

## EXECUTIVE SUMMARY

### A. Introduction

By virtue of Republic Act (RA) No. 11220, otherwise known as “AN ACT SEPARATING THE SOUTHERN PHILIPPINES AGRI-BUSINESS, MARINE AND AQUATIC SCHOOL OF TECHNOLOGY (SPAMAST)-DIGOS CITY CAMPUS IN THE CITY OF DIGOS, DAVAO DEL SUR, FROM THE SPAMAST IN THE MUNICIPALITY OF MALITA, DAVAO OCCIDENTAL, AND CONVERTING IT INTO A STATE COLLEGE TO BE KNOWN AS THE DAVAO DEL SUR STATE COLLEGE (DSSC), AND APPROPRIATING FUNDS THEREFOR” enacted on July 23, 2019.

Section 1. Separation/Establishment. - The Southern Philippines Agri-Business, Marine and Aquatic School of Technology (SPAMAST)-Digos City Campus in the City of Digos, Province of Davao del Sur, is hereby separated from the SPAMAST in the Municipality of Malita, Davao Occidental, and converted into a state college to be known as the Davao del Sur State College, and integrating therewith the SPAMAST-Digos City Campus in Barangay Matti, Digos City, the SPAMAST Laboratory and Production Campus in the Municipality of Matanao, the SPAMAST Extension Classes in Barangay Kapatagan, Digos City, and the SPAMAST Extension Campus in the Municipality of Sulop, all located in the Province of Davao del Sur. Its main campus shall be in Digos City.

Sec. 2. General Mandate. - The College shall primarily provide advance instruction and professional training in education, agriculture, engineering and technology, agribusiness, information technology and other related fields of study. It shall also undertake research, extension services, and production activities in support of the socioeconomic development of Davao del Sur and provide progressive leadership in its areas of specialization.

The College is headed by CHED ROXI Director Maricar R. Casquejo, as OIC-President until Dr. Augie Estrellada Fuentes the new President was appointed in September 28, 2020 by the Davao del Sur State College (DSSC) Board of Trustees headed by Chairperson Commissioner Lilian A. de las Llagas.

Starting in May 2020, DSSC has commenced its financial transactions with its own approved Program of Receipts and Expenditures (PRE) duly approved by the DSSC Board of Trustee (BOT) Resolution No. 003 dated February 12, 2020.

### B. Audit Methodology

The Commission on Audit has been implementing risk-based audit in the conduct of its audit services. However, to meet the evolving developments in public governance and fund management, the results-based audit approach was incorporated. The integration

of these two approaches, called the Integrated Results and Risk-Based Audit (IRRBA) Methodology was applied in the audit of the accounts and operations of the DSSC.

### C. Scope of Audit

The audit covered the review of accounts and operations of DSSC for the period covered May 1 to December 31, 2020. The audit consisted of review of operating procedures, evaluation of the DSSC’s programs and projects, interview of concerned government officials and employees, verification, reconciliation, analysis of accounts and such other procedures considered necessary.

### D. Financial Highlights

#### Sources and Applications of Funds

In the implementation of programs, projects and activities, the College has generated cash derived from national agency intended for the salary of the newly appointed President of DSSC starting October 1 to December 31,2020. The College also derived its income from collection of tuition and other fees that were constituted as Special Trust Fund (164) by virtue of RA 8292.

For CY 2020, there were no other appropriations/allotments from the FY 2020 General Appropriations Act for DSSC yet except for the salary of the newly appointed President. The following is the summary of budgeted revenue as approved by the Board of Trustees for Program of Receipts and Expenditures (PRE) for CY 2020 per BOT Resolution No. 003, s. 2020, allotments, and obligations/utilizations of funds, viz:

This is the first year of operation of the Agency as a State College, thus no comparative figures.

