

EXECUTIVE SUMMARY

A. Introduction

Nueva Ecija University of Science and Technology (NEUST), formerly known as Central Luzon Polytechnic College (CLPC) under Republic Act (RA) No. 3998 was converted into a State University by Virtue of RA No. 8612 dated March 27, 1998. The mandates of NEUST are to provide advanced instruction, professional training in arts, science and technology, education and other related fields, undertake research and extension services, and provide progressive leadership in these areas. The University also offers graduate, undergraduate and short term technical courses within its areas of specialization and according to its capabilities, considering the needs of the province, the region and the country.

B. Financial Highlights

The University's financial condition for CY 2018 with comparative figures for CY 2017 is as follow:

	2018	2017	Increase/ (Decrease)
Financial Condition			
Assets	₱1,685,481,831.47	₱1,465,459,247.75	₱ 220,022,583.72
Liabilities	294,949,908.56	217,685,451.48	(188,190,461.48)
Net Assets/Equity	1,390,531,922.91	1,247,773,796.27	142,758,126.64
Financial Performance			
Revenue and Net Subsidy	592,849,242.31	665,059,464.06	(72,210,221.75)
Expenses	471,696,257.98	472,536.834.08	(836,454.58)
Gains and Losses	1,279,606.75	0.00	1,279,606.75
Surplus/(Deficit)	₱ 122,432,591.08	₱ 192,522,629.98	(₱70,090,038.90)

C. Scope of Audit

The audit covered the financial transactions and operations of NEUST for the year ended December 31, 2018. We conducted our audit in accordance with International Standards of Supreme Audit Institutions and we believe that it provided a reasonable basis for the audit results. The objectives of the audit were to (a) ascertain the level of assurance that may be placed on management's assertions on the financial statements; (b) recommend agency improvement opportunities; and (c) determine the extent of implementation of prior year's audit recommendations. The audit procedures included prioritization of thrust areas identified in the audit instructions of which were audited on sampling basis and the findings were incorporated in Part II of the report.

D. Independent Auditor's Report

The Auditor rendered a modified opinion on the fairness of presentation of the financial statements of NEUST because:

1. The Property, Plant and Equipment accounts with a reported carrying amount of ₱686,670,254.82 representing 40.74 percent of the total assets were doubtful as to existence, accuracy, completeness due to, among others, continued failure in conducting physical count of Property, Plant and Equipment; existence of discrepancy ₱1,001,786.46 between the Accounting Division and Supply/Property Unit records, adoption of cash basis instead of accrual method in recognizing property/equipment wherein delivered and accepted purchase on account worth ₱7,377,265.85 remained unrecorded in the University's books; and non-maintenance of the required substantial Property Cards, PPE Ledger Cards and properly accomplished and up-dated Property Acknowledgement Receipts.

2. The Inventory Accounts totaling ₱5,769,494.21 is of doubtful validity due to direct charging to expenses account or non-adoption of Perpetual Inventory Method in recording thereof; recorded inventories was only based on the Inventory Report submitted by the Supply Office; unrecorded merchandise in the books amounting to ₱4,342,165.00 that understated the Inventory accounts or Merchandise Inventory; non-preparation and submission of Report of Supplies and Materials Issued (RSMI) by the Supply Office; and non-maintenance of Supplies Ledger Cards by the Accounting Division and Stock Cards by the Supply Office.

3. The validity and accuracy of recorded disbursements and receipts amounting to ₱277,174,773.80 and ₱21,738,335.82, respectively was unreliable due to non-submission of the corresponding disbursement vouchers and report of collections and copy of issued official receipts to the Audit Team for audit.

For the above exceptions, we recommended that:

1. For the doubtful and unreconciled PPE balance, the University President (a) create inventory committee who will be responsible for the conduct of physical count of property, plant and equipment; (b) require the Supply/Property Unit and the Accounting Division to reconcile the discrepancy of ₱1,001,786.46 between their records; (c) require the University Accountant to (i) effect the necessary adjusting entries in the books; and (ii) maintain PPE Ledger Cards; and (d) require the Property/Supply Office to maintain properly accomplished and up-dated Property Cards and Property Acknowledgement Receipts;

2. For the unreliable Inventory account, (a) the University Accountant (i) recognize in the books the purchase on account property/equipment worth ₱7,377,265.85 and the corresponding liability as Accounts Payable by the same amount; and (ii) strictly follow the accounting system prescribed under the Government Accounting Manual Volume I particularly in the recognition and acquisition of PPE; (iii) record in the

books the merchandise for sale amounting to ₱4,342,165.00 at the IGP Marketing Centers as Merchandise Inventory; and (iv) maintain Supplies Ledger Cards and; (b) the Supply Office to maintain Stock Card and complete and up-dated PAR; and,

3. For the unsubmitted vouchers and receipts, the Accounting Unit take appropriate action to submit paid vouchers totaling ₱277,174,773.80 and Report of Collections together with the Official Receipts issued totaling ₱21,738,335.82.

