

## EXECUTIVE SUMMARY

### A. Introduction



The Philippine State College of Aeronautics (PhilSCA) was established in 1967 as a community college, the Basa Air Base Community College, in Floridablanca, Pampanga. The College was operated under the Armed Forces of the Philippines (AFP) Regulations Series of 168-342 issued by the AFP and approved by the Department of National Defense (DND) on April 1, 1968 to cater to the educational needs of the military personnel, civilian employees and their dependents.

In 1977, then President Ferdinand Marcos signed Presidential Decree (PD) No. 1078 converting Basa Air Base Community College into a full-fledged College and was renamed Philippine Air Force College of Aeronautics (PAFCA). On June 3, 1992, Republic Act (RA) No. 7605 was approved by then President Corazon C. Aquino, converting PAFCA into a state college known as the PhilSCA. It has four Campuses located in Mactan, Cebu; Floridablanca, Pampanga; Lipa City, Batangas; and the main campus in Villamor Air Base (VAB), Pasay City.

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

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

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

	Name	Position/ Designation	Mother Unit/Agency
7	Col. Inocencio G. Silbol PAF (Ret)	Member	Private Sector Representative <sup>1</sup>
8	BGen. Isidoro T. Macaranas, AFP (Ret)	Member	Alumni Sector Representative
9	Asst. Prof. Ramsey S. Ferrer	Member	Faculty Representative
10	Maria Arcela S. Maga	Member	Student Trustee

As of December 31, 2022, PhilSCA has 488 personnel assigned in the different Campuses, as follows:

Particulars	Total	Villamor Campus	Fernando Campus	Mactan Campus	Basa Campus
<i>Status:</i>					
Permanent	209	125	28	28	28
Contractual	279	169	35	38	37
<b>Total</b>	<b>488</b>	<b>294</b>	<b>63</b>	<b>66</b>	<b>65</b>
<i>Workforce:</i>					
Academe	281	159	44	41	37
Part-timers	54	47	1	0	6
Admin and Support Staff	153	88	18	25	22
<b>Total</b>	<b>488</b>	<b>294</b>	<b>63</b>	<b>66</b>	<b>65</b>

## B. Financial Highlights

For CY 2022, the PhilSCA has total adjusted appropriations of P520,532,922.00 consisting of current year budget of P508,825,000.00 as provided for in the General Appropriations Act (GAA) for Fiscal Year (FY) 2022 or RA No. 11639 and Automatic Appropriations of P11,707,922.00 for Retirement and Life Insurance Premiums (RLIP). Total allotments received from the Department of Budget and Management (DBM) for the year amounted to P322,275,161.41, including funds from Continuing Appropriations of which P309,370,130.48 was obligated, thereby leaving an unobligated balance of P12,905,030.93. The details are presented as follows:

Sources of Funds	Appropriations	Allotments	Obligations Incurred	Unobligated Balance
(Amount in Php)				
<b>Current Year Appropriations</b>				
<b>1. Agency Specific Budget</b>				
Personnel Services (PS)	141,153,360.00	130,191,894.00	125,447,866.53	4,744,027.47
Maintenance and Other Operating Expenses (MOOE)	360,671,640.00	160,109,900.00	157,434,312.84	2,675,587.16

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

Sources of Funds	Appropriations	Allotments	Obligations Incurred	Unobligated Balance
	(Amount in Php)			
Capital Outlay	7,000,000.00	0.00	0.00	0.00
<b>Subtotal</b>	<b>508,825,000.00</b>	<b>290,301,794.00</b>	<b>282,882,179.37</b>	<b>7,419,614.63</b>
<b>2. Automatic Appropriations</b>				
PS-RLIP	11,707,922.00	11,707,922.00	10,773,211.11	934,710.89
<b>Subtotal</b>	<b>11,707,922.00</b>	<b>11,707,922.00</b>	<b>10,773,211.11</b>	<b>934,710.89</b>
<b>Total</b>	<b>520,532,922.00</b>	<b>302,009,716.00</b>	<b>293,655,390.48</b>	<b>8,354,325.52</b>
<b>Prior Year's Budget/Continuing Appropriations</b>				
MOOE	5,245,445.41	5,245,445.41	826,740.00	4,418,705.41
CO	15,020,000.00	15,020,000.00	14,888,000.00	132,000.00
<b>Subtotal</b>	<b>20,265,445.41</b>	<b>20,265,445.41</b>	<b>15,714,740.00</b>	<b>4,550,705.41</b>
<b>Grand Total</b>	<b>540,798,367.41</b>	<b>322,275,161.41</b>	<b>309,370,130.48</b>	<b>12,905,030.93</b>

Also, PhilSCA has a total allotment of P422,003,500.00 from the approved budget on income utilization under the Special Trust Fund (STF), of which P85,133,308.00 or 20 percent was utilized, leaving an unobligated balance of P336,870,192.00 or 79.83 percent as at year-end.

