

EXECUTIVE SUMMARY

A. Background



The National Aviation Academy of the Philippines (NAAP) was formally established through Republic Act (RA) 12255, a landmark law that institutionalized the country's premier aviation training and education center.

Enacted in 2025, RA 12255 transformed the Philippine State College of Aeronautics (PhilSCA) into the NAAP, expanding its mandate to meet the growing demands of both the civil aviation sector and the Philippine Air Force. The law repositioned the institution as a globally competitive academy focused on advanced instruction, research, and innovation in aeronautical science, aviation technology, and related disciplines.

Under RA 12255, the NAAP is tasked to:

- Provide professional and advanced technical education in aviation and aerospace fields;
- Strengthen research and development in aeronautics and emerging technologies;
- Support the training requirements of the aviation industry, both military and civilian;
- Promote industry partnerships and international collaboration.

With its main campus in Pasay City and additional campuses in Pampanga, Batangas, and Cebu, the NAAP serves as a key institution in developing highly skilled aviation professionals in the Philippines.

Establishment History

The NAAP traces its origins to a much earlier institution and evolved through several legal transformations.

- *1967 – Initial founding*

NAAP began as the Basa Air Base Community College in Floridablanca, Pampanga. It was created primarily to serve the educational needs of military personnel, civilian employees, and their dependents within the Philippine Air Force community.

- *1968 – Formal authorization*

The college operated under regulations issued by the Armed Forces of the Philippines (AFP) and approved by the Department of National Defense (DND), giving it official recognition as a military-supported educational institution.

- *1977 – Conversion to a full college*

Through Presidential Decree (PD) 1078, signed by Ferdinand Marcos, the school was upgraded into the Philippine Air Force College of Aeronautics (PAFCA).

- *1992 – Conversion into a state college*

With the enactment of RA 7605, signed by Corazon Aquino, PAFCA became a state institution known as the Philippine State College of Aeronautics (PhilSCA).

Campus Locations, Governance and Human Resources

At present, the NAAP operates four (4) campuses located in: 1) Villamor, Pasay City (Main Campus); 2) Floridablanca, Pampanga; 3) Lipa City, Batangas; and 4) Mactan, Cebu.

The governance of the NAAP is vested in its Board of Trustees (BOT) pursuant to Sections 5 and 11 of RA 7605. Presently, the Board is composed of representatives from government, academia, industry, alumni, and the student body, as follows:

Name		Position/ Designation	Mother Unit/Agency
1	Dr. Michelle Aguilar Ong	Chairperson	Commission on Higher Education (CHED)
2	Dr. Maria Sisa T. Dela Cruz	Vice-Chairperson	NAAP
3	Senator Loren B. Legarda	Member	Senate of the Philippines
4	Rep. Jude A. Acidre	Member	House Committee on Higher and Technical Education
5	Secretary Arsenio M. Balisacan	Member	Department of Economy, Planning, and Development (DEPDev)
6	Lt. Gen. Arthur M. Cordura, PAF	Member	Philippine Air Force
7	Lt. Gen. Raul L. Del Rosario AFP (Ret)	Member	Civil Aviation Authority of the Philippines (CAAP)
8	Capt. Joel Dublin Cabrera	Member	Private Sector Representative
9	Bgen. Isidro Torio Macaranas, AFP (Ret)	Member	Alumni Representative
10	Joeffrey Aquino Jimenez	Member	Student Trustee

In implementing its vision, mission, and goals, the NAAP has an approved plantilla of 398 positions, of which 277 are filled-up and the remaining 121 positions are yet to be filled. To augment its manpower requirements, the NAAP engaged the services of 168 contractual employees.

B. Operational Highlights

During the Academic Years (AYs) 2025-2026, the NAAP recorded a total enrollment of 6,629 students, comprising 156 graduate students and 6,473 undergraduate students.

For AY 2024–2025, the NAAP produced a total of 6,748 graduates, as presented below:

Number of Graduates	Total	Villamor Air Base Campus	Fernando Air Base Campus	Mactan Air Base Campus	Basa Air Base Campus
Undergraduate Studies	6,578	3,826	1,097	753	902
Graduate Studies	170	170	-	-	-
Total	6,748	3,996	1,097	753	902

The reported plans/targets vis-à-vis its accomplishments for Calendar Year (CY) 2025 are as follows:

Major Final Outputs (MFOs) and Performance Indicators	Targets	Accomplishments	
		Actual	Percentage
MFO 1- Higher Education Program			
Outcome Indicators: 1. Percentage of first-time licensure exam- takers that pass the licensure exams;	79%	96% 144/150	121.52
2. Percentage of graduates (two years prior) that are employed.	87%	88.56% 797/900	101.79
Output Indicators: 1. Percentage of undergraduate student population enrolled in CHED-identified and RDC-identified priority programs;	80%	97.58% 12,344/12,650	121.98
2. Percentage of undergraduate programs with Accreditation.	70%	100% 16/16	142.86

International Rankings

In the UI Green Metric World University Rankings 2025, the NAAP led all National Capital Region State Universities and Colleges (SUCs) at 1st place, ranked 4th among NCR higher education institutions, 35th among all SUCs nationwide, and 45th among Philippine HEIs - while placing 919th out of 1,622 universities across 95 countries.

