# EXECUTIVE SUMMARY

# *Introduction*

The **Bulacan Agricultural State College (BASC)** was established in 1952. It started as the Community Agricultural School in Bintog, Plaridel, Bulacan with about 100 students. The succeeding years saw an increase in the number of students. Unlike before, students came not only from the local community but also from elsewhere in the province. With this, the school was aptly named the Bulacan Provincial High School.

In 1955, with a growing population and a need to accommodate the same, Presidential Proclamation No. 163 was issued allocating 200 hectares of land for the school in Pinaod, San Ildefonso, Bulacan. Not long after, Republic Act (R.A.) No. 948 was issued changing the school’s name to Bulacan National Agricultural School (BuNAS).

In 1960, tertiary education was offered in BuNAS with a two-year Associate in Agriculture Program, which eventually led to the offering of the Bachelor of Science in Agriculture Degree with majors in Agronomy and Animal Husbandry.

Cognizant to a broad-based agricultural education and training needs of the Bulakeños, Hon. Ricardo C. Silverio, and then Representative of District II of the Province of Bulacan authored House Bill No. 2389 which moved for an expanded educational program for BuNAS. With bilateral approval of both Houses, President Fidel V. Ramos signed R.A. No. 8548, officially converting the BuNAS into a chartered state college known as the Bulacan National Agricultural State College on February 24, 1998. Its name was changed to Bulacan Agricultural State College by virtue of R.A. No. 9249 signed by Her Excellency Gloria Macapagal Arroyo on February 19, 2004.

 As mandated by its charter, BASC shall provide higher professional, technical, and special instructions for special purposes and promote research and extension services and advanced studies in agriculture, arts and science programs and other allied courses. It shall also offer short-term technical and vocational non-degree courses within its area of specialization to meet the needs of its constituents.

It has a mission to endeavor to be a center of development/excellence in agriculture and forestry, engineering, food science, information technology, and teacher education responsive to the national goals of food security, poverty alleviation, sustainable development, global competitiveness and people empowerment.

The Board of Trustees is the policy-making body of BASC, which is composed of 11 members as follows:

 Chairman - Chairman, Commission on Higher Education

Vice-Chairman - President, Bulacan Agricultural State College

Trustees - Chairman, Senate Committee on Higher and

 Technical Education

- Chairman, House Committee on Higher and

Technical Education

* Director, NEDA Region III
* Director, DA Region III
* Director, DOST Region III
* President, BASC Alumni Association
* Faculty Trustee
* Student Trustee
* Prominent Citizen

The BASC Administration is headed by the College President, Jameson H. Tan, Ed. H., and is ably assisted by Dr. Cecilia S. Santiago, Vice President for Academic, Affairs; Dr. Ronald Reagan T. Alonzo, Vice President for Administration and Finance; and Dr. Susan C. Santos, Vice President for Research, Extension, Production and Development.

The Personnel Complement of the College for CY 2020 is shown below:

|  |  |  |  |
| --- | --- | --- | --- |
| Status of Appointment | Teaching | Non-Teaching | Total |
| Permanent | 85 | 46 | 131 |
| Temporary | 50 | 0 |  50 |
| Contractual /Part Timer |  | 24 |  24 |
| Job-Order |  | 64 |  64 |
| Total | 135 | 134 | 269 |

# *Financial Highlights*

The agency’s financial condition and results of operation for CY 2020 with comparative figures for CY 2019 follow:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Particulars** | **2020** | **2019** | **Increase (Decrease)** | **%** |
| **Financial Condition** |
| Total Assets |  ₱490,868,377.99  |  ₱435,736,041.18  | ₱ 55,132,336.81  | 12.65 % |
| Total Liabilities | 59,852,627.54 | 51,315,462.02 | 8,537,166.52 | 16.64%  |
| Total Equity |  ₱431,015,750.45 | ₱384,420,579.16 | ₱ 46,595,171.29 | 12.12% |
| **Result of Operation** |
| Total Income | ₱224,462,697.35 | ₱235,548,980.79 | (₱11,086,283.44) | 4.71% |
| Total Expenses | 174,831,204.81 | 180,094,991.41 | (5,263,786.60) | 2.92% |
| Surplus (Deficit) | ₱ 49,631,492.54 | ₱ 55,453,989.38 | (₱ 5,822,496.84) |  10.50% |

# *Scope of audit*

Our audit was conducted on the accounts and operations of BASC for calendar year 2020. We conducted our audit in accordance with International Standards of Supreme Audit Institutions. The objectives of the audit were to (a) verify the level of assurance that may be placed on management’s assertions on the financial statements; (b) recommend agency improvement opportunities; and (c) determine the extent of implementation of prior years’ audit recommendations. The thrust areas identified in the audit instructions were audited on a sampling basis and the findings are incorporated in Part II of the report, as follows:

## Financial Audit

1. Audit of Financial Statements:
	1. Cash and Cash Equivalents
	2. Receivables
	3. Inventories
	4. Property, Plant and Equipment
	5. Financial Liabilities
	6. Inter-Agency Payables

## Compliance Audit

1. Enforcement of timely submission of financial statements, reports and supporting documents such as paid vouchers and official receipts;
2. Enforcement of COA issuances on immediate liquidation and settlement of outstanding cash advances under, among others, COA Circular No. 2012-004, COA Memorandum No. 2015-072, COA Memorandum No. 2004-014, giving priority to recent transactions that can be fully documented;
3. Expanded Students’ Grants-in-Aid Program for Poverty Alleviation (ESGP-PA) and Tulong Dunong Program;
4. Compliance by the agencies with their obligations under the MOA covering funds transferred to them by other government agencies;
5. Compliance with R.A. No. 9184;
6. Compliance with R.A. No. 8291 (GSIS);
7. Programs and projects related to Gender and Development (GAD);
8. Compliance with tax laws and regulations; and
9. Compliance with R.A. No. 9679 (Pag-IBIG)

# *Independent Auditor’s Report*

We rendered a qualified opinion on the fairness of the presentation of the financial statements of the Bulacan Agricultural State College (BASC) for the year ended December 31, 2020 due to accounting deficiencies and errors noted on different accounts, such as (1) overstatement by a net amount of ₱544,085.65 in the Cash in Bank account due to unadjusted stale and cancelled checks of ₱117,753.77 and erroneous recording of outstanding checks amounting to ₱661,839.42; (2) overstatement of 70 heads of reported number of breeder stocks compared to the actual physical count; and non-recognition of different livestock understating the Biological Assets account by ₱62,160.00; (3) unreconciled difference of ₱703,905.83 between the accounting and property records for the Inventories account; incomplete inventory-taking; and non-maintenance of Supplies Ledger Card (SLC) by the Accounting Unit; and (4)inclusion of semi-expendable items of ₱1,911,353.33, with unit value below the capitalization threshold of ₱15,000.00, overstating the Property, Plant and Equipment (PPE) accounts; unrecorded parcels of land of undetermined amount with an area of 5,341,901 square meters (sqm); non-derecognition of unserviceable PPEs aggregating to ₱399,075.41; non-maintenance of PPE Ledger Cards (PPELCs) by the Accounting Unit; and (e) unfinished physical count of PPEs.

In view of the foregoing, we recommended and management agreed to undertake the following courses of action:

* + *On Cash in Bank, Local Currency Current Account (LCCA)*
1. instruct the Accountant to (1) adopt the Adjusted Balance Method in the preparation of the monthly BRS to properly identify the source and nature of errors; and (2) draw the appropriate journal entry to take up all the identified reconciling items that require adjustment in the books of the College.
	* *On Biological Assets accounts*
2. Officer-in-Charge/Caretakers for each type of biological assets to (i) prepare/maintain and update regularly the Biological Assets Property Card (BAPC); and (ii) regularly submit the QRBA to the Accounting Office in accordance with the GAM for NGAs, Volume III; and
3. Accountant to (i) record the Livestock inventories from the Palayamanan showcase amounting to ₱62,160.00; and (ii) update from time to time the movement of Biological Assets account, specifically the Breeding Stocks and Livestock accounts upon receipt of QRBA from the Officer-in-Charge/Caretakers.
	* *On Inventories accounts*
4. Direct the Accounting and Supply Units to facilitate the reconciliation of their records and adjust the books of accounts and property records, as warranted, once the results of inventory have been established;
5. Require the Committee on Inventory to conduct a complete physical count of inventories owned by the College; and
6. Instruct the Accountant to prepare SLCs for each kind of supplies and materials as required under Section 17, Chapter 8 of GAM for NGAs, Volume I.
	* *On Property, Plant and Equipment accounts*
7. instruct the Accountant and the Supply Unit to reclassify PPEs recorded below the capitalization threshold of ₱15,000.00 as semi-expendable properties to reflect the correct balances of the PPE accounts;
8. determine the fair market value of the unrecorded parcels of land and thereafter recognize these tracts of land in the books of accounts;
9. require the Accountant to derecognize the unserviceable PPEs as prescribed under Section 40, Chapter 10 of the GAM for NGAs, Volume I, and immediately dispose the unserviceable properties to prevent further deterioration and/or reduction in value;
10. strictly follow the instructions of the GAM in accomplishing the PPELC to ensure that the balances of the PPE presented in the reports submitted by the Accountant are correct; and
11. undertake proper planning to facilitate the completion of the physical count of all PPEs owned by the College.

