utilization, which is only 16.18% of its total GAD Agency Approved Budget, raises doubts as to the Management's readiness to implement the same.
- 12.15 **We recommended and the Management agreed to establish a quarterly monitoring system to track GAD fund utilization, identify bottlenecks early, and implement corrective measures in a timely manner.**
- c) *Failure to submit the pertinent documents accompanying the GAD AR to the PCW*
- 12.16 Validation of the submitted documents revealed that the submitted GAD AR lacked the accompanying papers, such as: (1) brief summary of the reported program or project; (2) copies of reported policy issuances; (3) results of Harmonized Gender and Development Guidelines (HGDG) tests, if any; and (4) actions taken by the agency on the COA audit findings and recommendations, if any, as prescribed under Sections 10.1 and 10.4 of the JC.
- 12.17 Non-submission of the accompanying papers hindered the proper conduct of audit with respect to the compliance with the JC, specifically on the propriety of the allocation of its GAD budget to its identified Attributed Program totaling P39,757,500.00.
- 12.18 **We recommended and the Management agreed to assign a designated GAD Documentation Officer which shall be responsible for ensuring the completeness and timely submission of all required supporting documents accompanying the GAD AR to the PCW.**

Senior Citizens (SCs) and Persons with Disabilities (PWDs)

13. **The Agency Action Plan as well as the Agency Implementation Report for CY 2024 for senior citizens (SC) and persons with disability (PWD) were not prepared contrary to Section 36 of the GP of RA No. 11975 and Department of Budget and Management (DBM) - Department of Social Welfare and Development (DSWD) -National Commission on Senior Citizens (NCSC) - National Council on Disability Affairs (NCDA) Joint Memorandum Circular (JMC) No. 1, series of 2023.**

- 13.1 Section 36 of the GP of GAA FY 2024 mandates the formulation of plans, programs and projects intended to address the concerns of SCs and PWDs, to wit:

“Sec. 36. Programs and Projects Related to Senior Citizens and Persons with Disability. All agencies of the government shall

formulate plans, programs and projects intended to address the concerns of senior citizens and persons with disability, insofar as it relates to their mandated functions, and integrate the same in their regular activities.

Moreover, all government infrastructures and facilities shall provide architectural or structural features, designs or facilities that will reasonably enhance the mobility, safety and welfare of persons with disability pursuant to Batas Pambansa Blg. 344 and R.A. No. 7277, as amended.”

- 13.2 Under Section V.a of DBM-DSWD-NCSC-NCDA JMC No. 1, series of 2023, all concerned agencies are enjoined to submit their CY 2024 and years thereafter approved plan of action by the end of January 2024 and the years thereafter to NCSC (for older person) and NCDA (for persons with disabilities) for review and consolidation.
- 13.3 Further, under Section V.c of the same JMC, agencies are enjoined to submit an assessment/evaluation report on the status of compliance to GP Section 36 under CY 2023 GAA by end of January 2024 and years thereafter to NCSC and NCDA based on the sector they represent.
- 13.4 Precipitating from above, this Office requested the submission of the Agency Plan of Action as well as its Agency Implementation Report for CY 2024 through a letter dated March 18, 2025.
- 13.5 However, the agency was not able to submit the same. Confirmation from the Management disclosed that the PhilSCA was not able to prepare the abovementioned reports for CY 2024, thus, failing to address the concerns of senior citizens and persons with disability.
- 13.6 We recommended and the Management agreed to, henceforth, strictly comply with the abovementioned regulations the preparation and submission of the Agency Plan of Action as well as the Agency Implementation Report to the agencies concerned.**

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

- 14. The agency has substantially complied with the required withholding and remittance of dues/contributions to BIR, GSIS, PhilHealth, and Pag-IBIG in accordance with Executive Order (EO) No. 651, and RA Nos. 8291, 7875, and 9679 respectively.**

- 14.1 Shown on the next page is the summary of taxes withheld, premiums/contributions/loan amortizations and remittances of the PhilSCA for CY 2024 which were remitted monthly and within the required period.

Table 25 - Summary of Deductions and Remittances of Inter-Agency Payables

Particulars	Beginning Balance	Withholding	Remittances	Ending Balance	Remarks
	(in Php)				
Due to BIR	3,198,621.47	22,445,497.98	22,571,944.39	3,072,175.06	Of the ending balance, the amount of P1,722,405.22 was remitted on January 2025 while the remaining amount of P1,349,769.84 pertains to the unremitted taxes of P4,248.21 and unaccounted amount of P1,345,521.36.
Due to GSIS	872,331.95	20,387,941.05	20,690,262.12	570,010.88	Unaccounted ending balance
Due to PhilHealth	21,158.37	2,770,407.74	2,776,053.75	15,512.36	
Due to Pag-IBIG	728,698.65	4,575,087.03	4,575,390.01	728,395.67	

- 14.2 **We commended the Management's continued compliance with the requirements of the law by consistently withholding and remitting the amounts due to BIR, the GSIS, the PhilHealth and the Pag-IBIG.**
- 14.3 However, the year-end balances of the Due to BIR, Due to GSIS, Due to Pag-IBIG, and Due to PhilHealth accounts are unreliable due to unaccounted amounts in prior years amounting to P1,345,521.36, P570,010.88, P728,395.67 and P15,512.36, respectively.
- 14.4 The Management commented that the nature of discrepancies in the said accounts were due to differences in the monthly billings against the actual withheld amounts from employees. Said discrepancies were already communicated to the appropriate government agencies, however, the said issue remains to be resolved.
- 14.5 **We reiterated our prior years' audit recommendation and the Management agreed, to require the Accountant to reconcile the prior year's balances and effect necessary refund/remittances to ensure the reliability of the year-end balance of the Due to GSIS, Due to Pag-IBIG, and Due to PhilHealth accounts.**

