EXECUTIVE SUMMARY

A. Introduction

The Cagayan State University (CSU) was established on June 11, 1978 by virtue of Presidential Decree No. 1436 issued by President Ferdinand E. Marcos. It is mandated by its charter to provide better services in professional and technical training in the Arts, Sciences, Humanities and Technology. The main missions are academic, instruction, research, extension, and production. The purpose of the University is to provide advanced education in the arts and sciences, give professional and technical training; encourage and undertake research, conduct training and extension services; and encourage the application of knowledge.

CSU has nine (9) Campuses under its university system, namely: CSU at Andrews, Tuguegarao City; CSU at Carig, Tuguegarao City; CSU at Piat; CSU at Lal-lo; CSU at Lasam; CSU at Sanchez Mira; CSU at Gonzaga; CSU at Aparri; and CSU at Solana. In these Campuses, the original intent of providing democratized tertiary education in the countryside is felt in the whole region, specifically in Cagayan.

The Board of Regents (BORs) is the highest policy-making body of the CSU, which is composed of one (1) chairman, one (1) vice-chairman and 10 members. The Executive Officers of CSU are headed by the University President, who is assisted by three (3) Vice-Presidents and a University Secretary, while the Campuses are governed by its Campus Executive Officers.

The Audit Team has adopted the integrated results and risk-based audit methodology in the audit of the accounts and operations of the Cagayan State University. Our procedures included internal control review; examination of documents/records/reports; analysis, recalculation, confirmation and inspection of selected accounts, transactions, and projects, as necessary.

B. Scope of Audit

The audit covered the review of the accounts and operations of the CSU for the period January 1, 2023 to December 31, 2023. The audit was conducted to: (a) ascertain the level of assurance that may be placed on management's assertions on the financial statements; (b) determine the propriety of transactions, as well as the extent of compliance with applicable laws, rules and regulations; (c) recommend agency improvement opportunities; and (d) determine the extent of implementation of prior years' audit recommendations.

C. Financial Highlights

The comparative analysis of the appropriations, allotment and obligations of the University for the Calendar Years 2023 and 2022 are as follows:

Particulars	2023	2022	Increase (Decrease)	
			Amount	%
Appropriations	1,270,061,164.19	1,274,003,719.00	(3,942,554.81)	(0.31)
Allotment	1,261,336,975.19	1,160,166,199.00	101,170,776.19	8.72
Obligation Incurred	1,210,822,389.16	1,066,170,586.19	144,651,802.97	13.57
Unobligated Balance	50,514,586.03	93,995,612.81	(43,481,026.78)	(46.26)

The financial position and performance of CSU for the CYs 2023 and 2022 are as follows:

Particulars	CY 2023	CY 2022	Increase (Decrease)	
Financial Condition			Amount	%
Assets	P 2,029,241,312.87	P 2,069,004,373.70	P (39,763,060.83)	(1.92)
Liabilities	214,948,359.87	280,705,034.04	(65,756,674.17)	(23.43)
Net Assets/Equity	1,814,292,953.00	1,788,299,339.66	25,993,613.34	1.45
Financial Performance				
Income	1,441,628,096.46	1,305,627,205.25	136,000,891.21	10.42
Expenses	1,365,226,263.65	1,119,867,711.82	245,358,551.83	21.91
Net Income	76,401,832.81	185,759,493.43	(109,357,660.62)	58.87

D. Operational Highlights

The CSU reported its major accomplishments in Current Year (CY) 2023 for its programs per performance indicator as provided under the General Appropriations Act (GAA) of Fiscal Year (FY) 2023. Details are presented below:

Particulars	Target	Accomplishment	Accomplishment Rate (%)
MFO 1: Higher Education Program			
Outcome Indicators			
1. Percentage of first-time licensure exam takers that passed the licensure examination	50%	79.68%	159.36%
2. Percentage of graduates (2 years prior) that are employed	60%	67.70%	112.83%
Output Indicators			
1. Percentage of undergraduate student population enrolled in CHED-identified and RDC – identified priority programs	60%	79.02%	131.7%
2. Percentage of undergraduate programs with accreditation	80%	100%	125%