# *Summary of Other Significant Audit Observations and Recommendations*

Summarized below are the significant audit observations with their recommendations, the details of which are presented in Part II of this report.

1. Recorded Receivables with a carrying value of ₱5,193,035.16 as at year-end included long outstanding accounts from students’ unpaid loans and tuition fees totaling to ₱4,933,035.16 due to the failure of Management to institute effective measures of collection. **(*Observation No. 2****)*

We reiterated the previous year’s recommendations and the College President agreed to exert more diligent effort in collecting receivables and loans from defaulting students, farmers as well as from their co-makers without prejudice to imposing sanctions against them.

1. The correctness of the reported balance of Other Payables account amounting to ₱6,633,148.92 as of December 31, 2020 cannot be fully verified in the absence of complete schedule/subsidiary ledgers comprising the account as prescribed by Section 111 of Presidential Decree (P.D.) No. 1445. Also, the year-end balance of the account included inappropriate credits of ₱1,831,953.99 due to (a) misclassification of various receipts amounting to ₱1,694,755.64 from selling activities of the different projects of the College, such as table egg and swine production, plant nursery and other projects; (b) misclassification of the reservation/rent deposit amounting to ₱95,597.27 and bidders’ bonds of ₱41,601.08 contrary to the account definitions stated in the Revised Chart of Accounts and provisions of Chapter 2 of the Government Accounting Manual (GAM) for National Government Agencies, Volume I. **(*Observation 6)***

We recommended and the College President agreed to require the Accountant to (a) conduct a review and analysis of all items included in the Other Payables account and thereafter prepare and maintain subsidiary ledgers comprising the account; and (b) draw adjusting entries to reclassify all misclassified transactions to the appropriate accounts.

3. A total of 52 units of computer equipment amounting to ₱2,204,300.80 remained idle since October 2020 and unutilized as of year-end, thus, exposing them to deterioration and depreciation contrary to COA Circular No. 2012-003 dated October 29, 2012, prescribing the prevention of unnecessary expenditures. (***Observation No. 8)***

We recommended and the College President agreed to render a written justification for the acquisition of the computer units in CY 2020 when there was no specific need for the equipment yet.

4. The Bulacan Agricultural State College (BASC) failed to deduct the 10% Retention Money equivalent to ₱1,022,286.02 from the progress payments to the contractor for the Construction of Three-Storey Education Building (Phase 2) contrary to pertinent sections of Annex E of the Revised Implementing Rules and Regulations (RIRR) of Republic Act (R.A.) No. 9184. Also, deficiencies were noted in the implementation of the construction project, inconsistent with the general conditions of the infrastructure contract, to the disadvantage of the College. ***(Observation No. 9***)

We recommended that Management undertake the following courses of action:

1. ensure that the required 10% retention fee is deducted from the progress payments to be made to the contractor;
2. strictly adhere to the terms and conditions of the contract without prejudice to the provisions of R.A. No. 9184 and its RIRR in the implementation of the infrastructure project; and
3. formulate a standard procedure for determining the utilities consumed for this infrastructure project and appropriately bill the contractor.

5. The Bulacan Agricultural State College (BASC) obtained College Passing Rates (CPRs) higher than the National Passing Rates (NPRs) in the licensure examinations for Agriculture and Professional Teachers, both in Elementary and Secondary Education; nevertheless, the number of unsuccessful examinees significantly outnumbered the passers in the identified programs for the last five years, casting doubt on the capability of the College to produce professionals in the aforementioned fields. In addition, BASC has yet to obtain a Center of Excellence and/or Center of Development status from the Commission on Higher Education (CHED) for any of its programs since the university performance has been inadequate in the areas of instruction, research and publication, extension and linkages and institutional qualifications. ***(Observation 12)***

We recommended and the College President agreed to undertake the following courses of action:

1. require the Vice President for Academic Affairs to revisit the programs with very low CPRs for the last five years and identify the causes of the poor performance in licensure examinations of its graduates, particularly in the field of education and agriculture; and
2. conduct an evaluation on the programs offered by the University on its performance in the areas of instruction, research and publication, extension and linkages and institutional qualifications which are the general criteria of CHED for the grant of COE and COD status.

# *Summary of Audit Suspensions, Disallowances and Charges*

 As of December 31, 2020, the College had unsettled disallowances totaling to ₱2,117,944.19, representing various payments made to the regular faculty and personnel, which were deemed irregular in nature. In settlement thereof, deductions from the payees’ salaries were made on a staggered basis.

# *Status of Implementation of Prior Year’s Audit* Recommendations

 Out of the 15 audit recommendations included in the previous year’s Annual Audit Report (AAR), 12 were fully implemented while three were partially implemented.