The PhilSCA's financial position and financial performance for CY 2022, with comparative restated figures for CY 2021, are presented hereunder:

#### Comparative Financial Position

	2022	2021 (Restated)	Increase/ (Decrease)	%
Assets	1,387,448,085.09	1,376,927,070.89	10,521,014.20	0.76%
Liabilities	58,658,325.45	74,983,310.10	(16,324,984.65)	(21.77%)
Equity	1,328,789,759.64	1,301,943,760.79	26,845,998.85	2.06%

#### Comparative Financial Performance

	2022	2021 (Restated)	Increase/ (Decrease)	%
Revenue	151,913,887.25	326,248,446.49	(174,334,559.24)	(53.44%)
Current Operating Expenses	436,104,185.10	343,861,346.99	92,242,838.11	26.83%
Deficit from Current Operations	(284,190,297.85)	(17,612,900.50)	(266,577,397.35)	1513.53%
Net Financial Assistance/Subsidy	311,156,342.28	192,174,021.86	118,982,320.42	61.91%
<b>Surplus for the period</b>	<b>26,966,044.43</b>	<b>174,561,121.36</b>	<b>(147,595,076.93)</b>	<b>(84.55%)</b>

The significant decrease in Revenue in CY 2022 was attributed to P195,661,740.00 unreleased appropriation for the Free Higher Education (FHE) program for the first semester of CY 2022-2023, which should have been transferred and recognized as income under the STF in accordance with State Universities and Colleges (SUCs) Special Provision (SP) No. 3 under the FY 2022 GAA.

## C. Operational Highlights

During the Academic Years (AYs) 2022-2023, a total of 8,036 students were enrolled at PhilSCA-VAB Campus and in its three other Campuses, of which 132 belong to the graduate studies and 7,904 in the undergraduate schools, while the total number of graduates for AYs 2021-2022 totaled 4,902, presented as follows:

Particulars	Total	Villamor Campus	Fernando Air Base Campus	Mactan Air Base Campus	Basa Air Base Campus
Undergraduate Studies	4,070	1,696	732	1,064	578
Graduate Studies	22	22	-	-	-
<b>Total</b>	<b>4,092</b>	<b>1,718</b>	<b>732</b>	<b>1,064</b>	<b>578</b>

The reported plans/targets vis-à-vis its accomplishments for Calendar Year (CY) 2022 are as follows:

Major Final Outputs (MFOs) and Performance Indicators	Targets	Accomplishments	
		Actual	Percentage
<b>MFO 1- Higher Education Program</b>			
<i>Outcome Indicators:</i>			
1. Percentage of first-time licensure exam-takers that pass the licensure exams	72%	68.03%	94.49
2. Percentage of graduates (Two years prior) that are employed	53%	69.32%	130.79
<i>Output Indicators:</i>			
1. Percentage of undergraduate student population enrolled in CHED-identified and RDC-identified priority programs	73%	91.17%	124.89
2. Percentage of undergraduate programs with accreditation	70%	90%	128.57

## D. Scope of Audit

The audit covered the review of accounts and operations of PhilSCA and its Campuses for the year ended December 31, 2022, in accordance with International Standards of Supreme Audit Institutions (ISSAIs). The audit was conducted to: a) ascertain the level of assurance that may be placed on Management's assertions on the financial statements (FSs); b) determine the propriety of transactions as well as the extent of compliance with applicable laws, rules and regulations; and c) determine the extent of implementation of prior years' audit recommendations.

## E. Independent Auditor's Report

As discussed in Part II of this report a qualified opinion was rendered by the Auditor on the fairness of presentation of the FSs of the PhilSCA as at December 31, 2022, due to accounting errors and omissions found in two Asset accounts and one Liability account totaling P13,510,862.27 and P641,624.81, respectively, that were considered material, but not pervasive.