E. Summary of Other Significant Observations and Recommendations

1. Receipts from fees for comprehensive examinations, dissertation and thesis defense amounting to ₱3,839,428.00 covering the past three Academic Year (AY) were neither supported issued official receipts nor recognized in the books contrary to Section 63 and 68(1) of PD 1445. Moreover, the said fees were being collected by a public official who is not bonded and were subsequently utilized in the payment of honoraria and various expenses without proper and complete documentation as required under Section 4 (5) and (6) of the same Decree. (***Audit Observation No. 6***)

We recommended that the University President strictly observe pertinent laws, rules and regulations governing collections of fees to strengthen the internal control system thereon and to instruct the concerned graduate school officials/employees to (a) desist from doing collecting functions; (b) require the examinees to pay directly to the University Cashier/Collecting Officer; and (c) furnish the Office of the University Registrar, Office of the Internal Audit Services, Office of the University President and other concerned offices of all the documents/data pertaining to the conduct of comprehensive examinations and defense of thesis for monitoring purposes and the Accountant to check the accuracy and completeness of collected fees and reported collections and deposits.

2. Cash advances granted to officers and employees were not liquidated within the prescribed period or at year end even if the purpose for which these were granted has already been served and additional cash advances were granted even if the previous cash advances have not been liquidated, thus, leaving an unliquidated cash advance amounting to ₱4,826,349.02 as of December 31, 2018. (***Audit Observation No. 7***)

We reiterated our recommendation that the University President (a) require the concerned Accountable Officers to immediately settle their unliquidated cash advances to preclude the withholding of salaries; (b) instruct the Accountant to monitor closely the liquidation of cash advances granted to AOs within the prescribed period, otherwise, withhold their salaries until the settlement of their accounts; and (c) henceforth, ensure that the granting, utilization, and liquidation of all cash advances are in accordance with COA Circular No. 97-002 and COA Circular No. 2009-002.

3. The University could have saved ₱899,362.15 in the implementation of its infrastructure projects had the officials designated in the preparation of ABC used only

the allowable percentage of 5% VAT prescribed in the guidelines set under DPWH Order No. 197 Series of 2016 dated October 7, 2016. (*Audit Observation No. 8*)

We recommended that the University President direct the Director of Infrastructure Development Office to explain the causes of the deficiencies noted, and to henceforth, prepare the ABC of proposed infrastructure projects of the University in accordance with the updated guidelines issued by the DPWH specifically on the VAT component thereof.

4. The failure of the Infrastructure Development Office (IDO) to render bills to five Contractors on their electricity consumption during/ after project implementation resulted in increased electricity expenses of the University in the amount of ₱218,408.00. (*Audit Observation No.9*)

We recommended that the University President (a) enforce payments from the concerned five Contractors for the respective costs of electricity consumed on infrastructure projects they constructed in the University campuses; (b) instruct the Bids and Awards Committee (BAC) to include specific provision on the succeeding Contracts for infrastructure projects pertaining to Contractors' obligations on electricity consumption; (c) direct the IDO to strictly monitor the installation of sub-meter of Contractors with infrastructure project sites within the University for more accurate billing of their electrical consumption; and (d) direct the Accounting Office to ensure that all obligations of Contractors particularly on their electrical consumption are fully settled before effecting final payment of contracts awarded to them.

5. Submission of the financial statements, trial balances, and other required reports was delayed for periods ranging from one month to nine months, contrary to Section 100 of PD 1445, Section 60 of Chapter 19 of GAM Volume 1, Section 5 and 7 of Chapter 21 of the same Manual and COA Circular No. 2009-006 thus, affecting the timely communication of audit results to Management and the correction of deficiencies, if any. (*Audit Observation No. 10*)

We reiterated our recommendation that the University President require the Accountant and the concerned officials to submit the financial reports and supporting documents to COA within the prescribed period as required by the pertinent regulations for timely audit and verification purposes. Likewise, proper supervision and monitoring of employees in discharging their functions should be exercised by management officials. The value of timeliness and punctuality in report preparation/submission should be regularly conveyed to employees.

F. Summary of Total Suspensions, Disallowances and Charges as of year-end

Particulars	Beginning Balance (As January 1, 2018)	This period January 1 to Dec. 31, 2018 (See B Below)		Ending Balance (As of Dec. 31, 2018)
		NS/ND/NC	NSSDC	
Notice of Suspension	₱ 3,814,251.79	(₱ 1,052,850.00)	₱ 2,447,388.00	₱ 314,013.79
Notice of Disallowance	18,160,351.05	1,117,350.00	40,585.25	19,237,115.80
Notice of Charge	0.00	0.00	0.00	0.00
Total	₱21,974,602.84	₱ 64,500.00	₱ 2,487,973.25	₱19,551,129.59

G. Status of Implementation of Prior Year's Unimplemented Audit Recommendations

Evaluation of management compliance with the recommendations contained in 2017 and Annual Audit Report showed that out of 49 prior year's audit recommendations, 32 were fully implemented, 16 were partially implemented, and one was not implemented as discussed in Part III of the report.