

PART II – OBSERVATIONS AND RECOMMENDATIONS

FINANCIAL AUDIT

Accounting Errors and Omissions

1. **There are no material misstatements in the FSs of the NAAP as of December 31, 2025 and accounting errors totaling P60,252,720.77, as summarized in Annex A, have been adjusted in the books of accounts of the NAAP as of year-end.**

Accounting Deficiencies

2. **Several account balances as of December 31, 2025, were unreliable due to unreconciled and unsubstantiated balances stemming from missing or inadequate records, schedules and supporting documents.**
 - 2.1. The FSs shall present fairly the financial position, financial performance, and cash flows of an entity. Fair presentation requires 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 paragraph 27 of IPSAS 1.
 - 2.2. Moreover, Section 111 of PD 1445 requires that *the accounts of an agency shall be kept in such detail as is necessary to meet the needs of the agency and at the same time be adequate to furnish the information needed by fiscal or control agencies of the government and that the highest standards of honesty, objectivity and consistency shall be observed in the keeping of accounts to safeguard against inaccurate or misleading information.*
 - 2.3. Audit of the financial accounts of the NAAP disclosed accounting deficiencies requiring further analysis, reconciliation, physical count/verification, coordination, and future corrective actions, as these have possible effects on the reliability of the reported account balances at year-end, as summarized in *Table No. 1*.

Table No. 1. Summary of Accounting Deficiencies

Nature of the Accounting Deficiency	Affected Accounts	Amount (in PhP)
a. Unaccounted balances	Cash Inter-Agency Payables	3,329,553.71 4,175,096.61
b. Improper maintenance of subsidiary ledgers	Cash Advances to Contractor Guaranty/Security Deposits Payable	477,411,701.01 17,067,742.62 11,158,187.26
c. Unreconciled balances among financial, and	Inventories PPE	1,230,210.29 1,615,352.49

Nature of the Accounting Deficiency	Affected Accounts	Amount (in PhP)
accounting reports and records		
d. non-maintenance of Semi-Expendable Property Ledger Cards (SPLC)	Inventories	3,847,038.20
e. Erroneous recognition of withholding taxes on advance payments for mobilization fees and contractor progress billings	Due to BIR	1,563,370.73
Total		521,398,252.92

2.4. Details of the accounting deficiencies are presented in the ensuing paragraphs.

a) Unaccounted balances

i. Unaccounted bank debits - P3,135,957.75

2.5. Section 3, Chapter 21 of the GAM for NGAS provides that *the (Bank Reconciliation Statement (BRS) shall be prepared in order to: a) check correctness of both the bank's and agency's/entity's records, b) serve as a deterrent to fraud, and c) enable the agency/entity or bank to take up charges or credits recognized by the bank or agency/entity but not yet known to the agency/entity or bank.*

2.6. Further, Section 4 states that *the monthly BRS shall be prepared by the Chief Accountant/designated staff for each of the bank accounts maintained by the agency/entity using the Adjusted Balance Method. Under this method, the book balance and the bank balance are brought to an adjusted cash balance that must appear on the Statement of Financial Position.*

2.7. Review of the balances per BRS and per Detailed Statement of Financial Position (SFP) of the Cash in Bank – Local Currency, Current Account (CiB – LCCA) account revealed unaccounted debits amounting to P3,135,957.75, as detailed in *Table No. 2.*

Table No. 2. Discrepancy Between BRS and GL

Particulars	Amount (in PhP)	
CiB per Detailed SFP		476,489,238.51
Reconciled Balance per Bank Reconciliation		
Account No. 3562-1003-25	473,159,684.80	
Account No. 3562-1003-84 (Payroll)	193,595.96	473,353,280.76
Unaccounted Debits		3,135,957.75

- 2.8. The discrepancy of P3,135,957.75 represents bank-initiated debits or disbursements that remain unrecorded in the Academy's books of accounts.
- 2.9. Inquiry with the Accountant disclosed that the unaccounted discrepancy has remained unresolved for a significant period, even prior to his assumption of office in year 2019. The continued existence of this reconciling item indicates a lapse in the timely monitoring and cleanup of prior years' unreconciled balances.
- 2.10. **We recommended and the Management agreed to direct the Accountant to prioritize the identification and resolution of the P3,135,957.75 unaccounted bank debits in close coordination with the concerned banks to determine the nature of these pre-2019 unrecorded disbursements and prepare the necessary Adjusting Journal Entries (AJEs) to recognize them in the Books of Accounts.**

ii. Unsupported Payroll Account - P193,595.96

- 2.11. Audit of Payroll Account No. 3562-1003-84 revealed an unsubstantiated balance of P193,595.96 as of December 31, 2025. Inquiry with Management confirmed that this account is utilized as a "parking fund" for employee payroll. However, the lack of supporting documentation and detailed subsidiary records to justify this balance precludes the Audit Team from validating the propriety of the funds.
- 2.12. The maintenance of an unsupported temporary holding account in Payroll Account No. 3562-1003-84, coupled with the absence of SL and supporting documentation, indicates a significant deficiency in internal control. Consequently, the validity, propriety, and accuracy of the P193,595.96 balance cannot be substantiated, casting doubt on the fair presentation of the Academy's cash accounts in the FSs.
- 2.13. **We recommended and the Management agreed to direct the Accountant to discontinue the maintenance of the unsupported temporary holding account and provide a detailed breakdown and supporting documentation for the P193,595.96 balance in Payroll Account No. 3562-1003-84.**

iii. Unaccounted Inter-Agency Account balances – P4,175,096.61

- 2.14. Verification of records disclosed that, of the P5,491,789.04 unremitted balance of Inter-Agency Payables as of December 31, 2025, only P1,316,692.43 was remitted in January 2026, leaving an unreconciled balance of P4,175,096.61.

- 2.15. The balances include unaccounted amounts from prior years under Due to BIR amounting to P3,204,735.13, Due to GSIS amounting to P219,008.41, Due to Pag-IBIG amounting to P728,027.90 and Due to PhilHealth amounting to P23,325.17.
- 2.16. The remaining amount could not be accounted for due to the absence of supporting documents and SLs, thereby impairing the validity and reliability of the recorded payables.
- 2.17. The Management expressed its commitment in resolving the issue by coordinating with the pertinent government agencies.
- 2.18. **We recommended and the Management agreed to analyze and substantiate the unaccounted balances amounting to P3,204,735.13 (BIR), P219,008.41 (GSIS), P23,325.17 (PhilHealth), and P728,027.90 (Pag-IBIG) by determining their nature and validity and prepare the necessary adjusting entries supported by complete documentation.**

b) Improper maintenance of subsidiary ledgers

- i. *Deficient Subsidiary Ledger (SL) due to lack of breakdown for each fund source - P477,411,701.01*
- 2.19. The GAM for NGAs Volume II provides that the SL shows detail for each control account in the General Ledger (GL) which is maintained per account and fund cluster by the Accounting Division/Unit.
- 2.20. Section 32 of CMO No. 20, series of 2011 dictates that SLs shall be maintained to monitor accumulation of unexpended amounts and the running balances shall be retained for funds pertaining to fiduciary funds, self-liquidating units, income generating units, and regular funds.
- 2.21. The maintenance of detailed SLs by fund source under the CiB – LCCA is essential to accurately reflect funds sources and facilitate effective monitoring of account balances, in compliance with CMO No. 20, s. 2011.
- 2.22. Verification of the records revealed that the SLs maintained by the Academy lacked a detailed breakdown for each fund source and corresponding transactions particularly for STF and Payroll Fund Accounts. This prevents both Management and the Audit Team from effectively monitoring the transactions and verifying the account balances for each fund.
- 2.23. **We recommended and the Management agreed to direct the Accountant to strictly comply with Section 32 of CMO No. 20, s. 2011**

by maintaining detailed SLs for all bank accounts, particularly the STF and Payroll funds.

- ii. *Deficient SLs due to lack of verified beginning balances - P17,067,742.62*
- 2.24. Section 114, paragraph 2 of PD No. 1445 prescribes the maintenance of subsidiary records. A SL is a detailed ledger that supports a control account in the GL. By maintaining individual accounts for specific contractors or entities, the SL allows for precise tracking and monitoring of transactions while ensuring the GL remains concise and manageable.
- 2.25. A review of the submitted records revealed that the Accounting Unit (AU) failed to properly maintain the SLs for the Advances to Contractors account. Specifically, the submitted ledgers lacked verified beginning balances, which directly hindered the audit team's ability to track and validate the outstanding balances for each individual contractor. Without these opening figures, the continuity of financial data is broken, making it impossible to establish the accuracy of the year-end account balance.
- 2.26. **We recommended and the Management agreed to direct the Accountant to prioritize the reconstruction of SLs for the Advances to Contractors account by ensuring all beginning balances are verified and carried forward, while implementing a mandatory monthly reconciliation with the GL control account to immediately investigate and correct any discrepancies.**
- iii. *Non-maintenance of Detailed SLs for Guaranty/Security Deposits Payable - P11,158,187.26*
- 2.27. Audit of the Academy's records revealed that the AU failed to maintain detailed SLs for the Guaranty/Security Deposits Payable account for individual contractors or suppliers, rendering it difficult to track transactions, breakdown, or outstanding balances belonging to each specific contractor or supplier, thereby undermining the reliability, accuracy, and existence of the account balance at year-end.
- 2.28. The proper maintenance of detailed SLs is critical as it provides the necessary breakdown of the GL balance. These records ensure the accuracy of financial data, facilitate timely reconciliation, and establish accountability for individual transactions. The absence of these ledgers prevents the Academy from establishing the validity, existence, and aging of the reported liabilities.
- 2.29. **We recommended and the Management agreed to direct the AU to prioritize the reconstruction of SLs for the Guaranty/Security Deposits Payable Account by reviewing historical vouchers and contracts, and**

to mandate a monthly reconciliation between the GL and SLs to ensure the accuracy of the balances and the immediate correction of discrepancies.

c) *Unreconciled balances among financial, and accounting reports and records – P2,845,562.78*

- 2.30. The Inventory account of NAAP showed a balance of P1,462,020.44 as of December 31, 2025, as presented in *Table No. 3*.

Table No. 3. Inventory Account Balance as of December 31, 2025

Inventory Account	Amount (in PhP)
Office Supplies Inventory	718,735.40
Accountable Forms, Plates and Stickers Inventory	234,249.00
Fuel, Oil and Lubricants Inventory	233,728.00
Other Supplies and Materials Inventory	275,308.04
Total	1,462,020.44

- 2.31. Audit of the Inventory account using the submitted pertinent reports and documents revealed the following deficiencies:

i. *Variances between the accounting records and the RPCI – P281,692.48*

- 2.32. Under Instructions on Appendix 66 of the GAM for NGAs, Volume II, the RPCI is a form used to report the physical count of inventory items by type and is prepared semi-annually by the Inventory Committee and by fund cluster. The report shall be reconciled with the SLCs and Stock Cards (SCs) maintained by the Accounting Division/Unit, and Property and/or Supply Division/Unit, respectively. Any discrepancy shall be verified and/or adjusted accordingly.
- 2.33. Review of the inventory balances per FSs vis-à-vis the inventory balances per RPCIs revealed a discrepancy of P281,692.48, as detailed in *Table No. 4*.

Table No. 4. Discrepancies in the Inventory Balances as of December 31, 2025

Inventory Account	FS	RPCI	Discrepancy
	(in PhP)		
Office Supplies Inventory	718,735.40	670,840.96	47,894.44
Fuel, Oil and Lubricants Inventory	233,728.00	275,238.00	(41,510.00)
Other Supplies and Materials Inventory	275,308.04	0.00	275,308.04
Total	1,227,771.44	946,078.96	281,692.48

- 2.34. The foregoing variances indicate lapses in the recording, classification, and reconciliation of items within both the Accounting and Supply Units. Proper reconciliation is essential to ensure that recorded balances in the books agree with physical counts and property records.

- 2.35. **We recommended and the Management agreed to direct the Accounting and Supply Units to investigate the variances between the RPCI and the accounting records totaling P72,548.48 and prepare the necessary adjustments.**
- ii. *Discrepancy between RSMI and books – P858,065.33*
- 2.36. The GAM for NGAs Volume II provides that the RSMI is a form prepared by the Supply and/or Property Division/Unit to report/summarize all issues of inventories (by stock number) during the day.
- 2.37. Sec. 4.7.7 of COA Circular No. 2022-004 dated May 31, 2022 states that every end of the month, all RSMIs are consolidated and forwarded to the AU for the preparation of the Journal Entry Voucher (JEV) which contains the record of issuance of inventories. Conversely, the Report on Semi-Expendable Property Issued (RSPI) is prepared by the Property and/or Supply Division/Unit to report/summarize all issued semi-expendable property (by semi-expendable property number) at least weekly. It is based on the ICS and shall be used by the Accounting Division/Unit as basis in preparing the journal entry voucher to recognize the semi-expendable property issued.
- 2.38. A comparative evaluation of the RSMI against the GL revealed a discrepancy in issued inventories totaling P858,065.33. The failure to reconcile these records results in inaccurate inventory reporting and compromises the reliability of the recorded expenses for the period, as detailed in *Table No. 5*.

Table No. 5. Unreconciled Amounts of Issued Inventories for CY 2025

No.	Account Name	per RSMI	Per GL	Discrepancy
		(in PhP)		
1	Office Supplies Inventory	3,109,393.86	3,334,439.51	(225,045.65)
2	Medical, Dental and Laboratory Supplies Inventory	0.00	195,000.00	(195,000.00)
3	Other Supplies and Materials Inventory	0.00	1,559,204.54	(1,559,204.54)
4	Fuel, Oil & Lubricants Inventory	814,711.98	640,346.98	174,365.00
5	SE Disaster Response and Rescue Equipment	2,535,280.46	261,759.00	946,819.86
6	SE Furniture and Fixtures		633,453.00	
7	SE Technical and Scientific Equipment		372,158.60	
8	SE Information and Communications Technology Equipment		59,625.00	
9	SE Other Equipment		261,465.00	
Total Discrepancy in the Amounts of Issued Inventories		6,459,386.30	7,183,173.63	(858,065.33)

- 2.39. Inquiry from the AU revealed that the unreconciled amounts were due to incorrect account classification where inventory items may have been charged to different inventory accounts in the GL than those used in the RSMI, resulting in account-level variances, and lack of communication and verification procedures between the two Units.
- 2.40. The failure to reconcile issued inventories may result in the overstatement or understatement of inventory expenses, leading to distorted FSs. Furthermore, these discrepancies weaken internal controls, potentially hindering the timely discovery of misuse or unauthorized disposition of government supplies.
- 2.41. **We recommended and the Management agreed to direct the Accounting and Supply Units to reconcile the RSMI issuances against the books of accounts to resolve the identified P858,065.33 variance and prepare the necessary adjusting entries.**
- iii. *Unreconciled ending inventory between the GL and SLC - P90,452.48*
- 2.42. Appendix 57 of the GAM for NGAs, Volume II, prescribes the use of SLC by the Accounting Division/Unit for each type of supplies to record all receipts and issues made. It shall be maintained by fund cluster.
- 2.43. A comparison between the GL and the SLC revealed discrepancies in the ending inventory balances totaling P90,452.48, as summarized in *Table No. 6*.

Table No. 6. Discrepancies in the Ending Inventory Balances Per the GLs and the SLCs

Inventory Account	GL Balance	SLC Balance	Discrepancy
			(in PhP)
Office Supplies Inventory	718,735.40	647,550.96	71,184.44
Accountable Forms, Plates and Stickers Inventory	25,105.00	234,249.00	(209,144.00)
Fuel, Oil and Lubricants Inventory	233,728.00	280,624.00	(46,896.00)
Other Supplies and Materials Inventory	275,308.04	No submitted SLC	275,308.04
Total	1,252,876.44	1,162,423.96	90,452.48

- 2.44. The SLCs promote control, accuracy, accountability, and efficiency in inventory management. Proper maintenance of these records helps mitigate the risk of unaccounted inventory, enables the detection of unusual usage patterns, and prevents potential theft or mismanagement.
- 2.45. The variance of P90,452.48 between the GL and the SLC indicates that the books do not accurately reflect the actual movement of inventory. This discrepancy may result in the misstatement of both the Inventory and Expense accounts in the FSs. Furthermore, it highlights a failure to perform the mandatory monthly reconciliation between the Stock Ledger Cards and

the controlling GL account, thereby compromising the integrity of the Academy's financial reporting.