Particulars	CY 2020		Total
	GAA/SARO	PRE	
Appropriation/Budgeted Revenue	579,056.00	44,740,388.00	45,319,444.00
Allotment	579,056.00	44,740,388.00	45,319,444.00
Obligation/Utilization:			
Personnel Services	575,756.00	5,994,903.33	6,570,659.33
MOOE		21,353,489.73	21,353,489.73
Financial Expenses		0.00	0.00
Capital Outlay		506,777.77	506,777.77
<b>Unexpended Allotment/Unutilized Budget</b>	<b>3,300.00</b>	<b>16,885,217.17</b>	<b>16,888,517.17</b>

<b>Continuing Allotment</b>	<b>0.00</b>	<b>16,885,217.17</b>	<b>16,885,217.17</b>
<b>Reverted</b>	<b>3,300.00</b>	<b>0.00</b>	<b>3,300.00</b>

The financial position and performance of the DSSC as at 31 December 2020, are summarized as follows:

*i. Financial Position*

<b>Account</b>	<b>CY 2020</b>	<b>CY 2019</b>	<b>Increase/ (Decrease)</b>
Assets	124,234,830.70	Not Applicable	
Liabilities	19,802,950.35		
Net Assets/Equity	104,431,880.35		

*ii. Financial Performance*

<b>Account</b>	<b>CY 2020</b>	<b>CY 2019</b>	<b>Increase/(Decrease)</b>
Revenue	21,456,165.33	Not Applicable	
Expenses	19,388,422.05		
Subsidy	532,732.00		

In CY 2020, the total revenue can be attributed mainly from the receipt of tuition fees, fiduciary fees, service fees and business income for maintenance and other operating expenditures, procurement of machineries and equipment and furniture and fixtures.

**E. Auditor's Opinion on the Financial Statements**

The Auditor rendered a modified opinion on the fairness of presentation of the financial statements of the Davao del Sur State College for CY 2020 because of the exception noted in audit as discussed in detail in Part II of this Report as follows:

- a. The non-recording of book reconciling items amounting to P36,687,145.06 in the Cash in Bank-LCCA, thus materially understating the cash, income and other related accounts;
- b. The non-recognition of CY 2020 depreciation on the Plant, Property and Equipment Accounts of P82,206,883.26 thereby understating the depreciation expense and the related accumulated depreciation for the year;
- c. The failure to maintain by the Accountant of the PPE Ledger Cards and
- d. The non-submission of 1,189 Disbursement Vouchers and their supporting documents amounting to P27,492,616.63, thus rendering question on the regularity, propriety and legality of the related transactions and their effect on the related accounts in the financial statements.

## **F. Summary of Significant Observations and Recommendations**

The following are the significant audit observations and recommendations for the year 2020, which were duly discussed with DSSC management officials concerned last February 26, 2020. Management's views and comments were incorporated in the report where appropriate.

### **1. Book reconciling items in the Cash in Bank-Local Currency, Current Account amounting to 36,687,145.06 were not recorded in the books of accounts as at December 31, 2020, hence resulting in the material understatement of the cash, income and other related accounts for the period.**

We recommended that Management:

1. Direct the Accounting Office, Scholarship Office, and the Cashier to practice close coordination so as to completely and accurately record the transactions of the College, and the Scholarship Office to promptly monitor for any fund transfers and provide the necessary documents to the Accountant by closely coordinating with CHED Central Office/Regional Office to. If possible, Scholarship Coordinators and Officers-in-Charge must be put in place to focus especially on the Free Higher Education Program considering that the College has various type of scholarships;
  2. Institute monitoring mechanisms to timely identify those released and the unreleased scholarship/financial benefits to student beneficiaries to eliminate delays and/or failure in releasing such benefits. Moreover, proper identification facilitates the recording and posting into the appropriate accounts and subsidiary ledgers as either tuition/miscellaneous fees or other payables to students.
  3. Direct the Accountant to make the appropriate adjusting entries in the books of accounts to record the book reconciling items. Regularly request from the bank the bank statements as well as the Credit Memos and Debit Memos at least every end of the month and as needed and immediately prepare the bank reconciliation statements on a monthly basis;
  4. Advise the Accountant to follow the accrual basis of accounting in the recording of transactions in accordance with Philippine Public Sector Accounting Standards; and
  5. Direct the Cashier to issue the respective Official Receipts to CHED CO/RO and closely coordinate with the Accounting Office. The release of financial benefits to students by way of Cash Advance to Special Disbursing Officer is suggested to save cost of checks if paid individually to students.
- ### **2. The provision for CY 2020 depreciation on the Property, Plant and Equipment's (PPE) net book value of P82,206,883.26 was not recognized by the Accountant as at December 31, 2020, thereby understating the Depreciation Expense and the related Accumulated Depreciation for the year.**

