

## EXECUTIVE SUMMARY

### 1. INTRODUCTION

The Bulacan Agricultural State College (BASC) was established in 1952. It was formerly known as Bulacan National Agricultural School (BuNAS) by virtue of Republic Act (R.A.) No. 948. 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 (BASC) by virtue of R.A. No. 9249 signed by Her Excellency Gloria Macapagal Arroyo on February 19, 2004.

### 2. FINANCIAL HIGHLIGHTS

The following comparative data show the financial condition and results of operations of the College for the years 2023 and 2022:

<i>Comparative Financial Position</i>			<b>Increase (Decrease)</b>
	<b>2023</b>	<b>2022</b>	<b>Amount</b>
Assets	₱780,198,512.70	₱782,352,311.31	₱ (2,153,798.61)
Liabilities	24,715,353.95	55,832,132.52	(31,116,778.57)
Net Assets/Equity	₱755,483,158.75	₱726,520,178.79	₱ 28,962,979.96

  

<i>Comparative Financial Performance</i>			
Revenue and Net Subsidy	₱376,838,321.93	₱347,050,286.91	₱ 29,788,035.02
Expenses	317,167,019.24	288,166,616.97	29,000,402.27
Gains and Losses	1,562,209.00	4,897,119.59	(3,334,910.59)
Surplus/(Deficit)	₱ 61,233,511.69	₱ 63,780,789.53	₱ (2,547,277.84)

  

<i>Comparative Allotment, Obligations and Balances</i>			
Total Allotments	₱381,250,949.39	₱431,523,958.31	₱ (50,273,008.92)
Total Obligations	338,923,669.96	369,286,946.11	(30,363,276.15)
Balances	₱ 42,327,279.43	₱ 62,237,012.20	₱ (19,909,732.77)

### 3. SCOPE OF AUDIT

The audit covered the accounts and operations of the Bulacan Agricultural State College (BASC) for Calendar Year (CY) 2023. We conducted our audit in accordance with the International Standard of Supreme Audit Institutions (ISSAIs) and we believe that they provided a reasonable basis for the audit results. The objectives of the audit were to (a) ascertain 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 significant findings are incorporated in Part II of the report as follows:

**a. Financial Audit**

- Cash
- Cash Advances
- Inventories
- Property, Plant and Equipment
- Liabilities
- Revenues
- Expenses

**b. Compliance Audit**

- Compliance with RIRR of R.A. No. 9184 or the Government Procurement Reform Act
- Compliance with BIR Rules and Regulations
- Compliance with R.A. No. 8291 (GSIS)
- Compliance with R.A. No. 9679 (Pag-IBIG Fund Law)
- Compliance with R.A. No. 7875 (National Health Insurance Act)
- Gender and Development (GAD)

**4. INDEPENDENT AUDITOR'S REPORT**

We rendered a qualified opinion on the fairness of presentation of of the consolidated financial statements of the Bulacan Agricultural State College (BASC) as of December 31, 2023 in view of the accounting errors and omissions, as follows:

1. The accuracy of the balances of the Property, Plant and Equipment (PPE) accounts with a total carrying amount of ₱649.704 million as of December 31, 2023 remained unreliable due to: (a) inclusion of unserviceable items with a total carrying amount of ₱39,435.10; and (b) unreconciled difference between the accounting and property records aggregating to ₱12.424 million;

2. Buildings and Other Structures being held for rent/lease with a total carrying value of ₱30.431 million were not recognized as Investment Property in the books, thus, understating the Investment Property and Accumulated Depreciation – Investment Property accounts by ₱42.757 million and ₱12.326 million, respectively, and overstating the corresponding Property, Plant and Equipment (PPE) and Accumulated Depreciation accounts with the same amount;

3. The accuracy of the year-end account balances of Inventories in the financial statements as of December 31, 2022 amounting to ₱44.080 million could not be ascertained due to: (a) inclusion of already-issued semi-expendable properties with a total carrying value of ₱38.915 million, thereby overstating the Semi-Expendable Inventories accounts by the same amount; and (b) a discrepancy in the balances between the accounting and property records aggregating to ₱51.753 million which remained unreconciled as of year-end; and

4. The reliability of the reported balance of the Due to NGAs account as of December 31, 2023 amounting to ₱17.559 million remained uncertain due to: (a) receipts totaling ₱0.836 million which are incorrectly recognized as payables in the books, thus overstating the Due to Other NGAs and understating the Revenue/Accumulated Surplus accounts by the same amount; and (b) unexpended fund balances of completed projects totaling ₱1.394 million which are yet to be returned to their sources.