- 2.46. **We recommended and the Management agreed to direct the AU to conduct a thorough reconciliation between the GL balances and the SLC balances to identify the root causes of the P90,452.48 discrepancy and effect the required adjustments.**

iv. *Discrepancy between the GLs and PPELCs – P592,537.21*

- 2.47. Section 42, Chapter 10 of the GAM for NGAS, Volume I, prescribes the accounting and property records to be maintained for PPE. It states that *the Chief Accountant shall maintain the PPELC for each category of PPE including work and other animals, livestock, etc. The PPELC shall be kept to record promptly the acquisition, description, custody, estimated useful life, depreciation, impairment loss, disposal and other information about the asset.*
- 2.48. Verification of the PPE balances between the GLs and the PPELCs revealed discrepancies amounting to P592,537.21, as detailed in *Table No. 7.*

Table No. 7. Unreconciled PPE balances between GLs and PPELCs

Account Title	Carrying Amount		Discrepancy
	Per GL	Per PPELC	
	(in PhP)		
School Buildings	255,697,466.87	255,697,466.86	0.01
Office Equipment	855,396.01	827,613.51	27,782.50
Information and Communication Technology Equipment	16,411,629.69	16,385,052.10	26,577.59
Technical and Scientific Equipment	119,767,884.34	119,423,836.01	344,048.33
Other Equipment	915,860.88	687,189.50	228,671.38
Aircrafts and Aircrafts Ground Equipment	6,204,517.34	6,239,059.93	(34,542.59)
Furniture and Fixtures	910,051.59	910,051.60	(0.01)
Total	400,762,806.72	400,170,269.51	592,537.21

- 2.49. PPELCs serve as a vital control mechanism for tracking individual assets, ensuring that PPE balances in the financial statements are accurate and facilitating effective property management.
- 2.50. The variance amounting to P592,537.21 compromises the integrity and accuracy of the reported balances in the FSs.

v. *Unreconciled balances between the GLs and RPCPPE – P361,357.62*

- 2.51. Review of the PPE acquisition costs between the GLs and the RPCPPE showed discrepancies amounting to P361,357.62, detailed in *Table No. 8*.

Table No. 8. Unreconciled PPE Balances between GLs and RPCPPE

Account Title	Acquisition Cost		Discrepancy
	Per GLs	Per RPCPPE	
	(in PhP)		
Office Equipment	9,582,146.62	9,115,956.62	466,190.00
ICT Equipment	37,758,901.56	38,743,366.04	(984,464.48)
Technical and Scientific Equipment	157,597,732.41	156,413,270.41	1,184,462.00
Other Equipment	3,449,099.00	3,569,099.00	(120,000.00)
Furniture and Fixtures	1,641,507.80	1,786,130.20	(144,622.40)
Books	1,145,687.50	1,185,895.00	(40,207.50)
Total	211,175,074.89	210,813,717.00	361,357.62

- 2.52. The unreconciled balance of P361,357.62 between the GLs and the RPCPPE raises doubts regarding the existence, completeness and accuracy of PPE balances, as it suggests that assets are either recorded in the GL but not physically present, or found during inventory but not officially recognized. Consequently, these weaknesses in asset recording and monitoring increase the risk of undetected losses, theft, or misuse of government property.

vi. *Discrepancy between the PPELCs and PCs – P661,457.66*

- 2.53. Section 42, Chapter 10 of the GAM for NGAS, Volume I, prescribes the accounting and property records to be maintained for PPE. It states that *the Chief Accountant shall maintain the PPELC for each category of PPE including work and other animals, livestock, etc. The PPELC shall be kept to record promptly the acquisition, description, custody, estimated useful life, depreciation, impairment loss, disposal and other information about the asset. For check and balance, the Property and Supply Office/Unit shall likewise maintain PC for PPE in their custody to account for the receipt and disposition of the same. The balance per PC shall be reconciled with PPELC maintained by the Accounting Division/Unit. They shall also be reconciled with other property records like PAR.*
- 2.54. Further, it provides that the PC, used by the Supply and/or Property Division/Unit to record the description, acquisition, transfer, disposal, and other information about the PPE, shall be kept for each class of PPE.
- 2.55. Validation of PPE acquisition costs between the PPELCs and the PCs disclosed a discrepancy amounting to P661,457.66, as detailed in *Table No. 9*.

Table No. 9. Unreconciled PPE acquisition costs between the PPELCs and PCs

Account Title	Acquisition Cost		Discrepancy
	Per PPELC	Per PC	
	(in PhP)		
Office Equipment	9,635,196.62	9,115,956.62	519,240.00
ICT Equipment	37,717,951.60	38,743,366.04	(1,025,414.44)
Technical and Scientific Equipment	157,597,732.41	156,413,270.41	1,184,462.00
Other Equipment	3,737,099.00	3,569,099.00	168,000.00
Furniture and Fixtures	1,641,507.80	1,786,130.20	(144,622.40)
Books	1,145,687.50	1,185,895.00	(40,207.50)
Total	211,475,174.93	210,813,717.27	661,457.66

- 2.56. The unreconciled balance of P661,457.66 highlights inconsistencies between accounting and property records. This discrepancy further indicates a lack of coordination between the AU and the Property/Supply Unit in the recording and reporting of PPE transactions.
- 2.57. **We recommended and the Management agreed to strengthen reconciliation and record-keeping in both the Accounting and Supply Units by requiring the Chief Accountant and the Supply Officer to complete the reconciliation of the GLs, PPELCs, RPCPPE and PCs to resolve the variances between property and accounting records and promptly effect necessary adjusting journal entries as applicable.**

d) Non-maintenance of SPLCs - P3,847,038.20

- 2.58. Section 4.7 of COA Circular No. 2022-004 provides that the SPLC shall be kept in the Accounting Division/Unit to record promptly the acquisition, depreciation, custody, impairment, issue/transfer/ disposal, repair history and other information about the property.
- 2.59. Validation of the submitted records disclosed that the AU does not maintain the SPLCs, as required under COA Circular No. 2022-004. The absence of SPLCs, which are essential for tracking receipts and issuances by fund cluster, undermines the reliability of inventory records. This omission weakens the internal control system for safeguarding the Academy's properties and increases the risk of undetected loss, theft, or unauthorized disposal.
- 2.60. **We recommended and the Management agreed to direct the AU to maintain and update the SPLCs and ensure that all receipts and issuances are recorded promptly and accurately.**

e) Erroneous recognition of withholding taxes on advance payments for mobilization fees and contractor progress billings - P1,563,370.73

- 2.61. Pursuant to Section 58(c) of the National Internal Revenue Code (NIRC) of 1997, the obligation to deduct and withhold taxes arises at the time the income becomes payable.
- 2.62. Annex E (4) of the Implementing Rules and Regulations (IRR) of Republic Act No. 9184 provides that an advance payment or mobilization fee is an amount granted to the contractor prior to project implementation, not exceeding fifteen percent (15%) of the total contract price, intended to cover mobilization costs. Such advance payment is subject to recoupment from progress billings at a corresponding percentage. As such, the advance payment does not yet constitute income earned by the contractor at the time of receipt.
- 2.63. Under the GAM for NGAs, Volume III, the Due to BIR account is used to recognize taxes withheld from officers, employees, and other entities. It is credited upon withholding of taxes and debited upon remittance thereof to the BIR.
- 2.64. The suggested journal entries for the recognition of the payment of the mobilization fee to the contractor, the receipt of the first progress billing, and the subsequent payment thereof, are presented as follows:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Advances to Contractors	19902010	₱ 1,680,000	
Cash-Modified Disbursement			
System (MDS), Regular	10104040		₱ 1,680,000
To recognize payment of mobilization fee to contractor			
Construction in Progress-			
Buildings and Other Structures	10610030	₱ 5,600,000	
Advances to Contractors	19902010		₱ 1,680,000
Accounts Payable	20101010		3,920,000
To recognize first progress billing – 50% completed			
(₱11,200,000 x 50% = ₱5,600,000 – ₱1,680,000 = ₱3,920,000)			
Accounts Payable	20101010	₱ 3,920,000	
Guaranty/Security Deposits			
Payable	20401040		₱ 560,000
Due to BIR	20201010		350,000
Cash-Modified Disbursement			
System (MDS), Regular	10104040		3,010,000
To recognize payment for first progress billing			

- 2.65. Verification of the documents submitted by the AU for CY 2025 revealed that taxes were incorrectly withheld from the contractors upon recognition

of advance payments for mobilization fees amounting to P1,006,119.54, as detailed in *Table No. 10*.

Table No. 10. Amount of Incorrectly Withheld Taxes

JEV No.	Per Books		Per Audit		Amount
	Advances	Due to BIR	Advances	Due to BIR	
	(in PhP)				
2025-01-136	3,024,000.00	60,480.00	3,024,000.00	0.00	60,480.00
2025-03-031	3,024,000.00	402,750.00	3,024,000.00	0.00	402,750.00
2025-08-724	3,471,300.00	69,426.00	3,471,300.00	0.00	69,426.00
2025-09-775	4,766,666.55	297,916.66	4,766,666.55	0.00	297,916.66
2025-09-783	2,808,750.00	175,546.88	2,808,750.00	0.00	175,546.88
Total Amount of Incorrectly Withheld Taxes					1,006,119.54

- 2.66. Confirmation from the AU disclosed that the total amount of P1,006,119.54 was already remitted to the BIR.
- 2.67. Further review of the journal entries pertaining to the Due to BIR account revealed that the NAAP erroneously recorded the recognition of the Accounts Payable on receipt of the progress billing, as well as on payment of the progress billing, to illustrate:

Account Title	Account Code	Debit	Credit
Construction-in-Progress Account	1069xxxx	xxx	
Accounts Payable	20101010		xxx
<i>To recognize payable on receipt of progress billing</i>			
Accounts Payable	20101010	xxx	
Advances to Contractors	19902010		xxx
Guaranty/SD Payable	20401040		xxx
Due to BIR	20201010		xxx
Cash in Bank - LCCA	10102020		xxx
<i>To recognize payable on payment of progress billing</i>			
Construction-in-Progress Account	1069xxxx	xxx	
Advances to Contractors	19902010		xxx
Guaranty/SD Payable	20401040		xxx
Due to BIR	20201010		xxx
Cash in Bank - LCCA	10102020		xxx
<i>To recognize payment of payable based on progress billing</i>			

- 2.68. It should be noted that advances to contractors should not be subjected to withholding tax because they are merely cash advances and do not yet represent income earned by the contractor. At the time the advance is released, the contractor has not yet completed the work, delivered the goods, or rendered the services required under the contract.

- 2.69. Accordingly, the advance does not constitute a payment subject to withholding tax. The applicable withholding taxes should be deducted only upon payment of the progress billings or final billings, when the corresponding income has been earned and properly supported by the required billing documents.
- 2.70. As presented above, the NAAP incorrectly recognized the Accounts Payable (AP) at the gross amount of the progress billing, and in several entries, the NAAP does not even set up the liability account and just debits the CIP Account/ Expense Account to recognize payment of progress billing.
- 2.71. By failing to deduct the recoupment of Advances to Contractors during the initial recognition stage, the base amount was consequently overstated. Hence, the overstated amount served as the basis for calculating the Due to BIR account. Since the applicable withholding tax rate was applied to an overstated base amount, the resulting Due to BIR account was likewise overstated by P557,251.19 for CY 2025, as detailed in *Table No. 11*.

Table No. 11. Amount of Excess Withholding Taxes Due to Overstated Base Amount

Date	JEV No.	Per Books		Per Audit		Excess
		Asset/AP	Due to BIR	Asset/AP	Due to BIR	
		(in PhP)				
03/04/25	2025-03-248	4,701,081.39	293,817.59	3,995,919.18	249,744.95	44,072.64
03/25/25	2025-03-312	5,856,744.90	366,046.56	4,978,233.17	311,139.57	54,906.99
03/25/25	2025-03-313	716,343.75	44,771.48	608,892.23	38,055.76	6,715.72
06/09/25	2025-06-565	5,142,373.99	321,398.37	4,371,017.89	273,188.62	48,209.75
07/07/25	2025-07-641	4,420,709.29	276,294.33	3,757,602.90	234,850.18	41,444.15
12/12/25	2025-12-1073	2,548,000.00	382,200.00	2,165,800.00	133,105.25	249,094.75
12/12/25	2025-12-1074	1,120,000.00	168,000.00	952,000.00	55,192.81	112,807.19
Total Amount of Excess						557,251.19

- 2.72. The erroneous accounting practice of the NAAP, particularly its failure to recognize AP, or its recognition of AP at the gross amount without accounting for the recoupment of Advances to Contractors, resulted in the excessive withholding of taxes from contractors, which might have adversely affected the contractors by unnecessarily reducing their cash flows and available working capital, thereby constraining funds intended for project implementation, payroll, procurement of materials, and other operational requirements.
- 2.73. Moreover, the contractors were exposed to additional administrative and financial burdens arising from the need to reconcile, claim, or recover the excess taxes withheld through tax credits or refund processes, which are often lengthy and resource-intensive.

2.74. We recommended and the Management agreed to require the AU to:

- a. strictly adhere to the GAM for NGAs by ensuring that taxes are withheld only upon the recognition of progress billings and not on the payment of mobilization fees; and
- b. perform a detailed validation of the total incorrect tax withholding on mobilization fees and progress billings amounting to P1,563,370.73, and establish a formal coordination process with the BIR to determine the appropriate refund or tax credit mechanism.

OTHER AUDIT AREAS

Utilization of Regular Agency Funds (RAF)

3. For CY 2025, the Academy 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.

3.1. Section 70 of the General Provisions (GPs) of the FY 2025 GAA provides that all appropriations authorized in this Act shall be available for release and obligation for the purpose specified, and under the same general and special provisions applicable thereto, until December 31, 2026, except for Personnel Services which shall be available for release, obligation, and disbursement until December 31, 2025.

3.2. 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.

a) *Unutilized allotment – P6,589,691.57*

3.3. Details of the Statement of Appropriations, Allotment, Obligations, and Disbursements and Balances by Object of Expenditures (SAAODBOE) as of December 31, 2025, are shown in *Table No. 12*.

Table No. 12. Summary of Regular Agency Fund Utilization for FY 2025

Source of Funds	Adjusted Appropriations	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 2025)						
Agency Specific Budget						
PS	184,749,342.00	170,510,911.00	170,510,872.81	170,289,349.11	14,238,431.00	38.19
MOOE	258,761,658.00	234,207,433.00	231,226,716.39	228,486,196.73	24,554,225.00	2,980,716.61
CO	48,000,000.00	48,000,000.00	44,750,000.00	6,712,500.00	-	3,250,000.00
Sub-total	491,511,000.00	452,718,344.00	446,487,589.20	405,488,045.84	38,792,656.00	6,230,754.80

Source of Funds	Adjusted Appropriations	Adjusted Allotments	Obligations Incurred	Disbursements	Balance	
					Unreleased Appropriations	Unobligated Allotments
	1	2	3	4	5=1-2	5=2-3
	(in PhP)					
<i>Automatic Appropriation</i>						
Retirement and Life Insurance Premiums	15,932,067.00	15,932,067.00	15,636,130.23	15,636,130.23	0.00	295,936.77
<i>Sub-total</i>	15,932,067.00	15,932,067.00	15,636,130.23	15,636,130.23	0.00	295,936.77
<i>Special Purpose Fund</i>						
Miscellaneous Personnel Benefits Fund	13,255,000.00	13,255,000.00	13,255,000.00	13,255,000.00	0.00	0.00
<i>Sub-total</i>	13,255,000.00	13,255,000.00	13,255,000.00	13,255,000.00	0.00	0.00
Total	520,698,067.00	481,905,411.00	475,378,719.43	434,379,176.07	38,792,656.00	6,526,691.57
Prior Year's Appropriations (GAA FY 2024)						
<i>Agency Specific Budget</i>						
PS	0.00	0.00	0.00	0.00	0.00	0.00
MOOE	126,283,225.00	105,089,820.00	105,089,820.00	105,089,820.00	21,193,405.00	0.00
CO	-	63,000.00	0.00	0.00	0.00	63,000.00
<i>Sub-total</i>	126,283,225.00	105,152,820.00	105,089,820.00	105,089,820.00	21,193,405.00	63,000.00
Grand Total	646,981,292.00	587,058,231.00	580,468,539.43	539,468,996.07	59,986,061.00	6,589,691.57
Rate (%)		100.00	98.88	92.94		1.12

- 3.4. Of the P6,589,691.57 in unobligated funds, P2,980,716.61 pertains to various MOOE. The details are shown in *Table No. 13*.