Particulars	Target	Accomplishment	Accomplishment Rate (%)
MFO 2: Advance Education Program			
Outcome Indicator 1. Percentage of graduate school faculty engaged in research work	58%	84.38%	145.48%
Output Indicators 1. Percentage of graduate students enrolled in research degree programs 2. Percentage of accredited graduate programs	100% 60%	100% 100%	100% 166.7%
MFO 3: Research Program			
Outcome Indicator 1. Number of research outputs in the last three years utilized by the industry or by other beneficiaries applied for patenting	13	15	115.38%
Output Indicators 1. Number of research outputs/studies completed within the year 2. Percentage of research outputs published in internationally refereed of CHED recognized journal within the year	50 25%	76 32.19%	152% 128.76%
MFO 4: Technical Advisory Extension Program			
Outcome Indicator 1. Number of active partnerships with LGUs, industries, NGOs, NGA, SMEs, and other stakeholders as a result of extension activities	16	23	143.75%
Output Indicators 1. Number of trainees weighted by the length of training 2. Number of extension programs organized and supported consistent with SUC's mandated and priority programs 3. Percentage of beneficiaries who rate the training course/courses and advisory services as satisfactory or higher in terms of quality and relevance	8,047 16 97%	8251.55 23 100%	102.54% 143.75% 103.09%

E. Independent Auditor's Report on the Financial Statements

As discussed in Part II – Observations and Recommendations portion of this report, we rendered a modified opinion on the fairness of presentation of the financial statements of the Agency due to the following:

(1) Non-reclassification of completed infrastructure projects to the proper asset accounts amounting to P 16,644,296.22 rendered the Construction in Progress and other related accounts unreliable;

(2) Non-preparation of adjusting journal entries on book reconciling items totaling P474,641.00 due to errors and omissions, and non-reversion of stale checks of P64,617.25 to cash accounts rendered the Cash in Bank and other affected accounts unreliable; and

(3) Recording of taxes remitted in January 2024 amounting to P2,432,766.03 as remittance in December 2023 rendered the Due to BIR and other affected account unreliable.

E. Summary of Significant Observations and Recommendations

1. The year-end balance of the Due to NGAs account could not be relied upon due to the inclusion of (a) unreconciled balance totaling P47.215 million between the University books and that of the Source Agencies (SA); (b) 22 projects aggregating P1.611 million which remained dormant ranging from 8 to 17 years; and (c) presence of negative balances of P2.195 million and unverified balance of P0.768 million.

   We recommended that the Management:

   (a) Direct the University/Campus Accountants to undertake reconciliation of all funds received with the Source Agency Accountants to determine the amount still due for liquidation;

   (b) Evaluate the inactive/dormant projects included in the Due to NGAs account. Should the funds be established to be no longer needed, it should be remitted to the source agencies in strict compliance with COA Circular No. 94-013;

   (c) Direct the University/Campus Accountants to conduct regular monitoring and reconciliation of projects to avoid accumulation of unexpended funds;

   (d) Require the Accounting Section of the respective Campuses to revisit the identified negative balances and prepare the necessary adjustments;

   (e) Require the Accountant of Sanchez Mira Campus to reconcile and cause the retrieval of records of the unverified beginning balances and effect necessary adjustment, if warranted; and

   (f) Henceforth, strictly adhere to the provisions of COA Circular No. 94-013, particularly in the proper accounting and reporting of fund transfers.

2. The existence, accuracy, and reliability of the year-end balances of the Property, Plant and Equipment accounts are uncertain due to a variance of P1.067 billion between the balances per books and per Report on the Physical Count of Property,

Plant and Equipment, thus, affecting the fair presentation of the affected accounts in the financial statements.

We recommended that the Management:

(a) Direct the Inventory Committee to continue the reconciliation of University records and adjust the books of accounts and/or property records, as warranted, once the results have been established;

(b) Instruct the Inventory Committee of Gonzaga, Lal-lo, Lasam and Piat Campuses to prepare the RPCPPE in conformity with Appendix 74 of GAM for NGAs, Volume II; and

(c) Comply with the one-time cleansing of PPE account balances provided for under COA Circular No. 2020-006.

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

As at December 31, 2023, the University had unsettled suspensions, disallowances and charges totaling P5,782,773.88, P163,472,368.77 and P0.00, respectively. The details are presented as follows:

Audit Action	Beginning Balance	Issued during the year	Settlement during the year	Ending Balance as at December 31, 2023
Notice of Suspension	P5,782,773.88	P 0.00	P 0.00	P5,782,773.88
Notice of Disallowance	98,580,458.58	69,719,833.33	4,827,923.14	163,472,368.77
Notice of Charge	0.00	0.00	0.00	0.00
Total	**P104,363,232.46**	**P69,719,833.33**	**P4,827,923.14**	**P169,255,142.65**

G. Status of Implementations of Prior Years' Audit Recommendations

Of the 50 audit recommendations embodied in the prior years' Annual Audit Reports, 19 were implemented and 31 were not implemented. The details of the implementation of prior years' audit recommendations are discussed in Part III of this Report.