Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

ANNUAL AUDIT REPORT

on the

BASES CONVERSION AND DEVELOPMENT AUTHORITY

For the Years Ended December 31, 2021 and 2020

EXECUTIVE SUMMARY

INTRODUCTION

The Bases Conversion and Development Authority (BCDA) was created under Republic Act (RA) No. 7227, otherwise known as the Bases Conversion and Development Act of 1992, which was approved on March 13, 1992. Section 8 of RA No. 7227, which pertains to the rates of distribution of the net proceeds from the sale of Metro Manila metro camps, was later amended by the passage of RA No. 7917 on February 21, 1995.

RA No. 7227 vested BCDA with the mandate to accelerate the sound and balanced conversion into alternative productive uses of the Clark and Subic military reservations and extensions, to raise funds by the sale of portions of Metro Manila military camps, to apply said funds for the development and conversion to productive civilian use of the lands covered under the 1947 Military Bases Agreement, and to promote the economic and social development of Central Luzon in particular, and the country in general.

FINANCIAL HIGHLIGHTS

Comparative Financial Position

	2021	2020 (As restated)	Increase (Decrease)
Assets	207,759,921,566	199,918,813,174	7,841,108,392
Liabilities	43,635,358,667	37,568,952,790	6,066,405,877
Equity	164,124,562,899	162,349,860,384	1,774,702,515

Comparative Results of Operations

	2021	2020 (As restated)	Increase (Decrease)
Operating Income	6,714,769,341	7,170,431,209	(455,661,868)
Operating Expenses	2,449,898,154	2,677,739,693	(227,841,539)
Income from Operations	4,264,871,187	4,492,691,516	(227,820,329)
Net Financial Assistance/ Subsidy/Contribution	(2,321,007,146)	(1,510,667,821)	810,339,325
Income Tax Benefit	367,900,346	534,828,237	(166,927,891)
Net Income	2,311,764,387	3,516,851,932	(1,205,087,545)

SCOPE AND OBJECTIVES OF AUDIT

Our audit covered the examination, on a test basis, of the accounts and transactions of BCDA for the period January 1 to December 31, 2021 in accordance with International Standards of Supreme Audit Institutions (ISSAIs) to enable us to express an opinion on the fairness of presentation of the financial statements for the years ended December 31, 2021 and 2020. Also, we conducted our audits to assess compliance with pertinent laws, rules and regulations, as well as adherence to prescribed policies and procedures.

INDEPENDENT AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

We rendered an unmodified opinion on the fairness of presentation of BCDA's financial statements for the years 2021 and 2020.

SUMMARY OF SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

Below are the significant observations and recommendations which are discussed in detail in Part II of this Report:

1. The Annual Fixed Payment (AFP) and variable share of BCDA and the National Housing Authority (NHA) in Gross Revenues pursuant to Section 9 of the Joint Venture Agreement (JVA) for the development of the Bonifacio East Property executed among BCDA, NHA and Primelux Holdings, Inc., are not the most beneficial terms in favor of BCDA, hence may deprive BCDA/government of additional funds of P293.307 billion that could be used in the implementation of its projects/programs.

   a. The computation of the AFP and Annual Variable Payment (AVP) was not based on the appraised value of the Development and Usufructuary Rights (DUR) for the 59.62-hectare property in the amount of P25.636 billion, as authorized under BCDA Board Resolution No. 2018-08-115.

   b. The Economic Internal Rate of Return (EIRR) of six per cent used by BCDA to determine the Net Present Value (NPV) of the project cash flow is significantly lower than what is prescribed by the National Economic and Development Authority (NEDA)-Investment Coordination Committee (ICC).

   c. The negotiation of BCDA/NHA and the Private Sector Participant (PSP) in the JVA for the Development of the Bonifacio East Property would not yield the most beneficial terms for the government considering the appraised value of the DUR and the PSP's equity and loan infusion in the project in the amount of P25.636 billion and P35.257 billion, respectively.

   We recommended that Management:

   a. Prepare a revised Financial Model that will be responsive to the 10 percent EIRR requirement of the NEDA-ICC Memorandum dated September 30, 2016, showing all the assumptions used in arriving at the amounts presented and taking to account the best possible scenario for the government; and

   b. Formulate a policy on the terms for JV projects, whether solicited or unsolicited, which includes the establishment of the Internal Rate of Return (IRR) to be used in the project evaluation, taking into account not only the appraised value of BCDA's investment but also the PSP's Minimum Investment Commitment and the Financial Model for the proposed project to improve the basis for business decisions and maximize the revenue that the government will receive from the investment of its properties.

2. The Variation Order (VO) in the construction of villas included Interior Design and Furnishings for seven villas totaling P20.169 million which could have been procured by BCDA as separate project thru public bidding in accordance with Section 10 of the Revised Implementing Rules and Regulations (RIRR) of Republic Act (RA) No. 9184. Moreso, the said inclusion is not within the general scope of the project as bid and awarded as provided under Section 1.1, Annex E of the RIRR, thus, defeating the government policy on competitiveness and transparency in procurement activities and the objective to obtain the most advantageous price for the government.

We recommended that Management strictly adhere to the pertinent provisions of RIRR of RA No. 9184 relative to the (a) procurement of goods through public bidding, if warranted, to get the best price and quality; and (b) issuance of variation orders within the general scope of the project as bid and awarded. Disbursement of government funds in violation of laws, rules and regulations may warrant the issuance of Notice of Disallowance to persons liable.

3. BCDA allowed the completion of the Variation Order (VO) even without the necessary approval from the Head of the Procuring Entity (HoPE) and the processing of VO exceeded the 30-day prescribed period, which are not in compliance with Sections 1.5 E and 3.1 of Annex E of the RIRR of RA No. 9184.

   We recommended that Management:

   a. Justify the delay of 167 calendar days (CDs) in processing of VO from preparation to the approval by the HoPE, which is beyond the 30-day prescribed period under Section 1.5 (e), Annex E of the RIRR of RA No. 9184; and

   b. Henceforth, strictly observe the provisions of Annex E of the RIRR of RA No. 9184 by adhering to the required timeframe of 30 CDs to process the variation order including its budget from preparation to the approval of HoPE.

4. The delayed review and evaluation of the VO for the Construction of the 21-Unit ASEAN Summit Villas due to non-submission of pertinent documents to the Office of the Auditor, contravened COA Circular Nos. 2009-001 and 2012-001.

   We recommended that Management submit the certified true copies of the aforementioned documentary requirements for the VO for the Construction of 21-Unit ASEAN Summit Villas and henceforth, comply with the timely submission of contracts and supporting documents in accordance with COA Circular Nos. 2009-001 and 2012-001.

5. BCDA did not assert to include in the Memorandum of Agreement (MOA) entered into with the Department of Health (DOH) and Clark Development Corporation, the full reimbursement of all expenses shouldered in the operations and maintenance of temporary quarantine facilities in New Clark City (NCC) instead of the medical manpower expenses and meals only, given that the mandate to protect, preserve or restore the health of the Filipino people, rests with DOH.

   We recommended that Management:

   a. Exert all possible options to reimburse from the DOH all expenses incurred/paid by BCDA in the operation and maintenance of temporary quarantine facilities; and

   b. Request the Department of Finance to offset the receivable from DOH pertaining to the full reimbursement of all the payments for expenses incurred in the operations and maintenance of temporary quarantine facilities in NCC, against future dividends payable to the National Government pursuant to RA No. 7656 otherwise known as the GOCC Dividends Law.

6. The receivable from DOH amounting to P19.329 million recognized in the books of accounts, which is covered under the terms and conditions of the MOA, was not yet collected by BCDA, thus depriving them of additional funds that could be used in their operations.

   We recommended that Management continuously enforce the immediate collection of receivables from DOH.

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the 34 audit recommendations embodied in prior years' Annual Audit Reports of BCDA, 20 were implemented and 14 were partially implemented. Details are discussed in Part III of this report.

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PART I – AUDITED FINANCIAL STATEMENTS

Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS
Bases Conversion and Development Authority
2/F Bonifacio Technology Center
31st Street corner 2nd Avenue
Bonifacio Global City, Taguig City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Bases Conversion and Development Authority (BCDA), which comprise the statements of financial position as at December 31, 2021 and 2020, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of BCDA as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of BCDA in accordance with the Code of Ethics for Government Auditors (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 38 to the financial statements which describes the contingent liabilities for lawsuits or claims filed by third parties against BCDA which are pending either in courts or under negotiation, and cases filed by BCDA against the Bureau of Internal Revenue and the Local Government of Taguig which are pending before the Supreme Court, Court of Appeals and the Local Board of Assessment Appeals of the Local Government Unit. Our opinion is not modified in respect of these matters.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing BCDA's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate BCDA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing BCDA's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the BCDA's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the BCDA's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention on our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 45 to the financial statements is presented for the purpose of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

COMMISSION ON AUDIT

TERESITA C. GUEVARRA
Supervising Auditor

June 2, 2022

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of Bases Conversion and Development Authority (BCDA) is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing BCDA's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the BCDA or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the BCDA's financial reporting process.

The Board of Directors reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stakeholders and other users.

The Commission on Audit has examined the financial statements of the BCDA in accordance with International Standards of Supreme Audit Institutions, and in its report to the Board of Directors, has expressed its opinion on the fairness of presentation upon completion of such audit.

HEDDA Y. RULONA
Officer-In-Charge, Investment and Financial Management Group

June 02, 2022
Date Signed

ARISTOTLE B. BATUHAN
Officer-In-Charge, Office of the President & Chief Executive Officer

June 02, 2022
Date Signed

GREGORIO D. GARCIA III
Chairman

June 02, 2022
Date Signed

CD2022-0336

BASES CONVERSION AND DEVELOPMENT AUTHORITY
STATEMENTS OF FINANCIAL POSITION
December 31, 2021 and 2020
(In Philippine Peso)

	Note	**2021**	2020 (As restated)	January 1, 2020 (As restated)
ASSETS				
Current Assets				
Cash and cash equivalents	6	**15,193,883,755**	5,003,162,433	14,475,981,881
Financial Assets	7	**1,251,810,157**	7,101,262	1,690,153,615
Other Investments	8	**3,215,007,181**	1,319,183,926	8,284,712,871
Receivables	9	**8,056,539,400**	17,943,151,528	9,383,993,600
Inventories	10	**4,421,338,002**	703,169,393	700,085,894
Other Current Assets	11	**3,973,894,589**	2,839,992,454	8,223,456,635
		36,112,473,084	27,815,760,996	42,758,384,496
Non-Current Assets				
Financial Assets	7	**500,000,000**	1,751,730,717	1,757,651,276
Investments in Joint Ventures	12	**472,131,686**	458,610,240	503,912,400
Investments in Associates/Affiliates	13	**13,365,405,952**	13,548,280,601	13,317,760,201
Investments in Subsidiaries	14	**3,546,715,099**	3,546,715,099	3,546,715,099
Other Investments	8	**103,024,319**	103,024,319	103,024,319
Receivables	9	**11,291,872,374**	16,269,892,934	25,196,011,427
Investment Property	15	**83,053,580,002**	84,265,675,074	73,749,275,441
Property and Equipment	16	**9,946,528,057**	17,476,521,174	3,566,464,745
Service Concession Assets	17	**42,726,958,271**	28,464,604,216	28,244,845,619
Intangible Assets	18	**17,052,900**	13,837,355	17,482,211
Deferred Tax Assets	33	**5,073,948,202**	4,646,575,837	4,081,900,565
Other Non-Current Assets	19	**1,550,231,620**	1,557,584,612	1,558,633,126
		171,647,448,482	172,103,052,178	155,643,676,429
TOTAL ASSETS		**207,759,921,566**	199,918,813,174	198,402,060,925
LIABILITIES AND EQUITY				
Current Liabilities				
Financial Liabilities	20	**1,991,512,371**	2,239,105,086	1,256,078,035
Inter-Agency Payables	21	**9,129,627,003**	3,767,604,786	5,146,306,107
Trust Liabilities	22	**1,317,315,859**	1,415,015,611	2,025,074,937
Provisions	23	**41,616,068**	35,974,617	28,271,271
Other Payables	24	**223,494,531**	225,494,631	227,524,631
		12,703,565,832	7,683,194,731	8,683,254,981
Non-Current Liabilities				
Financial Liabilities	25	**15,982,697,138**	17,647,358,892	18,570,900,195
Deferred Credits/Unearned Income	26	**13,527,999,645**	10,817,303,115	10,291,552,316
Other Payables	24	**1,421,096,052**	1,421,096,052	1,421,096,052
		30,931,792,835	29,885,758,059	30,283,548,563
Equity		**164,124,562,899**	162,349,860,384	159,435,257,381
TOTAL LIABILITIES AND EQUITY		**207,759,921,566**	199,918,813,174	198,402,060,925

The notes on pages 9 to 83 form part of these financial statements.

BASES CONVERSION AND DEVELOPMENT AUTHORITY
STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2021 and 2020
(In Philippine Peso)

	Note	2021	2020 (As restated)
INCOME			
Service and Business Income		**5,861,748,199**	7,163,695,769
Gains		**853,021,142**	6,735,440
TOTAL INCOME	27	**6,714,769,341**	7,170,431,209
EXPENSES			
Personnel Services	29	**251,083,656**	250,488,540
Maintenance and Other Operating Expenses	30	**945,000,119**	834,596,019
Financial Expenses	31	**352,425,736**	387,864,574
Direct Cost		**0**	188,833,496
Non-Cash Expenses	32	**901,388,643**	1,015,957,064
TOTAL EXPENSES		**2,449,898,154**	2,677,739,693
PROFIT BEFORE TAX		**4,264,871,187**	4,492,691,516
INCOME TAX BENEFIT	33	**367,900,346**	534,828,237
PROFIT AFTER TAX		**4,632,771,533**	5,027,519,753
NET FINANCIAL ASSISTANCE/SUBSIDY/CONTRIBUTION	34	**(2,321,007,146)**	(1,510,667,821)
NET INCOME		**2,311,764,387**	3,516,851,932
OTHER COMPREHENSIVE INCOME		**0**	0
TOTAL COMPREHENSIVE INCOME		**2,311,764,387**	3,516,851,932

The notes on pages 9 to 83 form part of these financial statements.

BASES CONVERSION AND DEVELOPMENT AUTHORITY
STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2021 and 2020
(In Philippine Peso)

	Note	Government Equity (Note 35)	Contributed Capital (Note 35)	Unappropriated Retained Earnings	Appropriated Retained Earnings	Other Comprehensive Income	Total Equity
Balance, December 31, 2019		100,000,000,000	9,114,031,280	41,328,274,233	6,000,000,000	4,769,274	156,447,074,787
Correction of Prior Years' Errors/Estimates	36		477,252,790	2,510,929,804			2,988,182,594
Balance, January 1, 2020, as restated		100,000,000,000	9,591,284,070	43,839,204,037	6,000,000,000	4,769,274	159,435,257,381
Equity from NG for the implementation of various projects:							
Airport to NCC Access Road			580,254,368				580,254,368
NCC to SCTEX Road Project			427,116,902				427,116,902
BCDA's share on asset disposition proceeds thru sale of various properties			26,884,528				26,884,528
Adjustment in value of land transferred/conveyed/swapped			(412,058)				(412,058)
Net income for the year				3,516,851,932			3,516,851,932
Dividends				(1,631,323,396)			(1,631,323,396)
Cumulative Changes in Fair Value of Investments						(4,769,274)	(4,769,274)
Balance, December 31, 2020, as restated		100,000,000,000	10,625,127,810	45,724,732,573	6,000,000,000	0	162,349,860,384
Changes in equity for 2021							
Equity from NG for the implementation of various projects:			1,173,757,558				1,173,757,558
Net income for the year				2,311,764,387			2,311,764,387
Share on asset disposition proceeds thru sale of various properties			6,390,509				6,390,509
Dividends				(1,717,209,939)			(1,717,209,939)
Balance, December 31, 2021		100,000,000,000	11,805,275,877	46,319,287,021	6,000,000,000	0	164,124,562,899

The notes on pages 9 to 83 form part of these financial statements.

BASES CONVERSION AND DEVELOPMENT AUTHORITY
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2021 and 2020
(In Philippine Peso)

	Note	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Inflows			
Proceeds from joint venture projects		13,181,055,112	3,246,027,548
Receipt of funds from the Department of Information and Communication (DICT), Department of Agriculture (DA), Department of Energy (DOE) and Department of Transportation (DOTr) for the implementation of its projects		1,607,600,000	40,000,000
Collections of concession fee		1,240,858,586	1,116,418,048
Cash receipts from lessees		915,339,831	971,142,599
Collection of guarantee deposit/development control fees		238,340,042	0
Proceeds from the disposition of transferred properties		162,707,132	88,422,051
Miscellaneous receipts		54,486,421	59,383,304
Collection of receivables		52,766,832	16,326,434
Collection/(refund) of performance, bid bonds and bid securities		4,227,498	0
Receipts from BCDA housing projects		1,761,358	7,073,692
Proceeds from disposition of Heritage Park Investment Certificates		71,916	684,435
Total Cash Inflows		17,459,214,728	5,545,478,111
Cash Outflows			
Payment of guarantee deposit/development control fees		0	(2,083,000)
Refund of performance, bid bonds and bid securities		0	(529,700,662)
Payment of indemnities to New Clark City - Project Affected People		(31,336,976)	(39,034,326)
Payment of subsidy expenses to Clark Development Corporation		(82,336,317)	(104,294,406)
Payment of estate management expenses		(178,874,786)	(187,142,581)
Payment of expenses for the implementation of projects of DOTr, Philippine Veterance Affairs Office (PVAO) and DICT		(200,979,908)	0
Payment of personnel services		(215,919,924)	(218,593,732)
Payment/remittance of taxes, duties and fees		(352,067,940)	(239,342,530)
Fund transfer to Escrow Account		(533,865,912)	0
Payment to suppliers/creditors/employees		(952,466,030)	(892,072,866)
Remittance of beneficiaries' share to the Bureau of the Treasury (BTr)		(2,686,114,488)	(2,445,816,113)
Total Cash Outflows		(5,233,962,281)	(4,658,080,216)
Net cash provided by operating activities		12,225,252,447	887,397,895
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Inflows			
Net proceeds in short and long term investments		72,806,873,260	2,092,368,852
Dividends received		607,583,333	1,343,333,333
Interest income from cash equivalents and short/long term investments		148,900,093	339,933,309
Total Cash Inflows		73,563,356,686	3,775,635,494
Cash Outflows			
Capital call infusion of BCDA to Philippine Japan Initiative for CGC, Inc.		(13,521,446)	(186,547,200)
Road-Right-of-Way (RROW) acquisition		(129,221,130)	(127,728,497)
Acquisition of property and equipment and payment for various infrastructure projects		(3,939,386,206)	(18,004,877,132)
Additional investment in fund placements		(74,669,736,443)	(1,727,661,952)
Total Cash Outflows		(78,751,865,225)	(20,046,814,781)
Net cash used in investing activities		(5,188,508,539)	(16,271,179,287)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash Inflows			
Receipt of subsidy income		4,847,463,934	1,490,127,786
Equity from National Government		1,173,757,556	1,007,371,270
27.50 per cent share of BCDA from asset disposition		61,716,498	26,884,528
Total Cash Inflows		6,082,937,988	2,524,383,584
Cash Outflows			
Remittance to BTr in support of the Bayanihan Act		0	(1,778,000,000)
Payment of financing charges		(169,768,780)	(188,634,810)
Payment of guarantee fees to BTr		(186,236,907)	(409,634,049)
Partial settlement of Japan International Cooperation Agency loan		(856,034,151)	(889,280,685)
Dividends paid to BTr		(1,717,209,939)	(1,631,323,396)
Total Cash Outflows		(2,929,249,777)	(4,896,872,940)
Net cash provided by/(used in) financing activities		3,153,688,211	(2,372,489,356)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		289,203	(1,261,571)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		10,190,721,322	(17,757,532,319)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		5,003,162,433	22,760,694,752
CASH AND CASH EQUIVALENTS AT END OF YEAR	6	15,193,883,755	5,003,162,433

The notes on pages 9 to 83 form part of these financial statements.

BASES CONVERSION AND DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Bases Conversion and Development Authority (BCDA) was created under Republic Act (RA) No. 7227, otherwise known as the Bases Conversion and Development Act of 1992, which was approved on March 13, 1992. Section 8 of RA No. 7227, which pertains to the rates of distribution of the net proceeds from the sale of Metro Manila military camps, was later amended by the passage of RA No. 7917 on February 21, 1995.