Table No. 13. Breakdown of Unobligated MOOE Balances by Expense Item

No.	Particulars	Amount (in PhP)
1	Travelling Expenses	800,513.89
2	Training Expenses	746,203.45
3	Office Supplies and Materials Expenses	51,047.90
4	Janitorial Services	962,287.74
5	Fidelity Bond Premiums	130,377.76
6	Extraordinary and Miscellaneous Expenses	0.44
7	Rent/Lease Expenses – Buildings and Structures	40,000.00
8	Rent/Lease Expenses – Motor Vehicles	10,000.00
9	Electricity Expenses	240,285.43
	Total	2,980,716.61

- 3.5. Meanwhile, the disbursement rate for NAAP was recorded at 92.94 percent for CY 2025.
- 3.6. While the overall disbursement rate of NAAP for the FY 2025 appropriations is notably high, audit disclosed that disbursements for CO under Current Appropriations amounted to only P6,712,500.00, representing a mere 15 percent of the P44,750,000.00 obligated amount.
- 3.7. Further verification revealed that this 15 percent disbursement rate pertains solely to the mobilization fee paid to the contractor for the procurement of the "Aircraft Electrical System Trainer." Based on the bid documents, the project has a duration of one year upon receipt of the Notice to Proceed (NTP) on March 3, 2025. As of year-end, the project remains in progress, and NAAP is awaiting the subsequent billings from the contractor.

b) *Unreleased Appropriation – P59,986,061.00*

- 3.8. A further review of the Budget and Financial Accountability Reports (BFAR) showed unreleased appropriations in CY 2025 totaling P59,986,061.00, consisting of P38,792,656.00 for Current Appropriations and P21,193,405.00 for Continuing Appropriations, as detailed in *Table No. 14*.

Table No. 14. Unreleased Appropriations for FY 2025

Particulars	Adjusted Appropriation	Allotment Received	Unreleased
	(in PhP)		
Current Appropriations			
General Administration and Support			
a. Lump-sum for Filling of Positions - Civilian	34,545,000.00	20,306,569.00	14,238,431.00
Locally Funded Project(s)			
b. FHE	213,323,000.00	189,768,775.00	23,554,225.00
c. Tulong Dunong Program	1,000,000.00	-	1,000,000.00
<i>Sub-total</i>	<i>248,868,000.00</i>	<i>210,075,344.00</i>	<i>38,792,656.00</i>
<i>Continuing Appropriation</i>	<i>13,255,000.00</i>	<i>13,255,000.00</i>	
Locally Funded Project(s)			
a. FHE	126,283,225.00	105,089,820.00	21,193,405.00
<i>Sub-total</i>	<i>126,283,225.00</i>	<i>105,089,820.00</i>	<i>21,193,405.00</i>
Grand Total	375,151,225.00	315,165,164.00	59,986,061.00

- 3.9. As shown above, a large portion of the budget for ‘Lump-sum for Filling of Positions – Civilian’ remained unreleased as of December 31, 2025. This involves P14,238,431.00, which is 23.74 percent of the total unreleased funds. These funds were not released due to unfilled positions within the Academy during the year.
- 3.10. Inquiry from the Human Resource Management Services (HRMS) revealed that the filling of positions was constrained by administrative timing, particularly the late release of Revised Organization and Staffing Standards (ROSS) Phase II in August 2025 and the subsequent change in the Human Resource Merit Promotion and Selection Board (HRMPSB) composition in September 2025, which required transition adjustments and further delayed recruitment activities.
- 3.11. Furthermore, the HRMS alleged that recruitment was affected by the prioritization of positions based on operational needs, delays due to the quarterly nature of acquiring NAAP Board of Trustees (BOT) approval, candidates withdrawing during the process, and a limited pool of qualified applicants—particularly for Mactan assignments and specialized roles.
- 3.12. Per HRMS, out of the 141-total number of available positions, as per ROSS Phase I and Phase II as of March 2026, only 55 positions are filled while six positions are on-process. The remaining 80 is yet to be filled.

- 3.13. Meanwhile, for the Free Higher Education (FHE) program, an appropriation of P213,323,000.00 was provided to cover the 2nd Semester of AY 2024-2025 and the 1st Semester of AY 2025-2026. This program is subject to the submission of receipts and expenditure based on actual enrollees and fees authorized under RA 10931, as approved by the Board of Trustees.
- 3.14. As of December 31, 2025, DBM released P189,768,775.00 for Tuition and Other School Fees (TOSF), leaving an unreleased current year appropriation of P23,554,225.00. Additionally, of the P126,283,225.00 continuing appropriations from the prior year, only P105,089,820.00 was released, leaving a balance of P21,193,405.00.
- 3.15. Verification with the Budget Office revealed that these unreleased amounts resulted from the variance between the initial budget estimates and the actual funding requirements, which are determined by actual enrollment data. Consequently, the amounts released by the DBM were sufficient to cover the actual TOSF requirements. Therefore, the unreleased appropriations did not adversely affect the students or the benefits they are entitled to under the FHE program.
- 3.16. While the NAAP achieved a commendable obligation rate of 98.88 percent, indicating that funded projects and services are generally implemented as intended, the substantial balance of unreleased appropriations, primarily due to unfilled positions, remains a concern. This condition may adversely affect long-term program delivery and academic operations, potentially hindering the Academy's ability to maximize its authorized budgetary resources.
- 3.17. **We commended the Management for the substantial utilization of funds, achieving a 98.88 percent utilization rate for CY 2025.**
- 3.18. **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 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 FHE funds to ensure funding of its programs.**

Utilization of Special Trust Fund (STF)

- 4. 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.**
- 4.1. RA 8292 or the Higher Education Modernization Act of 1997 was enacted to establish a complete, adequate, and integrated system of higher education. The said law also modified and made uniform the composition of the Governing Boards of chartered State Universities and Colleges (SUCs) nationwide to: (a) achieve a more coordinated and integrated system of higher education; (b) render them more effective in the formulation and implementation of policies on higher education; (c) provide for more relevant direction in their governance; and (d) ensure the enjoyment of academic freedom as guaranteed by the Constitution.
- 4.2. Paragraph 2, Section 4(d) of the Act states that fees and charges, including government subsidies and other income generated by the university or college, shall constitute STF which shall be deposited in any authorized government depository bank, and all interests that shall accrue therefrom shall form part of the same fund for the use of the university or college.
- 4.3. Further, Section 4(d) RA 8292 provides that any income generated by the university or college from tuition fees and other charges, as well as from the operation of auxiliary services and land grants, shall be retained by the university or college and may be disbursed by the Board of Regents/Trustees (BOR/T) for instruction, research, extension or other programs/projects of the university or college.
- 4.4. CMO No. 20, series of 2011, dated August 4, 2011 prescribes the policies and guidelines on the use of income, STF, and Program of Receipts and Expenditures (PRE) of the SUCs. Section 24, Article IV provides that Budget authorized by the BOR/T shall be implemented within the CY for which it was formulated.
- 4.5. The NAAP's Statement of Approved Budget, Utilizations, Disbursements and Balances by Object of Expenditures (SABUDBOE) shows the utilization of STF budget per allotment class for CYs 2025 as summarized in *Table No. 15*.

Table No. 15. STF Utilization Per Allotment Class

Allotment Class	Adjusted Budgeted Revenue (ABR)	Utilized	Unutilized	Rate (%)	
	(in Php)			Utilized	Unutilized
PS	19,506,015.46	15,046,470.69	4,459,544.77	77.14	22.86
MOOE	230,317,148.36	142,570,788.62	87,746,359.74	61.90	38.10
CO	170,660,415.51	121,461,373.00	49,199,042.51	71.17	28.83
Total	420,483,579.33	279,078,632.31	141,404,947.02	66.37	33.63

a) *Unutilized Budget for PS – P4,459,544.77*

- 4.6. As presented above, the ABR for PS amounted to P19,506,015.46. Of the said amount, the NAAP was able to utilize P15,046,470.69, leaving an unutilized budget of P4,459,544.77. Notably, P4,365,090.22 or 97.88% of the unutilized balance, pertains to honoraria for the overload teaching of instructors/professors and part-time teaching personnel.

b) *Unutilized Budget for MOOE – P87,746,359.74*

- 4.7. Of the total ABR for MOOE amounting to P230,317,148.36, the NAAP was able to utilize P142,570,788.62, leaving an unutilized balance of P87,746,359.74, which represents 62.05 percent of the total unutilized budget of P141,404,947.02. The details are in *Table No.16*.

Table No. 16. Utilization MOOE

Particulars	ABR (in PhP)	Utilized		Unutilized	
		Amount (in PhP)	%	Amount (in PhP)	%
Traveling Expenses	5,231,149.68	4,231,149.68	80.88	1,000,000.00	19.12
Training and Scholarship Expenses	55,934,971.50	28,778,408.59	51.45	27,156,562.91	48.55
Supplies and Materials Expenses	24,783,548.58	11,986,778.03	48.37	12,796,770.55	51.63
Utility Expenses	7,864,000.00	5,762,169.16	73.27	2,101,830.84	26.73
Communication Expenses	1,555,899.80	975,769.42	62.71	580,130.38	37.29
Survey, Research, Exploration and Development Expenses	1,700,000.00	322,179.81	18.95	1,377,820.19	81.05
Professional Services	38,346,423.71	31,525,031.72	82.21	6,821,391.99	17.79
General Services	28,514,818.64	19,364,788.54	67.91	9,150,030.10	32.09
Repairs and Maintenance	14,374,400.00	10,352,513.12	72.02	4,021,886.88	27.98
Taxes, Insurance Premiums and Other Fees	5,334,172.24	4,547,074.70	85.24	787,097.54	14.76
Other Maintenance and Operating Expenses	46,677,764.21	24,724,925.85	52.97	21,952,838.36	47.03
Total	230,317,148.36	142,570,788.62	61.90	87,746,359.74	38.10

- 4.8. As presented above, the NAAP utilized only 61.90 percent of its total ABR for MOOE. Of the total unutilized MOOE, P27,156,562.91 or 30.95 percent

pertains to Training and Scholarship Expenses, while P21,952,838.36 or 25.02 percent pertains to Other Maintenance and Operating Expenses.

- 4.9. Verification disclosed that of the P27,156,562.91 unutilized budget for Training and Scholarship Expenses, P23,208,120.00 was allocated for the “Outsourcing of Flight Training for BSAT students” project. However, the procurement was unsuccessful, as the bidding was declared a failure due to lack of interested bidders. Further inquiry revealed that the lack of interested bidders stemmed from an unforeseen increase in flight training costs.
- 4.10. Meanwhile, the breakdown and cited reasons for the non-utilization of Other Maintenance and Operating Expenses amounting to P21,952,838.36 are presented in *Table No.17*.

Table No. 17. Unutilized Budget for Other Maintenance and Operating Expenses

Particulars	Unutilized Amount (in PhP)	Reasons for Non-utilization
Other MOOE - Printing and Publication Expenses	261,264.00	No request from End User and unexpended balances
Other MOOE - Rent/Lease Expenses	400,000.00	No request from End User
Other MOOE - Membership Dues and Contributions	253,142.38	Unexpended balances
Other MOOE - Subscription Expenses	3,090,122.78	Includes Unimplemented PAPs due to failed bidding and insufficient budgeting, and unexpended balances from implemented PAPs
Other Maintenance and Operating Expenses	17,948,309.20	Failure to timely execute the MOA due to transitional challenges, and unexpended balances from implemented PAPs
Total	21,952,838.36	

- 4.11. Additionally, verification from the Budget Unit disclosed that the amount of P12,796,770.55 representing the unutilized budget for Supplies and Materials was due to overbudgeting and the presence of alternative sources from the Regular Agency Fund. Further, the said unutilized budget was due to failed biddings for procurement of supplies and materials, as well as semi-expendable properties.
- 4.12. It should be noted that the existence of “No request from End User” and “unexpended balances” suggests a need for quarterly budget performance reviews to reallocate funds from stagnant projects to other priority programs.

c) Unutilized Budget for CO - P49,199,042.51

- 4.13. Of the ABR for CO amounting to P170,660,415.51, the NAAP utilized P121,461,373.00, leaving an unutilized balance of P49,199,042.51. The unutilized balance is comprised of P44,199,042.51 for PPE line items for

various PAPs and P5,000,000.00 for Intangible Assets, as detailed in *Table No. 18*.

Table No. 18. Unutilized Budget for PPE

Project, Activity, or Program	Campus	Unutilized Amount (in PhP)
<i>Building and Other Structures</i>		
Repair and Rehabilitation of NAAP Stage	Villamor	114,992.85
Design and Build of the NAAP Main Gate with Guard House, Reception Area, and Covered Walkways	Villamor	9,797,308.21
Supply, Delivery, and Installation of Grills	Fernando	25,000.00
Rehabilitation of Main Electrical Lines of Main Building	Fernando	50,000.00
Construction of Various Contiguous Infrastructure Projects to the New Academic and Admin Building at New NAAP	Mactan	109,885.00
<i>Machinery and Equipment</i>		
Various Office Equipment	Villamor	1,166,550.00
Various ICT Equipment	Villamor	5,235,000.00
Procurement of Fire Alarm and Detection System	Villamor	222,223.00
Dental Chair	Villamor	20,800.00
AET Laboratory Tools and Equipment	Villamor	147,000.00
AMT Laboratory Tools and Equipment	Villamor	1,768,000.00
Supply, Delivery, and Installation of Laboratory Fixtures and Equipment for Physics Laboratory of All NAAP Campuses	All Campuses	13,627,007.94
Water Fountain	Villamor	10,000.00
Supply and Delivery of Motor Vehicle	Villamor	500,000.00
Various Office Equipment	Basa	174,800.00
Various ICT Equipment	Basa	1,251,000.00
Various Aircraft Technical Equipment	Basa	1,431,158.01
Various Office Equipment	Fernando	140,000.00
Various ICT Equipment	Fernando	900,000.00
Various Aircraft Technical Equipment	Fernando	1,848,757.50
Key Arranger Keyboard	Fernando	60,000.00
Various ICT Equipment	Mactan	300,000.00
Various Aircraft Technical Equipment	Mactan	1,818,000.00
<i>Furniture, Fixtures, and Books</i>		
Supply, Delivery, and Installation of Solar Panels for Buildings A and B	Villamor	3,275,000.00
Various Furniture and Fixtures	Fernando	206,560.00
Total		44,199,042.51

4.14. Inquiry with the Budget Office disclosed that the underutilization was primarily due to unsuccessful procurement proceedings. Specifically, the Budget Office noted that the funds for tangible assets were originally intended for a document scanner; however, the scanning project was completed before the purchase could be finalized. Consequently, the procurement did not proceed as planned as it was no longer necessary, resulting in the non-utilization of the allocated budget.

