A. INTRODUCTION

The National Defense College of the Philippines (NCDP) was created on August 12, 1963 by virtue of Executive Order No. 44. Presidential Decree No. 452, transferred the direct control and supervision of the College from the Armed Forces of the Philippines to the Department of National Defense (DND). Executive Order No. 85 enacted on March 13, 1999 granted the College authority to create, establish, maintain, merge and abolish institutes and centers of learning and special studies devoted to national security administration and to accept grants and endowments.

The NDCP was created to be the key educational institution for training the country's sectoral leaders in various aspects of national defense.

The NDCP is headed by Director Roberto Q. Estioko, MNSA College President, who assumed office on October 18, 2016. The College has a total personnel complement of 83, as follows:

Permanent	59
Contractual	19
Detailed military officers/enlisted personnel	5
Total	**83**

Major Accomplishments

The target programs/projects versus accomplishments are tabulated as follows:

OO/MFO	2017 (01 Jan. – 31 Dec.)		
	Target	**Actual**	**%**
MFO 1 National Security Education Services			
a. Conduct of national defense and strategic international studies			
Number of policy papers produced	10	20	200
Number of policy studies published	5	8	160
b. Conduct of graduate level and other courses of studies			
RC 52 (graduates)	65	65	100
RC 53 (on going)	65	65	100
Percentage of scholars who rate the program as good or better	92%	96%	104
Percentage of program which commenced within 1 day of schedule	100%	100%	100
No. of participants trained in short courses			
Executive Course on National Security	100	98	98

B. FINANCIAL HIGHLIGHTS

In accordance with the General Appropriations Act of 2017 (RA 10924), the agency's appropriation for the current year amounted to ₱78,143,000.00. The comparative financial condition, results of operations and sources and application of funds of the College are as follows:

Financial Position:

Group of Accounts	CY 2017	CY 2016	Increase/ (Decrease)
Total Assets	₱105,337,396.80	₱73,538,873.48	₱31,798,523.32
Total Liabilities	₱ 2,865,703.79	₱ 1,428,043.48	₱ 1,437,660.31
Total Net Assets/Equity	**₱102,471,693.01**	**₱72,110,830.00**	**₱30,360,863.01**

Financial Performance:

Particulars	CY 2017	CY 2016	Increase/ (Decrease)
Revenue	₱2,822,781.79	₱ 1,510,157.86	₱ 112,623.93
Current Operating Expenses	82,763,207.74	69,316,046.09	13,447,161.65
Surplus/ (Deficit) from Current Operations	(79,940,425.95)	(67,805,888.23)	(12,134,537.72)
Net Financial Assistance/subsidy	108,510,038.71	65,265,708.82	43,244,329.89
Losses	(140,111.20)	(772,398.59)	632,287.39
Surplus/ (Deficit) for the period	**₱28,429,501.56**	**₱(3,312,578.00)**	**₱31,742,079.56**

Sources and Application of Funds:

Particulars	CY 2017	CY 2016	Increase/ (Decrease)
Allotments received	₱ 80,635,568.68	₱165,490,151.43	₱ (84,854,582.75)
Obligation incurred	79,088,042.47	157,686,059.51	(78,598,017.04)
Unobligated balance	**₱ 1,547,526.21**	**₱ 7,804,091.92**	**₱ (6,256,565.71)**

C. SCOPE OF AUDIT

The audit covered the accounts and operations of the National Defense College of the Philippines for CY 2017.

D. AUDITOR'S REPORT

An unmodified opinion was rendered on the fairness of presentation of the financial statements of NDCP for CY 2017 because there are no material accounting errors/deficiencies affecting the assets, liabilities and government equity accounts.

E. OBSERVATIONS AND RECOMMENDATIONS

1. Stale checks amounting to ₱32,876.34 were still accounted as outstanding checks while bank interest amounting to ₱795.80 remained unrecorded resulting in the understatement of the Cash - Modified Disbursement System (MDS) and Cash in Bank-LCCA accounts. *(Observation No. 1)*

   We recommended that management require the Accountant to:

   a. record/revert the stale checks back to its proper account. Henceforth, regularly record in the books of accounts any stale checks or reconciling items and adjustments upon preparation of the BRS;

   b. record the interest amounting to ₱795.80 to its proper account; and

   c. request in writing for the submission of the bank statements from the LBP to be picked up within five days after the end of the month with the negotiated checks and the debit/credit memo, if there are any, and/or coordinate with the concerned banks on the possibility of availing the bank's online facility to view and print the agency's bank statements for a given period.

2. Management's policy in the collection of fees from short term courses and dormitory fees was not in place resulting in uncollected fees amounting to ₱40,000.00 and ₱320,000.00, respectively, as of year-end. *(Observation No. 2)*

   In view thereof, we recommended that management:

   a. revisit their policy on the collection of fees from short term courses and dormitory fees that would prevent accumulation of receivables; and

   b. require the accountant to send statement of account, thru the Head of Office, to the student's concerned agencies and/or branch of service for the immediate collection of these unpaid fees.

3. Management posted a utilization rate of 89 percent of its budget for CY 2017 and accomplished all its targets/projects set during the year. *(Observation No. 3)*

We recommended that management require the officials/employees concerned to review their programs, projects or activities with reasonable and realistic budget estimates and ensure its prompt implementation

Deficiencies observed in the course of the audit were communicated through Audit Observation Memoranda (AOMs) and discussed in the exit conference conducted on March 26, 2018 with the concerned NDCP officials and employees. Their comments were incorporated in this report, where appropriate.

F. STATUS OF IMPLEMENTATION BY THE AGENCY OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Validation of the implementation of the prior years' audit recommendations disclosed that out of the 10 audit recommendations, nine were fully implemented and one was partially implemented. The results are discussed in detail in Part III of this report.