RA No. 7227 vested BCDA with the mandate to accelerate the sound and balanced conversion into alternative productive uses of the Clark and Subic military reservations and extensions, to raise funds by the sale of portions of Metro Manila military camps, to apply said funds for the development and conversion to productive civilian use of the lands covered under the 1947 Military Bases Agreement, and to promote the economic and social development of Central Luzon in particular, and the country in general.

The financial statements of BCDA as of December 31, 2021 and 2020 were authorized for issue by the Board of Directors on June 2, 2022.

BCDA's registered office and principal place of business is 2nd Floor, Bonifacio Technology Center, 31st Street, Crescent Parkwest, Bonifacio Global City, Taguig City.

2. FINANCIAL REPORTING FRAMEWORK AND BASIS OF PREPARATION AND PRESENTATION

Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of BCDA were prepared in accordance with Philippine Financial Reporting Standards (PFRS) which includes all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), Philippine Interpretations Committee and Standing Interpretations Committee as approved by the Financial Reporting Standards Council, and the Board of Accountancy.

Basis of Preparation and Presentation of Financial Statements

The financial statements were prepared on a historical cost basis unless otherwise indicated. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, BCDA takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

For financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety; which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Functional and Presentation Currency

The financial statements are presented in Philippine Peso and all values/amounts are rounded to the nearest peso, except when otherwise stated.

Functional currency is the currency of the primary economic environment in which BCDA operates.

3. ADOPTION OF NEW AND AMENDED PFRS

a. Effective in 2021 that are relevant to BCDA

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which BCDA adopted effective for annual periods beginning on or after January 1, 2021:

- Amendments to PFRS 16, *Leases – COVID-19 Related Rent Concessions beyond June 30, 2021*- In 2020, PFRS 16 was amended to provide practical expedient to lessees from applying the requirements on lease modifications for eligible rent concessions that is a direct consequence of COVID-19 pandemic. A lessee may elect not to assess whether eligible rent concessions from a lessor is a lease modification. A lessee that makes this election account for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for a change that is not a lease modification, e.g., as a variable lease payment. This amendment is effective for annual reporting periods beginning on or after June 1, 2020, with earlier application permitted, and covers eligible rent concessions until June 30, 2021. BCDA applied the practical expedient in its financial statements for the year ended December 31, 2021.

  Due to continuing impact of the pandemic, another amendment to PFRS 16 was issued in 2021, which allows lessees to extend the application of the practical expedient regarding COVID-19-related rent concessions to reduction in lease payments that are due on or before June 30, 2022. The amendment is effective for annual reporting periods beginning on or after April 1, 2021 but earlier application is permitted. The 2021 amendment is mandatory for entities that elected to apply the previous amendment. Accordingly, BCDA has applied the amendment in the current year financial statements.

b. Effective in 2021 but not relevant to BCDA

- Amendments to PFRS 9, IAS 39, PFRS 17, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform-Phase 2* - The amendment enables entities to reflect the effects of transitioning from benchmark interest rates, such as interbank offer rates (IBORs) to alternative benchmark interest rates without giving rise to accounting impacts that would not provide useful information to users of financial statements.

  The amendments affect many entities and in particular those with financial assets, financial liabilities or lease liabilities that are subject to interest rates benchmark reform and those that apply the hedge accounting requirements in PFRS 9 or PAS 39 to hedging relationships that are affected by the reform.

  The amendments are effective for annual periods beginning on or before January 1, 2021 with early application permitted. The amendments are applied retrospectively and include reinstatement of hedge relationships that were discontinued solely due to changes directly required by the reform.

The adoption of the foregoing new and amended PFRS did not have any material effect on the financial statements. Additional disclosures have been included in the notes to financial statements, as applicable.

c. New and amended PFRS issued but not yet effective

The new and amended PFRS which are not yet effective for the year ended December 31, 2021 and have not been applied in preparing the financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2022:

- Amendments to PFRS 3, *Reference to Conceptual Framework* – The amendments will replace the reference of PFRS 3 from the 1989 Framework to the current 2018 Conceptual Framework. The amendments include an exception that specifies that, for some types of liabilities and contingent liabilities, an entity applying PFRS 3 should refer to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* or IFRIC 21, *Levies,* instead of the Conceptual Framework. The requirement will ensure that the liabilities recognized in a business combination will remain the same as those recognized applying the current requirements in PFRS 3. The amendments also clarified that an acquirer shall not recognize contingent assets acquired in a business combination. The amendments should be applied prospectively.

- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds Before Intended Use* – The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the proceeds and related costs from such items shall be recognized in profit or loss. The amendments must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when an entity first applied the amendments.

- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract* – The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling a contract comprises both the incremental costs of fulfilling that contract and an allocation of costs directly related to contract activities. The amendments apply to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as applicable. Accordingly, the comparatives are not restated. Earlier application is permitted.

- Annual improvements to PFRS 2018 to 2020 cycle:

  Amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Subsidiary as a First-time Adopter* – The amendment permits a subsidiary that becomes a first-time adopter later than its parent and measures its assets and liabilities in accordance with paragraph D16 (a) of PFRS 1 to measure cumulative translation differences for all foreign operations using the amounts reported by its parent, based on the parent's date of transition to PFRS. Earlier application of the amendment is permitted.

  Amendment to PFRS 9, *Financial Instruments - Fees in the "10 per cent" Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity shall include when it applies the "10 per cent" test in assessing whether to derecognize a financial liability (i.e. whether the terms of a new or modified financial liability is substantially different from the terms of the original financial liability). These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf. The amendment applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applied the amendments. Earlier application is permitted.

  Amendment to PFRS 16, *Leases - Lease Incentives* – The amendment removes the reimbursement of leasehold improvements by the lessor. The objective of the amendment is to avoid any potential confusion regarding the treatment of lease incentives because of how the requirements for lease incentives are illustrated.

  Amendment to PAS 41, *Agriculture - Taxation in Fair Value Measurements* – The amendment removes the requirement for entities to exclude cash flows for taxation when measuring the fair value of a biological asset using a present value technique to ensure consistency with the requirements in PFRS 13, *Fair Value Measurement*. The amendment should be applied prospectively. Earlier application is permitted.

Effective for annual periods beginning on or after January 1, 2023:

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments. The amendments must be applied retrospectively. Earlier application is permitted.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure Initiative – Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2, Making Materiality Judgements, is amended by adding guidance and examples to explain and demonstrate the application of the "four-step materiality process" to accounting policy information. The amendments should be applied prospectively. Earlier application is permitted.

- Amendments to PAS 8, *Definition of Accounting Estimates* - The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". An entity develops an accounting estimate if an accounting policy requires an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods. Earlier application is permitted.

  Amendments to PAS 12, *Deferred Tax Related Assets and Liabilities from a Single Transaction* – The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. Earlier application is permitted.

Effective for annual periods beginning on or after January 1, 2025:

- PFRS 17, *Insurance Contracts* – This standard will replace PFRS 4, *Insurance Contracts*. It requires insurance liabilities to be measured at current fulfillment value and provides a more uniform measurement and presentation approach to achieve consistent, principle-based accounting for all insurance contracts. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. An amendment to the standard was issued to (i) reduce costs of transition by simplifying some requirements of the standard, (ii) make financial performance easier to explain, and (iii) ease transition by deferring the effectivity of the standard from 2021 to 2023 and by providing additional relief to reduce the effort required when applying PFRS 17 for the first time.

  In response to the challenges brought by the COVID-19 pandemic, the Insurance Commission issued Circular Letter No. 2020-062, Amendment of Section 1 of Circular Letter No. 2018-69, Deferral of IFRS 17 Implementation, which provides a two-year deferral on the implementation of the standard from the 2023 effectivity date. Therefore, all life and non-life insurance companies in the Philippines shall adopt PFRS 17 for annual periods beginning on or after January 1, 2025.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investment in Associates and Joint Ventures, Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* – The amendments address a current conflict between the two standards and clarify that a gain or loss should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

- Amendments to PFRS 4, *Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts* – The amendments respond to industry concerns about the impact of differing effective dates. The amendments to PFRS 4 provide two optional solutions to reduce the impact of the differing effective dates of PFRS 9 and 17. The two optional solutions are the temporary exemption from PFRS 19 and the overlay approach. Under the temporary approach, rather than having to implement PFRS 19, some companies are permitted to continue to apply PFRS 30, Financial Instruments. The overlay approach to presentation alleviates temporary accounting mismatches and volatility. For designated financial assets, a company is permitted to reclassify between profit or loss and other comprehensive income (OCI), the difference between the amounts recognized in profit or loss under PFRS 9 and those that would have been reported under PAS 39.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS is not expected to have any material effect on the consolidated financial statements of BCDA.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Financial Instruments

Date of Recognition. BCDA recognizes financial instruments in the statements of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place are recognized on the trade date.

Initial Recognition and Measurement. Financial instruments are recognized initially at fair value. Except for financial instruments at fair value through profit or loss (FVPL), the initial measurement of financial instruments includes transaction costs. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

"Day 1" Difference. Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, BCDA recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss, unless it qualifies for recognition as used some other type of asset. In cases where data used as inputs in a valuation model are not observable, BCDA deemed the transaction price as the best estimate of fair value and recognizes the difference in the statement of comprehensive income when the inputs become observable or when the instruments is derecognized. For each transaction, BCDA determines the appropriate method of recognizing the "Day 1" difference.

Classification. BCDA classifies its financial asset as: financial assets at FVPL, financial assets at fair value through other comprehensive income (FVOCI) and financial assets at amortized cost. BCDA classifies its financial liabilities as: financial liabilities at FVPL and other financial liabilities at amortized cost. The classification depends on the purpose for which the instruments were acquired or incurred and whether these are quoted in an active market. Management determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Determination of Fair Value. The fair value for financial instruments traded in active markets at the financial reporting date is based on their quoted market price or dealer price quotation (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

If the financial instruments are not listed in an active market, the fair value is determined using appropriate valuation techniques which include recent arm's length market transactions, net present value techniques, comparison to similar instruments for which market observable prices exists, options pricing models, and other relevant valuation models.

Financial Assets at FVPL. Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of comprehensive income.

This category includes derivative instruments and listed equity investments which BCDA had not irrevocably elected to classify at FVOCI. Dividends on listed equity investments are also recognized as other income in the statement of profit or loss when the right of payment has been established.

BCDA does not have financial assets classified as FVPL as at December 31, 2021 and 2020.

Financial assets at FVOCI (debt instruments). BCDA measures debt instruments at FVOCI if both the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of comprehensive income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in other comprehensive income (OCI). Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

BCDA does not have financial assets classified as FVOCI as at December 31, 2021 but the investments in Treasury Bills in 2020 are included in this category.

Financial assets designated at FVOCI (equity instruments). Upon initial recognition, BCDA can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when BCDA benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

BCDA does not have financial assets classified as FVOCI as at December 31, 2021 and 2020.

Financial assets at amortized cost (debt instruments). BCDA measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

BCDA's financial assets at amortized cost include cash and cash equivalents, investment in government bonds, and receivables.

Financial Liabilities at FVPL. Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by BCDA that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

BCDA does not have financial liabilities classified as FVPL as at December 31, 2021 and 2020.

Financial liabilities at amortized cost. This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability.

These include liabilities arising from operations or borrowings. The financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the EIR method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

BCDA's financial liabilities at amortized cost include trade and other payables, and borrowings.

Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Derecognition of Financial Assets and Liabilities

Financial Assets. A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset expired;
- BCDA retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- BCDA has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the assets, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When BCDA has transferred its rights to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of its continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that BCDA could be required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Impairment of Financial Assets. BCDA recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that BCDA expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in three stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, BCDA applies a simplified approach in calculating ECLs. For debt securities that are considered impaired, lifetime ECL is recognized and the effective interest rate is applied to the carrying value of the financial assets. BCDA does not track changes in credit risk, but recognizes a loss allowance based on lifetime ECLs at each reporting date. BCDA has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

BCDA considers a financial asset in default when contractual payments are more than 90 days past due. In addition, accounts with contract payments that are more than 30 days past due are assessed to have significant increase in credit risk. However, in certain cases, BCDA may also consider a financial asset to be in default when internal or external information indicates that it is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by BCDA. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows such as changes in arrears or economic conditions that correlate with defaults.

<u>Advances to related parties</u>

Advances to related parties generally arise from transactions outside the usual operating activities of BCDA. These are made on terms equivalent to those that prevail in arm's length transactions. Collateral is not normally obtained. These are recognized initially at transaction price and subsequently measured at amortized cost using the effective interest method. These are presented as current assets unless payment is not due within 12 months after the reporting period. Outstanding balances at the year-end are unsecured and interest free.

Inventories

Inventories include merchandise inventories, inventories held for consumption and semi-expendable office equipment. Merchandise inventories are initially measured at cost. Costs of merchandise inventory include purchase price and all incidental costs necessary to bring the inventory to its saleable condition. Subsequently, these are reported in the statement of financial position at the lower of cost and net realizable value. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

When the net realizable value of the inventory is lower than the cost, BCDA recognizes an impairment loss for the decline in the value of the inventory. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized in profit or loss in the period in which the reversal occurs.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

Inventories held for consumption and semi-expendable inventories are measured at cost less withdrawals, any subsequent accumulated depreciation and impairment losses.

Prepayments and Other Current Assets

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as they are consumed in operations or expire with the passage of time.

Prepayments are classified in the statements of financial position as current assets when the cost of goods or services related to the prepayments are expected to be incurred within one year or BCDA's normal operating cycle, whichever is longer. Otherwise, prepayments are classified as non-current assets. Prepayments include advances to contractors, prepaid insurance, withholding tax at source, and other prepayments.

Other current assets represent assets of BCDA which are expected to be realized or consumed within one year or within its normal operating cycle whichever is longer. This account includes advances to officers and employees, prepayments, deposits and other assets.

Advances to officers and employees are those granted to Special Disbursing Officers for authorized purposes.

Other assets represent deposits which are restricted as to use and earn interest at prevailing bank deposit rates. Interest earned from these deposits inures to the benefit of BCDA. It also includes property, plant and equipment which are subject for disposal. Other current assets are presented in the statement of financial position at cost.

Investments in Subsidiaries/Affiliates/Joint Ventures

Investments in subsidiaries/affiliates/joint ventures are accounted for using the cost method. Under this method, investments are recorded at their acquisition cost which is adjusted only when the recoverable amount of investments decreases. Dividends or other direct payments received from an associate or subsidiary are recognized as income when BCDA's right to receive payment has been established and it is probable that the economic benefits will flow to BCDA and the amount of revenue can be measured reliably.

Investments of BCDA in its Subsidiaries are as follows:

	Percentage of Ownership
BCDA Management Holdings Inc. (BMHI)	100
Clark Development Corporation (CDC)	100
Clark International Airport Corporation (CIAC)	100
John Hay Management Corporation (JHMC)	100
North Luzon Railways Corporation (NORTHRAIL)	100
Poro Point Management Corporation (PPMC)	100

Investments in Affiliates/Joint Ventures are as follows:

	Percentage of Equity
Fort Bonifacio Development Corporation (FBDC)	45
Filinvest BCDA Clark, Inc. (FBCI)	45
Philippine Japan Initiative for CGC, Inc. (PJIC)	48
Bonifacio Estate Services Corporation (BESC)	33
Subic Clark Alliance for Development (SCAD)	33
Bonifacio Communications Corporation (BESC)	25
NGAC Phase 1 Joint Venture	10

Fund Releases to Subsidiaries

BCDA provides funds for Operating Expenses (OPEX) and land related costs for PPMC and JHMC pursuant to the Performance Agreement. OPEX fund releases are treated as estate management expense by BCDA and income by the subsidiaries while land related costs are treated as an expense and/or asset by BCDA. Land related costs are expenses related to the development of the estate such as maintenance and safeguard of property, capital expenditure (CAPEX) projects and furniture, fixtures and equipment.

BCDA records all development costs incurred by the subsidiaries as its assets including the related depreciation expenses.

Investment Property

Investment properties are properties held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business or for administrative purposes.

Investment properties, except land, are measured at cost less accumulated depreciation and any impairment in value. Land is stated at cost less any impairment in value. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Depreciation and amortization are calculated on a straight-line basis over the estimated useful lives ranging from 5 to 50 years.

The estimated useful lives, depreciation and amortization method are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefit from items of investment properties.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the ending of owner-occupation, commencement of an operating lease to another party or ending of the construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by the commencement of owner occupation or commencement of development with a view to sale.

Investment properties of BCDA comprised of parcels of land which were turned over and titled in the name of BCDA pursuant to RA No. 7227. It also includes the following:

- Certain–buildings and structures such as the ASEAN Villas and NGAC Sports Facilities in Clark;
- Log Homes and Manor Suites in Camp John Hay in Baguio City; and
- The undeveloped area at Heritage Park.

Property and Equipment

Property and equipment are initially measured at cost. The cost of an item of property and equipment comprises:

- Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- The initial estimate of the future cost of dismantling and removing the item and restoring the site on which it is located, the obligation for which BCDA incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

At the end of each reporting period, items of property and equipment are measured at cost less any subsequent accumulated depreciation and impairment losses.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes professional fees and for qualifying assets, borrowing costs capitalized in accordance with BCDA's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences at the time the assets are ready for their intended use.

Fully depreciated and fully amortized assets are retained by BCDA as part of property and equipment until their disposal. Further change in depreciation is made with respect to these assets.

The residual values and estimated useful lives of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that their carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use.

In assessing the value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

For assets that do not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Impairment loss is recognized in profit or loss.

An item of property and equipment, including the related accumulated depreciation, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Gain or loss arising on the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the year the item is derecognized.

Leasehold improvements are depreciated over the improvements' useful life of 20 years or when shorter, the term of the relevant lease.

BCDA records assets with acquisition value, net of value-added tax (VAT), of less than P15,000, with an estimated useful life of more than one year, as semi-expendable property in accordance with COA Circular No. 2016-006. These items are recognized as an expense when issued to the end-users.

Service Concession Assets

Service concession assets and deferred concession revenue are recognized at the fair value of the assets at the time of acquisition. Subsequent capital expenditures made by the operator are recognized as assets and depreciated on a straight-line basis over the life of the concession asset or the term of the concession agreement whichever is shorter. Deferred concession revenue is amortized as income in profit or loss on a straight-line basis over the term of the concession arrangement.

If there is an indication that there has been a significant change in the useful life or residual value of an intangible asset, the amortization is revised prospectively to reflect the new expectations.

Intangible Assets

Intangible assets are defined as an identifiable non-monetary asset without physical substance. An asset meets the identifiability criterion in the definition of an intangible asset when:

- It is separable, meaning, the asset is capable of being separated from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with related contract, asset or liability.
- It arises from contractual or other legal rights, regardless of whether these rights are transferable or separable from the entity or from other rights and obligations.

Intangible assets are initially measured at cost and are subsequently measured at cost less accumulated amortization and any accumulated impairment loss. These are amortized over estimated useful life of 3 to 5 years using the straight-line method. If there is an indication that there has been a significant change in amortization rate, useful life or residual value of an intangible asset, the amortization is revised prospectively to reflect the new expectations.

The cost of a separately acquired intangible asset comprises: (a) its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and (b) any directly attributable cost of preparing the asset for its intended use.

Other Non-Current Assets

Other non-current assets include rent and guarantee deposits required by the lease contract. Deposits are initially recognized at cost and can be refunded or applied to future billings depending on the restrictions as to its use or withdrawal mandated by the lease contract. Refundable deposits are carried at cost which is determined based on amounts stipulated in contracts. Other non-current assets are generally carried at historical cost and expected to be realized or applied over the period it will benefit BCDA.

BCDA's security deposit represents deposit arising from the lease contract that will be refunded at the end of the contract. Security deposit is initially measured at fair value plus transaction cost. Subsequently, the refundable deposit is measured at amortized cost using the effective interest rate method.

Impairment of Non-Financial Assets Other than Inventories

Assets that are subject to depreciation or amortization are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset or cash-generating unit (CGU) is tested for impairment. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows CGUs.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Derecognition of Non-Financial Assets

Items of property and equipment and intangible assets are derecognized when these assets are disposed of or when no future economic benefits are expected from these assets. Any difference between the carrying value of the asset derecognized and net proceeds from derecognition is recognized in profit or loss.

Current Liabilities

Other current liabilities are the obligations incurred by BCDA that will be settled within the next 12 months, other than financial liabilities. This account includes payable to government agencies. Payable to government agencies are recognized in the period when a legally enforceable claim against BCDA is established. BCDA's government dues include withholding taxes, percentage tax, VAT, income tax, Government Service Insurance System, Social Security System, Pag-IBIG, and PhilHealth contributions. It also includes funds held in trust for other government agencies for the implementation of other government projects.

