

# EXECUTIVE SUMMARY

## A. INTRODUCTION

By virtue of Republic Act (RA) No. 1387, as amended by RA Nos. 1893 and 3868, Mindanao State University (MSU) was created. The university was organized in 1961 with the election of the first president by its newly formed Board of Regents (BOR), the governing body of the university.

MSU General Santos City has been operating as a community college since 1971 before it became a full pledged unit and integral part of the MSU Marawi City through BOR Resolution No. 822, s. of 1973. It was given full autonomy in 1981 through BOR Resolution No. 60 which approved the reorganization of MSU General Santos City, with its main campus at Fatima, General Santos City.

The University through its functions of instruction, research and extension services shall provide its client communities the trained human resources required for the development of various provinces in Mindanao. Currently, the university is headed by a Chancellor, Anshari P. Ali, Ph.D., and assisted by Vice-Chancellors for Academic Affairs, Administration and Finance and Research and Extension.

## B. SCOPE OF AUDIT AND AUDIT METHODOLOGY

The audit covered the operations of MSU General Santos City for Calendar Year 2018. The audit was aimed to ascertain the reliability of financial records and reports and adherence to existing laws, rules and regulations. We also conducted compliance audit and checked the validity and propriety of transactions selected on sampling basis.

## C. FINANCIAL HIGHLIGHTS

The agency's financial condition and results of operation for Calendar Year 2018 compared with that of the preceding year is as follows:

	2018	2017	Increase(Decrease)
<b>Financial Condition</b>			
Assets	513,795,003.80	517,845,760.30	(4,050,756.49)
Liabilities	127,790,109.92	181,107,370.69	(53,317,260.77)
Government Equity	386,004,893.88	336,738,389.61	49,266,504.27
<b>Results of Operations</b>			
Income	51,174,360.84	34,504,122.89	16,670,237.95
Expenses	354,119,669.55	345,178,909.14	8,940,760.41
<b>Sources and Application of Funds</b>			
Allotment	356,319,234.00	354,881,041.00	1,438,193.00
Obligations	334,011,497.02	344,828,963.97	(10,817,466.95)
Reverted	-	21,404,931.86	(21,404,931.86)
Extended	-	-	-

## D. OPERATIONAL HIGHLIGHTS

For the year 2018, MSU has a total of 558 employees composed of the following details shown below:

Category	Permanent	Non-Permanent	
		Casual	Job Order
Administrative Employees/Non-Teaching	130	90	112
Teaching Employees	105	121	

Likewise, the University had total enrollees of 11,862 in all program levels being offered for the AY 2017-2018 (1<sup>st</sup> and 2<sup>nd</sup> semesters). Meanwhile, total graduates for AY 2017-2018 had increased compared to the previous school year.

## E. AUDITOR'S OPINION

The Auditor rendered a modified opinion on the fairness of presentation of the financial statements of the MSU for CY 2018, in view of the effects of the material exceptions observed in the course of the audit which are stated in the Independent Auditor's Report and discussed in detail under Part II of same report.

## F. SUMMARY OF SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

### I. Favorable Observations

1. The University produced four board top placers in the fields of Fisheries Technology, Education, and Electrical Engineering. Likewise, the University's overall 2018 performance in board examinations notably produced decent results with higher passing rates than that of the national rates.
2. Compliant on the maintenance and posting to their official website of the Transparency Seal as mandated in Section 93 of RA No. 10924 or the General Appropriations Act, FY 2018.
3. Proper implementation of projects, programs and activities related to Gender and Development (GAD).

### II. The following are the significant audit observations with their corresponding recommendations:

1. Equipment purchased during the implementation of DA-BAR Project was continuously used by the University without authority, and the revenues derived therefrom were not properly accounted resulting to understatement of income in the financial statement.

**We recommended that the Head of the Agency to: (a) Carry out proper turnover of all equipment and non-expendable properties with DA-BAR in accordance with the provisions set forth in the Memorandum of Agreement; (b) Prohibit the utilization of the Intellectual Property Rights (IPR) by any individual of personal in nature; (c) Oblige the**

researchers to turn over to the University the income generated from selling the products manufactured; and (d) Evaluate the feasibility of the project, and decide whether to include it as part of the Internally Generated Projects (IGPs). Should the University choose to continue the project, direct the Accounting Department to set-up separate books of accounts to monitor the financial transactions related thereto.

2. Tax deficiencies, surcharges and penalties assessed for the taxable year 2015 by the Bureau of Internal Revenue (BIR) amounting to ₱849,238.54 were paid out of the Special Trust Fund (STF) without proper authority.

We recommended that the Head of Agency direct the Finance Department to cause the return of the funds used and ensure the prompt collection of the tax liabilities from concerned personnel. Evaluation on who would bear the financial charges imposed by the Bureau should likewise be conducted immediately. Further, we recommended that the University prevents the utilization of STF for any expenditure not covered by special budget.

3. University's expenditures directly related to the rentals of dormitories cannot be properly ascertained and accounted due to non-monitoring of its overall performance. Moreover, revenues generated therefrom could not even sustain the estimated operational expenses such as electricity costs.

We recommended that the Head of Agency shall direct the Accounting Department to establish controls in implementing the operations of the dormitories and charge directly all related auxiliary expenditures thereto. Moreover, any austerity measures shall be taken into consideration to prevent misuse or wastage of electricity usage.

#### G. SUMMARY OF TOTAL SUSPENSIONS, DISALLOWANCES AND CHARGES

No disallowances issued during the year while suspensions are summarized hereunder:

##### Suspensions:

Beginning Balance (January 1, 2018)	Issuances	Settlements	Ending Balance (December 31, 2018)
-	3,371.00	-	3,371.00

#### H. STATUS OF IMPLEMENTATION BY THE AUDITEE OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the eight audit recommendations contained in the CY 2017 Annual Audit Report, the status of implementation is as follows:

<b>Fully Implemented</b>	<b>5</b>
<b>Ongoing</b>	<b>2</b>
<b>Partially-Implemented</b>	<b>1</b>
<b>Not Implemented</b>	<b>-</b>