**The non-maintenance by the Accountant of the Property, Plant and Equipment (PPE) Ledger Cards (PPELC), that should have been used to reconcile the Report on the Physical Count of PPE (RPCPPE) as prepared/submitted by the Supply Officer, has resulted in the failure to identify/rectify any variance that could have establish the accuracy and reliability of the balances of the PPEs as reflected in the Financial Statements amounting to P82,206,883.26, inconsistent with the pertinent sections of the Government Accounting Manual.**

We recommended that Management:

1. Assess the present condition of the College's properties and equipment as there may be unserviceable properties subject for disposal and eventual derecognition in the PPE accounts, and thereafter determine the remaining useful life of the PPEs particularly those transferred assets from SPAMAST. Should the DSSC Management decide to re-evaluate the estimated useful life of the assets, the guidelines are provided under Section 27, Chapter 10 of GAM Vol. 1 so that the appropriate computation of the depreciation expense may be provided;
  2. Direct the Accountant to recognize the depreciation expense on a monthly basis starting CY 2021. Make the necessary adjustments to the beginning balance of the PPE, net of Accumulated Depreciation after computing for the appropriate depreciation; and
  3. Advise the Accountant to maintain the PPE Ledger Cards pursuant to Section 42, Chapter 10 of the GAM Volume 1. See Appendix 70 of the GAM for the prescribed format. Ensure that the PPELC is regularly reconciled with the Property Cards maintained by the Property/Supply Officer.
- 3. A total of 1,189 Disbursement Vouchers and their supporting documents amounting to P27,492,616.63 was not submitted to the Office of the Auditor, hence, the timely and proper submission of reports prescribed in Section 59(20), Chapter 19, Volume I, Government Accounting Manual (GAM) and as required under Section 122(1) of P.D. No. 1445 were not complied with, thus rendering questions on the regularity, propriety and legality of the related transactions, as the same could not be ascertained in a timely manner.**

We recommended that Management:

1. Comply with the requirements set forth under Section 59(20), Chapter 19, Volume I, GAM and Section 122(1) of P.D. No. 1445 in the submission of financial reports in order to have a reliable basis in the verification and analysis of the financial transactions of the agency; and
2. Require the officer responsible to comply with the deficiencies noted herein and submit immediately the lacking 1,189 Disbursement Vouchers along with their

supporting documents pertaining to CY 2020 in order to prevent the possible suspension in audit.

**G. Summary of Audit Suspensions, Disallowances and Charges as at Year-end**

The Status of Audit Suspensions, Disallowances and Charges as at 31 December 2020 is presented below:

<b>Particulars</b>	<b>Beginning Balance As at Dec. 31, 2019</b>	<b>Issued this period Jan.1 to Dec 31, 2020</b>	<b>Settled this period Jan. 1 to Dec. 31, 2020</b>	<b>Ending Balance As at Dec. 31, 2020</b>
Notice of Suspension	0.00	0.00	0.00	0.00
Notice of Disallowance	0.00	0.00	0.00	0.00
Notice of Charge	0.00	0.00	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

**H. Cash Advance**

The accountable officers have no unliquidated cash advances as at yearend.

**I. Status of Investigation on Anonymous Complaint**

<b>Reference No. &amp; Date of Anonymous Complaint</b>	<b>Date Received by ATL</b>	<b>Subject</b>	<b>Status</b>
NONE			