Other current liabilities are recognized initially at the transaction price and subsequently measured at amortized cost using the effective interest method.

Non-Current Liabilities

The other non-current liabilities of BCDA consist of refundable deposits and deferred output VAT, advance rental fees, and borrowings. Refundable deposit is initially measured at fair value plus transaction cost. Subsequently, the refundable deposit is measured at amortized cost using the effective interest rate method.

Related Parties

Related party relationship exists when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its key management personnel, directors, or its shareholders.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Revenue Recognition

Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as BCDA perform its obligations; (b) the performance of BCDA creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the said performance does not create an asset with an alternative use to BCDA and it has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

BCDA also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. And it has assessed that it acts as a principal in all of its revenue sources.

The following specific recognition criteria must also be met before revenue is recognized.

Sale of Goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue from sale of goods is recognized when the goods are delivered and titles have passed, at which all the following conditions are satisfied:

- BCDA has transferred to the buyer the significant risks and rewards of ownership of the goods;
- BCDA retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to BCDA; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

Rendering of Services

Revenue from a contract to provide services is recognized as revenue in the accounting periods in which the services are rendered. Revenue from a contract to provide services is recognized when all of the following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to BCDA;
- The stage of completion of the transaction can be measured reliably; and
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Interest Revenue

Interest revenue is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend Revenue

Dividend revenue is recognized when the rights of BCDA to receive payment have been established, provided that it is probable that the economic benefits will flow to BCDA and the amount of income can be measured reliably.

Lease Revenue

Revenue from lease is recognized in the statement of comprehensive income on a straight-line basis over the term of the lease.

Finance Income

Finance income comprises interest income on bank deposits, and fund placements. Interest income is recognized in profit or loss as it accrues, using the effective interest method.

Service Concession Revenue

Service concession revenue is recognized when the right to receive concession fees is established, which normally coincides with the period the operator collects toll fees and revenues from airport operations.

Expense Recognition

Expenses are recognized in profit or loss when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in profit or loss: on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statements of financial position as an asset.

Expenses in the statement of comprehensive income are presented using the function of expense method. Costs of sales are expenses incurred that are associated with the goods sold. Operating expenses are costs attributable to administrative, marketing, selling and other business activities of BCDA.

Leases

BCDA assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

BCDA as Lessee

BCDA applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. BCDA recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-Use Assets

BCDA recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

Lease liabilities

At the commencement date of the lease, BCDA recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by BCDA and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, BCDA uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The lease liabilities of BCDA are presented in Note 20.

Short-Term Leases and Leases of Low-Value Assets

BCDA applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

BCDA as Lessor

Leases in which BCDA does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

BCDA classify finance lease if any of the following conditions apply:

- The asset transfers to the lease at the end of the lease term;
- The lease has an option to purchase the asset from the lessor at below fair value;
- The lease term is for a significant part of the asset's economic life;
- The present value of future lease payments amounts to substantially all of the asset's fair value; or
- The leased asset is specialized in nature, and may only suit the needs of the lease without major modification.

Accounting policy prior to January 1, 2019.

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Leases of property and equipment, where BCDA has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is apportioned between the liability and finance charges using the effective interest method. Rental obligations, net of finance charges, are included in borrowings in the statement of financial position. The property and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

BCDA as Lessee

Lessee in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are changed to the statements of comprehensive income on a straight- line basis over the period of the lease.

Leases which transfer to BCDA substantially all risks and benefits incidental to ownership of the leased item are classified as finance leases and are recognized as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property at the inception of the lease or, if lower, at the present value of minimum lease payments. Lease payments are apportioned between the finance costs and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of liability.

Finance costs are recognized in profit and loss. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Finance lease obligations, net of finance charges, are presented as "Finance Lease Obligation" account in the statement of financial position.

BCDA as Lessor

BCDA as a lessor of operating lease does not transfer substantially all the risks and rewards of ownership of an asset. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

BCDA has entered into commercial property leases on its property portfolio. BCDA has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and fair value of the asset, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

<u>Borrowing Costs</u>

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of the assets until such time as the assets are substantially ready for their intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Employee Benefits

Short-term Benefits

Liabilities for wages and salaries, including the non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of the employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

Short-term employee benefits are recognized as expense in the period the related service is provided.

Short-term employee benefits include salaries and wages, Personnel Economic Relief Allowance, Representation and Transportation Allowance, year-end bonus, de minimis benefits, employer share contributions and other allowances and bonuses.

Compensated Absences

Accumulating sick and vacation leave credits are those that are carried forward and can be used in future periods if the current period's entitlement is not used in full. An obligation arises as employees render service that increases their entitlement to future paid absences. Accumulating sick and vacation leave benefits are measured on an undiscounted basis. These are recognized as an expense as the related service is provided based on the employee's monthly salary as at the end of the accounting period. Compensated absences are recorded as Terminal Leave Benefits by BCDA.

Post-Employment Benefits

BCDA contributes to the provident fund of its employees. Under the provident fund, the legal or constructive obligation of BCDA is limited to the amount that it agrees to contribute to the fund. The employer's share in the provident fund is recorded as an expense in the period as the related service is provided. No actuarial computation was obtained since actuarial and investment risk are born by the employees.

Retirement Fund

BCDA does not have a retirement benefit plan. Retirement and insurance benefits of employees are provided by the Government Service Insurance System (GSIS) in compliance with RA No. 8291, otherwise known as the GSIS Act of 1997.

Income Tax

Income tax expense represents the sum of the current tax and deferred tax expense.

Current Tax

The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The current tax liability of BCDA is calculated using 25 per cent regular corporate income tax (RCIT) rate or one per cent minimum corporate income tax rate, whichever is higher.

Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which BCDA expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and Deferred Tax for the Year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity. In which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

Foreign Currency Transactions and Translation

The accounting records of BCDA are maintained in Philippine peso. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Changes in the fair value of monetary financial assets denominated in foreign currency are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security.

Translation differences related to changes in amortized cost are recognized in profit or loss.

Events after Reporting Date

Subsequent events that provide additional information about conditions existing at period end (adjusting events) are recognized in the financial statements. Subsequent events that provide additional information about conditions existing after period end (non-adjusting events) are disclosed in the notes to the financial statements.

Government Equity

Government equity represents the equity of the National Government (NG) to BCDA and includes the 27.50 per cent share on the net proceeds as prescribed by Section 1 (2) of RA No. 7917. The proceeds from sale transactions after deducting all expenses related to the sale are distributed as follows:

	Percentage of share
Armed Forces of the Philippines	35.00
Bases Conversion and Development Authority	27.50
National Shelter Program	12.00
Other Beneficiaries	25.50
	100.00

BCDA's 27.50 per cent share from the net proceeds is recorded as part of equity from NG. The shares of beneficiaries other than BCDA are initially booked as a liability. Direct expenses related to the disposition are treated as expenses or assets, as the case maybe.

Contributed Capital

Contributed capital represents the equity of NG to BCDA in excess of the authorized capital stock.

Retained Earnings

Retained Earnings represent accumulated profit attributable to equity holders of BCDA after deducting dividends declared. Retained Earnings may also include the effect of changes in accounting policy as may be required by the standard's transitional provisions.

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the financial statements in accordance with Philippine Financial Reporting Standards (PFRS) requires BCDA to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Future events may occur which will cause the assumption used in arriving at the estimates to change. The effects of changes in estimates will be reflected in the financial statements as they become reasonably determinable.

Judgments

In the process of applying BCDA's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

Classification of Financial Instruments

BCDA classifies a financial instrument, or its component parts, on initial recognition, as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial asset, a financial liability or an equity instrument.

The substance of a financial instrument, rather than its legal form, governs its classification in the statements of financial position.

Assessment of Impairment of Nonfinancial Assets

BCDA determines whether there are indicators of impairment of its property and equipment, creditable withholdings tax and prepaid expenses. Indicators of impairment include significant change in usage, decline in the asset's fair value on underperformance relative to expected historical or projected future results. Determining the fair value requires the determination of future cash flows and future economic benefits expected to be generated from the continued use and ultimate disposition of such assets. It requires BCDA to make estimates and assumptions that can materially affect the financial statements. Future events could be used by management to conclude that these assets are impaired. Any resulting impairment loss could have a material adverse impact on BCDA's financial position and financial performance. The preparation of the estimated future cash flows and economic benefits involves significant judgments and estimation.

Estimates

Estimating Useful Lives of Property and Equipment

BCDA estimates the useful lives of its property and equipment based on the period over which these assets are expected to be available for use. The estimated useful lives of these assets and residual values are reviewed, and adjusted if appropriate, only if there is a significant change in the asset or how it is used.

The following estimated useful lives are used in depreciating the property and equipment:

Land Improvements	10 to 20 years
Buildings and Structures	10 to 50 years
Leasehold Improvements	10 to 30 years
Furniture and Fixtures	5 to 10 years
Land Transportation Equipment	7 years
Machineries	7 years
Equipment	5 years

The carrying amounts of BCDA's Property and Equipment as at December 31, 2021 and 2020 are P9.947 billion and P17.477 billion, respectively. Depreciation cost charged to operation amounted to P187.960 million and P196.466 million in CY 2021 and CY 2020, respectively (see Note 16).

Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are recognized when BCDA has a present obligation, either legal or constructive, as a result of a past event, it is probable that BCDA will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

The amount recognized is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

If it is no longer probable that a transfer of economic benefits will be required to settle the obligation, the provision should be reversed.

Contingent Liabilities and Assets

Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of BCDA.

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefit is remote.

Contingent assets are possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of BCDA.

Contingent assets are not recognized in the financial statements but should be disclosed where an inflow of economic benefits is probable. Asset is recognized when the realization of income is virtually certain.

Tax Subsidy Availments

The income approach is used in the recognition of the tax subsidy availments by the contractors and consultants. Under the approach, the subsidy is recognized as deferred income and amortized over the useful life of the asset (Philippine Accounting Standard 20, par. 26). The amortization of subsidy income started in 2009 when the Subic–Clark-Tarlac Expressway (SCTEx) began its operation computed based on the total amount of tax subsidy over 30 years which is the estimated useful life of the SCTEx.

Joint Venture Agreements (JVAs)

BCDA has entered into several JVAs with various companies. Evaluating whether these arrangements involve joint arrangement depends on the facts and circumstances of the contractual agreements. Joint arrangements are recognized when the terms of contractual agreements give the parties joint control over relevant activities such as decisions regarding construction and development of the property; management and marketing of the developed property; hiring of key personnel; and selection of contractors, architects, and suppliers. If the agreements do not constitute joint arrangements under PFRS 11, such arrangements are accounted for in accordance with other applicable financial reporting standards.

6. CASH AND CASH EQUIVALENTS

This account consists of:

	2021	2020 (As restated)
Cash equivalents	**10,383,528,766**	1,051,945,583
Cash in banks	**4,810,279,098**	1,131,087,974
Cash on hand	**75,891**	2,820,128,876
	15,193,883,755	5,003,162,433

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. BCDA classifies an investment as cash equivalent if that investment has a maturity of three months or less from the date of acquisition. Interest income earned from cash equivalents amounted to P41.206 million and P151.476 million in CYs 2021 and 2020, respectively (see Note 27).

Cash in banks are deposits maintained with Land Bank of the Philippines (LBP) and Development Bank of the Philippines (DBP) which earn interest at the prevailing bank deposit rates. Interest income earned from cash in banks amounted to P1.238 million and P2.375 million in CYs 2021 and 2020, respectively (see Note 27).

7. FINANCIAL ASSETS

This account consists of government securities guaranteed by the Republic of the Philippines and its instrumentalities. The financial assets of BCDA consist of the following:

	2021	2020 (As restated)
Current		
Long-term placements in Fixed-Rate Treasury Notes	**1,251,810,157**	6,000,000
Treasury bills	**0**	1,101,262
	1,251,810,157	7,101,262
Non-current		
Long-term Investment on Tier 2 Fixed-Rate Unsecured Subordinated Notes	**500,000,000**	1,751,730,717
	1,751,810,157	1,758,831,979

Interest income earned from government securities amounted to P64.691 million and P78.273 million in CYs 2021 and 2020, respectively (see Note 27).

8. OTHER INVESTMENTS

The current portion of this account pertains to the investments in time deposits by BCDA maintained with LBP and DBP which earn interest at a pre-determined competitive rate and have maturities of 91 days. Interest income earned from time deposits amounted to P31.594 million and P15.380 million in CYs 2021 and 2020, respectively (see Note 27).

The non-current portion of this account consists of the following:

	2021	2020
Cost of 10% investment in Bonifacio Water Corporation	**70,051,870**	70,051,870
Cost of 15% investment in Poro Point Industrial Communication	**15,000,000**	15,000,000
Value of 30 golf and country shares received by BCDA from CJHDevCo as partial payment of the latter's outstanding obligations	**12,000,000**	12,000,000

	2021	2020
Cost of 10% Cumulative Preferred shares of BCDA paid to MERALCO in connection with the application for the installation of electric facilities at Serendra Project, Districts 1 and 2 properties pursuant to the Subscription Agreement entered into by and between BCDA and MERALCO	**5,947,649**	5,947,649
Cost of stocks/securities of PLDT in connection with the installation of various lines at BCDA and miscellaneous investments	**24,800**	24,800
	103,024,319	103,024,319

9. RECEIVABLES

This account consists of the following:

	2021	2020 (As restated)
Loans and receivables	**12,995,653,480**	28,148,783,623
Inter-agency receivables	**5,458,297,012**	5,806,635,117
Lease receivables	**2,776,610,809**	2,151,828,650
Other receivables	**61,365,486**	49,312,085
	21,291,926,787	36,156,559,475
Allowance for impairment	**(1,943,515,013)**	(1,943,515,013)
	19,348,411,774	34,213,044,462
Current portion	**8,056,539,400**	17,943,151,528
Non-current portion	**11,291,872,374**	16,269,892,934

Loans and receivables consist of the following:

	2021	2020 (As restated)
Business projects		
Bonifacio South Pointe Project	**10,413,223,141**	16,739,293,764
JUSMAG Project	**1,925,186,404**	5,615,250,114
Uptown Bonifacio Project	**238,275,292**	532,143,735
Newport Project	**160,402,331**	222,052,925
Serendra Project	**237,088**	4,838,769,055
Concession fees	**168,017,037**	126,569,273
Housing projects		
Rodriguez, Rizal Relocation	**17,676,324**	17,980,980
Pamayanang Diego Silang (PDS)	**5,844,116**	5,802,847
Pabahay 2000 in General Trias, Cavite	**8,501,358**	8,813,818
Interest receivable	**28,964,443**	12,347,999
Dividends receivable	**19,002,935**	19,002,935
Heritage Park Investment	**10,281,712**	10,466,418
Others	**41,299**	289,760
	12,995,653,480	28,148,783,623

Receivables from business projects refers to the remaining net cash flows of the Minimum Annual Secured Revenue Share (MASRS) arising from Joint Venture Agreements (JVAs) of BCDA with various joint venture partners. The decrease in receivable from Joint US Military Advisory Group (JUSMAG) project was a result of the Dispute Resolution Agreement entered into by BCDA and MEGAWORLD corporation for the settlement of the unpaid MASRS including the corresponding interest thereof, and final resolution of the clearing obligation by BCDA. The collection of CY 2021 MASRS from other business projects also contributed to the reduction of the receivables.

Receivables from concession fees refers to BCDA's 50 per cent share of the audited gross toll revenues of Subic-Clark-Tarlac Expressway (SCTEx) amounting to P145.779 million and P108.810 million for CYs 2021 and 2020, respectively. It also includes the 18.25 per cent share of BCDA in the gross revenue share from the operation of Clark International Airport, amounting to P22.238 million and P17.760 million for the 4th quarter of CYs 2021 and 2020, respectively.

Receivables from housing projects refers to amortization balances of housing units in Pamayanang Diego Silang Village at Ususan, Taguig and Pabahay 2000 units at General Trias, Cavite. These also include receivables arising from the relocation of qualified informal settler families affected by the development of the 34.5-hectare JUSMAG property based on a Memorandum of Agreement (MOA) entered into by and between BCDA and the National Housing Authority (NHA) on November 10, 2011. Based on the MOA, BCDA shall fund the cost of housing units, including the cost of community facilities, and individual water and power connections of the relocatees, while NHA shall provide the necessary housing units and will serve as the collecting agent of BCDA. In CY 2012, 93 families were relocated to NHA's housing units at Kasiglahan Village, located in Rodriguez, Rizal and a total of P18.600 million was paid by BCDA to NHA.

Dividends receivable pertains to the remaining balance of property and cash dividends by BCDA from Fort Bonifacio Development Corporation (FBDC) amounting to P3.781 million and P15.222 million in CYs 2002 and 2013, respectively.

Receivables from Heritage Park Investment arises from the sale of Heritage Park Investment Certificates. Interest income earned from installment sale and assessment of penalty for late payments amounted to P8,263 and P18,336 in CYs 2021 and 2020, respectively.

Inter-agency receivables pertains to receivables from BCDA's subsidiaries/affiliates. These also include receivables from National Government Agencies (NGAs), Local Government Units (LGUs), and Government-Owned and -Controlled Corporations (GOCCs) of BCDA.

	2021	2020 (As restated)
Subsidiaries/Affiliates	**3,929,205,934**	4,085,381,984
National Government Agencies	**1,510,475,644**	1,715,915,620
Local Government Units	**17,583,655**	3,950,173
Government-Owned and -Controlled Corporations	**1,031,779**	1,387,340
	5,458,297,012	5,806,635,117

Receivables from subsidiaries/affiliates are as follows:

	2021	2020 (As restated)
Clark International Airport Corporation (CIAC)	**2,127,190,508**	2,281,659,837
North Luzon Railways Corporation (NORTHRAIL)	**1,661,831,254**	1,661,831,254
Poro Point Management Corporation (PPMC)	**72,497,456**	74,226,921
Fort Bonifacio Development Corporation (FBDC)	**43,813,435**	43,813,435
John Hay Management Corporation (JHMC)	**22,344,658**	22,344,658
Bonifacio Estate Services Corporation (BESC)	**1,500,000**	1,500,000
Clark Development Corporation (CDC)	**28,623**	3,359
SCAD Council	**0**	2,520
	3,929,205,934	4,085,381,984

Receivable from CIAC represents (a) the 15 per cent importation cost of radar spare parts for the Terminal Radar Approach Control (TRACON) Project of P37.074 million, (b) result of the inter-company settlement of CDC-CIAC loans pursuant to Executive Order (EO) No. 716 dated April 3, 2008 of P735.561 million, (c) progress billings for various infrastructure projects of P475.014 million, (d) advances of P293.547 million, net of P538.000 million assets turned-over by CIAC to Luzon International Premiere Airport Development Corporation (LIPAD Corp.) for the operation and maintenance of the Clark International Airport, (e) P384.231 million for various airport projects, and (f) amortization of Deutsche Bank loan of CIAC paid by CDC in behalf of BCDA with an accumulated amount of P201.763 million.

Receivable from NORTHRAIL substantially represents advances of P1.412 billion and FBDC's investment in NORTHRAIL of P250 million which was assigned by the latter to BCDA, pursuant to a Settlement Agreement dated April 16, 2003 by and among BCDA, Metro Pacific Corporation (MPC), FBDC and Bonifacio Land Corporation (BLC). BCDA has provided an allowance for impairment of P1.662 billion in CY 2017 because NORTHRAIL may not be able to continue as a going concern due to lack of clear-cut plans for its role as a Project Management Unit for the Railway Project.

Receivable from PPMC represents funds released for Capital Expenses (CAPEx) and for the acquisition of all validated land claims within the Wallace area. These advances will be liquidated upon the turnover of projects and Transfer Certificates of Title (TCTs) of land by PPMC to BCDA.

Receivable from FBDC represents the P43.813 million lease for the 23,126 square meters of land located at the Pamayanang Diego Silang.

Receivable from JHMC represents funds released for the construction of access roads and other CAPEx projects of P20.326 million, which will be liquidated upon completion and turnover of the project to BCDA. It also includes advances of P2.014 million, subject to reimbursement.

Receivable from CDC and SCAD represents share in the Philippine Investment Promotion Plan (PIPP) expenses.