- 4.15. In view thereof, this highlights the need for periodic reassessment of procurement requirements and timely reallocation of available funds to prevent the earmarking of resources for projects that may become redundant and to allow such funds to be redirected to other high-priority academic or infrastructure projects.
- 4.16. In summary, the underutilization of the NAAP budget, totaling P141,404,947.02, reveals critical weaknesses in budgetary oversight and procurement execution primarily driven by inaccurate forecasting and failed procurement proceedings. These lapses indicate a disconnect between planning and operational requirements that resulted in missed opportunities to enhance educational facilities, research programs, and faculty development. To ensure the efficient use of government resources and the timely delivery of services, it is imperative that management strengthens its forecasting mechanisms, conducts thorough market surveys prior to bidding, and aligns budget requests more closely with validated institutional needs.
- 4.17. The underutilization of the STF budget hindered the optimal implementation of the Academy's projects, programs, and activities. This restricted the delivery of critical academic and operational services, depriving students, faculty, and support personnel of the full benefits of the allocated funds. Ultimately, these gaps diminished the overall impact of government support intended to enhance the quality of higher education at the Academy.
- 4.18. **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 PPAs;**
 - 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 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.**

Non-disposal of unserviceable properties

- 5. **The Academy failed to dispose of its unserviceable properties totaling P5,588,243.08 as of December 31, 2025, thus exposing the assets to further deterioration and loss of value, limiting opportunities for alternative use or recovery of residual value, occupying storage space that could otherwise be utilized for operational purposes, and weakened controls over property accountability, contrary to the COA-DBM JC No. 2024-1.**

5.1. Section 40 of the GAM for NGAs, Volume I, provides the policies on unserviceable PPE, to wit:

- a) A PPE is said to be unserviceable if it is no longer capable of providing the entity with future economic benefits or service potential.
- b) All unserviceable property shall be reported in the Inventory and Inspection Report of Unserviceable Property (IIRUP) (Appendix 74). PPE reported in the IIRUP shall be dropped from the books by debiting Impairment Loss- Property, Plant and Equipment (cost of the PPE less Accumulated Depreciation).

5.2. COA-DBM JC No. 2024-1, otherwise known as the Revised Manual on the Disposal of Government Properties dated January 30, 2024, provides that the disposal proceedings shall be immediately initiated to avoid further deterioration of the properties and consequent depreciation of their value. A systematic and timely disposal will yield benefits in terms of, among others, possibility of alternative use, higher appraised value, and enabling storage areas available for other purposes.

5.3. Section 2.2, Item A, Part II of the said JC enumerates the functions of the Disposal Committee. Whereas Section 1, Item B, Part II outlines the conditions that shall constitute the properties for disposal.

5.4. Verification of the status of unserviceable properties reported in CY 2024, with a total carrying amount of P5,393,917.76, revealed that the NAAP has yet to dispose of these assets. Further inquiry confirmed that the IIRUP was not prepared for the previously identified unserviceable PPE, hindering the disposal process.

- 5.5. Further review of the records revealed that the NAAP has identified other unserviceable properties for CY 2025, detailed in *Table No. 19*.

Table No. 19. List of Additional Unserviceable Properties for CY 2025

Acquisition Date	Description	Property Number	Carrying Amount (in PhP)
01/06/15	Photocopying Machine	2015-05-02-H006-01	6,500.00
02/13/17	Library System Kiosk	2017-05-02-H014-03	3,100.00
01/09/24	ID Maker Machine	2023-05-02-H029-03	80,100.00
08/13/20	Desktop Computer	2020-05-03-1018-01	6,510.33
08/13/20	Desktop Computer	2020-05-03-1023-04	6,510.33
08/13/20	Desktop Computer	2020-05-03-1028-04	6,510.33
08/13/20	Desktop Computer	2020-05-03-1029-04	6,510.33
12/22/20	Electromagnetic Eddy Current Tester	2000-05-14-J010-01	35,000.00
05/30/11	Anti-Static Rubber Matting	2011-05-14-J023-01	26,784.00
2013	Dental Chair	2013-05-11-K001-01	16,800.00
Total			194,325.32

- 5.6. The immediate disposal of identified unserviceable properties is an essential requirement for effective asset management. Any delay in the disposal process exposes these assets to further physical deterioration, theft, and loss of value. Furthermore, the continued storage of obsolete items deprives the Academy of potential salvage revenue and obstructs the efficient use of office or warehouse space, leading to unnecessary administrative costs.

- 5.7. **We recommended and the Management agreed to direct the Supply Unit to immediately prepare the IIRUP for the unserviceable properties totaling P5,588,243.08, and facilitate the immediate disposal of these assets in accordance with the Revised Manual on the Disposal of Government Properties and existing COA guidelines.**

Non-compliance with COA Circular No. 2020-006 – One-Time Cleansing of PPE Accounts

6. **The Academy failed to fully implement the One-Time Cleansing of PPE Accounts as prescribed under COA Circular No. 2020-006. These deficiencies resulted in weakened control over property accountability and undermined the accuracy, existence, and completeness of the PPE accounts.**

- 6.1. The Audit Team evaluated the extent of compliance of the NAAP with COA Circular No. 2020-006, which prescribes the guidelines on one-time cleansing of PPE, as of December 31, 2025. The results are summarized in *Table No. 20*.

Table No. 20. Summary of Audit Observations on Compliance with COA Circular No. 2020-006

Steps Required	Status/Remarks
A. Creation of Inventory Committee	Complied. Created via NAAP Special Order No. 03, Series of 2025, effective January 6, 2025.

Table No. 20. Summary of Audit Observations on Compliance with COA Circular No. 2020-006

Steps Required	Status/Remarks
B. Conduct of preliminary activities prior to conduct of inventory taking	Partially Complied/Ongoing. While the 2025 RPCPPE was submitted on February 25, 2026, the comparison with PPELCs and the preparation of discrepancy lists are still in progress.
1) Property Unit obtains latest RPCPPE/ Physical Inventory Report (PIR)	Complied. The RPCPPE for 2025 was submitted on February 25, 2026.
Alternative to Step B.1 above If there is no RPCPPE/ Physical Inventory Report or if it is unreliable or undependable, Inventory Count Form (ICF) (Annex A of COA Circular No. 2020-006) should be accomplished by each office and submitted to the Property Unit	
2) AU updates PPE Ledger Card and tallies the same with the balances of controlling PPE accounts in the General Ledger	Not Complied. For reconciliation of records.
3) Property and Accounting Units compare RPCPPE/PIR/ICF with the PPELC	Not Complied. The NAAP is still in the process of comparing RPCPPE/PIR/ICF with the PPELC.
4) Property Unit prepares a list of PPE items which are recorded in PPELC but not in RPCPPE/PIR/ICF as well as PPE items which are in RPCPPE/PIR/ICF but not in PPELC	Not Complied. The NAAP is still in the process of preparing the list of PPE items recorded in PPELC but not reflected in the RPCPPE/PIR/ICF as well as PPE items which are in RPCPPE/PIR/ICF but not in PPELC.
5) Submit both lists prepared in Step 4 and the RPCPPE/PIR/ICF to the Inventory Committee which shall be considered as the Inventory Working Papers and shall be used by the Inventory Committee as basis in preparing the Physical Inventory Plan (PIP) Inventory Working Papers include: a. List of PPE items which are recorded in PPELC but not in RPCPPE/PIR/ICF. b. List of PPE items which are in RPCPPE/PIR/ICF but not in PPELC c. RPCPPE/PIR/ICF	Not Complied. Ongoing preparation of the working papers.
C. Preparation by the Inventory Committee, in coordination with the Property Division/ Unit, of a Physical Inventory Plan (PIP) to be approved by the Agency Head	Complied. The PIP was prepared by the Inventory Committee.
D. Submission of the approved PIP to the COA Audit Team at least 10 calendar days before the scheduled start of inventory taking	Not complied. The submitted PIP was returned for correction due to inaccuracies. The revised version was not resubmitted within the prescribed timeline.
E. Conduct of inventory taking	Complied. Physical count was conducted from May 22, 2025 to June 17, 2025.
F. Reconciliation of inventory count per RPCPPE with property and accounting records to be completed within ten days from rendition of the RPCPPE by the Inventory Committee	Reconciliation is still ongoing.
G. For non-existent/missing PPEs for which accountability could not be	Not Complied. The process of requesting authority for derecognition is contingent upon the

Table No. 20. Summary of Audit Observations on Compliance with COA Circular No. 2020-006

Steps Required	Status/Remarks
established/pinpointed after investigation, authority for derecognition thereof from the books of accounts may be requested in accordance with Paragraph 8 of COA Circular No. 2020-006	completion of the reconciliation and investigation phases.

- 6.2. It bears emphasizing that failure to fully comply with the guidelines for the one-time cleansing of PPE accounts, as prescribed in COA Circular No. 2020-006, prevents the Academy from ensuring the reliability and fair presentation of its PPE balances in the FSs.
- 6.3. **We recommended and the Management agreed to ensure full implementation of the one-time cleansing of PPE accounts pursuant to COA Circular No. 2020-006. Specifically:**
- a) **direct the Inventory Committee to fast-track the preparation of Inventory Working Papers by finalizing the reconciliation of records;**
 - b) **ensure that the PIP is corrected to reflect actual conditions and resubmitted to the COA Audit Team; and**
 - c) **conduct a formal investigation for the non-existent or missing PPE identified during the count. For items for which accountability cannot be established, initiate the request for authority to derecognize these assets from the books of accounts as prescribed under Paragraph 8 of COA Circular No. 2020-006.**

Non-compliance with RA 12009 and its Implementing Rules and Regulations (IRR)

7. **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.**
- 7.1. Section 71.1.5 of the IRR of RA 12009 provides that advance payments may be made upon submission of an irrevocable standby letter of credit or bank guarantee issued by local bank. The irrevocable standby letter of credit or bank guarantee must be for an equivalent amount, shall remain valid until the goods are delivered, and accompanied by a claim for advance payment.
- 7.2. Relatedly, Section 9.1.1.1 of COA Circular No. 2012-001 provides the general guidelines on the disbursement of advance payment, to wit:

The procuring entity shall, upon a written request from the contractor, make an advance payment to the contractor in

*an amount not exceeding 15 percent of the total contract price to be made in lump-sum or, at the most, two installments according to a schedule specified in the Invitation to Bidders and other relevant Tender Documents. **The advance payment shall be made only upon submission to and acceptance by the procuring entity of an irrevocable standby letter of credit of equivalent value from a commercial bank, a bank guarantee or a surety bond callable upon demand, issued by a surety or insurance company duly licensed by the Insurance Commission and confirmed by the procuring entity.** (emphasis ours)*

- 7.3. Meanwhile, Section 16.1.2 of COA Circular No. 2009-006 states that “public officers who certify as to the necessity, legality and availability of funds or adequacy of documents shall be liable according to their respective certifications”.
- 7.4. A review of all Disbursement Vouchers (DVs) pertaining to the issuance of advance payments from CY 2023 to 2025 revealed that these payments were processed without the required Irrevocable Standby Letter of Credit, Security Bond, or Bank Guarantee. This omission violates existing procurement laws and the mandatory requirements set forth in COA Circular No. 2012-001.
- 7.5. The requirement for an Irrevocable Standby Letter of Credit, Security Bond, or Bank Guarantee when granting advance payments is a fundamental internal control designed to protect government interests. Since advances involve the release of public funds prior to actual delivery or performance, these securities serve as a financial safeguard in the event a contractor: (a) fails to deliver the contracted goods or services; (b) abandons the project; or (c) misuses the advanced fund.
- 7.6. In essence, these securities transition the risk of advance payments from the government to a financial institution or surety. They ensure that: (a) public funds remain recoverable; (b) contractors are held strictly accountable for their obligations; and (c) the government’s financial interests are protected against non-performance.
- 7.7. The Chief Accountant’s certification on the DVs, stating that supporting documents were complete and the amounts claimed were proper, despite the absence of the mandatory financial guarantees, indicates a significant lapse in the performance of prescribed duties. Further, such an omission reflects a failure to exercise due diligence in the management and safeguarding of public funds.

- 7.8. As the key custodian of the Academy's financial integrity, the Chief Accountant is responsible for supervising the accounting function, ensuring strict compliance with existing laws and regulations, and maintaining sound internal controls. These responsibilities are central to the fiscal responsibility shared by all officials exercising authority over government financial affairs.
- 7.9. The noted deficiencies demonstrate a breakdown in the review and approval process. The processing of these transactions without the required documentation reveals a lack of adherence to prescribed accounting and procurement standards, as well as an absence of the due care required in the validation of claims against government funds.
- 7.10. **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.**
8. **The Academy prematurely released retention money amounting to P2,743,525.34 and incorrectly withheld retention money amounting to P1,928,405.00, contrary with Section 71.2.8 of the IRR of RA 12009.**
 - 8.1. Section 71.2.8 of the IRR of RA 12009 provides that *progress payments are subject to retention of ten percent (10%) referred to as the retention money. Such retention shall be based on the total amount due to the contractor prior to any deduction and shall be retained from every progress payment until fifty percent (50%) of the value of works, as determined by the procuring entity, are completed. If, after fifty percent (50%) completion, the work is satisfactorily done and on schedule, no additional retention shall be made; otherwise, the ten percent (10%) retention shall be imposed, which may be decreased to 5 percent (5%) by the Procuring Entity based on justifiable causes. The total 'retention money' shall be due for release upon final acceptance of the works. x x x*

- 8.2. Validation of all Disbursement Vouchers (DVs) pertaining to the withholding and release of retention payments for CY 2025 revealed the following observations:
 - a) *Premature release of retention money - P2,743,525.34*
- 8.3. Review of the related transactions revealed that NAAP prematurely released the 10% retention money amounting to P2,743,535.34, under JEV No. 2025-03-320 dated March 26, 2025, for the project: Construction of New Academic and Admin Building at New PhilSCA - Mactan Campus with Furniture and Fixtures. The amount of P2,743,525.34 represents the total retention money withheld for the payments of first three progress billings with cumulative percentage of completion at 61.27 percent.
- 8.4. Inquiry with the AU disclosed that the deficiency resulted from a misinterpretation of the rules on retention money as provided under existing procurement laws and regulations.
- 8.5. Be that as it may, we reiterate that Section 71.2.8 of the IRR of RA 12009 states that “the total retention money shall be due for release upon final acceptance of the works”.
- 8.6. Consequently, the premature release of the retention money leaves the Academy without recourse should hidden deficiencies or structural defects manifest after the contractor has been fully paid but prior to the final acceptance period.
 - b) *Incorrect withholding of retention money - P1,928,405.00*
- 8.7. Relatedly, Section 71.2.8 also provides that “progress payments are subject to retention of ten percent (10%) referred to as the retention money. Such retention shall be based on the total amount due to the contractor prior to any deduction and shall be retained from every progress payment until fifty percent (50%) of the value of works, as determined by the procuring entity, are completed. **If, after fifty percent (50%) completion, the work is satisfactorily done and on schedule, no additional retention shall be made;** otherwise, the ten percent (10%) retention shall be imposed, which may be decreased to five percent (5%) by the Procuring Entity based on justifiable causes”. (*emphasis ours*)
- 8.8. Verification of the related transactions revealed that the NAAP continued to impose ten percent retention money for progress billings issued after 50% completion of satisfactory and on-schedule works totaling P1,928,405.00, as detailed in *Table No. 21*.

Table No. 21. Computation of Incorrectly Withheld Retention Money

Date	JEV No.	Particulars	Amount (in PhP)
03/25/25	2025-03-312	To record payment for the Fourth (4th) Progress Billing (74.35% Completion) of the Project name: “Construction of New Academic and Admin Building at New PhilSCA-Mactan Campus with Furniture and Fixture”.	585,674.49
06/04/25	2025-06-549	To record full payment for project “Rebidding of Procurement of Document Management Solution with hardware”.	11,922.18
06/09/25	2025-06-565	To record payment for the Fifth (5th) Progress Billing (85.83% completion) of the project name: “Construction of New Academic and Admin Building at New PhilSCA-Mactan Campus with Furniture and Fixtures”.	514,237.40
07/07/25	2025-07-641	To record payment for the Sixth (6th) Progress Billing (95.71% completion) of the project name: “Construction of New Academic and Admin Building at New PhilSCA-Mactan Campus with Furniture and Fixtures”.	442,070.93
12/18/25	2025-12-1094	To record the final payment on the project “Rebidding of the Supply, Delivery, and Installation of Solar Panels for Building A and B”.	374,500.00
Total Amount of Incorrectly Withheld Retention Money			1,928,405.00

- 8.9. As presented above, the amounts in *Table No. 10* represent withheld retention money related to the project, *Construction of the New Academic and Administrative Building at the New PhilSCA–Mactan Campus with Furniture and Fixtures*, as well as retention money pertaining to the final payments of other projects.
- 8.10. As previously noted, the NAAP prematurely released withheld retention money totaling P2,743,525.34 from the first three progress billings. Under Section 71.2.8 of the IRR of RA 12009, the release of retention money and final payments is contingent upon the completion and acceptance of works, signifying that the project has met all required specifications and timelines. Consequently, this release serves as an acknowledgment that the contractor’s performance was satisfactory, rendering further deductions unnecessary. However, contrary to these provisions, the NAAP continued to impose a 10% retention on all subsequent payments.
- 8.11. The inconsistent application of procurement rules suggests a fundamental breakdown in internal controls over contract administration. By releasing the retention money while simultaneously continuing to impose 10% deductions on subsequent billings, the Academy creates a contradictory record of the project's status. Beyond the internal accounting errors, this practice may adversely impact the Academy’s relationship with its contractors as the continued unauthorized withholding of funds creates unnecessary financial constraints for contractors, which may hinder their ability to fund ongoing operations or labor costs.

