EXECUTIVE SUMMARY

A. INTRODUCTION

Creation and Mandated Functions

The Isabela State University (ISU) was established on June 10, 1978 by virtue of Presidential Decree 1434. It was the first chartered University in Region 02 and mandated to carry out four basic functions, namely: instructions, research, extension and production. Likewise, the University is tasked to train professionals in various fields of education and business endeavors. It is committed to sustain its active role by way of research and extension services in the realization of socio-economic development that will enhance the quality of life of the people in the Province of Isabela, in particular, and the Cagayan Valley, in general.

Organizational Set Up

The Board of Regents (BOR) is composed of twelve (12) workforce. The Presiding Chairman is the Commissioner of the Commission on Higher Education (CHED) while the President of the University, is the Vice Chairman. The other members of the BOR are: Chairman, Senate Committee on Education, Culture and Arts, House of Senate; Chairman, Committee on Higher & Technical Education, House of Representative; Regional Director, NEDA of Region 02; Regional Director, DOST of Region 02; Regional Executive Director, DA Region 02; two (2) representatives from the Private Sector; President, ISU Alumni Federation; President, ISUFFA; and President, SSF. The BOR governs the Isabela State University (ISU) comprising of eleven (11) campuses, the main campus of which is situated at Echague, Isabela.

The Revised Organizational Structure of ISU disclosed the existence of three (3) Vice Presidents (VP), that is: VP for Administration and Finance, VP for Research and Development and Extension and Training (RDET) and VP for Academic Affairs.

The four major clusters of the ISU are as follows:

1. The Echague Campus headed by an Executive Officer had added to its area of responsibilities the Campuses of Angadanan and Jones led by a Campus Administrator, and Santiago Extension Campus led by a Campus Coordinator;

2. The Cabagan Campus headed by the Executive Officer had added to its area of responsibility the Palanan Campus led by a Campus Coordinator;

3. The Cauayan Campus headed by an Executive Officer had added to its area of responsibilities the Campuses of San Mateo and Roxas, both of which are led by a Campus Administrator; and
4. The Ilagan Campus headed by an Executive Officer had added to its area of responsibilities the Campus of San Mariano which is led by a Campus Administrator.

The University is headed by its new President Dr. Aleth M. Mamauag. It has 627 faculty members and 364 non-teaching personnel or a total workforce of 991.

B. FINANCIAL HIGHLIGHTS

Presented are the financial position, income and expenses of the university for the year 2012 and 2011:

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
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</thead>
<tbody>
<tr>
<td>Assets</td>
<td>746,046,215.56 P</td>
<td>672,917,726.42 P</td>
</tr>
<tr>
<td>Liabilities</td>
<td>61,034,964.11</td>
<td>34,893,524.46</td>
</tr>
<tr>
<td>Government Equity</td>
<td>685,011,251.45</td>
<td>638,024,201.96</td>
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<tr>
<td>Total Income</td>
<td>782,406,105.67 P</td>
<td>721,956,455.12 P</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>689,172,592.87</td>
<td>642,838,708.97</td>
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C. OPERATIONAL HIGHLIGHTS

In SY 2012-2013 the ISU continued to live up to its stature as one of the leading institutions of higher learning in the region. Its accomplishments during the period in review geared towards strengthening the provision of its various programs and projects goaled at contributing to countryside development in the valley.

The Isabela State University has once again confirmed its commitment in 2012 as a beacon of quality and relevant higher education honing the youth and preparing them well so they can participate and contribute to regional and national development.

The past year ushered in a significant milestone in the history of Isabela State University with the swearing in of its 5th President, Dr. Aleth M. Mamauag, on July 27, 2012. Upon her assumption to office, major reforms have been initiated including changes in the designations to the key positions in the University that led to sustained efficiency and effectiveness in the University governance.