Receivable from NGAs, LGUs, GOCCs consist of receivables from the following:

	2021	2020 (As restated)
Senate of the Philippines	**839,040,000**	1,048,800,000
Department of Public Work and Highways (DPWH)	**455,192,791**	463,786,567
Bureau of Treasury (BTr)	**148,389,657**	148,389,657
National Shelter Program (NSP)	**47,045,689**	47,045,689
Department of Health (DOH)	**19,329,250**	6,291,250
Provincial Government of Pampanga	**8,348,410**	0
Provincial Government of Tarlac	**5,285,072**	0
Municipality of Taguig	**3,750,173**	3,750,173
Philippine Information Agency (PIA)	**900,000**	900,000
National Anti-Poverty Commission (NAPC)	**477,926**	477,926
Municipality of Capas	**200,000**	200,000
Office of Civil Defense	**33,480**	33,480
Various Agencies	**1,098,630**	1,578,391
	1,529,091,078	1,721,253,133

Receivable from Senate of the Philippines pertains to the balance due from the Senate of the Philippines in connection with the sale of a portion of the Navy Village in Fort Bonifacio.

Receivable from DPWH pertains to the balance due from DPWH in connection with its acquisition of a 5,067.65 square meter-lot at Camps Atienza and Melchor in Libis, Quezon City and a 23,597 square meter right-of-way at Villamor Air Base, Pasay City.

Receivable from BTr pertains to the over remittance to BTr of other beneficiary agencies' share from the share of National Shelter Program (NSP) from the asset disposition proceeds through sale of BCDA. The NSP share represents the portion due to BCDA for the latter's conveyance/transfer of properties identified as socialized housing sites with mixed-use development under EO No. 465.

Receivable from National Shelter Program pertains to the balance due from NSP relative to the cost of land, land improvements and medium-rise condominium buildings at the Philippine Centennial Village which were turned over to the Housing and Urban Development Coordinating Council pursuant to EO No. 70, dated February 11, 2002 and Deed of Turnover, dated September 8, 2004. EO No. 70 was later amended by EO No. 465 designating NHA as the lead implementing agency of NSP to acquire ownership of the said properties. The account is decreased by NSP's share in disposition proceeds.

Receivable from DOH pertains to reimbursement for the cost incurred or advanced by BCDA for the salaries, allowances, hazard pay, and food of medical personnel assigned by DOH and/or hired by BCDA for Clark COVID-19 Quarantine and Medical Treatment Facilities (CCQ-MTFs) amounting to P19.329 million and P6.291 million in CYs 2021 and 2020, respectively, pursuant to the Memorandum of Agreement (MOA) entered by and among BCDA, DOH, and CDC on June 30, 2021. The MOA provides for the establishment, operation, management, and maintenance of a temporary CCQ-

MTFs to help alleviate the pressure on the healthcare system in the provinces of Pampanga and Tarlac.

Receivable from Provincial Government of Pampanga pertains to reimbursement for the cost incurred or advanced by BCDA for water and electric consumptions at the temporary CCQ-MTFs in Building B of the Athletes Village, National Government Administrative Center (NGAC).

Receivable from Provincial Government of Tarlac pertains to reimbursement for the cost incurred or advanced by BCDA for water and electricity consumptions at the temporary CCQ-MTFs in Building A of the Athletes Village, NGAC.

Receivable from Municipality of Taguig pertains to the funds provided by BCDA to finance the livelihood program of informal occupants relocated by BCDA at Centennial Village and Diego Silang Village.

Receivable from PIA pertains to the advances to PIA as BCDA's implementing agency to showcase its big-ticket projects under the "Build Build Build (BBB)" Program during the National Information Convention in February 2018.

Receivable from Municipality of Capas pertains to the charges for utility and maintenance personnel for the use of the Athletic Stadium and Aquatic Center during the State Colleges and Universities Athletic Association-Region III (SCUAA-III) Annual Sports Olympic on February 2-5, 2020.

Receivable from Office of Civil Defense pertains to the rent of the ASEAN Convention Center.

Receivable from various agencies pertains to the share of the Board of Investments, Subic Bay Metropolitan Authority, Zamboanga City Special Economic Zone, Philippine Economic Zone Authority, Philippine Retirement Authority, Cagayan Economic Zone Authority among others on various promotional activities of the Philippine Investment Promotions Plan (PIPP).

Lease receivables consists of the following:

	2021	2020 (As restated)
Operating lease receivables	**1,969,617,053**	1,343,181,405
Finance lease receivables	**806,993,756**	808,647,245
	2,776,610,809	2,151,828,650

Operating lease receivables pertains mostly to the unbilled portion of leases on investment properties. Unbilled lease receivable is the remaining balance of receivable arising from lease agreements entered into by BCDA computed in accordance with PFRS 16. It also includes receivable arising from the actual amount billed by BCDA to its lessees.

Finance lease receivables pertains to lease of certain units of the ASEAN Summit Villas. It is presented as a non-current asset in the Statement of Financial Position.

Other receivables is composed mainly of the following:

	2021	2020 (As restated)
Due from Non-Gov't Organizations (NGOs)	**10,460,544**	10,560,544
Due from officers and employees	**3,484,164**	4,872,591
Due from other individuals	**2,058,646**	2,517,381
Others	**45,362,132**	31,361,569
	61,365,486	49,312,085

Due from NGOs consists of receivables from (a) Lakas Ilaw Association, Inc. for the bridge loan financing of P2.933 million; (b) SAMASAMA Forever Primary Multi-Purpose Cooperative for livelihood fund of P414,617; (c) Samahang Kaisahan ng Sambayanan of P779,671; and (d) BCDA Employees Provident Fund, Inc. representing car loan facilities availed by officers of BCDA of P6.333 million.

Others consists of the following:

- *Receivables from various suppliers and contractors* for the purchase of goods that have yet to be delivered. This account also includes receivables from MEGAWORLD for the amount it retained from BCDA's annual minimum revenue share from the Newport City and McKinley Hill joint venture projects as contingency funds.

- *Receivables from NGAC Phase 1 Joint Venture* for the power consumption in the CCQ-MTFs in NGAC advanced by BCDA.

10. INVENTORIES

This account consists of the following:

	2021	2020 (As Restated)
Inventories held for sale	**4,418,089,153**	700,130,150
Inventories held for consumption	**3,231,309**	3,039,243
Semi-expendable office equipment	**17,540**	0
	4,421,338,002	703,169,393

Inventories held for sale pertains to the following:

- Unutilized Gross Floor Area (GFA) amounting to P3.833 billion which refers to the 383,089 square meters (sqm) Serendra Project by BCDA pursuant to the Close-Out Agreement with Serendra Inc. BCDA intends to sell the GFA in accordance with the Agreement. The cost of the GFA was valued using the minimum bid value of the 116,662.41 sqm project lot at P50,799/sqm or P5.296 billion less the present value of cash received by BCDA totaling P2.094 billion. The fair market value of the unutilized 383,089 sqm GFA amounted to P58,000/sqm or P22.219 billion based on its appraised value provided by the independent appraiser engaged by BCDA.

- Heritage Park Investment Certificates (HPICs) which refers to various memorial products that entitle a buyer to the perpetual use of the purchased lot upon full payment of the contract price. As of December 31, 2021, a total of 4,923 HPICs with a carrying value of P308.345 million were not yet issued or remain unsold.

- Condominium units allocated to BCDA at the New Port City. As of December 31, 2021, a total of 65 condominium units costing P244.286 million remain unsold.

- Parking spaces owned by BCDA at the Pacific Plaza Towers Condominium and Newport City. As of December 31, 2021, a total of 58 parking spaces with a carrying value of P32.190 million remain unsold.

- Pabahay 2000 pertains to the housing units of BCDA at General Trias, Cavite, which are part of BCDA's resettlement and housing program that benefited residents affected by the conversion and disposition of the former base lands in Metro Manila. As of December 31, 2021, a total of five housing units valued at P120,000 per unit remain in the inventory.

Inventories held for consumption pertains to office supplies and materials held for daily use by BCDA.

Semi-expendable office equipment pertains to tangible items below the capitalization threshold of P15,000.00 with a useful life of more than a year. These items shall be recognized as expense upon its issuance to the end-user thru an Inventory Custodian Slip.

11. OTHER CURRENT ASSETS

This account consists of the following:

	2021	2020 (As restated)
Withholding tax at source	**1,699,187,630**	1,131,103,238
Advances to contractors	**1,133,198,459**	1,007,046,500
Restricted Funds	**981,034,027**	467,825,458
Input Tax	**119,378,542**	213,859,637
Prepaid insurance	**21,839,425**	578,808
Other prepayments	**8,654,629**	14,016,559
Guaranty Deposits	**3,000**	3,000
Advances to Officers and Employees	**0**	21,093
Others	**10,598,877**	5,538,161
	3,973,894,589	2,839,992,454

Withholding tax at source pertains to creditable withholding taxes from lease, concession, and joint venture transactions.

Advances to contractors pertains to mobilization fees paid to contractors for various infrastructure projects. Mobilization fees are recouped from every progress billing/payment depending on the percentage of accomplishment.

Restricted funds pertains to the following:

- Proceeds from the sale of Serendra Condominium units and the lease income from the Serendra Retail area maintained in an escrow and trust accounts with the DBP pending sales verification and reconciliation between BCDA and Ayala Land, Inc. amounting to P253.196 million. Interest income earned amounted to P7.045 million and P7.773 million in CYs 2021 and 2020, respectively (see Note 27).

- *Director's and Officer's Liability Fund (DOLF),* being held, managed, and administered by LBP, the Trustee bank, to cover costs and expenses in relation to any demand, claim or action, suit, proceeding, whether threatened or pending against the Directors, Officers or Frontline employees of BCDA. The DOLF's initial fund is P24 million subject to additional P19 million every year until it reaches the maximum amount of P100 million, depending on the availability of BCDA's fund. Within a period of five years, BCDA shall endeavor to maintain the amount of P80 million as the minimum reserve balance of the Fund. All earnings from LBP's management of the Trust account shall form part of the Fund. The balance of DOLF as of December 31, 2021 amounted to P66.297 million. Interest income earned amounted to P0.770 million in CY 2021 (see Note 27).

Input tax pertains to the value-added tax (VAT) from the purchases of goods and services of BCDA from VAT-registered suppliers.

Prepaid insurance pertains to the cost of insurance premium for certain properties and equipment that have been paid in advance. It also includes the fidelity bond premium of accountable officers and employees.

Guaranty deposits pertains to deposits paid by BCDA to Clark Water Corporation for the installation of water connection at the BCDA staff houses in Clark.

Others pertains to unserviceable property and equipment for disposal with a total carrying amount of P5.538 million and accrual of assets/properties pending conversion to their specific asset/expense account amounting to P5.061 million.

12. INVESTMENTS IN JOINT VENTURES

This account pertains to the investment with the Philippine Japan Initiative for CGC, Inc. (PJIC) in the amount of P472.132 million and P458.610 million in CYs 2021 and 2020, respectively. PJIC was incorporated in the Philippines on July 4, 2016 by virtue of a joint venture agreement executed on March 8, 2016 by and between BCDA and the Japan Overseas Infrastructure Investment Corporation for Transport and Urban Development (JOIN), a corporation duly organized under the Act of Japan Overseas Infrastructure Investment Corporation for Transport and Urban Development (Act No. 24 of April 18, 2014), to oversee the preparation of a detailed master plan for the materialization of the New Clark City (NCC) Project. The primary objectives and purpose of the corporation include overseeing the preparation and completion of the detailed master plan within one year from the signing of the Agreement, conducting research and feasibility studies particularly focusing on NCC Project and pertinent developmental projects, engaging experts and consultants to do the detailed master planning activities and doing all acts and such other things incidental to, necessary or desirable for the attainment of the mentioned objectives and purposes. The corporate term of PJIC as set forth in its articles of incorporation is five years from and after the date of incorporation.

13. INVESTMENTS IN ASSOCIATES/AFFILIATES

	2021	2020 (As restated)
Fort Bonifacio Development Corporation	**13,056,568,886**	13,282,913,935
Filinvest BCDA Clark, Inc.	**231,450,000**	231,450,000
NGAC Phase 1 Joint Venture	**44,400,000**	0
Bonifacio Communication Corporation	**27,500,000**	27,500,000
Bonifacio Estate Services Corporation	**4,333,333**	4,333,333
Subic Clark Alliance for Development	**1,153,733**	2,083,333
	13,365,405,952	13,548,280,601

Fort Bonifacio Development Corporation (FBDC)

FBDC is engaged in the development of certain areas in Bonifacio Global City for residential, commercial, and business mixed development. It is also leasing out certain buildings and areas in Bonifacio Global City.

Filinvest BCDA Clark, Inc. (FBCI)

FBCI was incorporated by virtue of a joint venture agreement (JVA) by and between BCDA and Filinvest Land Inc. primarily to undertake and implement the NCC Project-Phase 1, including the holding, operation, management, and financing of the Project.

In CY 2019, BCDA recognized its share in the joint venture company (JVC) amounting to P231 million, equivalent to the value of the right to use and possess the land (DUR) for use of the JVC over the NCC-Phase 1 property.

NGAC Phase 1 Joint Venture

On May 3, 2018, BCDA and MTD Capital Berhad entered into a Joint Venture Agreement (JVA) for the construction and development of the National Government Administrative Center (NGAC) within the New Clark City (NCC).

Under the JVA, BCDA shall contribute as equity capital to the joint venture its DUR over the 40-hectare project site for Phase 1A, equivalent to the value of 10 percent of the total project cost of Phase 1A amounting to P4.650 billion. In 2021, BCDA recognized P44 million equity contribution to the JV in accordance with Section 5.1 of the JVA with MTD Capital Berhad.

Bonifacio Communications Corporation (BCC)

BCC's primary purpose is to construct, establish, maintain, lease, and otherwise operate, to the extent allowed by law, communication infrastructures and to provide related services, including but not limited to, value-added services, within Fort Bonifacio Global City and in all other areas within Fort Bonifacio and the Villamor Air Base.

Bonifacio Estate Services Corporation (BESC)

BESC is engaged in the business of property and real estate management services for the development of BGC and other real estate development projects.

Subic Clark Alliance for Development (SCAD)

SCAD was created to rationalize resources and harmonize strategies that will ensure an integrated and coordinated approach to the development of the SCAD corridor as a world-class mega-logistics hub and a global gateway to the Asia-Pacific region.

Dividends earned from investment in affiliates amounted to P608 million in CY 2021 and P1.343 billion in CY 2020 (see Note 27).

14. INVESTMENTS IN SUBSIDIARIES

	2021	2020 (As restated)
Clark Development Corporation	**2,813,507,300**	2,813,507,300
John Hay Management Corporation	**383,814,079**	383,814,079
BCDA Management Holdings, Inc.	**280,000,000**	280,000,000
North Luzon Railways Corporation	**100,000,000**	100,000,000
Poro Point Management Corporation	**68,143,720**	68,143,720
Clark International Airport Corporation	**1,250,000**	1,250,000
	3,646,715,099	3,646,715,099
Allowance for impairment loss	**(100,000,000)**	(100,000,000)
	3,546,715,099	3,546,715,099

Clark Development Corporation (CDC)

The CDC was established under Executive Order (EO) No. 80 dated April 3, 1993, as the implementing arm of BCDA for the Clark Special Economic Zone.

John Hay Management Corporation (JHMC)

JHMC was established as the implementing arm of BCDA for the development and management of the 625-hectare Camp John Hay (CJH) Reservation located in Baguio City and the Municipality of Tuba, Province of Benguet. The primary purpose of JHMC is to convert, develop and maintain the facilities and properties within and around CJH for tourism, commercial, industrial, residential, nature reserve, and human resource development center.

BCDA Management and Holdings, Inc. (BMHI)

BMHI was established to serve as a corporate vehicle for the development and eventual privatization of BCDA properties. However, on July 1, 2015, the Governance Commission for GOCCs (GCG) issued Memorandum Order No. 2015-06 for the deactivation of BMHI.

As part of the transitional plan to deactivate the current operation of BMHI, GCG ordered BCDA to act as successor-in-interest of BMHI's obligations, assets, and liabilities; assume the functions of BMHI; implement the plan of actions for the affected employees of BMHI; and resolve all audit findings by the Commission on Audit against BMHI.

BMHI was deactivated effective August 1, 2016. All projects handled by BMHI were turned-over to BCDA except for the collection of housing unit amortization, monthly dues, and/or common area lights and similar charges for the National Police Commission/Philippine National Police Housing Project, which was retained by BMHI. BCDA created a Management Team for BMHI to manage and supervise the disbursements, collection, legal cases and other transactions pertaining to and retained by BMHI.

North Luzon Railways Corporation (NORTHRAIL)

NORTHRAIL is a pre-operating, wholly-owned subsidiary of BCDA whose purpose is to develop, construct, operate, and manage a railroad system to serve Metro Manila, Central Luzon, and Northern Luzon; and to develop, construct, manage, own, lease, sublease, and operate establishments and facilities of all kinds related to the railroad system.

On August 20, 2019, the GCG issued Memorandum Order No. 2019-05 ordering the deactivation of NORTHRAIL. This order was subsequently adopted by the NORTHRAIL Board (composed of concurrent BCDA Board members as temporary members of the NORTHRAIL Board); and on January 28, 2021, the NORTHRAIL Board approved the deactivation plan with the exception on the matter of NORTHRAIL's successor-in-interest.

In view of its deactivation and suspension and/or termination of work, BCDA recognized an allowance for the impairment of its investment in NORTHRAIL due to its going concern issues.

On November 23, 2021, the Board approved the Skeletal Transition Team tasked to assist the Board of Directors in the winding down activities of NORTHRAIL. All officers and employees not part of the team were separated on December 31, 2021.

Poro Point Management Corporation (PPMC)

PPMC was established as the operating arm of BCDA to manage the Poro Point Freeport Zone. The responsibility of PPMC encompasses the former Wallace Air Station in Poro Point, La Union, home to Thunderbird Resorts, the San Fernando Airport, and the San Fernando International Seaport.

Clark International Airport Corporation (CIAC)

By virtue of EO No.192 issued in 1994, CIAC was organized as a wholly-owned subsidiary of CDC mandated to develop, operate, manage and maintain the Clark Civil Aviation Complex. The EO was repealed and amended by EO No. 360 in August 1996, making CIAC a wholly-owned subsidiary corporation of BCDA. Subsequently, EO No. 360 was repealed by EO No. 7 in March 2001, EO No. 186 in March 2003, EO No. 193 in April 2003, and EO No. 716 in April 2008. Finally, EO No. 64 was issued in December 2011 making CIAC an agency attached to the Department of Transportation (DOTr), which shall exercise administrative control and supervision over CIAC.

On February 28, 2017, EO No. 14 was issued, restructuring CIAC from being an attached agency of DOTr to being a subsidiary of BCDA, and further ordering DOTr to facilitate the transfer and conveyance of the shares currently owned by the National Government, as well as those shares held in the name of its nominee stockholders, in favor of BCDA and its nominees.

15. INVESTMENT PROPERTIES

This account pertains to land assets located at Fort Bonifacio, Villamor Air Base, Poro Point in La Union, Clark Economic Zone (CEZ), Morong Bataan, and Camp John Hay in Baguio City. It also includes buildings and structures located in Camp John Hay, the Association of Southeast Asian Nations (ASEAN) Villas in CEZ, the NGAC Sports Facilities located in NCC, and the 78,898.64-square meter undeveloped area in Heritage Park.

The total area of land classified as investment property, with approximately 42,876 hectares, has a fair market value of P957.552 billion as at March 31, 2020. The land and structures at Angeles, Pampanga have a fair market value of P795.228 million and market rent per month of P3.989 million as at May 29, 2018. The result of appraisal of investment properties undertaken by Santos Knight Frank in 2021 will be released in CY 2022 upon the approval of BCDA Management.

The fair values of investment properties as at March 31, 2020 were determined based on the valuations carried out by Colliers International Philippines, Inc. in 2020. The market value, gross development value, and market rent of land were determined using the Market Approach and Modified Income Capitalization Technique.

In the Market Approach, the Comparable Transaction Method was used. This method utilizes information on transactions involving assets that are the same or similar to the subject asset to arrive at an indication value. The market approach considers the prices of identical or similar assets that are listed or offered for sale, provided that the relevance of the information is clearly established, critically analyzed, and documented. This is sometimes referred to as the comparable listings method. The technique of this approach requires the establishment of comparable property by reducing reasonable comparative sales and offerings to a common denominator. This is done by adjusting the differences between the subject property and those sales and listings regarded as comparable.

The Modified Income Capitalization Technique was used to arrive at the amount of annual rental that the property should command. In this approach, the market value of the property was first determined, and appropriate land capitalization rates were applied to arrive at its market rent.