Academic Achievements

In the December 2025 Aeronautical Engineers Licensure Examination, the NAAP was recognized as a Top Performing School, achieving an overall passing rate of 92.73%.

Quality Assurance

On July 9, 2024, the Commission on Higher Education (CHED) granted Certificates of Program Compliance for two new degree programs: Bachelor of Science in Aviation Information Technology and Bachelor of Science in Information Systems with specialization in Aviation Information Systems, effective AY 2024–2025.

C. Financial Highlights

For CY 2025, the NAAP had a total adjusted appropriation of P646,981,292.00 consisting of current year budget of P491,511,000.00 as provided for in the General Appropriations Act (GAA) for Fiscal Year (FY) 2025 or RA 12116, Automatic Appropriations of P15,932,067.00 for Retirement and Life Insurance Premiums (RLIP), Special Purpose Fund of P13,255,000.00 for Miscellaneous Personnel Benefits and prior year (Continuing) appropriation of P126,283,225.00. The total allotments received from the Department of Budget and Management (DBM) for the year amounted to P587,058,231.00 including funds from Continuing Appropriations, of which P580,468,539.43 was obligated, thereby leaving an unobligated balance of P6,589,691.57, detailed as follows:

Source of Funds	Appropriation	Allotments	Obligations	Unobligated Balance
(Amount in Php)				
Current Year's Appropriations (GAA FY 2025)				
1. Agency Specific Budget				
Personnel Services (PS)	178,098,000.00	170,510,911.00	170,510,872.81	38.19
Maintenance and Other Operating Expenses (MOOE)	265,413,000.00	234,207,433.00	231,226,716.39	2,980,716.61
Capital Outlays (CO)	48,000,000.00	48,000,000.00	44,750,000.00	3,250,000.00
Subtotal	491,511,000.00	452,718,344.00	446,487,589.20	6,230,754.80
2. Automatic Appropriation				
Retirement and Life Insurance Premiums	15,932,067.00	15,932,067.00	15,636,130.23	295,936.77
Subtotal	15,932,067.00	15,932,067.00	15,636,130.23	295,936.77
3. Special Purpose Fund				
Personnel Benefits	13,255,000.00	13,255,000.00	13,255,000.00	0.00
Subtotal	13,255,000.00	13,255,000.00	13,255,000.00	0.00
Total	520,698,067.00	481,905,411.00	475,378,719.43	6,526,691.57
Prior Year's Appropriations (GAA FY 2024)				
4. Agency Specific Budget				
Maintenance and Other Operating Expenses	126,283,225.00	105,089,820.00	105,089,820.00	0.00
Capital Outlays	0.00	63,000.00	0.00	63,000.00

Source of Funds	Appropriation	Allotments	Obligations	Unobligated Balance
	(Amount in Php)			
Subtotal	126,283,225.00	105,152,820.00	105,089,820.00	63,000.00
Grand Total	646,981,292.00	587,058,231.00	580,468,539.43	6,589,691.57

In addition, the NAAP had a total allotment of P420,483,579.33 from the approved budget for Special Trust Fund (STF), of which P279,078,632.31 or 66.37 percent was utilized, leaving an unutilized balance of P141,404,947.02, summarized as follows:

Classification	Allotment	Obligation	Unobligated Balance
	(Amount in Php)		
PS	19,506,015.46	15,046,470.69	4,459,544.77
MOOE	230,317,148.36	142,570,788.62	87,746,359.74
CO	170,660,415.51	121,461,373.00	49,199,042.51
Total	420,483,579.33	279,078,632.31	141,404,947.02

The NAAP's financial position and financial performance for CY 2025, with comparative restated figures for CY 2024, are presented as follows:

Particulars	2025	2024 (Restated)
	(Amount in Php)	
Financial Position		
Assets	1,505,960,852.33	1,413,339,681.69
Liabilities	103,722,401.66	118,333,949.67
Equity	1,402,238,450.67	1,295,005,732.02
Financial Performance		
Revenue	326,760,803.62	131,050,691.92
Current Operating Expenses	785,271,083.13	554,395,113.74
Deficit from Current Operations	(458,510,279.51)	(423,344,421.82)
Net Financial Assistance/Subsidy	565,913,398.16	328,517,696.17
Surplus for the period	107,403,118.65	(94,826,725.65)

D. Scope of Audit

The audit covered the review of the accounts and operations of the NAAP and its Campuses for the year ended December 31, 2025, in accordance with International Standards of Supreme Audit Institutions (ISSAIs). The audit was conducted to: a) ascertain the level of assurance that may be placed on Management's assertions on the financial statements (FSs); b) determine the propriety of transactions as well as the extent of compliance with applicable laws, rules and regulations; and c) determine the extent of implementation of prior years' audit recommendations.

E. Independent Auditor's Report

The Auditor rendered an unmodified opinion on the fairness of the presentation of the financial statements of the NAAP for CY 2025.