- 8.12. **We recommended and the Management agreed to direct the AU to faithfully comply with Section 71.2.8 of the IRR of RA 12009 on the withholding and release of retention money.**

Delay in the Submission of Financial and Budgetary Reports

9. **The Academy incurred delays in the submission of its financial and budgetary reports ranging from one to 292 days, contrary to Section 122 of PD 1445, COA Circular No. 2009-006, and the GAM for NGAs, Volume I, thus precluded the timely conduct of audit reviews, hindered the early detection of errors and delayed the early communication of vital audit results to the management, oversight agencies, and other users of financial information in their decision-making.**

- 9.1. Section 122 of PD 1445 provides the authority of the Commission to require government agencies the submission of its financial and budgetary reports, and the consequence in case of failure, 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.*

(2) Failure on the part of the officials concerned to submit the documents and reports mentioned herein shall automatically cause the suspension of payment of their salaries until they shall have complied with the requirements of the Commission.

- 9.2. Accordingly, COA Circular No. 2009-006 prescribes the use of the Rules and Regulations on Settlement of Accounts (RRSA). It provides for the management's responsibilities in the audit and settlement of accounts, to wit:

***Section 7.1.1.** 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; xxx*

Section 7.2.1. *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, xxx*

- 9.3. Correspondingly, GAM for NGAs, Volume I, together with other pertinent rules and regulations, sets the deadlines for the submission of financial reports, including the supporting documents, as detailed in *Table No. 22*.

Table No. 22. Deadlines for the Submission of Financial Reports

Type of Report	Deadline	Basis
Report of Collections and Deposits, Report of Cash Disbursements, Report of Checks Issued, Liquidation Reports, Report of Accountability for Accountable Forms	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 and Supporting Schedules including the Journal Entry Vouchers	10 days after the end of the month	Section 60-c, Chapter 19 GAM for NGAs, Volume I
Quarterly TBs, Financial Statements 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	20 days after receipt of monthly Bank Statements (BS)	Section 7, Chapter 21, GAM for NGAs, Volume I
Quarterly Physical Report of Operation – BAR No.1	30 days after the end of each quarter	Section 32-a, Chapter 3, GAM for NGAs, Volume I
Statement of Appropriations, Allotments, Obligations, Disbursements and Balances – FAR No. 1		
Summary of Appropriations, Allotments, Obligations, Disbursements and Balances by Object of Expenditures – FAR No. 1.A		
List of Allotments and Sub-Allotments – FAR No. 1.B		
Statement of Approved Budget, Utilizations, Disbursements and Balances – FAR No. 2		

Type of Report	Deadline	Basis
Summary of Approved Budget, Utilizations, Disbursements and Balances by Object of Expenditures – FAR No. 2.A		
Quarterly Report of Revenue and Other Receipts –FAR No.5		
Aging of Due and Demandable Obligations – FAR No. 3	On or before 30th day following the end of the year	Section 32-b, Chapter 3, GAM for NGAs, Volume I
Monthly Report of Disbursements – FAR No. 4	On or before 30th day of the following month	Section 32-c, Chapter 3, GAM for NGAs, 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 for NGAs, Volume I

- 9.4. Validation of the submitted reports disclosed that NAAP incurred delays in the submission of financial and budgetary reports as of February 13, 2026, as detailed in *Table No. 23*.

Table No. 23. Summary of Delays in the Submission of Reports

Report Title	Period Covered	Range of Delays in Days
Financial Reports		
1. Monthly Trial Balances	January to December 2025	2-157
2. Quarterly Financial Statements	1 st to 4 th Quarter	4-35
2. Report of Checks Issued (RCI) and the DVs/Payroll	January to December 2025	25-292
4. Bank Reconciliation Statements (BRS)	January to December 2025	9-68
5. Report of Cash Disbursements (ROCD)	January to December 2025	1-25
6. RCDs/ORs/DSs/JEVs	January to December 2025	1-76
7. Liquidation Reports	January to December 2025	14-97
Budgetary Reports		
1. FAR No. 1 (SAAODB)	1 st to 4 th Quarter	14
2. FAR No. 1.A (SAAODBOE)	1 st to 4 th Quarter	14

- 9.5. The noted delays in the submission of the required financial and budgetary reports impeded the Audit Team’s ability to conduct a timely and comprehensive evaluation of the accuracy, completeness, validity and propriety of the Academy’s transactions. Such lapses also deprived Management of verified, reliable financial data essential for informed decision-making and the effective fulfillment of its fiscal responsibility.

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

- a) **direct the Accounting and the Budget Units to strictly adhere to the prescribed deadlines for the submission of the financial and budget accountability reports as mandated by Sections 7.1.1 and 7.2.1 of the COA Circular No. 2009-006 and GAM for NGAs, Volume I; and**
- b) **identify the root causes of the noted delays and implement a streamlined workflow for preparation and submission of reports to ensure timely and consistent compliance; and**
- c) **enforce the withholding of the salaries of concerned officials/employees until the required reports are submitted, if warranted by the circumstances, pursuant to Section 122 of PD 1445.**

Delayed Submission of Purchase Orders (PO)

10. The Academy incurred delays in the submission of 10 contracts and POs ranging from one to 41 days, contrary to items 3.1.1 and 3.2.1 of COA Circular No. 2009-001 dated February 12, 2009, thus hindering the prompt review thereon and evaluation and depriving the agency of opportunities to implement timely corrective actions.

10.1. Pursuant to Item 3.1.1 of COA Circular No. 2009-001, agencies are required to furnish the Auditor concerned with a copy of every contract and all documents forming part thereof within five working days from execution.

10.2. Further, pursuant to Item 3.2.1 of the same Circular, a copy of any purchase order, irrespective of amount, together with all supporting documents, shall be submitted to the Auditor concerned within five working days from issuance.

10.3. Validation of the NAAP's compliance with the prescribed timeline for the submission of contracts and POs disclosed that of the 11 contracts executed for CY 2025, only two were submitted within the prescribed deadline. The remaining nine contracts were submitted with delays ranging from 1 to 41 days, as detailed in *Table No. 24*.

Table No. 24. Delay in the Submission of Contracts

No.	Supplier	Description	Amount (in Php)	Days in Delay
1	Fast Aviation Academy, Inc.	Rebidding for the Outsourcing of Ground and Flight Training Services of 45 BSAT Students for Private Pilot License (PPL)	20,160,000.00	29
2	Jsl Security Agency, Inc.	Procurement of Security Services for the Philippine State College of Aeronautics for CY 2025	14,598,897.00	2

No.	Supplier	Description	Amount (in Php)	Days in Delay
3	Starcom Manpower And Allied Services, Inc.	Rebidding for the Procurement of Janitorial and Manpower Services for the Philippine State College of Aeronautics for CY 2025	11,595,631.32	2
4	Fast Aviation Academy, Inc.	Outsourcing of Ground and Flight Training Services of 38 BSAT Students for Multi-Engine and Instrument Rating	23,142,000.00	34
5	R.M. Mallari Builders and Enterprises	Rebidding for the Procurement of Fire Alarm and Detection System	31,777,777.00	6
6	Macspower Construction Supply and Services Corporation	Rebidding for the Supply, Delivery, and Installation of Solar Panels for Building A and B	18,725.00	6
7	Aeromaxis International Aviation, Inc	Procurement of Gas Turbine Engine Assembly (Removal and Replacement System)	17,100,000.00	3
8	Pegasus Air Services, Inc.	Aircraft Engine and Overhaul (Parts and Labor)	5,499,999.98	1
9	R.M. Mallari Builders and Enterprises	Construction of various contiguous infrastructure project to the academic and admin building at new PhilSCA Mactan campus	10,890,115.00	41

- 10.4. Inquiry with the Bids and Awards Committee (BAC) Secretariat revealed that the delay in submission of contracts was primarily attributable to workload constraints.
- 10.5. Meanwhile, all 71 POs issued for FY 2025 were submitted within the prescribed deadline except for one, which was submitted with a delay of two days.
- 10.6. The delayed submission of contracts and POs not only hindered the early detection of potential errors, irregularities, or non-compliance but also resulted in delayed communication of audit findings to the Academy. Consequently, the Academy was denied the opportunity to execute timely remedial actions, increasing the risk that procedural errors and non-compliance remained unaddressed or potentially recurring.
- 10.7. **We recommended and the Management agreed to strictly comply with the submission deadlines prescribed in COA Circular No. 2009-001 dated February 12, 2009 by requiring concerned personnel to establish a tracking mechanism.**

Gender and Development (GAD)-related Programs, Activities, and Projects (PAPs)

- 11. The Academy did not fully comply with the mandatory GAD requirements for the FY 2025, as evidenced by: (a) the non-preparation of a GAD Agenda; (b) the absence of a PCW-endorsed GAD Plan and Budget (GPB); and (c) a minimal budget utilization rate of only 0.34 percent contrary to PCW-NEDA-DBM Joint Circular No. 2012-01 and Section 36 of the Magna Carta of Women (RA 9710) thus undermining GAD's core objective of promoting gender-responsive governance and equitable resource allocation.**

- 11.1. Section 32 of the GPs of RA 12116, or the GAA of FY 2025 states the directive on the programs and projects related to gender and development, to wit:

Section 32. Programs and Projects Related to Gender and Development. 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, 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 (2023-2028).

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

The annual GAD Plan and the annual GAD Accomplishment Report, prepared in accordance with the guidelines issued by the agencies concerned, shall be submitted to the PCW and the DBM.

Said reports shall be used in the development of a Gender Financing Framework which shall serve as a roadmap to the Philippine compliance with the international standards of Gender and Development Budgeting.

11.2. RA 9710, otherwise known as the 'Magna Carta of Women,' serves as the statutory basis for the integration of gender perspectives in all government processes. The State mandates to institutionalize gender mainstreaming as a strategy for promoting and fulfilling women's human rights. The Act compels all government agencies to establish plans, policies, and mechanisms designed to eliminate gender discrimination and ensure the equitable distribution of resources in the economic, political, and social spheres.

a) Non-preparation of the GAD Agenda

11.3. The PCW Memorandum Circular (MC) No. 2018-04 dated September 19, 2018 provides the guidelines for the preparation of the GAD Agenda. It provides the procedures for the formulation, implementation, monitoring and evaluation of GAD plans and budgets of agencies and identify the setting of the GAD agenda as one of the steps in formulating the GAD plan. The GAD agenda shall be the basis for the annual formulation of programs, activities and projects (PAPs) to be included in the GPBs of agencies. It will provide agencies with direction in setting and monitoring their GAD initiatives towards the achievement of their gender equality and women's empowerment (GEWE) goals.

11.4. Accordingly, Section 3. General Guidelines states that the GAD Agenda is the agency's strategic framework and plan on gender mainstreaming, and achieving women's empowerment and gender equality. It shall: (a) serve as basis in identifying programs, activities, and projects to be undertaken to achieve the GAD goals and outcomes; (b) provide the monitoring and evaluation (M&E) framework for assessing GAD results and outcomes that shall be the basis for strengthening the mainstreaming of a GAD perspective in the agency's operations and programs; and (c) be formulated in a participatory, consultative and inclusive process. Furthermore, it shall consider the results from consultations with women target beneficiaries as well women's groups/organizations working on the sector and other concerned stakeholders, and the identified gaps resulting from gender analysis.

11.5. Additionally, the MC directs the submission of the GAD Agenda, progress and end-term reports by the agencies to PCW for the purpose of monitoring, evaluation, reporting of GEWE results and, as necessary, provision of technical assistance on its implementation. Further, it encourages all agencies to prepare their GAD Agenda upon the effectivity of this guidelines for calendar years (CY) 2020-2025.

11.6. Meanwhile, PCW MC No. 2025-06 dated July 18, 2025 provides that all agencies must ensure that their GAD Agenda is developed or updated no later than 2027, and that failure to submit or update the GAD Agenda may result in delays in the review or non-endorsement of the agency's GPB.

- 11.7. Verification of documents submitted and as confirmed by the GAD Focal Person (GFP) disclosed that the NAAP failed to formulate its GAD Agenda. The absence of this strategic framework indicates a lack of long-term planning for gender mainstreaming, which is a mandatory requirement under PCW Memorandum Circular No. 2018-04. Consequently, the Academy lacks a defined roadmap to guide the identification of gender issues and the implementation of gender-responsive programs and projects.
- 11.8. In response to audit inquiries regarding the non-preparation of the GAD Agenda, the GFP stated that an initiative to formulate the GAD Agenda was scheduled for February 2026. However, the GFP admitted that this plan did not come to fruition due to alleged scheduling conflicts and transition-related challenges.
- 11.9. While the Audit Team takes note of the transition-related challenges and the intended initiative for February 2026, these circumstances do not justify the continued absence of a foundational GAD framework. The GAD Agenda is a statutory requirement that should have been prioritized to guide the Academy's gender mainstreaming efforts.
- 11.10. The delay in formulation has resulted in a lack of strategic direction, where the identification of gender issues and the allocation of the GAD budget are performed without a cohesive, data-driven roadmap. Consequently, the Academy's current GAD activities lack the necessary alignment with national long-term targets for gender equality and women's empowerment.
- 11.11. **We recommended and the Management agreed to direct the GAD Focal Person to prioritize and expeditiously develop the NAAP GAD Agenda in strict compliance with PCW MC No. 2018-04 to provide a strategic framework for the Academy's gender mainstreaming efforts in order to effectively address gender issues identified and to ensure the judicious utilization of GAD funds to include the following:**
 - a. **issuing an Office Memorandum to formalize the GAD Agenda development team and its timeline; and**
 - b. **engaging PCW-accredited GAD resource persons to provide technical guidance during the drafting process.**

b) *Absence of a PCW-endorsed FY 2025 GAD GPB*
- 11.12. The PCW MC No. 2024-03 dated August 27, 2024 provides the guidelines in the preparation and submission of the FY 2025 GPB. Section 4.0 of the Circular lists the deadline for GPB submission through the GMMS Version 2 or 3.