The carrying amount of BCDA's investment properties are as follows:

	2021	2020 (As restated)
COST		
Balance at the beginning of the year	**84,665,699,536**	73,463,842,784
Additions	**826,495,488**	11,438,895,252
Reclassifications	**(430,207,101)**	(47,045,689)
Adjustments	**(1,398,684,616)**	(2,154,099)
Disposals/Write-off	**0**	(187,091,455)
Balance at the end of the year	**83,663,303,307**	84,666,446,793
ACCUMULATED DEPRECIATION		
Balance at the beginning of the year	**400,771,719**	191,820,133
Depreciation	**208,951,586**	208,951,586
Balance at the end of the year	**609,723,305**	400,771,719
Carrying Amount at the end of the year	**83,053,580,002**	84,265,675,074

Lease revenue earned from investment properties amounted to P1.450 billion and P1.537 billion in 2021 and 2020, respectively (see Note 27). Expenses incurred arising from investment properties are as follows:

	2021	2020
Estate management fee	**162,745,688**	184,328,134
Zone maintenance	**92,409,289**	37,337,647
Security services	**96,374,683**	14,243,513
	351,529,660	235,909,294

BCDA entered into Deeds of Usufruct and/or Memoranda of Agreement for the use of its properties in line with its mandate to promote economic and social development with the following entities:

- Department of National Defense, Armed Forces of the Philippines and Philippine Navy (PN) for the temporary use of approximately 100 hectares of Bataan Technology Park (BTP) for the relocation and replication of the PN facilities;

- Department of Environment and Natural Resources (DENR) for the use of a 33.74-hectare portion of Lot 15 of BCDA land located in Camp John Hay Air Station, presently occupied by the DENR-CAR's Ecosystems Research and Development Service (ERDS), for the actual, sole, and exclusive use of the ERDS in support of its mission to provide and generate technologies and scientific assistance in the research and development of technologies relevant to the sustainable use of Philippine ecosystems and natural resources;

- Department of Education-CAR Division of Baguio City for the use of a 1,529-square meter property within Barangay Country Club in Baguio City for establishing a school building;

- Reserve Officers Legion of the Philippines (RLOP) for a 500-square meter area under TCT 28674 within the Community Center Area of the Housing Site II located at C-5 Road, Fort Bonifacio as the National Headquarters of the RLOP;

- Department of National Defense for the right to use the remaining one-hectare property at Camp Claudio as a housing site for Philippine Navy personnel;

- Filipino War Veterans Foundation Inc. for the use of a 5,000-square meter property within the commercial area of Pamayanang Diego Silang as headquarters and livelihood training center for the veterans;

- Department of Education-Taguig for the construction of Senator Rene Cayetano Science and Technology High School within the Pamayanang Diego Silang Community Facilities Center;

- Military Ordinariate of the Philippines as a site for the Chapel of St. Therese within Villamor Air Base with a lot area of 6,244 sqm;

- Department of Public Works and Highways for the Sta. 00+000 to Sta. 00+712.17 in connection with the construction of the SCTEx-TPLEx interconnection project;

- Philippine Dental Association (PDA) for the use of a 500-square meter area in Diego Silang Village for the establishment of the PDA Oral Health Research Center; and

- Department of National Defense and Armed Forces of the Philippines (AFP) for the right to use the 29.83-hectare portion of Camp John Hay for the establishment of the AFP Learning Center and other related purposes.

On May 29, 2014, President Benigno Aquino III approved the Master Development Plan for the New Clark City involving a 9,450-hectare of land within the Clark Special Economic Zone located 100 kilometers north of Manila.

BCDA appropriated P6.000 billion from its retained earnings for this purpose and allocated certain parcels of land to various institutions in line with the development of the New Clark City. Amongst are the (1) University of the Philippines covering an area of 70.09 hectares of land for its campus; and (2) Technological University of the Philippines (TUP) covering an area of 20.8 hectares of land for the establishment of the TUP Center for Industrial Development and Productivity.

In 2018, the 200-hectare National Government Center broke ground and now houses the Athletes' Village with a capacity of 1,000 athletes; The Residences, which can accommodate 1,000 employees; The Aquatic Center with a 2,000-seating capacity; the Integrated Disaster Response Operations Center as a back-up structure that can withstand an 8.9 magnitude earthquake; and The Athletics Stadium with a capacity of

20,000 equipped with a 9-lane track and field oval and a 4-lane racetrack that meets the global standards of the International Association of Athletics Federation.

In addition, Republic Act No. 11470, creating and establishing the National Academy of Sports and providing funds therefor, was enacted on June 9, 2020, mandating BCDA to provide the land for the site by way of usufruct in perpetuity and be in charge of the construction of classrooms, dormitories, and other sports facilities and related amenities as may be determined by the Board of Trustees of the New Clark City Campus.

16. PROPERTY AND EQUIPMENT

This account consists of the following:

	Land and Land Improvements	Building & Structures, Leasehold Improvements-Building	Office Equipment, Furniture & Fixtures and Books	Other Machinery & Equipment	Land Transport Equipment	Construction in Progress	Right-of-Use Asset	Total
2021								
COST								
Balance, January 1, 2021	2,798,681,044	1,075,176,139	105,786,049	26,898,945	164,527,566	15,844,851,706	87,594,113	20,103,515,562
Additions	0	368,358,090	33,821,416	506,506	27,995,321	6,337,376,918	0	6,768,058,251
Reclassifications	0	187,200,256	(19,729,802)	0	0	(14,334,464,556)	8,973,697	(14,158,020,405)
Balance, December 31, 2021	**2,798,681,044**	**1,630,734,485**	**119,877,663**	**27,405,451**	**192,522,887**	**7,847,764,068**	**96,567,810**	**12,713,553,408**
ACCUMULATED DEPRECIATION								
Balance, January 1, 2021	1,975,586,085	414,788,130	60,314,460	17,736,339	101,573,378	0	56,995,996	2,626,994,388
Depreciation	95,162,127	38,130,035	11,857,486	1,634,566	10,051,075	0	31,124,839	187,960,128
Adjustments	0	(6,144,816)	(1,082)	(125)	0	0	(41,783,142)	(47,929,165)
Balance, December 31, 2021	**2,070,748,212**	**446,773,349**	**72,170,864**	**19,370,780**	**111,624,453**	**0**	**46,337,693**	**2,767,025,351**
Carrying Amount December 31, 2021	**727,932,832**	**1,183,961,136**	**47,706,799**	**8,034,671**	**80,898,434**	**7,847,764,068**	**50,230,117**	**9,946,528,057**
2020								
COST								
Balance, January 1, 2020	2,798,681,044	1,213,090,996	99,835,100	25,755,013	155,570,423	1,608,633,537	95,853,945	5,997,420,058
Additions	0	619,806,976	6,016,449	1,143,932	8,957,143	14,676,522,913	0	15,312,447,413
Reclassifications	0	(757,721,833)	(65,500)	0	0	(440,304,744)	(8,259,832)	(1,206,351,909)
Balance, December 31, 2020, as restated	**2,798,681,044**	**1,075,176,139**	**105,786,049**	**26,898,945**	**164,527,566**	**15,844,851,706**	**87,594,113**	**20,103,515,562**
ACCUMULATED DEPRECIATION								
Balance, January 1, 2020	1,866,624,021	380,526,868	48,828,899	16,255,100	92,022,875	0	26,515,721	2,430,773,484
Depreciation	108,962,064	34,335,418	11,485,561	1,481,239	9,550,503	0	30,651,455	196,466,240
Adjustments	0	(74,156)	0	0	0	0	(171,180)	(245,336)
Balance, December 31, 2020, as restated	**1,975,586,085**	**414,788,130**	**60,314,460**	**17,736,339**	**101,573,378**	**0**	**56,995,996**	**2,626,994,388**
Carrying Amount, December 31, 2020, as restated	**823,094,959**	**660,388,009**	**45,471,589**	**9,162,606**	**62,954,188**	**15,844,851,706**	**30,598,117**	**17,476,521,174**

Details of the Construction in Progress account are as follows:

Project	2021	2020
Airport to NCC Access Road Project (Phase 1)	**3,399,014,385**	2,828,200,493
NCC-SCTEX Access Road Project	**1,819,475,495**	1,396,463,657
Airport to NCC Access Road Project (Phase 2)	**581,612,736**	355,228,099
Construction of ASCOM Facilities at Camp Aquino Tarlac	**492,540,582**	0
Airport to New Clark City Access Spur Road	**483,985,497**	117,388,114
Airfield Ground Lightning System	**221,519,308**	0
New Clark City Connecting Road Package 1	**207,521,933**	0
Iconic Building	**133,380,988**	141,301,424
Airport to NCC Access Road Project (Phase 3)	**88,568,341**	0
NCC to Access Road Project	**74,524,629**	72,298,560
Road Projects - NCC to SCTEX	**70,408,682**	70,408,682
Philippine Navy Facilities	**42,680,790**	37,345,691
Lawton Avenue Widening	**34,381,261**	34,381,261
Subic-Clark Railway Project (SCRP)	**30,949,979**	0
JHMC Office Building	**28,425,493**	3,000,000
Replication of PAF Parking Area and Relocation of Oil Circuit Breaker, High Tension Wire and Electrical System	**24,692,495**	0
Fit-Out Requirements for New Office in Clark Onewest	**17,153,387**	17,153,387
Replication OF ASCOM/SSC/DACC Facilities	**15,737,144**	15,744,901
Detailed Eng'g Design of CGC Mixed Income	**13,295,390**	13,295,390
Consulting Services for Advance Preliminary Works for SCRP	**11,430,400**	11,430,400
Relocation and Functional Replication of the Philippine Air Force (PAF) Operational Facilities	**10,521,741**	0
Major Road Network/Site Office in CGC	**8,829,364**	8,829,364
San Fernando Airport Fence-Land Related Cost	**6,847,539**	4,106,246
Construction of Ferry Port Terminal at Poro Point Freeport Zone	**6,235,212**	0
Detailed Design and Traffic Mgt for the new SCTEX Tarlac Plaza	**6,092,954**	6,092,954
South Luna Ramps - Project Design	**5,356,955**	5,356,955
Renovation of CIAC Airport & Construction of Gangway	**4,490,372**	4,490,372
Utilities-Luzon Bypass Infrastructure Project	**1,736,836**	1,736,836
San Fernando Airport Runway Slope Protection	**1,390,811**	0
Installation of Fence AT PEZA-MOOG Leased Area	**1,249,291**	1,249,291
San Fernando Airport Drainage System	**1,019,805**	0
Storage SCRP	**844,750**	844,750
Clark & SCTEx Access Road Project	**411,817**	305,077
Construction materials for SCAA Detachment in NCC Area	**362,073**	362,073
Streetlighting System and Pavement Markings Along McKinley Parkways	**169,600**	0
Clark International Airport Expansion Project	**0**	10,336,019,965
Modular Information and Technology Facilities (MITFs) and Repeater Stations	**0**	360,911,731
Others	**906,033**	906,033
	7,847,764,068	15,844,851,706

The significant decrease in property and equipment pertains to the reclassification of the Clark International Airport Expansion Project to Service Concession Asset.

17. SERVICE CONCESSION ASSETS

This account consists of the following:

	Subic-Clark-Tarlac Expressway (SCTEx)	Clark International Airport (CIA)	Total
2021			
COST			
Balance, January 1, 2021	32,761,877,059	1,166,273,245	33,928,150,304
Additions	194,886,877	13,649,586,007	13,844,472,884
Reclassifications	907,329,409	0	907,329,409
Balance, December 31, 2021	**33,864,093,345**	**14,815,859,252**	**48,679,952,597**
ACCUMULATED DEPRECIATION			
Balance, January 1, 2021	5,351,892,344	111,653,744	5,463,546,088
Depreciation	407,541,390	81,906,848	489,448,238
Balance, December 31, 2021	**5,759,433,734**	**193,560,592**	**5,952,994,326**
Carrying Amount, December 31, 2021	**28,104,659,611**	**14,622,298,660**	**42,726,958,271**
2020			
COST			
Balance, January 1, 2020	32,649,391,964	687,652,690	33,337,044,654
Additions	112,485,095	478,620,555	591,105,650
Balance, December 31, 2020	**32,761,877,059**	**1,166,273,245**	**33,928,150,304**
ACCUMULATED DEPRECIATION			
Balance, January 1, 2020	5,061,483,967	30,715,068	5,092,199,035
Depreciation	290,408,377	80,938,676	371,347,053
Balance, December 31, 2020, as restated	**5,351,892,344**	**111,653,744**	**5,463,546,088**
Carrying Amount, December 31, 2020, as restated	**27,409,984,715**	**1,054,619,501**	**28,464,604,216**

Subic-Clark-Tarlac Expressway (SCTEx)

On February 26, 2015, BCDA and Manila North Tollways Corporation (MNTC) entered into a Business Agreement (BA) governing the assignment by the former to the latter of its rights and interests under the Toll Operating Agreement (TOA) relating to the management, operation, and maintenance of the SCTEx (which shall include the exclusive right to possess and use the SCTEx toll road and facilities and the right to collect toll). Subsequently, on May 25, 2015, the Supplemental Toll Operation Agreement (STOA) was executed by BCDA, MNTC and the Toll Regulatory Board (TRB) and was approved by the Office of the President on October 16, 2015. The Toll Operation Certificate was issued by TRB to MNTC on October 22, 2015, and MNTC officially took over the SCTEx toll facilities and commenced the management, operation, and maintenance of SCTEx on October 27, 2015.

Salient Features of the BA

BCDA assigned its rights, interests, and obligations under the original TOA to MNTC. Hence, from the effective date up to October 30, 2043, MNTC shall have the exclusive right, responsibility, and obligation for the management, operation, and maintenance of SCTEx.

The contract term may be extended beyond October 30, 2043 subject to mutual agreement in writing by the parties and the relevant laws, rules, and regulations and required governmental approvals.

In consideration of the assignment, the following shall be paid by MNTC to BCDA:

a. An Upfront cash of P3.5 billion, inclusive of VAT; and

b. From the effective date to October 30, 2043, concession fees equal to 50 per cent of the audited gross toll revenues of SCTEx for the relevant month on or before the 15th day of the succeeding month (Concession Fee Payment Date). If the Concession Fee Payment Date falls on a holiday or a day that is not a business day, then the same shall be adjusted to fall on the immediately succeeding business day. Any concession fee that is not paid on the relevant Concession Fee Payment Date shall earn interest/penalty equivalent to two per cent per month of delay or a fraction thereof.

MNTC shall perform maintenance works/special/major emergency works, other additional works, enhancement and/or improvement works (Maintenance Works) at its own cost. MNTC shall comply with the agreed Service Quality Levels (SQL) for the maintenance of SCTEx. MNTC shall submit to BCDA a status report on the maintenance works undertaken and completed for the relevant year not later than 20 business days before the end of each year. BCDA's review of the status report shall be based on the SQL and in accordance with the maintenance plans.

MNTC's obligation to pay concession fees and perform maintenance works shall be covered by a performance security posted by MNTC in favor of BCDA.

At the end of the Contract Term or upon termination of the Agreement, the SCTEx (including all additional, enhancement and/or improvement works completed during the Contract Term and all applicable systems related to the operation and toll collection of the SCTEx and applicable technology related to toll collection (subject to then existing intellectual property laws) as well as the as-built plans, specifications and operation/repair/maintenance manuals relating to the same shall be turned over to BCDA or to its successor-in-interest conformably with law, and in all cases in accordance with and subject to the terms and conditions of the STOA.

Termination Due to Default:

1. If the BA is terminated due to a BCDA default, MNTC has the right to be indemnified for actual damages, including financial losses, incurred arising from BCDA default and the termination of the BA due to such default. MNTC shall retain the right to operate and maintain and collect toll revenues or retain possession and control of SCTEx until BCDA has fully paid the damages aforementioned.

2. If the BA is terminated due to MNTC default, BCDA has the right to automatically takeover the SCTEx. BCDA may call on the Performance Security to the extent of MNTC's actual obligation falling due; provided, if actual obligation is more than the face value of the security, MNTC will pay the difference. In addition, MNTC shall indemnify BCDA for actual damages including financial losses incurred by BCDA arising from the MNTC default and from the termination of the BA due to such default.

3. In either instance, the non-defaulting party shall serve notice to the grantor of the termination of the STOA by reason of the termination of the BA. All rights and obligations of, and assignments made by, BCDA and MNTC under the BA shall be terminated. The banking arrangements of BCDA and MNTC shall also be terminated, and BCDA shall be entitled to all the toll revenues from the SCTEx.

Details of the concession assets relative to SCTEx are shown below:

	SCTEX		
	Provided by BCDA	Introduced by MNTC	Total
2021			
COST			
Balance, January 1, 2021	30,764,578,517	1,997,298,542	32,761,877,059
Additions	0	194,886,877	194,886,877
Reclassifications	0	907,329,409	907,329,409
Balance, December 31, 2021	**30,764,578,517**	**3,099,514,828**	**33,864,093,345**
ACCUMULATED DEPRECIATION			
Balance, January 1, 2021	5,088,542,230	263,350,114	5,351,892,344
Depreciation	333,553,690	73,987,700	407,514,390
Balance, December 31, 2021	**5,422,095,920**	**337,337,814**	**5,759,433,734**
Carrying Amount, December 31, 2021	**25,342,482,597**	**2,762,177,014**	**28,104,659,611**
2020			
COST			
Balance, January 1, 2020	30,764,578,517	1,884,813,447	32,649,391,964
Additions	0	112,485,095	112,485,095
Balance, December 31, 2020	**30,764,578,517**	**1,997,298,542**	**32,761,877,059**
ACCUMULATED DEPRECIATION			
Balance, January 1, 2020	4,871,654,661	189,829,306	5,061,483,967
Depreciation	216,887,569	73,520,808	290,408,377
Balance, December 31, 2020, as restated	**5,088,542,230**	**263,350,114**	**5,351,892,344**
Carrying Amount, December 31, 2020, as restated	**25,676,036,287**	**1,733,948,428**	**27,409,984,715**

Assets provided by BCDA for SCTEx pertains to land owned and infrastructure constructed by the BCDA for the operation of SCTEx.

Assets introduced by MNTC pertains to assets constructed/provided by the Manila North Tollways Corporation (MNTC) such as toll fare structures at toll plazas, North Luzon Expressway (NLEX)/SCTEx integration civil works/fixed operating equipment, pavement rehabilitation, rest stop, Toll Operations Center Building (TOCB), roadway lighting etc.

Clark International Airport

On January 21, 2019, BCDA entered into an Operations and Maintenance (O&M) Concession Agreement with the North Luzon Airport Consortium (NLAC), a consortium led by Filinvest Development Corporation (Filinvest) with JG Summit Holding, Inc., Changi Airports (Phils.) (I) Pte. Ltd. and Phil. Airport Ground Support Solutions, Inc., for the operations and maintenance of the Clark International Airport (CIA). The Agreement requires that a Special Purpose Company (SPC) be incorporated by NLAC for the purpose of implementation of the O&M Concession Agreement. Hence, on February 19, 2019, NLAC incorporated the Luzon International Premier Airport Development Corporation (LIPAD) as the SPC.

Under the O&M Concession Agreement, BCDA shall construct the New Terminal Building of the Airport, while LIPAD shall reimburse BCDA the cost of construction for the next 20 years with a payment of P500 million per year commencing on the first anniversary of the final acceptance date. In addition, the parties shall likewise share in the airport's gross revenues with 81.75 per cent for LIPAD and 18.25 per cent for the BCDA. The ownership of CIA will remain with BCDA during and after the end of the concession period.

Aside from handling the O&M of the new terminal and its existing facilities, the consortium is also set to develop the commercial assets, operate and maintain project facilities, and fit-out the new terminal. The formal turnover of the operations and maintenance of the existing CIA to LIPAD was August 16, 2019.

Details of the concession assets relative to CIA are shown below:

	CIA			
	Turned-over by CIAC	Introduced by LIPAD	Asset constructed by BCDA	Total
2021				
COST				
Balance, January 1, 2021	603,344,555	562,928,690	0	1,166,273,245
Additions	0	3,279,708,885	10,369,877,122	13,649,586,007
Balance, December 31, 2021	**603,344,555**	**3,842,637,575**	**10,369,877,122**	**14,815,859,252**
ACCUMULATED DEPRECIATION				
Balance, January 1, 2021	111,653,744	0	0	111,653,744
Depreciation	81,906,848	0	0	81,906,848
Balance, December 31, 2021	**193,560,592**	**0**	**0**	**193,560,592**
Carrying Amount, December 31, 2021	**409,783,963**	**3,842,637,575**	**10,369,877,122**	**14,622,298,660**
2020				
COST				
Balance, January 1, 2020	603,344,555	84,308,135	0	687,652,690
Additions	0	478,620,555	0	478,620,555
Balance, December 31, 2020	**603,344,555**	**562,928,690**	**0**	**1,166,273,245**

	CIA			
	Turned-over by CIAC	Introduced by LIPAD	Asset constructed by BCDA	Total
ACCUMULATED DEPRECIATION				
Balance, January 1, 2020	30,715,068	0	0	30,715,068
Depreciation	80,938,676	0	0	80,938,676
Balance, December 31, 2020, as restated	111,653,744	0	0	111,653,744
Carrying Amount, December 31, 2020 as restated	491,690,811	562,928,690	0	1,054,619,501

Assets turned-over by CIAC pertains to assets assigned by Clark International Airport Corporation (CIAC) to BCDA in accordance with the O&M Concession Agreement for the operation and maintenance of the CIA. BCDA handed over these assets to NLAC pursuant to the Agreement.