For the year in review, the University registered an enrolment of 30,900 for the first semester, higher by 6% than the first semester figure for SY 2011-2012. A total of 6,027 students from the whole ISU system graduated in 2012.

Under its internalization program, through the Center for Cagayan Valley Program on Environment and Development (CCVPED) and in partnership with Leiden University in
the Netherlands, the University has been accepting international students for its international course on water and water management in the Philippines. A total of 15 foreign students had finished the course in 2012.

ISU was conferred the Institutional Award for the Most Number of Accredited Programs by the Accrediting Agencies of Chartered Colleges and Universities in the Philippines (AACUP). To date, out of its 114 circular offerings, 15 were accredited for Level III status, 1 program for re-evaluation for level III, 5 were qualified for level III, 13 were reaccredited for Level II, 27 for Level I and 14 program were candidate for accreditation.

As proof of academic excellence, CHED granted the Center of Development (COD) status to the BS Agricultural Engineering and BS Agriculture Program of ISU Echague.

The University registered satisfactory performance in various licensure examinations. At least 9 of its academic programs have surpassed the national passing rates. These include: Electrical Engineering, Civil Engineering, Nursing, Midwifery, Criminology, Accountancy, Education and Agriculture and Architecture. In the July 2012 Licensure Examination for Agriculturists, an ISU Cabagan graduate made it to the 6th place. An alumnus of BSIE from ISU Ilagan Campus, landed regional top 10 in the 2012 Licensure Examination for Teachers. Because of its goal to become a regional hub for excellent education, ISU hopes to maintain its modest performance in these fields. A closer look at these passing rates, however, revealed the need for strong and deliberate intervention to dramatically improve outcomes.

ISU has a pool of 707 well-trained and highly skilled faculty dedicated to delivering excellent education to its rapidly increasing student projected at 38,494 by 2016. For 2012, twenty three percent (23%) of the ISU faculty held doctorate degrees, and less than a half or forty three percent (43%) were master’s degree holders. About sixteen percent (16%) were pursuing their doctorate degrees. Those that have been absorbed recently were also taking advanced degrees related to their specialization.

For the year in review, a total of 172 seminars, training and conference at the national and regional levels were attended by the faculty.

At the international level, 17 faculty members participated in a total of 19 trainings, seminars and conventions conducted in 2012.

In research, ISU is the base agency of two regional research centers: the Higher Education Regional Research Center (HERRC) under CHED and Cagayan Valley Agricultural Resources Research Center under PCARRD-DOST.

Having been as the chosen agency is a recognition of this University’s superiority and dominance among HEIs in the region in terms of capability in research management and scientist undertakings. Proof of its strong R and D capability is the institutionalization of at least 12 R and D centers and laboratories.
To date, a total of 25 externally funded projects are on-going in ISU. With a total funding of 27.7 million from various agencies such as PCARRD-DOST, DA-BAR, CHED, PHILRICE, DA-LDC, DAR and SEARCA.

The dynamism of the research culture in ISU paved the way for the completion on time of 111 research studies in 2012, with funding coming from PCARRD-DOST, DA-BAR, CHED, PHILRICE, DA-LDC, DAR, SEARCA, Leiden University, and ISU supplemental budget.

A total of 158 research outputs were presented in regional, national and international conferences, exceeding the set target of 110 with CHED.

A total 60 researches were published in CHED-accredited and internationally-indexed journals. Again surpassing the set target of 29. There were 11 patents filed and approved by the Intellectual Property Rights Office in 2012.

At least 25 awards have been received from prestigious government, scientific and professional organizations, both at national and regional levels.

Year 2012 was the extension services of the Isabela State University performing multifarious roles in relation to its mission of extending through various means the use of science and technology-based knowledge to a wide array of clientele.

The University supported a total of seven (7) barangays under Adopt-a-Barangay Program (ABP) in its 7 campuses and established and assisted at least 5 Science and Technology-based Farms (STBF) under the Techno Gabay Program.