- 11.13. Verification of the documents submitted by the GAD FP revealed that the Academy's GPB for FY 2025 remains unendorsed by the PCW. The absence of this endorsement signifies that the agency's planned interventions have not been validated for gender-responsiveness, as required by existing regulations.
- 11.14. Subsequent inquiry into the cause of the non-endorsement revealed email correspondence dated October 7, 2025, between the former GFP and the PCW.
- 11.15. As evidenced by the said communication, the PCW provided a comprehensive summary of technical observations and evaluative comments that served as the basis for the non-endorsement of the GPB. These findings highlighted the Academy's failure to meet the minimum standards for gender-responsiveness.
- 11.16. Furthermore, the communication outlined the prescribed remedial actions available to the NAAP to secure the endorsement upon full compliance with the cited observations.
- 11.17. However, the said communication was not transmitted to the successor GFP, resulting in a breakdown in the turnover of official records. As a result, the NAAP failed to avail itself of the prescribed remedial process for resubmission, ultimately leading to the non-endorsement of the GPB for the subject period.
- 11.18. The failure to secure the mandatory endorsement of the FY 2025 GPB represents a substantial gap in compliance with the Academy's statutory obligations under RA 9710 and PCW MC No. 2024-03. The absence of a PCW-endorsed FY 2025 GPB stemmed from an administrative oversight in the transition of official communications. While the PCW provided a window for reconsideration, the lack of a formal turnover process for GAD-related records meant that the current GFP was unaware of the pending requirements. This gap in communication prevented the Academy from finalizing a plan that meets the national standards for gender-responsiveness which consequently impacted the effective execution of the GAD budget.
- 11.19. **We recommended and the Management agreed to:**
- a. direct the GAD Focal Person to establish a formal Turnover Protocol for GAD-related records to ensure that all official communications, and pending PCW observations are systematically transitioned to successor focal persons to prevent the forfeiture of remedial periods;**
 - b. require the GAD Focal Person to initiate immediate coordination with the PCW to seek technical assistance on how to rectify the**

current non-endorsement status and to ensure that the succeeding GPB submissions fully address the technical deficiencies noted; and

- c. conduct a quarterly internal review of GAD compliance milestones to monitor the status of submissions and ensure that technical observations from oversight bodies are addressed within the prescribed remedial periods.**

c) Minimal budget utilization rate of only 0.34% of the GAD budgetary resources

- 11.20. Section 1.2.2.2.3 of PCW MC No. 2024-03 states that “agencies with attributed programs/projects shall attach copies of the results of the assessment using the appropriate HGDG (sectoral or generic) design checklist and relevant supporting documents or means of verification (e.g., project design, concept note, and highlights of the stakeholders’ meeting/consultation with sex-disaggregated data of the attendees) shall be attached to the agency’s GPB submission”.
- 11.21. Furthermore, Section 1.10.3 of the PCW MC No. 2025-09 reminds agencies not to include attributed programs without an accomplished HGDG, including appropriate justifications and supporting documents to validate the attribution.
- 11.22. Evaluation of the submitted GPB disclosed that the NAAP allocated a total of P51,886,000.00 as its total GAD budget for FY 2025.
- 11.23. The Academy’s approved GAD budget for FY 2025 represents 10.30% of its total budget appropriations. This allocation significantly exceeds the minimum 5% threshold mandated under the FY 2025 GAA.
- 11.24. However, a review of the FY 2025 GAD Accomplishment Report (AR) revealed that the actual GAD expenditure for FY 2025 amounted to only P1,696,372.63. This represents a minimal utilization rate of 0.34% of the total GAD budget. The breakdown of actual expenditures per activity type is detailed in *Table No. 25*.

Table No. 25. FY 2025 Actual GAD Expenditure

GAD Activities	Budgeted Amount	Actual Expenditure	Utilization Rate (%)
	(in PhP)		
Client-Focused (9)	4,726,000.00	1,154,142.63	24.42
Organizational-Focused (8)	2,360,000.00	542,230.00	22.96
Attributed Program (1)	44,800,000.00	0.00	0.00
Total	51,886,000.00	1,696,372.63	0.34

- 11.25. As shown in the table above, the minimal budget utilization rate of 0.34% is primarily attributable to the non-execution of the Attributed Program.

Despite having the largest allocation of P44,800,000.00 (representing approximately 86% of the total GAD budget), no actual expenditures were recorded for this activity.

- 11.26. Further evaluation disclosed that the Attributed Program refers to the *'Procurement of Supply and Delivery of Technical and Scientific Equipment (Aircraft Electrical System).'* Audit of the GPB and GAD AR revealed that this activity was designated as 'subject for HGDG,' confirming that the mandatory Harmonized Gender and Development Guidelines (HGDG) assessment has not been conducted. Consequently, the P44,800,000.00 allocation could not be validly attributed to the GAD budget, leading to the zero-utilization recorded for this component.
- 11.27. While the Client-Focused and Organization-Focused activities reached utilization rates of 24.42% and 22.96%, respectively, their combined impact was insufficient to offset the inactivity of the Attributed Program. This confirms that the lack of a PCW-endorsed GPB which specifically required the submission of HGDG checklists for attributed programs directly hindered the Academy's ability to recognize and utilize the bulk of its GAD fund.
- 11.28. The Academy's attribution of the full P44,800,000.00 to GAD in its GPB was unsubstantiated, as it preceded the mandatory HGDG assessment. Since the degree of a program's gender-responsiveness can only be determined through the application of the HGDG tool, a 100% attribution without a validated score lacks factual and legal basis. Consequently, the reported GAD allocation for this project is considered untenable under existing PCW guidelines.
- 11.29. This error represents a structural deficiency in the FY 2025 GPB, rendering the plan fundamentally misaligned with actual implementation requirements. This planning lapse directly resulted in the minimal utilization rate of 0.34%, as the Academy could not validly utilize or report its primary budgetary resources for GAD purposes without the requisite technical validation.
- 11.30. The minimal utilization rate of 0.34% indicates that the Academy's GAD funds remained largely idle. This represents a significant opportunity loss, as the resources intended to address gender issues and enhance the Academy's technical and scientific capabilities were not effectively optimized.
- 11.31. **We recommended and the Management agreed to:**
 - a. **require strict compliance with the 5% GAD budget utilization mandate under PCW-NEDA-DBM Joint Circular No. 2012-01 and**

RA 9710 by ensuring that the allocated amount is fully obligated and disbursed;

- b. **conduct capacity building for GFPS members and budget officers on GAD planning, budgeting, and Harmonized Gender and Development Guidelines (HGDG) to ensure quality GAD attribution and implementation; and**
- c. **institutionalize quarterly monitoring of GAD fund utilization through the Planning and Finance Offices, with variance analysis and catch-up plans submitted to the Head of Agency for any underutilization below 25% per quarter.**

Programs and Projects for Senior Citizens (SCs) and Persons with Disability (PWDs)

12. **The Academy failed to formulate PPAs intended to address the concerns of PWDs and has only utilized P76,656.50, or only 5.23 percent, of the total allocated budget of P1,464,700.00 for intended PPAs for SCs, thus depriving these vulnerable sectors of intended programs and benefits, contrary to Section 33 of the GAA (RA 12116) and RA 7277.**

- 12.1. Section 33 of the GPs of RA 12116, or the GAA for FY 2025, states the mandates on the programs and projects related to SCs and PWDs, to wit:

Section 33. 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 RA No. 7277, as amended.

- 12.2. The 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 establishes the guidelines and institutional arrangements in the monitoring and evaluation of the GP 36 under FY 2023 GAA as well as its equivalent provision in the years thereafter. The JMC also standardizes the reporting process by providing official templates for the Agency Plan of Action and Agency Implementation Report ensuring transparent, consistent,

and effective documentation of Programs, Activities, and Projects (PAPs) for SCs and PWDs across all government agencies. All agencies concerned are enjoined to submit the the Agency Plan of Action and Agency Implementation Report by end of January 2024 and the years thereafter to NCSC (for older person) and NCDA (for persons with disabilities).

a) Non-preparation and non-submission of the Agency Plan of Action and Agency Implementation Report for PWDs

- 12.3. For audit purposes, requests for the submission of its Agency Plan of Action and Agency Implementation Report were sent to the Committees on SCs and PWDs. However, only the Committee on SCs complied.
- 12.4. Subsequent follow-up calls were made to the Focal Person (FP) for PWDs regarding the submission request. However, the FP failed to submit the required reports, citing excessive workload during FY 2025 as the reason for the failure to formulate the necessary plans, programs, and projects.
- 12.5. While we acknowledge these workload constraints, such predicaments do not relieve the NAAP of its mandatory obligations under the law.
- 12.6. The NAAP's failure to formulate plans, projects, and programs for PWDs reflects a lack of commitment in supporting the well-being of PWDs. Furthermore, this inaction hinders the promotion of efforts to eliminate the social, cultural, economic, environmental, and psychological barriers that continue to disadvantage this sector.
- 12.7. **We recommended and the Management agreed to:**
- a. direct the Focal Person and the Committee for PWDs to immediately formulate the required PPAs for the current and succeeding fiscal years, ensuring all formulated PPAs are strictly aligned with the Magna Carta for Disabled Persons (RA 7277) to address the specific social, economic, and physical barriers faced by PWDs; and**
 - b. address the alleged "excessive workload" of the FP for PWDs by reviewing the current assignments of personnel holding multiple designations to ensure mandatory duties are prioritized.**
- b) Significant unutilized fund of P1,388,043.50 or 94.77% of the total allocation for SCs*
- 12.8. A review of the report submitted by the Committee on SCs dated February 13, 2026, revealed that the NAAP formulated 10 PPAs for SCs in CY 2025 with allocated budget of P1,464,700.00. Of these, only one program was

fully implemented, with actual expenditure totaling P76,656.50. This resulted in a significant unutilized balance of P1,388,043.50, or 94.77% of the total allocation. A detailed breakdown of these figures is provided in *Table No. 26*.

Table No. 26. SCs Agency Approved Budget vs. Actual Cost of Expenditure

Table No. 26: SCS Agency Approved Budget vs. Actual Cost of Expenditure				
Activity/Program	Agency Approved Budget	Actual Cost of Expenditure	Unutilized	Status of Implementation
	(In Php)			
Senior Citizens				
1. Salamat Mabuhay Program for Retirees	225,000.00	76,656.50	148,343.50	Implemented
2. Medical and Dental Check-ups	46,000.00	0.00	46,000.00	Not Implemented
3. Provide free or subsidized vaccines for vulnerable groups	161,000.00	0.00	161,000.00	Not Implemented
4. Provide wheelchairs, walkers, and assistive devices. Create accessible pathways and transport services.	29,000.00	0.00	29,000.00	Not Implemented
5. Seminars on budgeting, pension management, investment basics, mental and physical health.	36,200.00	0.00	36,200.00	Not Implemented
6. Wellness Classes and counseling on depressions, anxiety, cognitive decline, loneliness and social isolation.	230,000.00	0.00	230,000.00	Not Implemented
7. Recognize celebrants during activities.	57,500.00	0.00	57,500.00	Not Implemented
8. Celebration of Elderly Filipino Week	100,000.00	0.00	100,000.00	Not Implemented
9. Participation in the Beautification and Gardening of the College	80,000.00	0.00	80,000.00	Not Implemented
10. Establishment of Senior Citizen amenities for massage chairs, board games, arts and crafts, and music and dance; furniture and fixtures	500,000.00	0.00	500,000.00	Not Implemented
Total	1,464,700.00	76,656.50	1,388,043.50	
Percentage		5.23%	94.77%	

12.9. The 94.77% budget underutilization reveals a critical breakdown in the Academy's capacity to translate fiscal allocations into tangible initiatives for senior citizens. Beyond a mere administrative delay, this failure denotes systemic deficiencies in the NAAP's planning, procurement, and implementation frameworks. This resulted in a significant opportunity cost, leaving allocated resources idle while the urgent needs of vulnerable stakeholders remained unaddressed. Ultimately, this misalignment between planning and execution undermines the Academy's core mission and its compliance with statutory obligations.

12.10. **We recommended and the Management agreed to conduct thorough review to identify implementation bottlenecks such as procurement, personnel, or administrative delays, and mandate quarterly Physical vs.**

Financial target reviews by the Budget Office and SC Committee to ensure timely fund utilization and prevent a recurrence of the 94.77% unutilized balance.

c) Non-submission of the mandatory reports to the NCSC and NCDA

- 12.11. Further verification revealed that although the Committee on SCs provided the Agency Plan of Action and the Agency Implementation Report to the Audit Team, these documents were not officially submitted to the NCSC. Furthermore, since the Committee for PWDs failed to formulate the required plans, programs, and projects, no Agency Plan of Action or Agency Implementation Report was prepared or submitted to the NCDA. These omissions constitute a direct violation of DSWD-NCSC-NCDA JMC No. 1, s. 2023.
- 12.12. The non-submission of mandatory reports to the NCSC and NCDA hinders the effective monitoring and evaluation of Section 33 of the GPs of the FY 2025 GAA, leaving the NAAP's actual accomplishments unverified. Furthermore, this omission undermines transparency and accountability in the utilization of allocated funds, as there is no documentary basis to substantiate the propriety of the expenditures. Consequently, it hampers the oversight bodies' ability to consolidate data, evaluate national compliance, and recommend policy measures essential to upholding the dignity, rights, and welfare of PWDs and SCs.
- 12.13. **We recommended and the Management agreed to enforce strictly compliance with DBM-DSWD-NCSC-NCDA JMC No. 1, series of 2023 by ensuring the Agency Plan of Action and Agency Implementation Report are prepared using the prescribed templates and submitted to the NCSC and NCDA within the mandated timelines (on or before the end of January of each year).**

Compliance with Tax Laws/ Audit of Due to BIR Account

13. **The Academy 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.**
- 13.1. Revenue Memorandum Order (RMO) No. 16-2013 directs all government offices including any of its agencies, political subdivisions or instrumentalities, or government-owned or controlled corporations (GOCCs) to act and serve as "Role Model" to the taxpaying public in matters of tax compliance.

- 13.2. Item II (1) of RMO No. 8-2003 provides that for National Government Agencies, the Heads of Offices (officials holding the highest position) and Chief Accountant/s or other person/s holding similar positions in departments, bureaus, agencies, instrumentalities officially designated as such by the head of office, are personally charged with the duty to correctly withhold taxes and timely remit the same.
- 13.3. Further, Paragraph A of Revenue Memorandum Circular (RMC) No. 23-2012 states that the responsible officials and employees, as withholding agents, should see to it that taxes withheld are accordingly remitted on or before their due dates using the prescribed monthly/quarterly withholding tax remittance returns, together with other attachments, where applicable.
- 13.4. Meanwhile, the DOF-DBM-COA Joint Circular No. 1-2000, as amended by Joint Circular No. 1-2000A dated July 31, 2001, and Revenue Regulation (RR) No. 2-98, as amended by RR No. 11-2018, provide that the filing of the return and payment of tax due should be on or before the 10th day following the month in which withholding was made, except for taxes withheld for the month of December of each year, which shall be filed on or before January 15 of the succeeding year. For withholding agents using the Electronic Filing and Payment System (eFPS) facility, the due date is on the 15th day of the following month.
- 13.5. Lastly, Revenue Regulations (RR) No. 2-2023 issued on April 13, 2023 prescribes the use of constructive affixture of documentary stamp as proof of payment of Documentary Stamp Tax (DST) for certificates issued by government agencies or instrumentalities. It states that “in lieu of the loose documentary stamps, all government agencies or instrumentalities shall use the constructive affixture of documentary stamp on the certificates they issue which are subject to DST”.
 - a) *Insufficient taxes withheld on payment of other professional services - P2,401,466.32*
- 13.6. Section 4.1114-2 of the RR No. 16-2005 dated September 1, 2005, as amended, prescribes that *the government or any of its political subdivisions, instrumentalities or agencies, including government-owned or controlled corporations (GOCCs) shall, before making payment on account of each purchase of goods and/or of services taxed at 12% VAT, deduct and withhold a final VAT due at the rate of 5% of the gross payment thereof.*
- 13.7. Section 5.116 of RR No. 2-98 dated May 17, 1998, as amended, provides that *bureaus, offices and instrumentalities of the government, including government-owned or controlled corporations as well as their subsidiaries, provinces, cities and municipalities making any money payment to private individuals, corporations, partnerships and/or*

associations are required to deduct and withhold the taxes due from the payees on account of such money payments.

- 13.8. It prescribes the creditable withholding taxes that government agencies are required to withhold, to wit: a) one percent (1%) on the purchase of goods; and b) two percent (2%) on the purchase of services.
- 13.9. Moreover, Section 109(1)(h) of the NIRC of 1997, as amended, provides for a list of exempt transactions, including those involving the provision of educational services, to wit:

Section 109(1)(h). Exempt transactions. *Educational services, including online courses, online seminars, and online trainings, rendered by private educational institutions, duly accredited by the Department of Education (DepEd), the Commission on Higher Education (CHED), the Technical Education and Skills Development Authority (TESDA), and those rendered by government educational institutions; and sale of online subscription-based services to DepEd, CHED, TESDA, and educational institutions recognized by said government agencies.*

- 13.10. Audit verification revealed that the NAAP applies only a two percent (2%) withholding tax on its payments to Fast Aviation Academy Inc. (FAST), treating the services as VAT-exempt educational services. Inquiry with the Accountant disclosed that this has been consistently applied as an established accounting practice since he assumed office.
- 13.11. However, claims for tax exemption must be supported by valid and current documentation. In the absence of such proof, the application of preferential tax treatment is improper. Accordingly, recomputation of the correct withholding taxes revealed an understatement totaling P2,401,466.32, as detailed in *Table No. 27*.