Assets introduced by LIPAD refers to the construction and improvements to the CIA by LIPAD, a special-purpose company incorporated by NLAC to operate and maintain the CIA.

Assets provided by BCDA refers to the construction of the new passenger terminal building at the CIA.

18. INTANGIBLE ASSETS

Intangible assets pertains to acquired computer software licenses based on the cost of acquisition and any related costs in bringing up the software to use. These costs are being amortized over the expected useful life of five years. Costs associated with maintaining computer software programs are recognized as expense when incurred. Amortization of intangible assets amounted to P4.441 million and P4.712 million in 2021 and 2020, respectively. The carrying amount of BCDA's intangible assets are as follows:

	2021	2020 (As restated)
COST		
Balance at the beginning of the year	**36,531,044**	35,464,342
Additions	**8,393,431**	1,066,702
Reclassifications	**22,828,741**	0
Disposals/Write-off	**(10,107,093)**	0
Balance at the end of the year	**57,646,123**	36,531,044
ACCUMULATED AMORTIZATION		
Balance at the beginning of the year	**22,693,688**	17,982,131
Amortization	**4,440,664**	4,711,558
Reclassifications	**22,828,741**	0
Disposals/Write-off	**(9,369,870)**	0
Balance at the end of the year	**40,593,223**	22,693,689
Carrying Amount at the end of the year	**17,052,900**	13,837,355

19. OTHER NON-CURRENT ASSETS

This account comprises the following:

	2021	2020 (As restated)
Restricted Fund	**1,421,096,052**	1,421,096,052
Prepayments	**72,402,567**	78,167,075
Deposits	**8,322,306**	9,910,790
Other Assets	**48,410,695**	48,410,695
	1,550,231,620	1,557,584,612

Restricted Fund pertains to the CJHDevCo escrow account established in CY 2015 by BCDA where the rentals required to be returned to CJHDevCo, by virtue of the final award rendered in the arbitration under the Philippine Dispute Resolution Center Inc. (PDRCI), were deposited. Interest earned from the escrow account amounted to P20.714 million for 2021 and P34.942 million for 2020 (see Note 27).

Prepayments refers to cash deposited with the Clerk of Courts in relation to land expropriation cases for SCTEx and *Heritage Park Perpetual Care Fund (PCF)* equivalent to 12 per cent PCF advanced to the Heritage Park Management Corporation. The account is decreased by the corresponding PCF of sold Heritage Park Investment Certificates (HPICs).

Other Assets pertains to the advances made to the Armed Forces of the Philippines (AFP) for the latter's share in the proceeds from the redemption of FBDC Preferred B shares and the advance rental of Altus San Nicolas for the 5,000-square meter lot along Lawton Avenue from CY 2015-2027.

20. FINANCIAL LIABILITIES, CURRENT

This account consists of the following:

	2021	2020 (As restated)
Payables	**1,150,317,785**	1,356,737,142
Bills/Bonds/Loans Payable	**841,194,586**	882,367,944
	1,991,512,371	2,239,105,086

Payables consists of the following:

- Payables to various suppliers/contractors arising from BCDA's purchases of goods and services.

- Operating lease payable arising from the lease of BCDA's office at Bonifacio Global City and temporary housing facilities of Philippine Navy Senior Officers recognized and recorded in accordance with PFRS 16 (see Note 28).

Bills/Bonds/Loans Payable pertains to the current portion of JICA loan related to the construction of the SCTEx Project.

21. INTER-AGENCY PAYABLES

This account consists of the following:

	2021	2020 (As restated)
Due to Bureau of the Treasury (BTr)	**7,125,177,708**	2,538,806,808
Due to NGAs	**1,546,146,658**	309,460,069
Due to Subsidiaries/Affiliates	**338,257,840**	838,376,889
Income Tax Payable	**59,737,896**	30,112,912
Value Added Tax Payable	**32,251,933**	2,908,626
Due to BIR	**20,772,704**	40,865,360
Due to Government Corporations	**4,962,090**	4,138,270
Due to LGU	**0**	615,678
Others	**2,320,174**	2,320,174
	9,129,627,003	3,767,604,786

Due to BTr refers to the 72.50 per cent share of the beneficiaries on asset disposition through the sale of portions of Villamor Air Base and Fort Bonifacio. It also includes AFP's 50 per cent share of the net proceeds from non-sale transactions such as BCDA's share in joint venture projects, lease income, and the disposition of HPICs. This also includes the balance of guarantee fees incurred in relation to the Japan International Cooperation Agency (JICA) loan for the SCTEx Project.

Due to NGAs consists mostly of funds transferred to BCDA by various agencies for the implementation of various projects. This account consists of the following:

	2021	2020
Department of Information and Communication Technology (DICT)	**1,123,636,851**	0
Department of Agriculture (DA)	**285,000,000**	0
Department of Transportation (DOTr)	**101,953,196**	119,057,540
Department of Energy (DOE)	**20,500,000**	0
Philippine Veterans Affairs Office (PVAO)	**15,029,500**	27,069,500
Bureau of Customs	**13,652**	0
Bureau of Internal Revenue Tarlac	**13,459**	340,218
National Shelter Programs	**0**	162,992,811
	1,546,146,658	309,460,069

Fund transferred by DICT for the design, supply, build, and delivery of the joint development project, National Fiber Backbone Project Phase 1, between BCDA and DICT pursuant to the Framework Agreement and Memorandum of Agreement executed on December 8, 2016 and December 29, 2020, respectively.

Fund transferred by DA for the development of the 50-hectare BCDA-DA Agro Industrial Business Corridor in New Clark City which aims to introduce innovative agricultural technology to farmers to complement the planned Clark Fresh Food Market in the Clark Civil Aviation Complex to integrate post-harvest facilities and target niche markets for organic produce, halal-certified goods, and premium quality food products.

Fund transferred by DOTC for the implementation of the Greenways Project and for the preliminary works for the Subic-Clark Railway Project.

Fund transferred by DOE for the procurement, design, and construction of the service connections with the water, sewer, and drainage systems in BGC at the DOE area.

Fund transferred by PVAO for the preparation of the total master development plan of the Libingan Ng Mga Bayani.

Due to Subsidiaries/Affiliates is composed of the following:

	2021	2020 (As restated)
Clark Development Corporation (CDC)	**203,867,423**	203,867,423
Fort Bonifacio Development Corporation (FBDC)	**90,511,884**	0
BCDA Management and Holdings, Inc. (BMHI)	**23,311,225**	23,311,225
Poro Point Management Corporation (PPMC)	**11,887,245**	556,195
John Hay Management Corporation (JHMC)	**8,622,249**	7,244,240
Clark International Airport Corporation (CIAC)	**57,814**	603,397,806
	338,257,840	838,376,889

Due to CDC represents the remaining balance of inter-company settlement of CDC-CIAC loans.

Due to FBDC represents value added tax on deemed sale transaction related to the conveyance of Iconic lot in BGC and lease of office space at BTC, including utilities.

Due to PPMC refers to land-related costs in the Poro Point Special Economic and Freeport Zone (PPSEFZ) advanced by PPMC.

Due to JHMC refers to land-related costs in the John Hay Special Economic Zone (JHSEZ) advanced by JHMC.

Due to CIAC pertains to the property, plant and equipment assigned, transferred and conveyed by CIAC to BCDA for the operations and maintenance of the Clark International Airport (CIA) pursuant to the Operations and Maintenance (O&M) Concession Agreement between BCDA and Luzon International Premier Airport Development Corporation. This account was reduced significantly when the Deed of Assignment between CIAC and BCDA was executed and signed in 2021.

Due to BIR represents taxes withheld from employees, suppliers/contractors, and corporate income tax due.

Due to Government Corporations consists mainly of premiums payable to GSIS, Pag-IBIG, and Philhealth.

22. TRUST LIABILITIES

This account consists mainly of the following:

	2021	2020
Contractor's security deposits	**914,363,706**	1,033,357,309
Customer's deposit	**402,952,153**	381,658,302
	1,317,315,859	1,415,015,611

Contractor's security deposits corresponds to the bid bonds, performance and warranty security received from contractors and suppliers. This also includes the 10 per cent retention money deducted from the gross billing of contractors and suppliers of goods and services.

Customer's deposit pertains to the amount held by BCDA, as lessor, throughout the rental agreement. It pays for any damage caused by the lessee on the leased property until the end of the lease period.

23. PROVISIONS

This account consists of the accrued leave benefits of employees. The movement of this account is as follows:

	2021	2020
Beginning	**35,974,617**	28,271,271
Additions	**13,024,270**	12,109,132
Payments	**(7,382,819)**	(4,405,786)
	41,616,068	35,974,617

24. OTHER PAYABLES

The current portion of this account pertains to the construction guarantee deposit for construction projects in Bonifacio Global City amounting to P223.495 million and P225.495 million in CYs 2021 and 2020, respectively.

The non-current portion pertains to the payable to CJHDevCo amounting to P1.421 billion pursuant to the final award rendered in the arbitration under Philippine Dispute Resolution Center Inc.

25. FINANCIAL LIABILITIES, NON-CURRENT

This account consists of the non-current portion of the Japan International Cooperation Agency (JICA) loan in the amount of P15.983 billion and P17.647 billion for CYs 2021 and 2020, respectively.

The loan payable to the JICA, formerly Japan Bank for International Cooperation (JBIC) pertains to the loan drawdown of P31.244 billion (¥48.769 billion) for the period January 2003 to December 2010, as part of the loan extended to BCDA in the amount of ¥58.138 billion (inclusive of a supplemental loan amounting to ¥17.106 billion in accordance with the amended Exchange of Notes). In 2021 and 2020, payments were made amounting to P0.856 billion (¥1.906 billion) and P0.889 billion (¥1.906 billion), respectively. As of the reporting date, the unpaid balance amounted to ¥38.123 billion. This balance is carried at a restated amount based on the BSP foreign exchange rate of P0.4413 for CY 2021 and P0.4629 for CY 2020.

The loan is for the construction of a direct, efficient, and nearly exclusive road connection between the major development areas of Central Luzon (Subic-Clark-Tarlac) in order to enhance the synergistic integrated development of the region and to alleviate the worsening traffic situation along the North-South axes in the region. The Subic-Clark-Tarlac Expressway project will enhance the development of both the Subic and the Clark Economic Zones pursuant to the Subic-Clark Alliance Development Program.

LOAN PROFILE:

Fund Source	:	Japan International Cooperation Agency
Loan Agreement No	:	PH-226
Loan Amount	:	JPY 58,138,495,277
Terms	:	40 years (maturity period)
	:	10 years (grace period)
Repayment terms	:	Semestral
Closing date	:	December 17, 2010
Guarantor	:	Republic of the Philippines
Interest Rate (%)	:	0.95% (Civil Works)
	:	0.75% (Consulting Services)
Guarantee Fee	:	1% p.a. of outstanding balance

26. DEFERRED CREDITS

This account consists of the following:

	2021	2020 (As restated)
Deferred Credits	**11,100,348,376**	8,242,099,639
Unearned Revenue/Income	**2,427,651,269**	2,575,203,476
	13,527,999,645	10,817,303,115

Deferred credits consists of the following:

	2021	2020 (As restated)
Deferred Service Concession Revenue	**8,281,227,194**	4,909,256,169
Deferred Finance Lease Revenue	**1,178,291,741**	972,415,392
Other Deferred Credits	**1,640,829,441**	2,360,428,078
	11,100,348,376	8,242,099,639

Deferred service concession revenue pertains to the upfront cash from Manila North Tollways Corporation (MNTC) amounting to P2.660 billion, and assets constructed by MNTC for SCTEx amounting to P1.744 billion. It also includes assets constructed, developed, and provided by LIPAD for the Clark International Airport Project.

Deferred finance lease revenue represents the advance rental and earnest money received from various lessees of BCDA 's properties.

Other deferred credits consists of the following:

- *Deferred income from the Heritage Park Project* pertains to the unrealized income from the remaining inventory of HPICs.

- *Deferred income from joint venture projects* pertains to the unrealized income from the remaining unsold four slots of parking units allocated to BCDA in the Pacific Plaza Towers Project.

- *Other deferred credits* pertains mainly to the receivables arising from the sale of the 23,597-square meter lot within the area being leased by the Manila International Airport for the NAIA Terminal III in Villamor Air Base, Pasay City, amounting to P424.746 million. This also includes the receivable from the Senate of the Philippines arising from the sale of the 18,320 sqm portion of Navy Village Fort Bonifacio in 2018, amounting to P1.049 billion. These shall be reclassified to Capital and Due to the Bureau of the Treasury when collected.

Unearned Revenue/Income consists of the following:

	2021	2020 (As restated)
Unearned Tax Subsidy	**2,281,139,887**	2,418,696,061
Other Unearned Revenue/Income	**87,339,486**	98,762,805
Commitment Contribution	**55,000,000**	55,000,000
Unearned Revenue/Income-Investment Property	**4,171,896**	2,744,610
	2,427,651,269	2,575,203,476

Unearned tax subsidy pertains to the tax subsidy granted by the Department of Finance, as implemented by the Bureau of Internal Revenue, to pay for the taxes of the contractors, suppliers, and consultants involved in the construction of SCTEx. This is pursuant to the provisions of the Exchange of Notes between the Republic of the Philippines and the Government of Japan that no part of the loan proceeds from the JICA for the construction of the SCTEx project shall be used to pay for Philippine taxes. In relation to this, Revenue Regulation No. 17-2005 dated July 29, 2005, was issued prescribing the policies, guidelines, and procedures in the implementation of the tax subsidy granted by the Fiscal Incentive Review Board (FIRB) to BCDA.

For CY 2005 to 2010, the amount of tax subsidy granted by the FIRB and availed by the consultants and contractors amounted to P4.138 billion, distributed as follows (in billion pesos):

Issued to	Amount of Subsidy	Amount of Utilization	Balance
Kajima Corporation, Obayashi Corporation, JFE Engineering Corporation, Mitsubishi Heavy Industries, Ltd. (KOJM)	8.414	2.452	5.962
Hazama Corporation, Taisei Corporation, Nippon Steel Corporation (HTN)	4.644	1.632	3.012
Pacific Consultant International – Katahira and Engineers International (PCI-KEI)	0.244	0.054	0.190
	13.302	4.138	9.164

The decrease of P137.556 million in 2021 is due to the amortization of deferred income on tax subsidy as a subsidy from the National Government.

27. INCOME

This consists of the following:

	2021	2020 (As restated)
Service Income		
Permit fees	**8,779,388**	5,843,132
Fees and commission income	**4,758,434**	5,543,709
Business income		
Interest Income	**2,343,219,930**	2,719,684,220
Rent/Lease Income	**1,449,976,123**	1,537,338,054
Service Concession Revenue	**1,355,003,889**	1,156,987,717
Dividend Income	**607,583,333**	1,343,333,333
Landing and Parking Fees	**3,478,940**	2,639,492
Fines and Penalties-Business Income	**1,374,432**	2,337,504
Income from Hostels/Dormitories and Other Like Facilities	**3,750**	28,050
Sales Revenue	**0**	247,942,120
Other Business Income	**87,569,980**	142,018,438
	5,861,748,199	7,163,695,769
Gains	**853,021,142**	6,735,440
	6,714,769,341	7,170,431,209

Permit fees consists of access fees at SCTEx and permit fees for construction within BGC.

Fees and commission income consists of commission earned from Bonifacio Gas Corporation for the gas distribution within BGC.

Interest income consists of interest income from bank deposits and investments in treasury bills and government bonds.

Rent/Lease income pertains to revenue arising from various lease agreements wherein parcels of land are transferred and conveyed by way of lease to private entities.

Service Concession revenue pertains to the 50 per cent share of BCDA from the audited gross toll revenue of SCTEx amounting to P1.116 billion in 2021 and P897.756 million in 2020, the amortized portion of MNTC's upfront cash payment in the amount of P111.607 million in 2021 and 2020, and the amortization of concession assets introduced by MNTC in the amount of P55.662 million and P55.504 in 2021 and 2020, respectively. It also includes the gross revenue share from the operation of the Clark International Airport, amounting to P71.244 million in 2021 and P92.120 million in 2020.

Dividend income in 2021 consists of dividends received from Bonifacio Communication Corporation in the amount of P61.250 million and Bonifacio Estate Services Corporation in the amount of P6.333 million, respectively. It also includes a dividend income of P540 million from Fort Bonifacio Development Corporation (FBDC).

Sales revenue pertains to the lease of ASEAN Villas under Finance Lease.

Other business income consists primarily of the variable revenue from the Serendra Projects. It also includes other income such as permit fees, commission income, and fees on utility consumption of various entities at the National Government Administrative Center (NGAC).

Gains pertains to foreign exchange denominated transactions.

28. LEASE AGREEMENTS

As a lessee

The BCDA leases its office in Bonifacio Global City (BGC) under a renewal lease agreement with Fort Bonifacio Development Corporation (FBDC). The lease has a term of three years, commencing on November 1, 2021 and ending on October 31, 2024, with renewal options, and includes an annual escalation rate of five per cent per annum.

In addition to the rental payment, BCDA shares in all costs and expenses incurred or to be incurred in the repair and maintenance of the common areas at a monthly rate per square meter of the leasable area occupied by the leased premises.

The lease agreement with FBDC includes a provision for parking lots. Leases of parking lots are of low value items, no right-of-use assets and lease liabilities are recognized for this lease.

BCDA also leases a temporary office site in San Ramon, Dinalupihan, Bataan for the Subic-Clark Railway Project (SCRP) covered by a lease renewal agreement with JRC Commercial Unit Rental for a period of one year commencing on December 1, 2021 with renewal options. This lease is short-term and of low value, hence, the right-of-use asset and lease liability were not recognized.

In addition to the office space in BGC and Bataan, BCDA leases temporary housing facilities for Philippine Navy Senior Officers whose housing units are affected by the construction of the Senate Building, including officers whose quarters are adjacent to the construction site. The lease agreements cover the lease of various residential and parking units in Taguig City with a term ranging from 28 to 36 months or up to February 15, 2022, with renewal options.

Further, during the COVID-19 pandemic, President Rodrigo Duterte enjoined all government agencies to render full assistance and cooperation and mobilize the necessary resources to undertake critical, urgent, and appropriate response measures to curtail and eliminate the threat of COVID-19. The Inter-Agency Task Force for the Management of Emerging Infectious Diseases (IATF) directed all local government units and government-owned and controlled corporations to identify facilities that may be temporarily utilized as isolation or quarantine facilities. The NGAC Facilities in New Clark City were identified by BCDA as temporary isolation or quarantine and medical treatment facilities to accommodate COVID-19 patients from Clark and neighboring provinces. Thus, BCDA leased the NGAC Government Building and Government Residences from the NGAC JV for a term of 3.5 months, which expired on December 31, 2020.

However, due to the constant rise of COVID-19 cases in Region III (particularly Pampanga and Tarlac), the use of the quarantine facilities was extended from January 1 to June 30, 2021 with a renewal option. The lease was further renewed for a period of four months commencing September 1, 2021 to December 31, 2021 to address the sudden rise of COVID-19 cases brought about by the different COVID-19 variants. The lease of the NGAC facilities is short-term, thus, right-of-use assets and lease liabilities were not recognized.

BCDA does not recognize right-of-use assets and lease liabilities for the lease of photocopying machines and transportation equipment. These leases are short-term and of low-value items.