As a result of the various extension and outreach modalities and services, ISU achieved the following performance outputs; a total of 131 training were conducted, 145 IEC materials were packaged, 5,350 IEC materials were distributed, and at least 10 technologies were promoted for commercialization. All these have led to a total of 7,135 beneficiaries served in 2012.

In terms of resource management, the University realized a gross income of P13.68 million, with at net income of P4.43 million from various business projects it managed in 2012.

For CY 2012, ISU operated with a total budget of P769.8 million sourced from the GAA and internally generated income.

The university embarked on and completed various infrastructure projects in its campuses in 2012 with a total cost of 42 million pesos.

As of 2012, ISU has a total of 368 administrative staff who are strongly supportive to the fulfillment of the four thrusts of the university.
Truly, 2012 had been a fruitful year for this University. Through the support of all the faculty and staff, the unwavering trust of its stakeholders and all its partners who rally round this institution, the Isabela State University faces the year ahead with more vigor, more ardor and more fervor.

D. SCOPE OF AUDIT

The audit covered the operations of ISU for the period January 1, 2012 to December 31, 2012. The audit was conducted to ascertain the propriety of financial transactions and compliance of the agency to prescribed rules and regulations. It was also made to ascertain the accuracy of financial records and reports as well as the fairness of the presentation of the financial statements.

E. AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

The auditor rendered a qualified opinion on the fairness of the presentation of the financial statements due to the following reasons:

Non reconciliation of the balances of the PPE of the ISU Cauayan Campus with the report on physical count and deficiencies noted in the maintenance and preparation of accounting and property records, failure to set-up PPE ledger cards for ISU Jones, non liquidation of cash advances granted to some University officials and employees amounting to P1,676,447.56 and non provision for depreciation of the PPE of San Mariano Campus.

F. OBSERVATIONS AND RECOMMENDATIONS

The following are the significant findings and recommendations:

1. The accuracy of the balances of the Property, Plant and Equipment (PPE) account of ISU Cauayan Campus in the amount of P84,857,963.98 cannot be ascertained due to unreconciled balances between the physical count and per books and deficiencies noted in the maintenance and preparation of accounting and property records/reports.

We recommended that management:

a. Require the ISU Cauayan Campus Accountant and the Supply/Property Officer to reconcile the differences between the PPE per count and the balances per books, and effect the necessary adjustments on the variances.

b. Instruct the ISU Cauayan Accountant to maintain Equipment Ledger Cards and the Supply Officer to maintain Property Cards in accordance with the above-prescribed regulations.

c. Instruct the ISU Cauayan Supply/Property Officer to exclude from the inventory report all semi-expendable items and supplies and effect the necessary adjustment to its appropriate accounts.
2. The failure of the Account of ISU main campus to set up PPE ledger cards for ISU Jones and of the Supply Officer to maintain a complete data on the property cards resulted to non-reconciliation of the actual balances of the PPE accounts in the Accounting and in the Supply Office in violation of Section 4(1) of the Manual on the Government Accounting System.

We recommended that the Accountant of ISU Main Campus should set up PPE ledger cards for each category of asset and the Supply Officer of Jones to have a complete data on the property cards to have an appropriate check and balance between the two offices.

3. Depreciation of the Property, Plant and Equipment of the San Mariano Campus was not computed and allocated to its useful life, hence total expenses was understated and the net income was overstated during the year and in previous years. Likewise, the reported book value of the PPE and the balance of Government Equity account was overstated by the same amount. Also, the reconciliation of said assets with main campus records was not done rendering its book value in the consolidated financial statements unreliable.

We recommended for management to:

a. Require the Campus Accountant and Property Officer to comply with COA Circular No. 2003-007 dated December 11, 2003; and

b. Advise the Accountant to reconcile regularly its records with the PPE subsidiary ledgers and other related documents maintained by the Main Campus.