Table No. 27. Amount of Understatement of the Due to BIR Account

Date	JEV No.	Per Books		Per Audit		Understatement
		Expense/ Asset/AP	Due to BIR	AP	Due to BIR	
		(in PhP)				
01/14/25	2025-01-043	2,412,500.00	41,012.50	2,050,625.00	128,164.06	(87,151.56)
01/14/25	2025-01-044	2,656,250.00	45,156.25	2,257,812.50	141,113.28	(95,957.03)
01/17/25	2025-01-102	1,963,697.75	98,184.89	1,669,143.09	104,321.44	(6,136.55)
01/30/25	2025-01-122	4,825,000.00	0.00	4,101,250.00	256,328.13	(256,328.13)
02/27/25	2025-02-211	1,480,000.00	17,920.00	1,258,000.00	78,625.00	(60,705.00)
02/27/25	2025-02-212	5,781,250.00	115,625.00	4,914,062.50	307,128.91	(191,503.91)
03/17/25	2025-03-282	896,000.00	17,920.00	761,600.00	47,600.00	(29,680.00)
03/17/25	2025-03-283	4,816,000.00	96,320.00	4,093,600.00	255,850.00	(159,530.00)
03/27/25	2025-03-327	2,178,875.60	108,943.78	1,852,004.26	115,752.77	(6,808.99)

Date	JEV No.	Per Books		Per Audit		Understatement
		Expense/ Asset/AP	Due to BIR	AP	Due to BIR	
		(in PhP)				
03/27/25	2025-03-330	2,520,000.00	126,000.00	2,142,000.00	133,875.00	(7,875.00)
04/14/25	2025-04-383	925,000.00	18,500.00	786,250.00	49,140.63	(30,640.63)
04/14/25	2025-04-384	1,120,000.00	22,400.00	952,000.00	59,500.00	(37,100.00)
05/15/25	2025-05-466	4,816,000.00	81,872.00	4,093,600.00	255,850.00	(173,978.00)
05/16/25	2025-05-470	6,370,000.00	108,290.00	5,414,500.00	338,406.25	(230,116.25)
06/04/25	2025-06-549	1,192,217.65	11,922.18	1,013,385.00	63,336.56	(51,414.38)
06/11/25	2025-06-566	896,000.00	15,232.00	761,600.00	47,600.00	(32,368.00)
06/11/25	2025-06-567	1,156,250.00	19,656.25	982,812.50	61,425.78	(41,769.53)
06/11/25	2025-07-637	1,156,250.00	19,656.25	982,812.50	61,425.78	(41,769.53)
07/31/25	2025-07-689	4,410,000.00	74,970.00	3,748,500.00	234,281.25	(159,311.25)
07/31/25	2025-07-690	2,016,000.00	34,272.00	1,713,600.00	107,100.00	(72,828.00)
08/19/25	2025-08-731	6,090,000.00	103,530.00	5,176,500.00	323,531.25	(220,001.25)
09/19/25	2025-09-814	4,872,000.00	82,824.00	4,141,200.00	258,825.00	(176,001.00)
09/24/25	2025-09-824	1,960,000.00	33,320.00	1,666,000.00	104,125.00	(70,805.00)
09/24/25	2025-09-825	896,000.00	15,232.00	761,600.00	47,600.00	(32,368.00)
11/28/25	2025-11-1001	3,483,333.33	124,653.58	2,438,333.33	130,625.00	(5,971.42)
12/10/25	2025-12-1052	693,750.00	11,793.75	589,687.50	36,855.47	(25,061.72)
12/12/25	2025-12-1072	1,218,000.00	20,706.00	1,035,300.00	64,706.25	(44,000.25)
12/18/25	2025-12-1095	1,387,500.00	19,425.00	1,179,375.00	73,710.94	(54,285.94)
Total						(2,401,466.32)

13.12. The Management informed the Audit Team that, upon coordination with FAST, the latter has failed to provide proof of any tax exemption ruling or certificate of tax exemption, and is currently applying for tax exemption.

13.13. **We recommended and the Management agreed to require the AU to coordinate with FAST and demand the immediate settlement of the established under-withheld taxes to avoid the Academy’s liability for the deficiency.**

b) Non-preparation and non-filing of the required DST Declaration/Return for remittance of collected DST – P170,400.00

13.14. Revenue Regulations (RR) No. 2-2023 states that government agencies or instrumentalities shall be constituted as agents of the Commissioner of Internal Revenue for the collection and remittance of DST to the Bureau of Internal Revenue (BIR).

13.15. Additionally, it prescribes that “the collected DST shall be remitted monthly by filing the Documentary Stamp Tax Declaration/Return (BIR Form No. 2000) and paying the tax through the available payment facilities of the BIR on or before the fifth (5th) day of the following month”.

13.16. Review of NAAP’s compliance with the abovementioned regulations revealed that the AU does not prepare and file the required Documentary

Stamp Tax Declaration/Return (BIR Form No. 2000) as prescribed by RR No. 2-2023.

- 13.17. This omission constitutes a significant lapse in the Academy's role as a withholding agent, as it precludes the proper reporting and remittance of tax collected to the BIR, thereby exposing the Academy to surcharges, interests, and other penalties.
- 13.18. Further review of the pertinent transactions revealed that NAAP improperly remits the collected DST to a Treasury Account.
- 13.19. This practice is not in accordance with the existing regulations as it fails to discharge the Academy's statutory obligation as a withholding agent for the BIR. By neglecting to recognize the trust nature of these collections, the AU failed to properly remit the DSTs, in direct violation of the RR No. 2-2023.
- 13.20. Inquiry from the Chief Accountant confirmed that the non-compliance was due to his lack of understanding of the applicable rules and regulations on the withholding and remittance of DST.
- 13.21. **We recommended and the Management agreed to require the AU to 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.**

Compliance with the Withholding and Remittances of Deductions to the BIR, GSIS, Pag-IBIG and PhilHealth

14. The Academy had substantially complied with the laws and regulations on the withholding or deduction of taxes and premium contributions from its suppliers, contractors, and personnel and the remittance of the same, including the government share for the BIR, GSIS, Pag-IBIG, and PhilHealth.

- 14.1. DOF-DBM-COA Joint Circular No. 1-2000, as amended by Joint Circular No. 1-2000A dated July 31, 2001, and Revenue Regulations (RR) No. 2-98, as amended by RR No. 11-2018 provide that the filing of the return and payment of tax due should be on or before the 10th day following the month in which withholding was made, except for taxes withheld for the month of December of each year, which shall be filed on or before January 15 of the succeeding year. For withholding agents using the Electronic Filing and Payment System (eFPS) facility, the due date is on the 15th day of the following month.
- 14.2. Section 14, Rule III of RA 8291 requires that each government agency shall remit directly to the GSIS the employees' share and government agency's contributions within the first 10 days of the calendar month following the

month to which the contributions apply. The remittance by the government agency of the contributions to the GSIS shall take priority over and above the payment of any and all obligations, except salaries and wages of its employees. The government shall also deduct from the fixed monthly compensation of the employee the loan amortizations, premium payments, and other amounts due to the GSIS.

- 14.3. Likewise, HDMF Circular No. 275 dated January 22, 2010 provides that employers shall remit the required monthly employer and employee contributions to the nearest Pag-IBIG branch or its authorized collecting banks, together with the duly accomplished Membership Contribution Remittance Form (MCRF).
- 14.4. Paragraphs (a) and (b) Section 18 of the IRR of RA 7875 as amended by RA 9241 and RA 10606, the National Health Insurance Act of 2013 state that:
 - a. The member's monthly contributions shall be deducted and withheld automatically by the employer from the former's salary, wage or earnings. The premium contributed shall be divided equally between the employer and the employee. The employer's counterpart shall not, in any manner be charged to the employee.
 - b. The monthly premium contribution of employed members shall be remitted by the employer on or before the date prescribed by the Corporation.
- 14.5. During CY 2025, the NAAP withheld a total amount of P58,517,575.76 of taxes, premiums/contributions/loan amortizations and remitted a total amount of P57,600,135.17 including the government share, leaving an unremitted balance of P5,313,964.81 as of December 31, 2025, as shown in *Table No. 28*.

Table No. 28. Summary of Deductions and Remittances

Government Institution	Beginning Balance	Withheld	Remitted	Unremitted Balances	Remarks
	(In Php)				
BIR	3,072,175.06	26,817,623.24	25,540,644.52	4,349,153.78	Only P1,314,818.65 was remitted in January 2026, leaving an unremitted balance of P3,034,335.13.
GSIS	570,010.88	23,652,196.69	24,006,496.38	215,711.19	The amount of P213,980.69 remains outstanding as of January 31, 2026. According to the AU, the said balance consists of accumulated variances carried over from prior years.
Pag-IBIG	728,395.67	4,948,359.03	4,947,452.66	729,302.04	The amount of P729,238.36 remain outstanding as of January 31, 2026.

Table No. 28. Summary of Deductions and Remittances

Government Institution	Beginning Balance	Withheld	Remitted	Unremitted Balances	Remarks
	(In Php)				
					According to the AU, the said balance consists of accumulated variances carried over from prior years.
PhilHealth	25,942.61	3,099,396.80	3,105,541.61	19,797.80	The amount of P19,718.20 remains outstanding as of January 31, 2026. According to the AU, the said balance consists of accumulated variances carried over from prior years.
Total	4,396,524.22	58,517,575.76	57,600,135.17	5,313,964.81	

- 14.6. The unaccounted balances presented in the preceding table were likewise discussed hereto in paragraphs 2.14 to 2.18 - Other Accounting Deficiencies.
- 14.7. The presence of unaccounted/unremitted contributions indicates weaknesses in the Academy's internal controls over the recording and remittance of premium contributions. These deficiencies cast doubt on the accuracy, reliability, and completeness of the reported balances for the Due to GSIS, Pag-IBIG, and PhilHealth accounts in the financial statements. Furthermore, such lapses may lead to delayed posting or the understatement of employees' contributions, potentially hindering the timely processing and full availment of their benefits.
- 14.8. **We commended the NAAP for its substantial compliance with the requirements of RAs 8291, 9679, and 10606, their IRRs and other issuances in the timely withholding and remittance of taxes, and premium contributions to BIR, GSIS, Pag-IBIG, and PhilHealth during the year.**
- 14.9. **However, we recommended and the Management agreed to:**
- a. prioritize the immediate settlement of all unremitted mandatory contributions and loan amortizations to GSIS, PhilHealth, and Pag-IBIG and ensure the full remittance in accordance with prescribed schedules to avoid payment of unnecessary penalties, surcharges, and other statutory sanctions;**
 - b. strengthen monitoring and control over the remittance process by implementing a mandatory monthly reconciliation between payroll registers and official receipts or validated deposit slips to ensure the timeliness and accuracy of contributions and prevent future delays or discrepancies.**

Compliance with the Property Insurance Law

15. Lapses were observed in complying with the Property Insurance Law (RA 656, as amended) and COA Circular No. 2018-002, thus, exposing the Academy to risk of unrecovered loss in case of damage or destruction.

- 15.1. RA 656, otherwise known as the Property Insurance Law, 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, so that the GIF may indemnify or compensate the Government for any damage to, or loss of, its properties due to fire, earthquake, storm, or other casualty.
- 15.2. To assist in the implementation of the provisions of RA 656, as amended, on the insurance and bonding of risks on insurable government assets and properties with the GIF, the COA Circular No. 2018-002 dated May 31, 2018, was issued. The Circular prescribes the submission of the Property Inventory Form (PIF) as basis for the assessment of general insurance coverage over all insurable assets, properties and interests of the government with the GIF of the GSIS.
- 15.3. The NAAP remitted P3,045,059.65 to the GSIS for insurance premiums covering the period from December 31, 2024 to December 31, 2025, as detailed in *Table No. 29*.

Table No. 29. Payments of Insurance Premiums to GSIS

DV No.	Date	Check No.	Policy No.	Coverage	Amount (in PhP)
202500100085	1/17/25	127640	AV-FLEET-GSISHO-0000141	December 31, 2024 to December 31, 2025	265,189.82
202500100086	1/17/25	127641	FI-NM-GSISHO-0047597	December 31, 2024 to December 31, 2025	2,779,869.83
			FI-NM-GSISHO-0047620		
Total					3,045,059.65

- 15.4. Review of the Academy's compliance with the Property Insurance Law disclosed the following:
- a) *Non-appraisal of insurable assets*
- 15.5. The results of audit validation of compliance of the NAAP with COA Circular No. 2018-002, is summarized in *Table No. 30*.

Table No. 30. Validation of Compliance under Section 5 of COA Circular No. 2018-002

Criteria	Particulars	Validation of the Audit Team
5.1.b	Prepare the PIF listing all the insurable properties and other assets, showing their latest appraised values/valuation, appraisal date, location, and other information.	Partially Compliant
5.1(d)	The Agency Heads are mandated to cause the appraisal of insurable properties and other assets of their respective offices. The Circular specifies the following valuation thresholds: ▪ In-house Appraisal: Sufficient for properties or insurable interests valued at P10 million and below; ▪ Independent Appraisal: Required for properties or insurable interests valued above P10 million.	Not Compliant
5.1.e	Submit the PIF to the Supervising Auditor/Audit Team Leader and the GIF, GSIS, not later than April 30 of each year.	Compliant
Annex A	The PIF shall be prepared by the concerned responsible official and approved by the Head of Agency to ensure that the information submitted for insurance purposes is complete, accurate, and properly validated.	Compliant

- 15.6. Despite the prior year's audit recommendation, the NAAP has failed to conduct a formal appraisal of its insurable properties and other assets. The PIF continues to reflect the acquisition costs of the insurable assets rather than the appraised values, which is contrary to the mandates of COA Circular No. 2018-002.
- 15.7. The absence of proper appraisal and valuation impairs the NAAP's ability to determine and secure appropriate insurance coverage. Adequate valuation is essential to ensure that properties are properly insured at reasonable, current amounts. Consequently, these lapses resulted in an inaccurate valuation of the Academy's insurance coverage, leading to the under-insurance and over-insurance of various assets, as well as the total exclusion of several properties from the insurance policy. These conditions expose the NAAP to unnecessary financial risks and potential unrecoverable losses.
- 15.8. **We reiterated our prior year's recommendation, with modifications, and the Management agreed to direct the concerned officials and offices to:**
- a. **cause the immediate and thorough appraisal of all insurable assets, ensuring that assets valued above P10 million undergo an independent appraisal, while those valued at P10 million and below**

are evaluated by a qualified in-house appraiser, as mandated by Section 5.1(d) of COA Circular No. 2018-002; and

- b. update the PIF and ensure that it captures all insurable assets and required information, specifically market values, appraisal dates, and insurable interests. All data must be fully supported by appropriate documentation prior to the Head of Agency's approval and subsequent submission to the Supervising Auditor/Audit Team Leader and the GIF, GSIS within the prescribed timelines.**

b) Non-insurance of insurable assets – P17,156,374.80

- 15.9. Further verification of the NAAP's insured assets against its total insurable assets revealed that several assets totaling P17,156,374.80 were not included in the PIF and, thus, were not insured, as detailed in *Table No. 31*.