29. PERSONNEL SERVICES

This consists of the following:

	2021	2020
Salaries and wages	**109,394,097**	104,158,413
Other compensation	**78,035,633**	77,476,243
Personnel benefit contributions	**49,409,657**	45,576,391
Other personnel benefits	**14,244,269**	23,277,493
	251,083,656	250,488,540

30. MAINTENANCE AND OTHER OPERATING EXPENSES

This consists of the following:

	2021	2020 (As restated)
General services	**398,396,722**	309,263,858
Professional services	**246,936,885**	253,527,028
Repairs and maintenance	**72,249,560**	72,165,482
Utilities	**70,179,366**	75,139,398
Rent expense	**52,503,804**	35,138,480
Taxes, insurance premiums and other fees	**29,788,183**	10,727,943
Printing, advertising and promotion	**15,428,899**	11,987,058
Supplies and materials	**11,846,156**	14,716,146
Communication	**7,978,534**	8,354,887
Traveling expenses	**3,220,399**	3,238,444
Training and scholarship expenses	**1,698,787**	5,414,877
Representation expenses	**1,560,010**	2,375,836
Survey expenses	**1,225,446**	1,285,872
Other maintenance and operating expenses	**31,987,368**	31,260,710
	945,000,119	834,596,019

31. FINANCIAL EXPENSES

This consists of the following:

	2021	2020 (As restated)
Guarantee fees	**178,792,885**	194,769,961
Interest expenses	**168,313,108**	184,289,385
Other financial charges	**4,297,312**	3,540,381
Bank charges	**1,550,801**	3,238,173
Management/Supervision/Trusteeship Fees	**(528,370)**	2,026,674
	352,425,736	387,864,574

32. NON-CASH EXPENSES

This consists of the following:

	2021	2020 (As restated)
Depreciation	**886,359,952**	776,764,879
Loss on foreign exchange	**9,187,602**	15,401,414
Amortization	**4,440,663**	4,711,558
Impairment loss	**1,400,426**	219,079,213
	901,388,643	1,015,957,064

Impairment loss pertains to the decline in the value of intangible assets as a result of obsolescence and demolition of unserviceable properties in Poro Point and John Hay totalling P1.400 million in 2021. In 2020, impairment loss includes impairment of receivables due to default or delinquency of payment and recognition of loss on write-down of 203 Heritage Park Certificates.

Loss on Foreign Exchange pertains to the effect of foreign currency translation as at December 31, 2021 and 2020 for the special yen loan package of the SCTEx project and bank deposits for dollar transactions.

33. INCOME TAX BENEFIT

On March 26, 2021, Republic Act (RA) No. 11534 or the Corporate Recovery and Tax Incentives for Enterprises Act (CREATE) was signed into law by the President of the Philippines. The law took effect 15 days after its publication in the Official Gazette or in a newspaper of general circulation. Some of the provisions that have an impact on the operations of BCDA are as follows:

- Reduction of the Corporate Income Tax from 30 per cent to 25 per cent starting July 1, 2020;
- Reduction of the Minimum Corporate Income Tax (MCIT) from 2 per cent to 1 per cent starting July 1, 2020 until June 30, 2023;
- Reduction of the non-deductible interest expense from 33 per cent to 22 per cent of the gross interest income; and
- Imposition of the Improperly Accumulated Earning Tax has been repealed.

For CY 2020, the current and deferred taxes of BCDA were measured using the rate of 30 per cent and two per cent as income tax and MCIT, respectively, since the CREATE Act had not yet been substantially enacted as of the reporting date.

For CY 2021, the deferred tax assets and liabilities as of December 31, 2021 were remeasured using the new tax rate of 25 per cent.

Income tax expense (benefit) for the years ended December 31 consists of the following:

	2021	2020 (As restated)
Current tax	**(509,621,123)**	(709,992,107)
Deferred tax	**141,720,777**	175,163,870
	(367,900,346)	(534,828,237)

The reconciliation of income tax expense computed at applicable statutory tax rates and income tax expense shown in the statement of comprehensive income follows:

	2021	2020 (As restated)
Statutory Income Tax	**506,442,722**	778,862,665
Income tax effects of:		
Non-taxable income (subsidy income and subsidy expense)	**(1,236,322,748)**	(467,248,560)
Income already subjected to final tax (interest income and dividend revenue)	**(196,528,968)**	(492,684,027)
Expiration of NOLCO	**472,776,453**	0
Expiration of MCIT	**72,874,745**	157,503,997
Non-deductible expenses (interest expense, representation and taxes)	**12,338,765**	37,031,076
Non-taxable sale (Asset Disposition Program)	**(418,482,344)**	(538,344,376)
Adjustment due to change in income tax rate	**419,001,029**	(9,949,012)
	(367,900,346)	(534,828,237)

An analysis of deferred tax assets and deferred tax liabilities are as follows:

	2021	2020 (As restated)
Deferred tax asset		
Accounts receivable from business agreements	**1,233,503,399**	898,881,735
Unearned service concession revenue	**2,424,122,964**	1,632,876,752
Unearned lease revenue	**308,322,935**	308,306,729
Excess MCIT	**155,298,672**	168,701,398
Net operating loss carry over (NOLCO)	**2,546,364,128**	1,963,868,260
Unrealized forex gain (loss)	**202,410,963**	490,020,067
Allowance for Impairment	**0**	65,725,303
Accrued expenses	**107,278,940**	98,165,018
	6,977,302,001	5,626,545,262
Deferred tax liability		
Unbilled accounts receivable	**(129,227,449)**	(155,072,939)
Service concession asset	**(1,774,126,350)**	(824,896,486)
	(1,903,353,799)	(979,969,425)
	5,073,948,202	4,646,575,837

The details of NOLCO which can be claimed as a deduction from future taxable income within three years from the year the loss was incurred, are as follows:

Year Incurred	**Amount Incurred**	**Amount Applied**	**Amount Expired**	**Remaining Balance**	**Year of Expiration**
2021	1,055,272,321	0	0	1,055,272,321	2024
2020	857,547,092	0	0	857,547,092	2023
2019	633,544,715	0	0	633,544,715	2022
2018	472,776,453	0	472,776,453	0	2021
	3,019,140,581	**0**	**472,776,453**	**2,546,364,128**	

For the years ended December 31, 2021 and 2020 the BCDA Group is subject to 1 per cent and 2 per cent MCIT.

Year Incurred	Amount Incurred	Amount Applied	Amount Expired	Remaining Balance	Year of Expiration
2021	59,472,019	0	0	59,472,019	2024
2020	39,796,047	0	0	39,796,047	2023
2019	56,030,606	0	0	56,030,606	2022
2018	72,874,745	0	72,874,745	0	2021
	228,173,417	**0**	**72,874,745**	**155,298,672**	

34. FINANCIAL ASSISTANCE/SUBSIDY/CONTRIBUTION

This consists of the following:

	2021	2020
Subsidy from National Government	**4,985,020,108**	1,627,683,960
Subsidy to operating units	**(39,729,116)**	(70,188,759)
Contributions to AFP Modernization	**(7,149,076,358)**	(2,593,183,289)
Financial assistance/subsidy/contributions-others	**(117,221,780)**	(474,979,733)
	(2,321,007,146)	(1,510,667,821)

Subsidy from National Government consists of funds received from the National Government to finance the power subsidy granted to Phoenix Semiconductor Philippines Corporation (PSPC). Said funds were subsequently transferred by BCDA to PSPC, which were recorded as subsidy to operating units. It also includes the amortization of the deferred income tax subsidy granted to BCDA during the construction of the Subic-Clark-Tarlac Expressway Project and funds received for the implementation of various road projects in New Clark City.

Contributions to AFP Modernization pertains to the 50 per cent share of the Armed Forces of the Philippines on the proceeds of leases, joint ventures, and all transactions other than sale entered into by BCDA involving portions of Metro Manila military camps pursuant to Executive Order No. 309 dated November 3, 2000, including the cost of replication of facilities affected by the development of various projects.

Financial assistance/subsidy/contribution-others pertains to the compensation provided to project affected people (PAP) affected by the various development in New Clark City and the Subic-Clark Railway Project.

35. CAPITAL STOCK AND CONTRIBUTED CAPITAL

BCDA has an authorized capital stock of P100 billion as provided for in Section 6 of RA No. 7227. This may be fully subscribed by the Republic of the Philippines and shall either be paid up from the proceeds of the sales of land assets as provided for in Section 8 of the same Act or by transferring to BCDA properties valued at such amount.

Capital and contributed capital accounts of BCDA consist of the following:

	2021	2020 (As restated)
Value of the following transferred properties:		
Clark Main Zone	**30,433,626,863**	30,433,626,863
Villamor Air Base	**27,841,448,676**	27,841,448,676
Various Metro Manila Camps	**10,483,942,788**	10,483,942,788
Camp John Hay	**9,515,612,282**	9,515,612,282
Bataan Technology Park	**3,024,994,233**	3,024,994,233
San fernando Seaport	**366,018,191**	366,018,191
Heritage Park	**267,858,501**	267,858,501
Sacobia	**26,164,356**	26,164,356
San fernando Airport	**5,259,638**	5,259,638
	81,964,925,528	81,964,925,528
Value of the capitalized portion of Fort Bonifacio which is equivalent to the 45 per cent share in FBDC	**19,769,006,975**	19,769,006,975
Equity from NG for the implementation of various infrastructure projects	**5,385,147,672**	4,211,390,116
Net of proceeds from the disposition of transferred properties as provided under RA 7227, as amended	**4,496,666,944**	4,490,276,433
Proceeds of the portion of the Fort Bonifacio property sold to PNOC/DOE and the JUSMAG property sold to Victory Liner, Inc.	**158,347,900**	158,347,900
Value of investment in Poro Point Industrial Corporation	**15,000,000**	15,000,000
Initial cash equity of the National Government	**13,250,000**	13,250,000
	111,802,345,019	110,622,196,952
Fund from Legislative-Executive Council	**2,930,858**	2,930,858
	111,805,275,877	110,625,127,810

Contributed capital pertains to the excess in the Capital account brought by the appraised values of land, largely in the Clark Main Zone, as a result of the appraisal of BCDA assets conducted by Asian Appraisal Company, Inc. in 2017.

The NG released equity amounting to P1.174 billion and P1.007 billion for the implementation of the Access Road Projects in NCC in CYs 2021 and 2020, respectively.

Land used to securitize the Heritage Park Investment Certificates was transferred by the NG as Capital of BCDA. It was conveyed to the Philippine National Bank, as the appointed trustee for the Heritage Park securitization, in accordance with the Pool Formation Trust Agreement of 1994 among BCDA, Philippine Reclamation Authority and Philippine National Bank. The transfer of land from NG to BCDA was recorded at P1.00 per square meter (sq.m) and revalued based on the assessed value of the property in 1994 at P400/sq.m.

36. RETAINED EARNINGS

Retained Earnings at January 1, 2020 was restated for the following adjustments:

Reversion of long outstanding payables	18,169,479
Correction of prior years' income/expenses	2,492,760,325
	2,510,929,804

37. RELATED PARTY TRANSACTIONS

The summary of BCDA's related party transactions as of December 31, 2021 and 2020 are as follows:

Category	Amount of Transactions/Outstanding Balances	
	2021	2020
Estate Management Fees	**162,745,688**	184,328,134
Zone maintenance and security services	**188,783,972**	51,581,160
Fund releases for project implementation	**403,722,128**	4,940,447
Investment	**3,546,715,099**	3,546,715,099
Receivable	**3,929,205,934**	4,085,381,986
Payables	**247,745,956**	838,376,888
Key Management Personnel Compensation	**29,623,188.58**	32,144,035.00

a. BCDA Management and Holdings, Inc., a deactivated subsidiary of BCDA, is being managed by a team specifically created to administer the functions retained by BMHI.

b. BCDA entered into a Performance Agreement with Poro Point Management Corporation in 2005 to ensure the continuous productive operation of the Poro Point Freeport Zone (PPFZ) and the development and economic enhancement of the property. The agreement was further revised and amended in 2013, 2018 and 2020.

   Pursuant to the agreement as amended, BCDA engaged PPMC as its Estate Manager for Poro Point in addition to its role as the implementing arm of BCDA over the PPFZ. PPMC shall receive an Estate Management Fee equivalent to the Personnel Services (PS) and Maintenance and Other Operating Expenditures (MOOE) budget as approved by BCDA; or 50 per cent of revenues to be generated from the property, whichever is higher. PPMC is likewise entitled to an additional incentive equivalent to 10 per cent of the net revenues from the zone based on the computation stated in BCDA's Policy on Financial Oversight over Subsidiaries.

c. BCDA entered into a Performance Agreement with JHMC in 2005 to ensure the continuous productive operation, development and economic enhancement of Camp John Hay and all the areas within the John Hay Special Economic Zone (JHSEZ). The agreement was further revised and amended in 2012, 2017 and 2021.

Pursuant to the agreement as amended, BCDA engaged JHMC as its Estate Manager for Camp John Hay in addition to its role as the implementing arm of BCDA over the JHSEZ. JHMC shall receive an Estate Management Fee equivalent to the PS and MOOE budget as approved by BCDA; or 50 per cent of revenues to be generated from the property, whichever is higher. JHMC is likewise entitled to an additional incentive equivalent to 10 per cent of the net revenues from the zone based on the computation stated in BCDA's Policy on Financial Oversight over Subsidiaries.

d. Advances to related parties are non-interest bearing and subject to liquidation upon completion of the activity/project for which the advances were granted.

e. Compensation of key management personnel is comprised of short-term employee benefits, which include salaries, allowances, and other benefits due to be settled within 12 months after the end of the period in which the employees render the related service.

38. CONTINGENCIES

BCDA is contingently liable for lawsuits or claims filed by third parties which are either pending in the courts or are under negotiation. These cases involve, among others, civil actions for re-conveyance of title/properties, return of investment, eminent domain, collection of a sum of money, and other land tenure problems. No provision for any liability that may result from these lawsuits or claims has been recognized in the financial statements since the outcome of these cases is not presently determinable.

Various cases were also filed by BCDA versus BIR and Local Government Unit (LGU) Taguig for the claim of refund of Creditable Withholding Tax, protest on the assessment and payment of Real Property Taxes, Documentary Stamp Taxes and Expanded Withholding Taxes in relation to BCDA's disposition of various properties. These cases are still pending with the Supreme Court, Court of Tax Appeals, and Local Board of Assessment Appeals of the LGU. Contingent liability and/or assets from these claims were not recognized since they are still pending and the outcome is not presently determinable.

39. SUBIC-CLARK-TARLAC EXPRESSWAY (SCTEx) PROJECT

The Subic-Clark-Tarlac Expressway (SCTEx) Project is a 93.77-kilometer, 4-lane highway under a special yen loan package amounting to ¥59.037 billion (inclusive of a supplemental loan amounting to ¥17.106 billion in accordance with the Amended Exchange of Notes) from JBIC, now the Japan International Cooperation Agency (JICA), to finance the detailed design, construction, supervision, and civil works of the SCTEx. The 40-year loan agreement includes a 10-year grace period starting in 2001 and ending in 2011 with an interest payment of 0.95 per cent per annum for civil works and 0.75 per cent per annum for consulting services. Based on the JICA Notice of Completion of Disbursement dated January 6, 2011, the final loan, which closed on

December 17, 2010, went down from ¥59.037 billion to ¥58.138 billion due to the unutilized portion of the loan.

Payments for the principal loan amounted to P0.856 billion (¥1.906 billion) in 2021 and P0.889 billion (¥1.906 million) in 2020, while interest payments totaled P0.167 billion (¥0.371 billion) in 2021 and P0.182 million (¥0.390 billion) in 2020.

The SCTEx consists of two road sections or packages. Subic-Clark Section (Package 1) was awarded to Kajima-Obayashi-Mitsubishi Joint Venture Contractors, while Clark-Tarlac Section (Package 2) was awarded to Hazama-Taisei-Nippon Steel Joint Venture Contractors. Package 1, with a length of 50.5 kilometers, starts at Barangay Tipo in Hermosa, Bataan and ends at Clark Freeport Zone. Package 2, with a length of 43.27 kilometers, starts at Clark Freeport Zone and ends at Tarlac City. Package 1 is comprised of four interchanges and three major bridges, while Package 2 is built with eight interchanges and one major bridge. Construction of the project started in April 2005 and was completed in July 2009.

40. BUSINESS AGREEMENTS

a. *Joint Venture Agreement (JVA) with Meralco Marubeni Consortium*

On April 3, 2019, BCDA entered into a JVA for the financing, design and engineering, establishment, construction, development, and operation and maintenance of the electric power distribution system in New Clark City. Pursuant to the JVA, the sole contribution of BCDA shall be the assignment of the Development and Usufruct (DU) Franchise and the grant on a non-exclusive and "as is, where is" basis of BCDA Usufructuary Rights.

b. *JVA with the National Housing Authority (NHA) and Primelux Holdings Development, Inc. known as the Private Sector Partner (PSP)*

On December 17, 2018, BCDA entered into a JVA with NHA and Primelux Holdings Development, Inc., a subsidiary of Shanghai Nanjiang (Group) Co. Ltd., for the joint development of the 596,192-square meter property located along C-5 Road in Fort Bonifacio, Taguig City, known as the Bonifacio East Property. Pursuant to the JVA, BCDA and NHA shall contribute the Development and Usufructuary Rights (DUR) over the property to the joint venture. The PSP committed to invest a minimum of P137 billion in the project within the maximum development period of nine years.

BCDA and NHA shall receive an annual fixed payment of P454 million to commence on the 6th year anniversary of the signing date of the JVA subject to a 10 per cent escalation rate every five years after the first payment date. The PSP shall also pay BCDA and NHA a three per cent annual variable fee on the gross revenue of the JV, as well as an additional 0.5 per cent on gross revenue for every accumulated 10 per cent tax incentive secured for the JV.

The PSP shall be responsible for all aspects of the marketing and disposition of the improvements and buildings comprising the Project and shall on its own or through a contractor/s, be responsible for the operations and maintenance of all buildings, structure and units in the project including the Informal Settler Families area.

c. *North-Luzon Expressway (NLEx) - SCTEx Integration Agreement*

To address the traffic congestion in the areas where NLEx and SCTEx interconnect, BCDA and MNTC signed the NLEx-SCTEx Integration Agreement on February 5, 2015. Under the Agreement, MNTC shall undertake Integration Works which consists of upgrading the SCTEx toll collection system through the adoption of NLEx's Toll Collection System (including the installation in SCTEx of the Electronic Toll Collection Dedicated Short Range Communication, or DSRC, and Radio Frequency Identification, or RFID, ready system), and all civil works necessary or essential to implement the project. The purpose of the integration project is to provide seamless travel to motorists using both NLEx and SCTEx.In the original separate systems, there were five stops from Balintawak to Subic and back, and four stops from Balintawak to Tarlac and back. Under the integrated system, the stops were reduced for motorists going from Balintawak to Subic and back, and Balintawak to Tarlac and back.

Since MNTC is the Private Sector Partner (PSP) of BCDA in SCTEx, MNTC shall assume all the project costs pertaining to SCTEx. MNTC will be responsible for the maintenance of the toll collection system for both NLEx and SCTEx.

d. *Agreement with Megaworld Corporation - JUSMAG Property*

On April 13, 2010, BCDA entered into a JVA with Megaworld Corporation (MEGAWORLD) for the privatization and development of the 34.5-hectare portion of the Joint US Military Advisory Group (JUSMAG) property along Lawton Avenue in Fort Bonifacio. Pursuant to the JVA, the subject property shall be developed into a mixed-use development featuring residential, office and commercial uses. BCDA's sole contribution to the project is the land, while MEGAWORLD's investment commitment is a minimum of P22 billion within the maximum development timetable of 20 years from the commencement of development.

MEGAWORLD shall be the exclusive marketing and management agent for the BCDA's allocated units for sale, and leasing and management agent for allocated units for lease, for which it shall be entitled to receive marketing and management fees of 12 per cent based on the gross selling price inclusive of VAT.

BCDA shall receive yearly guaranteed revenues, starting on April 12, 2011 until April 12, 2029, amounting to P873.400 million, representing its minimum share from the project based on the revised Project Implementation Plan dated February 15, 2014. Also, as required under the JVA, BCDA received from MEGAWORLD on April 13, 2010 an upfront cash of P1.500 billion as the former's advance revenue share, recoverable without interest against the net proceeds from the sale or lease of the it's allocated units in excess of its minimum annual secured revenue share.

The JVA also requires MEGAWORLD to replicate 106 housing units for the Armed Forces of the Philippines (AFP) affected by the development of the JUSMAG property. In 2014, BCDA turned over to the Department of National Defense (DND) all replicated housing units in JUSMAG, amounting to P700 million.

e. *Agreement with Megaworld Corporation-North Bonifacio Lots Project*

On November 3, 2009, BCDA entered into a JVA for the privatization and development of the 8.38-hectare North Bonifacio lots in Bonifacio Global City. Pursuant to the JVA, BCDA shall contribute the North Bonifacio lots, while MEGAWORLD shall provide financing for, and shall undertake the planning, construction, and development of the project. In return for their contributions, BCDA will receive 10 per cent of units in the project while MEGAWORLD will receive 90 per cent.