15. **The PhilSCA has complied with the Property Insurance Law by insuring against any insurable risk its properties, assets, and interests amounting to P707,002,316.16 with the General Insurance Fund, and payment of premiums amounting to P4,239,685.23. However, the PhilSCA has failed to appraise its insurable assets, thus, exposing itself to the risk of incorrectly valuating its properties, contrary to COA Circular 2018-002 dated May 31, 2018.**
- 15.1 RA No. 656, otherwise known as the Property Insurance Law, as amended by Presidential Decree (PD) No. 245, as emphasized in COA Circular No. 2018-002²³, requires all government agencies (except municipal governments below first-class category) to insure against any insurable risk their properties, assets, and interests with the General Insurance Fund (GIF), as administered by the GSIS.
- 15.2 To assist in the implementation of the provisions of RA No. 656, the COA prescribes that the heads of government agencies shall direct the pertinent official under his/her supervision to cause the appraisal of the insurable properties and other assets of their respective offices²⁴.
- 15.3 For this purpose, the agency paid the GSIS an amount of P3,238,599.89 for fire insurance covering the period December 31, 2023 to December 31, 2024 under Policy No. FI-NM-GSISHO-0045884 and Policy No. FI-NM-GSISHO-0045886.
- 15.4 It also paid the GSIS an additional amount of P1,001,085.34 for aircraft insurance covering the period December 31, 2023 to December 31, 2024 under Policy No. AV-FLEET-GSISHO-0000133.
- 15.5 Verification of the abovementioned insurance policies revealed that assets comprised of buildings, equipment and aircrafts amounting to P707,002,316.16 were covered therein, detailed as follows:

Table 26 - List of Covered Assets under Various GSIS Insurance Policies

Policy No.	Location of Property	Type of Property Insured	Amount (in Php)
FI-NM-GSISHO-0045884	VAB Campus	Various Buildings	336,632,805.05
		Various Contents	127,132,850.76
Subtotal			463,765,655.81
FI-NM-GSISHO-0045886	MBEAB Campus	Various Buildings	28,961,614.98
		Various Contents	9,752,482.08
	FAB Campus	Various Buildings	111,020,000.00

²³ 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.

²⁴ Section 5.1(d), COA Circular 2018-002, May 31, 2018.

Policy No.	Location of Property	Type of Property Insured	Amount (in Php)
		Various Contents	9,389,061.57
	BAB Campus	Various Buildings	58,926,100.90
		Various Contents	9,037,800.82
Subtotal			227,087,060.35
AV-FLEET-GSISHO-0000133	VAB Campus	Aerospatiale #1	6,649,200.00
		Aerospatiale #2	9,500,400.00
Subtotal			16,149,600.00
Total			707,002,316.16

- 15.6 However, validation of the submitted Property Inventory Form (PIF) revealed that the agency did not cause the appraisal of the insurable properties and other assets of its respective campuses, thus, failing to determine the proper valuation of its assets which are the basis for the computation of the insurance premiums.
- 15.7 **We commended the PhilSCA for complying with the Property Insurance Law by insuring against any insurable risk their properties, assets, and interests with the General Insurance Fund.**
- 15.8 **However, we recommended and the Management agreed to cause the appraisal of the insurable properties and other assets of the respective campuses as provided under COA Circular No. 2018-002.**

Status of Audit Suspensions, Disallowances, and Charges

16. **Audit disallowances totaling P30,832,001.26 remained unsettled as of December 31, 2024, contrary to pertinent provisions of the 2009 RRSA as prescribed by COA Circular No. 2009-006 dated September 15, 2009.**

- 16.1 Pertinent provisions of COA Circular No. 2009-006 dated September 15, 2009, which prescribes the use of the RRSA on settlement of accounts are as follows:

“Section 9.4. A suspension should be settled within ninety (90) calendar days from receipt of the NS; otherwise, the transaction covered by it shall be disallowed/charged after the Auditor shall have satisfied himself that such action is appropriate. Consequently, the Auditor shall issue the corresponding ND/NC.

Section 10.4. The disallowance shall be settled within six (6) months from receipt of the ND by the persons liable.

Section 11.4. The audit charge shall be settled within six (6) months from the date of receipt of the NC.”

- 16.2 The Status of Audit Suspensions, Disallowances and Charges for CY 2024 is as follows:

Table 27 - Status of Audit Suspensions, Disallowances and Charges

Particulars	Balance, 01/01/24	For CY 2024		Balance, 12/31/24
		Issuances	Settlements	
	in PhP			
NS	5,067,410.70	-	5,067,410.70	-
ND	30,200,531.26	631,470.00	-	30,832,001.26
NC	-	-	-	-
Total	35,267,941.96	631,470.00	5,067,410.70	30,832,001.26

- 16.3 Of the unsettled disallowances totaling P30,832,001.26, the amount of P30,149,904.47 is currently on appeal with the Commission Proper, while the remaining amount of P682,096.79 is covered by two issued (2) Notices of Finality of Decision (NFD), to wit: NFD No. 2012-001 dated July 12, 2012 amounting to P327,096.79; and NFD No. 2022-059 dated April 20, 2022 amounting to P355,000.00.
- 16.4 The non-settlement of the suspensions and disallowances is not in accord with the abovementioned provisions of the 2009 RRSA as prescribed under COA Circular No. 2009-006 dated September 15, 2009.
- 16.5 **We recommended and the Management agreed to immediately cause the settlement of the noted disallowances with issued NFDs pursuant to the 2009 Rules and Regulations on the Settlement of Accounts of COA.**