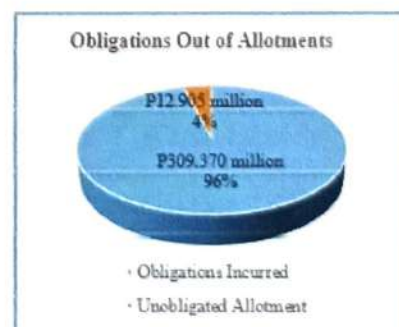
Enumerated below are the errors, omissions and accounting deficiencies which, among others, bear the greatest significant impact on the account balances in the FSs of the PhilSCA:

1. The **Inventory** account was misstated by P4,915,748.85 due to: (i) unrecorded issuances of inventories, thereby overstating the account by P2,132,943.01; (ii) erroneous recording of returned/undelivered Semi-Expendable Furniture and Fixtures, thereby overstating the account by P87,250.00; and (iii) erroneous reclassifications of issued tangible items previously classified as Property, Plant and Equipment (PPE), thereby overstating the account by P2,695,555.84.
2. The **PPE** account was misstated by P8,595,113.42 due to: (i) unrecorded cost of transferred/donated buildings, thereby understating the account by P11,274,115.98; (ii) non-derecognition of transferred PPEs to the PAF, thereby overstating the account by P1,563,673.43; and (iii) erroneous computation of depreciation, thereby overstating the account by P1,115,329.13.
3. The **Liability** account was misstated by P641,624.81 due to: (i) erroneous recording of subsequent year remittance of taxes, thereby understating the account by P360,190.28; and (ii) erroneous recording of payment of penalties due to late remittances of taxes, thereby understating the account by P281,434.53.

## F. Other Significant Observations and Recommendations

Hereunder are the other significant audit observations noted during the year and the corresponding recommendations that are discussed in detail in Part II of this report.

1. Of the total allotments received in CY 2022 amounting to P322,275,161.41, the amount of P309,370,130.48 or 96 percent was obligated by PhilSCA, leaving an unobligated balance of P12,905,030.93, or equivalent to a marginal percentage of four percent as at year-end, which was largely attributed to MOOE and PS allotments.

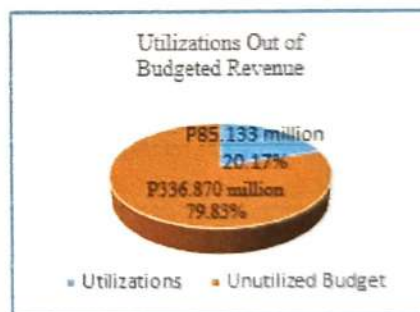


While the absorptive capacity of the College for its Regular Agency Fund (RAF) is generally commendable, several operational lapses in its planning, utilization and monitoring were observed such as: a) the absence of detailed Work and Financial Plan (WFP), Annual Procurement Plan (APP) and Procurement Monitoring Report (PMR), which limited the Audit Team in identifying the utilization for specific Projects/Programs/ Activities (PPAs); and b) significant amount of unreleased appropriations of P218,523,206.00 or 42.03 percent, thus, the foregone operational benefits to stakeholders. (*Observation No. 3*)

**We recommended and Management agreed to:**

- a) **intensify the filling up of unfilled plantilla positions for teaching and non-teaching personnel through publication of the vacant positions;**
- b) **maximize the utilization of the allotments received within the period of its validity to ensure that the optimum results and benefits derived from the funds would be realized;**
- c) **promptly coordinate with the concerned College project proponents /focal person about the submission of necessary reports and documentary requirements to the DBM, to ensure the effective and efficient utilization of funds intended for its planned PPAs; and**
- d) **come up with a catch-up action plan including interventions on the programs with unutilized/underutilized allotments in FY 2022.**

2. The College had unutilized budget of P336,870,192.00 for the STF, which is 79.83 percent of the total budgeted revenue of P422,003,500.00 for CY 2022, resulting from over-budgeting and non-implementation of PPAs within the budget year, hence the lost opportunity of improving its operation as well as forgone economic benefits for its students, faculty and personnel realizable from the utilization of the programmed funds for Higher Education Programs (HEP). (*Observation No. 4*)