F. Significant Observations and Recommendations

The following are the significant audit observations and corresponding recommendations, which were discussed with Management officials concerned through the issuance of Audit Observation Memoranda (AOMs), and discussed during the Exit Conference held on April 6, 2026, details of which are further discussed in Part II of this report. The Management's views and comments were incorporated in the report, where appropriate.

1. For CY 2025, the NAAP received total allotments amounting to P587,058,231.00, with P580,468,539.43 (98.88%) obligation, reflecting substantial utilization of funds for intended purposes, thus achieving a high budget execution rate leaving an unobligated balance of only P6,589,691.57 (1.12%) as of year-end. (*Observation No. 3*)

We commended the Management for the substantial utilization of funds, achieving a 98.88 percent utilization rate for CY 2025.

For the marginal unutilized funds and unreleased appropriations, we recommended and the Management agreed to:

- a. **maximize the utilization of the allotments received within the period of their validity to ensure that the optimum results and benefits derived from the funds would be realized;**
 - b. **direct the Human Resource Management Services (HRMS) to undertake the necessary recruitment activities, including the timely publication and processing of vacant positions, and to identify the specific causes for existing delays. Management should establish a concrete recruitment timeline to facilitate the filling of authorized positions, to ensure that PS appropriations are fully utilized and critical roles are not left vacant; and**
 - c. **coordinate closely with the DBM regarding the P44,747,630.00 in unreleased Free Higher Education (FHE) funds to ensure funding of its programs.**
2. Of the P420,483,579.33 total approved budget for the Special Trust Fund (STF), only P279,078,632.31 or 66.37% was utilized, leaving an unutilized balance of P141,404,947.02 (33.63%) due to possible budget overestimation or planning

misalignment, leading to missed opportunities to enhance facilities, learning materials, and research programs benefiting faculty, students, and staff. (*Observation No. 4*)

We recommended and the Management agreed to:

- a. **prepare a more realistic budget by aligning fund allocations with the Academy's actual absorptive capacity, ensuring that the budget corresponds to both the projected implementation timelines and the operational requirements of planned programs, projects and activities (PPA);**
 - b. **strengthen coordination between End-Users and the Budget Office by establishing a formal monitoring mechanism to ensure that budget allocations, particularly for Other MOOE and CO, are supported by actual purchase requests;**
 - c. **address the delays in executing Memorandum of Agreement (MOA) by formulating and implementing a transition and risk management plan for projects requiring MOAs, including contingency measures and periodic progress reviews, to minimize delays and ensure the timely utilization of funds and implementation of project activities;**
 - d. **implement a validation phase before finalizing procurement for equipment (e.g. the document scanner) to confirm that the operational need still exists; and**
 - e. **closely monitor the status of the P44,199,042.51 unutilized PPE budget, identify specific bottlenecks in the procurement or implementation stages and take corrective actions, including the prompt resolution of procurement issues and enhancement of project monitoring mechanisms, to ensure the timely completion of infrastructure and laboratory facilities.**
3. Advance payments to contractors amounting to P54,172,835.17 were disbursed without the required Irrevocable Standby Letter of Credit/Security Bond/Bank Guarantee, exposing government funds to risk of loss if contractor's default, contrary to Section 71.1.5 of the IRR of RA 12009 and COA Circular No. 2012-001 dated June 14, 2012. (*Observation No. 7*)

We recommended and the Management agreed to direct the Accountant to:

- a. **ensure that no advance payments are released without the prior submission and verification of an Irrevocable Standby Letter of Credit, Security Bond, or Bank Guarantee pursuant to Section 71.1.5 of the IRR of RA 12009 and COA Circular No. 2012-001; and**

- b. implement a multi-level review and approval system for all infrastructure-related disbursements to ensure that documentary requirements and financial securities (specifically those required in Box A of the DV) are complete and physically verified.**
- 4. The NAAP failed to comply with the laws and regulations on the withholding of taxes from its suppliers, contractors, and personnel and the remittance of the same, due to: (a) insufficient taxes withheld on payments for other professional services amounting to P2,401,466.32; and (b) non-preparation and non-filing of the required Documentary Stamp Tax (DST) Declaration/Return for remittance of collected DST amounting to P170,400.00. (*Observation No. 13*)

We recommended and the Management agreed to require the Accounting Unit to:

- a. coordinate with FAST Aviation Academy, Inc. and demand the immediate settlement of the established under-withheld taxes to avoid the Academy's liability for the deficiency; and**
- b. prepare and file the required BIR Form No. 2000 (DST Declaration/Return) and effect the immediate remittance of the accumulated collections of P170,400.00.**

G. Summary of Total Suspensions, Disallowances and Charges

As at December 31, 2025, the NAAP had unsettled disallowances of P30,646,858.42. Details are presented in Part II of this Report.

H. Status of Implementation of Prior Years' Audit Recommendations

Of the 31 prior year's audit recommendations, 12 were reiterated/restated in Part II of this Report. Of the remaining 19 recommendations, 12 were implemented while 7 were not implemented, details of which are discussed in Part III of this Report.