4. Disallowances totalling P4,161,488.45 remained unsettled as of December 31, 2012 contrary to COA Circular No. 2009-006. These amounts excluded the disallowances on appeal with Commission on Audit totalling P2,076,440.00.

We recommended that management exert more effort in the enforcement of settlement of disallowances/charges pursuant to Section 7.1 of COA Circular No. 2009-006.

5. Cash advances amounting to P1,676,447.56 granted to some University Officials and employees for travelling and for other purposes were not liquidated within the prescribed period contrary to Section 89 of PD 1445, COA Circular No. 97-002 and Section 16 of EO No. 298, series of 2004.

We recommended that management:

a. Require the concerned officials and employee to liquidate their cash advances immediately or within 30 days after the completion of their travels; and
b. Instruct officials and employees concerned to liquidate their cash advances after the purpose of which had been served or completed, in compliance with the above-stated regulations.

6. Sixteen (16) ISU Cauayan personnel constructed their residences on a 7,294 sq., more or less, portion of the school lot covered by TCT-No. T-112982 without any contract or agreement for its utilization nor payment of reasonable rentals which is not consonance with Section 2 and 102 (1) of PD 1445 and Section 50(a), Volume III Government Accounting and Auditing Manual (GAAM). Lack of Production Reports resulted to doubtful validity of income collections from several IGE.

We recommended that management strictly adhere to the provisions of Sections 2 and 102 (1) of P. D. 1445, otherwise known as the Government Auditing Code of the Philippines and Section 50(a) Volume III of the GAAM for proper management and disposition of government resources and property.

7. Unpaid land rentals of ISU Roxas Campus have accumulated to P3,532,172.64 due to laxity in the enforcement of collections and weak internal control system contrary to Section 2 of PD 1445 and Section 50(a), Volume III of the Government Accounting and Auditing Manual. Lack of Production Reports resulted to doubtful validity of income collections from several IGE.

We recommended that management:

a. Maximize effort in the collection of unpaid accounts on land rentals to generate revenues for the school;

b. Replace the ISU Roxas CBAO Coordinator to a more responsible official or personnel to ensure timely submission of reports on income generating enterprises;

c. Segregate the function of receipt, disposal and collection of proceeds from sale of IGE products from the ISU Roxas Campus Business Affairs Office (CBAO) Coordinator to ensure effective internal control systems of the transactions pursuant to the provisions of Section 50 (a) of the GAAM, Volume III;

d. Require CBAO of ISU Roxas to submit Production Report, Inventory and Inspection Reports of the IGE to validate reported income.

8. Some disbursement vouchers of ISU Echague Campus were paid even without complete supporting documents and approval by head of the office or his duly authorized representative in violation of Section 168, Volume I of the GAAM.

We recommended that the Accountant submit immediately all the disbursement vouchers and cancelled checks listed in the aforesaid schedule for post audit and final custody and always ensure the timely submission of vouchers with their
supporting documents and reports to COA pursuant to Section 122 of PD 1445 and Sections 6.03 and 6.05 of COA Circular 95-006 dated May 18, 1995.

9. Buildings and structures totalling P58,483,468.35 of ISU Cabagan and Angadanan Campuses were not insured with the Government Service Insurance System (GSIS) as required under Memorandum Circular No 634 of the President.

We recommended for management to:

a. Require the University Officials to allocate fund for the payment of insurance premiums as required under Memorandum Circular No. 634 in order to recover cost of investment on its building and structures in case of fire and other catastrophes.

10. According to the Supply Officer, the big amount of insurance premium precluded them to pay due to lack of fund allotted for that purpose.

G. IMPLEMENTATION OF PRIOR YEAR’S RECOMMENDATIONS

Of the forty eight (48) audit recommendations in previous years (2009-2011), seventeen (17) were fully implemented, nineteen (19) were partially implemented and twelve (12) were not implemented. The details of the status of implementation of Prior Years Audit Recommendations are presented in Part III of the report.