**We reiterated our prior years' recommendations and Management agreed to:**

- a) **consider scaling down the annual budget of the College to reflect only current needs and assess its capability to disburse to maximize the utilization of the STF for the effective implementation of planned programs/projects;**

- b) **instruct the Budget Office to maintain a separate Registry of Budget Utilization and Disbursements (RBUD) by MFO or PPA for MOOE and identify the object of expenditure of each PPAs in the Program of Receipts and Expenditures (PRE);**
  - c) **instruct the Bids and Awards Committee (BAC) Secretariat to complete the details in the APP and PMR; and**
  - d) **require the BAC Secretariat to submit to the Government Procurement Policy Board (GPPB) the PMR report within 14 calendar days after the end of each semester and adhere to the required posting of the report in the College's website.**
3. **Non-adherence to certain provisions of RA No. 9184 and its Revised Implementing Rules and Regulations (IRR) in the procurement of ten projects or services in the total amount of P9,188,769.49 cast doubts on their propriety and regularity and defeating the purpose of the law on transparency, competitiveness, and accountability. (*Observation No. 5*)**

**We recommended and Management, through the BAC agreed to:**

- a) **submit the approved APP, Project Procurement Management Plan (PPMP) and Approved Budget for the Contract (ABC) as required under the 2016 Revised IRR of RA No. 9184;**
- b) **ensure the propriety and completeness of the required planning documents before the conduct of any procurement activities;**
- c) **ensure that proper and complete instructions are given to the bidders so that the compliances to various requirements will not be left to their discretion; any amendment to contracts shall be made in writing signed by the College and the Contractor/Supplier;**
- d) **submit the lacking documents and provide written justification on the noted deficiencies in the supporting documents and the timely award and acceptance of the work orders;**
- e) **exercise caution and prudence in the examination and evaluation of bids to erase doubts in the fairness in awarding of contracts;**
- f) **coordinate with the College Website Administrator in posting the Invitation to Bid (ITB), Supplemental Bid Bulletin (SBB), and other required documents, and for future contracts, abide with the posting of requirements as prescribed in the IRR;**

- g) properly evaluate key personnel capacities in technical documents for efficient project implementation, especially for single contractors with overlapping multiple schedules;
  - h) submit the documents for request of contract extension and the basis in reduction of contract duration as required under the 2016 revised IRR of RA 9184 and COA Circular No. 2009-001 dated February 12, 2009; otherwise, impose the necessary liquidated damages;
  - i) ensure the withholding of ten (10) percent retention money for each progress billings for infrastructure projects; and
  - j) procure common use supplies from the DBM-Procurement Service (PS) except when the needed supplies are not available in the DBM-PS or in cases of unforeseen contingency, which requires immediate purchase. Procurement from suppliers aside from the DBM-PS should be supported with Certificate of Non-Availability of Stocks CNAS issued by the DBM-PS.
4. Deficient controls in the management of fixed assets were observed at PhilSCA, which resulted in the failure of the College to timely reconcile the reported balance of PPE and exposed the properties and stakeholders to the risk of hazards and possible losses without early detection and recovery, contrary to the pertinent provisions of Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I, and various COA and DBM issuances. (*Observation No. 8*)

**We recommended and Management agreed to:**

- a) require the Property Office to prepare, maintain copies of Property Card (PC) as prescribed in order to monitor the receipt and disposition of PPEs;
- b) instruct the Accounting Unit to provide complete information of reported properties in the PPE Ledger Card (PPELC) as required by GAM for NGAs Volumes I and II;
- c) direct the Accounting Unit to attach copies of original source document such as Inspection and Acceptance Reports (IARs) and Delivery Receipts (DRs) in the journal entry vouchers submitted and as supporting document to the PPELC prepared by their Office;
- d) instruct the Accountable Officers (AOs) to submit complete sets of documents required under COA Memorandum No. 92-751, dated February 24, 1992 and henceforth, immediately notify the COA Audit



**Team of any losses on the properties of the Colleges due to theft/robbery and submit relief of accountability; and**

- e) fully account all the items for disposal and fast-track the process of appraisal and disposal of the unserviceable properties.**