Table No. 31. Uninsured Assets

Type of Insurable Asset	Amount per FS (in PhP)
Office Supplies Inventory	555,236.27
Accountable Forms, Plates and Stickers Inventory	5,901.00
Fuel, Oil and Lubricants Inventory	181,595.00
Sewer Systems	10,571,296.29
Water Supply Systems	5,692,592.58
Communications Equipment	111,328.66
Other PPE	38,425.00
Total	17,156,374.80

- 15.10. The failure to insure these assets exposes the NAAP to significant financial risk. Should these assets suffer damage or total loss due to fire, natural calamities, or other insurable risks, the Academy will be unable to claim indemnity from the GSIS. Consequently, the cost of replacement or repair represents an unnecessary burden on the Academy's funds.
- 15.11. **We reiterated our prior year's recommendation, with modifications, and the Management agreed to direct the concerned officials and offices to coordinate immediately with GSIS based on the results of the new appraisal and to incorporate the identified uninsured assets in the Academy's insurance policy to ensure total protection of properties.**

Internal Audit Service

- 16. **The Academy's lack of a functional Internal Audit Service (IAS), contrary to RA 3456, AO 278 s.1992, and AO 70 s.2003, hindered the Management from ensuring efficient fiscal administration and evaluating governance, risk management, and internal controls through a structured, independent approach.**

- 16.1. Section 2 of RA 3456, known as the Internal Auditing Act of 1962, mandates the creation, organization and operation, in all departments, bureaus and offices of the National Government, of internal audit services which shall assist the management to achieve an efficient and effective fiscal administration and performance of agency affairs and functions.
- 16.2. Section 1 of AO No. 278, s.1992, and Section 4 of AO No. 70 s. 2003 dated April 28, 1992 and April 14, 2003, respectively, require all heads of Government-Owned and/or Controlled Corporations (GOCCs), including Government Financial Institutions (GFIs), State Universities and Colleges (SUCs) and Local Government Units (LGUs), to organize an IAS in their respective offices, to wit:

SECTION 1. Creation of Internal Audit Service. – All heads of government offices, agencies, government-owned and/or controlled corporations, including government financial institutions, State Universities and Colleges (SUCs) and local government units, shall organize an Internal Audit Service (IAS) in their respective offices.

The IAS shall be an integral part of the office and shall assist in the management and effective discharge of the responsibilities of the office, without intruding into the authority and mandate of the Commission on Audit (COA) granted under the Constitution. It shall function in accordance with the policies established by the provisions of Republic Act No. 3456 as amended by Republic Act No. 4177.

SECTION. 4. Personnel Complement. – Agencies without IAS shall immediately organize one. The head of the agency shall review the organizational structure and personnel complement and convert existing vacant positions and/or parallel positions of incumbents in the agency necessary for the creation/strengthening of the IAS.

- 16.3. Further, Item 3.2 of DBM Circular Letter No. 2023-14 dated 27 October 2023 states that the IAU shall be an integral part of the office and shall assist the Head of Agency (HoA) in conducting a separate evaluation of the internal control system to determine if control are well-designed and properly implemented. Particularly, the IAU shall be responsible for the evaluation of management control and operations performance, and the determination of the degree of compliance of internal controls with laws, rules, regulations, managerial policies, accountability measures, ethical standards, and contractual obligations.

- 16.4. Verification of the DBM Personal Service Information and Plantilla of Personnel (PSIPOP) for NAAP revealed that three plantilla positions of Internal Auditors remain unfilled as of December 31, 2025, to wit:

Table No. 32. Unfilled Positions for IA Unit

Unique Item No.	Position Title	SG
PSCAB-IAUD3-31-2023	Internal Auditor 3	18
PSCAB-IAUD2-4-2025	Internal Auditor 2	15
PSCAB-IAUD1-33-2023	Internal Auditor 1	11

- 16.5. Inquiry with the HRMSD disclosed that the hiring process for the aforementioned plantilla positions is ongoing. However, while there were applicants for the said positions, none proceeded to the subsequent stages of the recruitment process.
- 16.6. The establishment of a functional IAU provides the Academy with a systematic and disciplined approach to achieving its strategic objectives by offering independent and objective assurance and advisory services. By conducting separate evaluations of the internal control system, the IAU assists Management in ensuring that operations are effective, economical, and fully compliant with laws, rules, and regulations. It serves as a vital tool for safeguarding resources against loss, mismanagement, and fraud, while performing root cause analyses of control deficiencies to recommend realistic corrective actions. Ultimately, the IAU strengthens organizational governance, enhances transparency, and fosters a culture of accountability that aligns with the highest standards of public governance.
- 16.7. **We reiterated our prior year’s recommendation, with modifications, and the Management agreed to:**
- a. direct the HRMSD to expedite the recruitment and selection process for the three vacant Internal Auditor positions to ensure the immediate establishment of an IAU, as mandated by RA 3456 and DBM Circular Letter No. 2023-14;**
 - b. instruct the HRMSD to conduct a review of the current recruitment process to identify why previous applicants failed to proceed to subsequent stages. If necessary, consider re-advertising the positions with a wider reach to attract a larger pool of qualified candidates; and**
 - c. pending the permanent filling of the plantilla positions, consider the temporary designation of qualified existing personnel who are not involved in regular financial, accounting, or custodial functions to perform initial internal control reviews to ensure that the Academy begins to adopt a systematic approach to risk management and governance without further delay.**

17. The Academy failed to fully comply with the transparency and accountability provisions of the FY 2025 GAA due to non-posting of mandated information disclosures and financial reports on its official website, contravening the constitutional policy on full public disclosure and the people’s right to information, thereby hindering public participation and compromising government integrity.

17.1. Section 28, Article II of the 1987 Constitution provides the policy on full public disclosure, to wit:

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

17.2. Section 7, Article III of the same Constitution provides for the recognition of the people’s right to information 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.

17.3. In line with the said provisions, Section 104 of the GAA for FY 2025 mandates that all government agencies shall maintain a Transparency Seal on their official websites. The heads of the agencies, together with their web administrators or their equivalents, are responsible for ensuring full compliance with this requirement.

17.4. The Transparency Seal symbolizes a policy shift toward openness in access to government information. It aims to encourage government officials to be more transparent and engage with citizens, while inviting the public to exercise their right to participate in governance.

17.5. The NAAP’s compliance with Section 104 of the GPs of RA 12116 was validated based on its official website at <https://naap.edu.ph/good-governance/transparency-seal/> as of February 6, 2026. Results of our evaluation are shown in *Table No. 33*.

Table No. 33. NAAP’s Status of Compliance with Transparency Seal Requirements

Required Information for Posting		Audit Team’s Validation	NAAP’s Compliance
1	Agency’s mandates and functions, names of its officials with their position and designation, and contact information;	The NAAP’s mandates and functions, names of its officials with their respective positions/designations, and contact information, such as email addresses, are	Partially Compliant

Required Information for Posting		Audit Team's Validation	NAAP's Compliance
		posted on the agency's Transparency Seal. However, some entries still reference "PhilSCA" instead of "NAAP."	
2	Approved Budget and Targets immediately upon approval of the GAA;	The DBM approved budget and targets for FY 2025 were posted on the website.	Compliant
3	Modifications made pursuant to the general and special provisions of the Act;	Only Advice for Use of PS Allotment issuances up to July 25, 2025 were posted, and only Modification Advice issuances up to January 15, 2025 were posted. In addition, the Certification and the Certification of Actual Deficiency and Source of Fund for FY 2025 were not posted.	Not Compliant
4	Annual procurement plan/s (APPs) and contracts awarded with the winning supplier, contractor, or consultant;	The Indicative FY 2025 Annual Procurement Plan and the FY 2025 Annual Procurement Plan Common-Use Supplies and Equipment were posted on the Agency's website. However, the fully approved FY 2025 Annual Procurement Plan, as well as all contracts awarded to winning suppliers, contractors, or consultants for FY 2025, were not posted.	Not Compliant
5	Major activities or projects and their target beneficiaries;	The NAAP posted a list of major projects for FY 2025 on its website. However, certain projects listed in the FY 2025 GAA, such as the Locally-Funded Free Higher Education and Tulong Dunong Program, were not included.	Partially Compliant
6	Status of implementation, evaluation, or assessment reports of said programs or projects;	In the list of major projects provided, a column indicating the status of implementation for each project is included. However, certain projects listed in the FY 2025 GAA, such as the Locally-Funded Free Higher Education and Tulong Dunong Program, were not included.	Partially Compliant
7	Budget and Financial Accountability Reports (BFAR);	All reports were updated as of December 2025. However, the following deficiencies were noted: - FAR No. 4 Monthly Report of Disbursements – the link is posted but returns a "page not found" error when accessed. - Summary Performance Monitoring Report	Partially Compliant
8	Updated People's Freedom of Information (FOI) Manual signed by head of agency, Updated One-Page FOI Manual and Agency FOI Reports;	The FOI Manual signed by the head of agency, Updated One-Page FOI Manual, and Agency FOI Reports were posted.	Compliant

Required Information for Posting		Audit Team's Validation	NAAP's Compliance
9	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 Annual Report on the Status of Income authorized by law to be deposited outside the National Treasury for FY 2025 was not posted.	Not Compliant

17.6. In addition to the Transparency Seal requirements, the FY 2025 GAA includes provisions that require the Agency to post certain reports and information on its official website. These postings provide public access to data on the Agency's financial and physical accomplishments and help ensure transparency and accountability in the use of public funds. NAAP's compliance with these posting requirements is reflected in *Table No. 34*.

Table No. 34. NAAP's Status of Compliance with certain provisions of the FY 2025 GAA

Section	Required Information for Posting	Audit Team's Validation	Status of Compliance
Sec. 4. Receipts or Revenues Collected by Agencies.	Schedule of fees, charges, and assessments collectible by any government agency, as well as any updates thereon.	No information on the schedule of fees, charges, and assessments collectible by the agency was posted.	Not Compliant
Sec. 5. Donations	Quarterly reports of all donations received, whether in cash or in kind, and expenditures or disbursements thereon, within thirty (30) days after the end of every quarter.	No quarterly reports on donations received, whether in cash or in kind, and the related expenditures or disbursements were posted.	Not Compliant
Sec. 6. Trust Receipts	Quarterly reports of all trust receipts collected or received, within thirty (30) days after the end of every quarter.	Only the quarterly reports on trust receipts for FY 2023 were posted.	Not Compliant
Sec. 7. Performance Bonds and Deposits		The Performance Bonds and Deposits for FY 2025 were posted.	Compliant
Sec. 8. Receipts from Public-Private Partnership Projects		No related report was posted.	Not Applicable
Sec. 9 Revolving Funds		No report was posted.	Not Applicable

Section	Required Information for Posting	Audit Team's Validation	Status of Compliance
Sec. 10. Revolving Fund for Research and Development, Science and Technology Capability Building and Technology Transfer Activities	end of every quarter.		
Sec. 12. Transparency on Public Funds	Information relating to all Special Accounts and Funds deposited with the National Treasury, which shall include, but not limited to the following: (i) agency under whose name the account or fund was constituted or created; (ii) funding source/s of the account or fund; (iii) legal basis for the creation of the account or fund; (iv) allowable uses/purposes of the account or fund; (v) monthly balances of each account or fund; and (vi) such other pertinent information as may be reasonably required to be posted on the BTr website.	No related report was posted, and the requirement on Transparency on Public Funds (Section 12) was posted under the incorrect section, Section 11.	Not Compliant
Sec. 13. Conduct of Seminar, Conference, Training, and Oath Taking Programs	Quarterly reports on its financial and physical accomplishments, within thirty (30) days after the end of every quarter.	No report was posted.	Not Compliant
Sec. 14. Sale of Official Publications		No report was posted.	Not Applicable
Sec. 15. Sale of Non-Serviceable, Obsolete or Unnecessary Equipment		No report was posted.	Not Applicable
Sec. 75. Fund Transfers to Civil Society Organizations	Information relating to transfer of public funds to a Civil Society Organization (CSO) subject to conditions.	No report was posted.	Not Applicable
Sec. 99. Submission of Annual Reports and Audited Financial Statements on Accounts Deposited Outside	Audited Financial Statements, annual reports and narrative reports stating therein a detailed description of the utilization of funds.	The requirement on the submission of Annual Reports and Audited Financial Statements on accounts deposited outside of the National Treasury (Section 99) was posted under the	Not Compliant

Section	Required Information for Posting	Audit Team's Validation	Status of Compliance
of the National Treasury		incorrect section, Section 98, and the latest report posted was for FY 2022.	
Sec. 100. Report on Commission on Audit Findings and Recommendation	Status Report on the actions taken on audit findings and recommendations using the prescribed form under COA Memorandum No. 2014-002 dated March 18, 2014.	No report was posted.	Not Compliant
Sec. 101. Financial and Physical Accountability Reports.	Reports on financial and physical accomplishments, on a monthly, quarterly, or yearly basis, as required under existing guidelines.	No report was posted	Not Compliant
Sec. 102. Submission of Post FY 2025 Budget Status	Post FY 2025 budget status report, which shall indicate brief accomplishment on all programs, activities, and projects, including specific activities and projects funded from lump-sum appropriations and special purpose funds.	No report was posted	Not Compliant
Sec. 103. Transparency in Infrastructure Projects	(a) The project title, location and detailed description, detailed estimates, detailed estimates in arriving at the Approved Budget for the Contract; winning contractor and the detailed estimates of the bid as awarded; source of fund; implementing office; responsible official and their contact details; and start of construction date and target date of completion, within thirty (30) calendar days from entering into contract.; and (b) The detailed actual cost of the project; and variation orders issued, if any, within thirty (30) calendar days from the issuance of a certificate of completion.	No report was posted	Not Compliant

17.7. In response to the previously issued AOM regarding FY 2024 GAA transparency provisions, the Management initiated several corrective actions. However, while progress was noted, compliance remains incomplete. As enumerated above, various mandatory reports have yet to be uploaded to the NAAP's official website.

17.8. The Academy's official website serves as the primary platform for public access to information, consistent with budgetary reforms aimed at fostering accountability and good governance. Management's failure to fully utilize this platform for mandatory disclosures constitutes a lapse in its duty to

implement transparency measures, thereby hindering public oversight and weakening the checks and balances essential to government operations.

17.9. We recommended and the Management agreed to:

- a. direct all the concerned NAAP officials and employees to immediately submit all the unposted mandatory reports to the Management Information System (MIS) Department for immediate posting and updating on its official website; and**
- b. require strict compliance with the timely and regular updating of key information on the University's website, in accordance with the pertinent provisions of the FY 2025 GAA on the Transparency Seal.**

Status of Audit Suspensions, Disallowances and Charges

18. Audit Disallowances totaling P30,646,858.42 remained unsettled as of December 31, 2025, contrary to Section 10.4 of the 2009 Rules and Regulations on Settlement of Accounts (RRSA) as prescribed by COA Circular No. 2009-006 dated September 15, 2009.

- 18.1. Section 7.1.1 of COA 2009 RRSA, provides, among others, that the head of the agency, who is primarily responsible for all funds and property pertaining to his agency, shall ensure that the settlement of disallowances and charges are made within the prescribed period and the requirements of transactions suspended in audit are complied with.
- 18.2. Section 10.4 of the 2009 RRSA prescribed for use under COA Circular No. 2009-006 dated September 15, 2009, states that disallowances shall be settled within six (6) months from receipt of the Notice of Disallowance (ND) by the persons liable.

a) Details of Unsettled Notice of Suspensions/Disallowance/Charges

- 18.3. As of December 31, 2025, there were no unsettled suspensions and charges. However, there were unsettled audit disallowances totaling P30,646,858.42, as summarized in *Table No. 35*.

Table No. 35. Unsettled Audit Disallowances (in PhP)

Particulars	Balance 01/01/2025	This Period January 1 to December 31, 2025		Balance 12/31/2025
		Issuances	Settlements	
ND	P30,832,001.26	0.00	P185,142.84	P30,646,858.42
Total	P30,832,001.26	0.00	P185,142.84	P30,646,858.42

b) Ageing of the Notice of Disallowance (ND)

Table No. 36. Ageing of ND (in PhP)

Office/RO	Less than 1 year	1-5 years	5-10 years	More than 10 years	Total
<i>Notice of Disallowance</i>					
NAAP	-	631,470.00	27,235,653.16	2,779,735.26	30,646,858.42
Total		631,470.00	27,235,653.16	2,779,735.26	30,646,858.42

c) Status of ND

Table No. 37. Status of ND as of December 31,2025 (in PhP)

Office/RO	With no appeal	Under appeal/review		With Decision	With issued Notice of Finality of Decision	Unaccounted	Total
		Cluster Director	Commission Proper				
Notice of Disallowance							
NAAP	246,857.16	-	27,235,653.16	1,110,501.31	2,053,846.79	-	30,646,858.42
Total	246,857.16	-	27,235,653.16	1,110,501.31	2,053,846.79	-	30,646,858.42

- 18.4. We recommended and the Management agreed to strictly enforce the settlement of the disallowances in compliance with Section 10.4 of the 2009 RRSA as prescribed by COA Circular No. 2009-006 dated September 15, 2009.