For the above exceptions, we recommended that the SUC President undertake the following courses of action:

1. On Property, Plant and Equipment:

a) Instruct the Property Officer to facilitate the immediate disposal of idle, obsolete and unserviceable properties. Be guided by the provisions of COA-DBM Joint Circular No. 2024-1 dated January 30, 2024 or the Revised Manual on Disposal of Government Properties;

b) Direct the Accountant and the Property Officer to expedite the reconciliation of their records for PPE accounts and adjust the books of accounts and property records once the results have been established;

c) Direct the Property Officer to properly re-classify in the relevant records and reports the PPE items which are valued below the threshold of ₱50,000.00 to their respective Semi-Expendable Inventory accounts to reconcile the ₱0.677 million items as semi-expendable in both accounting and property records; and

d) Instruct the Accounting and Property Offices to coordinate in the recording of acquisitions, adjustments and disposals of properties in order to reflect the correct account balances in their respective records.

2. On Investment Property:

a) Require the Accountant to make the necessary adjusting entries for proper recognition of the assets intended for Income Generating Projects to Investment Property and Accumulated Depreciation – Investment Property, and accordingly reclassify the same from the affected Property, Plant and Equipment and Accumulated Depreciation accounts; and

b) Ensure that all properties intended to earn revenue shall be recognized as Investment Property in adherence with International Public Sector Accounting Standards (IPSAS) 16 and Chapter 9 of the Government Accounting Manual for National Government Agencies (GAM for NGAs).

3. On Inventories:

a) Require the Accountant to draw the appropriate adjusting entries to recognize in the Accumulated Surplus account the carrying amounts of semi-expendable properties that were already issued to end-users; and

b) Direct the Accountant and the Supply Unit to continue exerting efforts to reconcile the accounting and property records and to adjust the books of accounts and property records, as warranted, once the results have been established accordingly.

4. On Due to NGAs:

a) Instruct the Accountant to draw adjusting entries to correctly classify the receipts from various sources which were recognized as Due to NGAs to Revenue/Accumulated Surplus;

b) Cause the immediate return/liquidation of the unexpended fund balances of completed projects to their respective source agencies or the Bureau of Treasury, as the case may be; and

c) Continue exerting efforts to trace the nature and status of unexpended fund balances which need further verification for their proper disposition.

## **5. SUMMARY OF OTHER SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS**

Summarized below are the other significant audit observations with their recommendations, the details of which are presented in Part II of this report. Management views and comments, including those offered during the exit conference were incorporated in the report, where appropriate:

1. Receivables totaling ₱2.460 million remained dormant or non-moving in the books of accounts for 10 years or more as of December 31, 2023, casting doubt on the accuracy and reliability of the account balances totaling ₱3.295 million and affecting the fair presentation of the financial statements as at year-end.

We recommended the Management to continue exhausting all possible action/remedies to collect the dormant receivables. Otherwise, facilitate the request for write off, if warranted, in accordance with COA Circular No. 2016-005 dated December 19, 2016 and submit relevant documents to the Audit Team for validation.

2. Liquidated damages were not imposed on 27 procurement contracts for goods and services with a total price of ₱1.221 million which were not delivered within the contract period, contrary to Section 68 and Section 3.1, Annex D of the Revised Implementing Rules and Regulations of Republic Act No. 9184.

We recommended the Management to (a) direct the officials concerned to regularly monitor and supervise the timely delivery of goods and services; and (b) strictly impose sanctions and collect liquidated damages for delayed deliveries as specified in the terms and conditions of the contract, in compliance to the pertinent provisions of Republic Act No. 9184.

3. Only ₱86.730 million or 13.84 percent of the total insurable Property, Plant and Equipment in the aggregate amount of ₱626.758 million were covered with insurance as required under Sections 2, 4 and 5 of Republic Act No. 656; thereby exposing the College to the risk of not being indemnified or compensated for any damage to, or loss of its

property in case of destruction thereof through fire, flood or other force majeure for insurable properties not covered by insurance.

We recommended Management to instruct the Property and Supply Office to (a) coordinate with the Accounting Unit to facilitate the identification of insurable properties which are not yet covered by insurance; and (b) prepare and submit the updated Property Inventory Form along with the required supporting documents to the GSIS so that the necessary insurance coverage can be obtained from the GSIS property insurance fund.

## **6. SUMMARY OF TOTAL SUSPENSIONS, DISALLOWANCES AND CHARGES AT YEAR-END**

As of December 31, 2021, the College had unsettled audit disallowances totaling ₱1,389,859.39.

## **7. STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS**

Of the 24 audit recommendations contained in the CY 2022 Annual Audit Report (AAR), 18 were fully implemented and six were not implemented.