- 5. The delay in the repairs of buildings and structures and the construction of the new building projects on the PhilSCA-Mactan Benito Ebuena Air Base (MBEAB) Campus resulted in further deteriorations, deprived its students, employees, and other stakeholders of convenient and safe facilities, posed possible risks of hazardous elements, and affected the adequate security of its assets, equipment, records, and documents. (*Observation No. 9*)

**We recommended and Management agreed to:**

- a) evaluate the conduciveness, safety, and stability of the buildings and structures at PhilSCA-MBEAB Campus;**
  - b) promptly conduct the necessary substantial repairs and maintenance and fast-track the procurement process for the construction of a new building at the new site; and**
  - c) henceforth, immediately notify the COA Audit Team of any damages and losses on the properties of the Colleges caused by fortuitous events such as typhoons and elements of time and submit a request for relief from accountability in accordance with Section 73 of PD No. 1445, COA Memorandum No. 92-751 dated February 24, 1992, and Section 41, Chapter 10, of the GAM for NGAs Volume I.**
- 6. The unreleased/delayed release of funds to student-grantees, absence of MOA with CHED Regional Offices (CHEDROs) and inadequate submission of supporting documents for the liquidation of funds were still observed in the implementation of the Tulong Dunong Program (TDP), causing deferment of educational support benefits for the underprivileged student-grantees of PhilSCA, precluding the Audit Team from properly evaluating the compliance of the campuses with the project reporting and monitoring, and affecting the propriety and reliability of funds utilized, contrary to CHED-DBM issuances, and various laws, rules, and regulations. (*Observation No. 11*)

**We recommended and Management agreed to:**

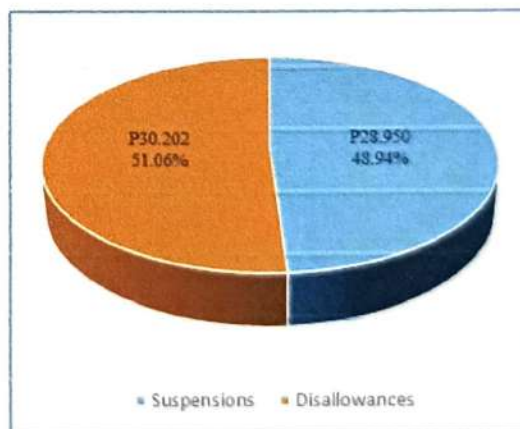
- a) expedite the release of the TDP grants totaling P580,987.50 to the grantees and furnish the Audit Team of the CHED-received liquidation reports;**

- b) make representation with CHED- Unified Student Financial Assistance System (UniFAST) for any unreleased funds as of audit date and expediate the preparation of the billing statements and subsequent release of TDP grants, as necessary;
- c) submit the copies of MOA with CHED Regional Offices (ROs) NCR, IV-A, III and VI of Fernando Air Base (FAB), Basa Air Base (BAB) and MBEAB Campuses; and
- d) ensure the submission of required documents such as CHED-validated master lists, billing statements, general payrolls, and photocopies of Identification Cards in their prescribed forms, pursuant to Sections 5 and 6 of CHED-UniFAST MC No. 02, s. 2022 and other related laws, rules, and regulations.

The foregoing audit observations and recommendations were communicated through Audit Observation Memoranda (AOM) and discussed during the Exit Conference with concerned PhilSCA officials and employees on March 29, 2023. Their comments were incorporated in this Annual Audit Report (AAR), where appropriate.

## **G.** Summary of Total Suspensions, Disallowances and Charges

As at December 31, 2022, the PhilSCA has unsettled suspensions and disallowances of P28,949,904.57 and P30,201,916.26, respectively, due to Management's failure to enforce settlement from the persons held liable contrary to pertinent provisions of COA Circular No. 2009-006 which prescribes the use of the 2009 Rules and Regulations on Settlement of Accounts (RRSA). Details of the status of the audit suspensions, disallowances and charges are presented in detail in the Part II of this Report.



## **H.** Status of Implementation of Prior Years' Audit Recommendations

Of the outstanding prior year's audit recommendations as at January 1, 2022, 87 or 60 percent were fully implemented which included 15 recommendations that were considered closed as the same were either not implementable or overtaken by events. The other 59, or 40 percent recommendations remained not implemented, of which, 41 were reiterated/restated under Part II of this report. While 18 were not implemented. The details of the implemented and not implemented recommendations are presented in detail in Part III of this report.