MEGAWORLD has committed to invest a minimum of P15.600 billion within the estimated development timetable of no more than 20 years from the signing of the JVA and to remit to BCDA an annual minimum revenue share of P306 million, which commenced in CY 2011.

In addition to the minimum investment, MEGAWORLD has also committed to providing the property with transportation facilities (Transportation Project) that require an investment of no less than P500 million. The Transportation Project is expected to enhance the accessibility of the property to Bonifacio Global City and other major points in Metro Manila.

f. *Agreement with Megaworld Corporation-Newport City Project*

On October 10, 2003, BCDA entered into a JVA with Megaworld Corporation (MEGAWORLD) for the development of the remaining lots at the Villamor Gateway Center to be known as the New Port City Project. Pursuant to the JVA, BCDA shall contribute lots with an aggregate land area of 174,841 square meters, while MEGAWORLD shall provide financing for the implementation of the project. The parties will receive their allocated units and/or net proceeds from sales in return for their contributions to the project.

MEGAWORLD has committed to invest a minimum of P200 million for the project within a period of 12 years from the clearing, relocation, and replication of the structures and in accordance with the investment schedule contained in the proposal of MEGAWORLD.

The JVA also provides that MEGAWORLD, at its sole expense, shall assume and cause the relocation and replication of the Philippine Air Force (PAF) facilities and other community structures that are affected by the development of the project. As agreed by and between BCDA and PAF, the final relocation and replication cost of existing structures amounts to P889.331 million. As of December 31, 2019, completed facilities with a total cost of P773.823 million were already turned over by MEGAWORLD to BCDA.

g. *Agreement with* Alliance Global Group, Inc. (AGGI) assigned to *Megaworld Corporation-McKinley Hill Project*

On September 1, 2003, BCDA entered into a JVA, as amended on July 23, 2004, with Alliance Global Group, Inc. (AGGI) for the development of a parcel of land, referred to as the Lawton Parkway, predominantly for residential purposes. The project is known as the McKinley Hill Project. Pursuant to the JVA, BCDA shall contribute land with an aggregate land area of 24.6 hectares while AGGI shall provide financing for the implementation of the project.

BCDA authorized AGGI to enter into a joint development agreement with third party entities under which the latter may delegate to said third party entities the performance of all of its obligations and functions in the development, marketing, and management of the project.

On July 17, 2003, AGGI entered into a Memorandum of Undertaking with MEGAWORLD designating the latter as the Project Manager and exclusive marketing agent of the project.

The AGGI has committed to invest a minimum of P2.060 billion and to remit to BCDA an annual secured revenue share of P118.164 million for the 15 selling periods, commencing on the date AGGI begins to offer BCDA 's allocated units for sale or lease to the public, which started in July 2004.

h. *Agreement with Ayala Land, Inc. (ALI)*

On April 15, 2003, BCDA entered into a Joint Development Agreement (JDA), as amended on February 13, 2004, with ALI for the development of Lot B at Bonifacio Global City, known as the Serendra project. Pursuant to the JDA, BCDA shall contribute the 11.6-hectare lot, and ALI shall provide the necessary cash and expertise to undertake and complete the implementation of the residential development. The parties shall receive the whole finished units or cash proceeds from the sale of allocated units in different proportions depending on the type of development in return for their contributions.

ALI has committed to invest sufficient capital, which is estimated to be P12.419 billion, and to remit to BCDA an annual minimum revenue share of P175.758 million for the first selling period and P120.175 million for the subsequent selling periods up to CY 2012.

On September 17, 2021, a Close-Out Agreement was executed by and between BCDA and Serendra Inc., relative to the completion of the construction and development of the Project and the performance of each party's rights, interests, and obligations under the JVA. As part of the Close-Out Agreement, Serendra Inc. conveyed the unutilized gross floor area of the Serendra project and paid P1.120 billion to BCDA representing the final, complete, and full compliance by Serendra, Inc. of its financial obligations, commitments, and liabilities to BCDA.

i. *Agreement with SM Prime Holdings, Inc.*

On August 10, 2018, BCDA entered into a JVA with SM Prime Holdings, Inc. (SMPH) to develop the 33.1-hectare Bonifacio South Pointe in Taguig City. Pursuant to the JVA, BCDA shall contribute all its rights, title, and interest in and to the Property, and SMPH shall provide financing for, and shall undertake the planning, construction and development of the Project.

SMPH has committed to invest a minimum of P30 billion within the maximum development timetable of 20 years from the commencement of development of the

Project and to remit to the BCDA an upfront cash of P2 billion, the minimum revenue share of P3 billion for the first two years of the Project, P8 billion on the third year and P6 billion on the fourth and fifth year of the Project.

The JVA also provides that SMPH is responsible for funding the functional replication of all structures, facilities, utilities and land/site development of the Bonifacio Naval Station/Philippine Marine Corps and Army Support Command /Special Service Center/Division Administrative Command facilities found within the Property, as well as their relocation to the Relocation Site/s to be identified by BCDA and DND/AFP. The total cost of relocation and replication advanced by SMPH will be recoverable, without interest, against the Minimum Annual Secured Revenue Share in five equal annual installments beginning on the immediately succeeding year after the completion of the functional replication works.

j. *Agreement with a consortium led by Prime Water Infrastructure Corporation*

On December 17, 2018, BCDA entered into an agreement with the consortium of Prime Water Infrastructure Corporation, Prime Asset Ventures, Inc., MGS Consortium, Inc., and TAHAL Consulting Engineers, Ltd. to develop, finance, design, construct, operate, and maintain the system of waterworks and wastewater facilities and provide water supply and wastewater services within the New Clark City.

k. *JVA with MTD Capital Berhad*

On February 22, 2018, BCDA entered into a JVA with MTD Capital Berhad for the development of the National Government Administrative Center (NGAC) Project in New Clark City. Phase 1A of the development covers 40 hectares for the construction of government buildings, sports facilities (i.e. Aquatic Center, Athletics Stadium, and Athlete's Village), government housing, support service facilities, and park development. Phase 1B of the development covers 20 hectares which is subject to the completion of Phase 1A.

The Joint Venture Company (JVC) shall oversee the completion of the project and shall become the owner of the structures constructed. The percentage of ownership in the JVC will be 10 per cent for BCDA and 90 per cent for MTD Capital Berhad. BCDA shall contribute its Development and Usufructuary Rights (DUR) over the project site, while MTD Capital Berhad shall contribute the agreed project cost of the sports facilities. This will be contributed as unencumbered advances to the JVC, as well as additional cash as equity capital to maintain its 90 per cent stake.

Upon the completion of the structures, the JVC will be responsible for the property and commercial management. The JVC may enter into lease or sublease agreements for the buildings, infrastructures, facilities, and commercial spaces.

Under the JVA, BCDA shall acquire ownership of the sports facilities upon payment to MTD Capital Berhad five years from completion, with BCDA having the option to make the repayment period shorter. Once BCDA acquires ownership of the sports facilities, it can procure the services of a third-party contractor to handle the property and commercial management of the facilities.

41. NEW CLARK CITY

The New Clark City (NCC) is a 9,450-hectare flagship project of the Government of the Republic of the Philippines envisioned as a modern metropolis with a mixture of residential, commercial, agro-industrial, institutional, and information technology development, as well as a community of residents, workers, and business establishments within a balanced, healthy, and disaster-resilient environment. NCC is one of the big-ticket projects under the Build Build Build Infrastructure Program of President Rodrigo R. Duterte's administration.

National Government Administrative Center (NGAC)

The NGAC is being developed through a Joint Venture (JV) between BCDA and MTD Capital Berhad, a Malaysian-based regional infrastructure group. The initial planning for the NGAC began as early as September 2017, with the ground-breaking ceremony held on January 23, 2018. Actual construction work began on March 15, 2018.

Phase 1 of the 200-hectare NGAC involves the development of back-up offices for various government agencies to ensure continuous business operations and services for the people in case of disasters or natural calamities. Of the 200-hectare land, 60 hectares shall be developed through the JV, which shall comprise the project's first phase, with 40 hectares allotted for Phase 1A and another 20 hectares for Phase 1B.

Phase 1A of the development includes the sports facilities consisting of an Athletic Stadium (20,000 seating capacity), an Aquatic Center (2,000 seating capacity) and an Athletes' Village which were used as venues for the 2019 Southeast Asian Games hosted by the Philippines from November 30 to December 11, 2019. Furthermore, during the COVID-19 pandemic, the NGAC facilities were utilized as temporary isolation facilities for COVID-19 patients.

The development of the river park, government center, and government housing were also integrated under Phase 1A. This includes structures which will house the future Integrated Operations Center wherein the satellite office of the Office of the President of the Philippines and Disaster and Risk Management agencies will be situated.

Phase 1B development is expected to commence by 2021, starting off with the construction of additional government facilities such as office buildings, government housing units, and small-scale retail and support services facilities.

288 Hectare Township Development

On January 8, 2016, BCDA signed a 50-year contract with Filinvest to develop the 288 hectares (710 acres) of land allocated for the project. BCDA also managed to make partnerships with foreign firms to develop Clark Green City, such as Japan Overseas Infrastructure Investment Corp. which plans to connect Clark Green City to Manila as well as surrounding cities by rail.

In August 2018, BCDA Board also approved the conceptual development plan of Filinvest Land Inc.'s for the development of a 288-hectare mixed-use industrial area. Filinvest will feature green components that will also unify the following industries:

business processing outsourcing (BPO), knowledge process outsourcing (KPO), light industries, residential, commercial, and educational spaces.

Utilities in New Clark City

On December 17, 2018, BCDA signed a JVA with the Consortium of Primewater Infrastructure Corporation, Tahal Consulting Engineers Ltd., Prime Asset Ventures Inc., and MGS Construction, Inc. for the implementation of the Water and Wastewater Infrastructure Project for NCC.

On April 3, 2019, BCDA signed a JVA with Meralco Marubeni Consortium for the financing, design and engineering, establishment, construction, development, and operation and maintenance of the electric power distribution system for NCC.

42. SUBIC-CLARK RAILWAY PROJECT

The Subic-Clark Railway Project (SCRP) is a 71.13-kilometer joint project of the Department of Transportation (DOTr) and BCDA that will provide initial freight service between the Subic Bay Freeport Zone and the Clark Freeport and Special Economic Zone, linking Subic Port with Clark International Airport and other major economic hubs in Central Luzon, especially New Clark City, and forming an integrated logistics hub for the development of Central Luzon as a new growth center to decongest Metro Manila.

43. EVENTS AFTER THE REPORTING PERIOD

a. On March 7, 2022, BCDA remitted P161.967 million to the Bureau of Treasury (BTr), representing full payment of guarantee fees relative to the loan facility with JICA for the construction of the Subic-Clark-Tarlac Expressway (SCTEx) Project as of December 31, 2021.

b. On April 21, 2022, BCDA remitted to BTr the shares of the Armed Forces of the Philippines and other beneficiary agencies in the amount of P6.375 billion, relative to the disposition proceeds received in 2021, as approved by BCDA 's Board of Directors (BOD) on April 6, 2022.

c. On May 10, 2022, the Governance Commission for GOCCs issued the authorization of BCDA to implement the Compensation and Position Classification System pursuant to Executive Order No. 150, retroactively effective October 5, 2021.

d. On May 12, 2022, BCDA remitted P842.081 million to the BTr representing dividends to the National Government based on the 2021 Unaudited Financial Statements of BCDA as approved by BOD on May 10, 2022.

e. On May 27, 2022, BCDA returned P285 million to the Department of Agriculture (DA), representing the fund transferred by the latter for the cost of procurement and projects under the Agro Industrial Business Corridor stipulated in the

Memorandum of Agreement executed for the purpose, based on the DA's demand letter dated October 7, 2021.

44. RESTATEMENT OF ACCOUNTS

Changes in accounting policies and estimates

BCDA recognizes the effects of changes in accounting policies retrospectively. The effects of changes in accounting policy were applied prospectively if retrospective application is impracticable.

BCDA recognized the effects of changes in accounting estimates prospectively by including in profit or loss.

BCDA corrects material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by:

a. Restating the comparative amounts for prior period(s) presented in which the error occurred; or

b. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

Certain restatements and adjustments were made in the financial statements for prior periods to effect correction of certain transactions. Accordingly, line items were amended in the financial statements as well as in the related notes.

As a result of the restatements, affected accounts in the CY 2021 financial statements were restated, as follows:

	As Previously Reported	Adjustments	As Restated
STATEMENT OF FINANCIAL POSITION			
Assets	196,346,509,611	3,572,303,563	199,918,813,174
Liabilities	37,380,595,647	188,357,143	37,568,952,790
Equity	158,965,913,964	3,383,946,420	162,349,860,384
STATEMENT OF COMPREHENSIVE INCOME			
Revenues	6,777,594,166	392,837,043	7,170,431,209
Operating Expense	2,670,717,463	7,022,230	2,677,739,693
Income Tax Benefit	524,879,225	9,949,012	534,828,237

45. SUPPLEMENTARY INFORMATION ON TAXES

In compliance with the requirements of BIR Revenue Regulation No. 15-2010, hereunder are the information on taxes, duties, and license fees paid or accrued during the taxable year:

BCDA is a VAT-registered company with VAT output tax declaration of P402.173 million based on the amount of sales subject to VAT of P3.351 billion. The amount of VAT Input taxes claimed are broken down as follows:

Beginning of the year	521,777,673
Goods other than for resale or manufacturing	0
Services lodged under other accounts	391,521,395
Total	913,299,068
Input tax claimed	(406,599,326)
Adjustment	(470,764,426)
End of the year	**35,935,316**

The amount of taxes, other than VAT, paid and accrued are as follows:

Withholding taxes	
Withholding tax on compensation	35,248,322
Expanded withholding tax	89,344,307
Withholding VAT	193,327,258
Sub-total	**317,919,887**
Other taxes	
BIR Annual Registration	500
Taxes related to transfer of properties	19,014,910
Sub-total	**19,015,410**
Total	**336,935,297**

PART II – OBSERVATIONS AND RECOMMENDATIONS

OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL AUDIT

1. The valuation of the balance of Merchandise Inventory – Heritage Park account as of December 31, 2021 totaling P308.344 million could not be ascertained due to non-submission of documents to support the conversion cost used in the recognition of the initial cost of inventories which is not in accordance with Paragraph 15 of Philippine Accounting Standard (PAS) 1.

1.1. PAS 1 provides that:

> *Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Conceptual Framework for Financial Reporting (Conceptual Framework). The application of IFRSs, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation.*

1.2. BCDA is the principal proponent of the memorial park project known as the Heritage Park Project (HPP) which aimed at converting a 76-hectare portion of the demilitarized Fort Bonifacio in Metro Manila into world-class memorial park to generate funds for BCDA in pursuance of its mandate under Republic Act (RA) No. 7227, by issuing Heritage Park Investment Certificate (HPIC) evidencing the certificate holder's right to the perpetual use and care of interment plots.

1.3. As embodied in the Annual Audit Report on BCDA for CY 2020, we observed non-submission of pertinent documents to support the initial cost of the Merchandise Inventory-Heritage Park recognized in the books of accounts which precluded the Audit Team to verify and validate the current status of the assets as to their present location and condition.

1.4. Management commented during the exit conference for CY 2020 audit that Heritage Park Management Corporation (HPMC) is a separate entity and it will be difficult for them to submit the requested documents and proposed that, considering the recent updated on-ground survey undertaken by HPMC and Rosehills Management Inc. (Philippines) on HP lots, the completion of the verification of the inventory of BCDA-owned HPICs representing memorial lots can provide the basis for determining the initial cost of the said HPICs recorded in the books of accounts of BCDA and committed to prioritize the said recommendation and will make it a project for 2021 in coordination with the Audit Team.

1.5. Management further agreed to retrieve, to the extent possible, the documents from the Philippine National Bank (PNB), the former Heritage Accounts Trustee Bank, and from HPMC on the development cost pertaining to said HPICs and it is an opportune time to do because HPMC has replaced

PNB with Land Bank of the Philippines (LBP) as the Trustee of the Heritage Accounts and PNB is presently turning over/returning documents to HPMC and LBP.

1.6. On October 21, 2021, Management submitted their Agency Action Plan and Status of Implementation (AAPSI) to the Audit Team. The aforementioned recommendation was partially implemented in view of on-going collation of pertinent documents required relative to the initial cost of the HPICs and the following documents were submitted to the Audit Team:

- Contract for the Consulting Services for the Appraisal/Valuation of Various BCDA Land and Assets executed between BCDA and Santos Knight Frank on October 4, 2021;
- Terms of Reference for the CY 2021 appraisal of BCDA properties including Heritage Park Land Value (1994 and 2003) and HPICs; and
- Reconciliation of lot inventories.

1.7. However, the results of the validation of the Audit Team on the actions taken by BCDA disclosed that the recommendation was still not implemented and not properly addressed. The documents which were committed by BCDA relative to the initial cost of the inventories were not yet provided to the Audit Team.

1.8. **We recommended that Management:**

a. **Submit to the Audit Team all pertinent documents relative to the initial cost of the Merchandise Inventory-Heritage Park; and**

b. **Apprise the Audit Team on the queries embodied in AQM No. 2021-01 (2021) dated November 23, 2021 such as:**
   - **The status on the retrieval and submission of pertinent documents relative to the initial recognition of the HPICs; and**
   - **The Disposition Plan for the 4,923 unsold HPICs.**

1.9. Management commented that the documents retrieved so far are the Memorandum of Agreement between the Public Estates Authority (PEA) and BCDA, the HP Final Business Plan, and HPIC Pricelists. Management is having difficulty in retrieving the documents due to various reasons such as:

- The development of HP was initially undertaken by the PEA. Rosehills Memorial Management Inc. (RMMI) took on the rest of the development from PEA. However, no documents were retrieved from PEA while continuously coordinating with RMMI to retrieve documents from 1994.

- Documents turned-over from the previous Trustee-Philippine National Bank, who was replaced in 2021, are those mentioned above.

1.10. The sale and lease of assets of BCDA is anchored on the approved Annual Disposition Plan (ADP). BCDA focused its efforts on the sale and lease of ready and available properties. The HPICs owned by BCDA were not included in ADP for CY 2021, however the valuation of these assets was initiated in the latter part of 2021 which will be used as basis for its disposition.

1.11. Attendant to the ongoing finalization of the valuation of the said HPICs, BCDA has included the disposition of these assets in its ADP for CY 2022 via the execution of a non-exclusive Marketing Agreement with RMMI, the Estate Manager and Major shareholder of HPICs for HP. This non-exclusive Marketing Agreement has already passed the review of the Office of the Government Corporate Counsel (OGCC) and will be finalized and executed once BCDA receives the result of the valuation of HPICs.

1.12. Of the 669,204 sq.m area under HP Project, the total developed area is 590,811.36 sq.m. while the rest is undeveloped including the lagoon island, which area is proposed to be developed thru joint venture.

1.13. The documents submitted to the Audit Team were still not in compliance with the recommendation. The MOA between the PEA and BCDA, the HP Final Business Plan, 2008 HPIC Pricelist were already provided and evaluated accordingly by the Audit Team in prior years.

1.14. We reiterated that the initial cost of HPICs should include the acquisition cost of the land (including incidental acquisition costs), its development and/or conversion cost and other necessary expenses incurred in bringing the memorial products ready for sale.

1.15. **In view of the foregoing, we maintain that Management expedite the submission to the Audit Team all pertinent documents relative to the initial cost of the Merchandise Inventory-Heritage Park.**

1.16. **We recommended further that Management submit the new pricelist effective CY 2022 and the 2022 ADP for the sale of 4,923 HPICs.**

1.17. Management commented that the initial cost of the inventories was already reflected in the books of accounts. The unit cost of each HPIC was computed based on the following:

- Cost of the Land - assessed value of the lot at P400 per sq.m. based on the Tax Declaration issued by the Local Government of Taguig on October 11, 1994; and
- Conversion Cost – using the total development, relocation and general fund in the BCDA Internal Audit Services Office (IASO) audit report based on the Pool Formation Trust Agreement among BCDA, PEA and PNB.

1.18. The amount computed was lower than the selling prices of the memorial lots/HPICs in year 2008, which was previously used by BCDA to recognize the cost of inventories in the books of accounts, in compliance with PAS 2.

1.19. As a rejoinder, we recommended that BCDA submit the working papers of the IASO to support their report and the necessary documents relative to the conversion cost of the inventories such as but not limited to copy of contracts, billings from contractors and official receipts.

2. **The balance of BCDA Input tax amounting to P119.379 million as of December 31, 2021 could not be ascertained due to the variance of P43.150 million between the balance reported in the Value-Added Tax (VAT) Return (BIR Form 2550Q) and the balance per books of accounts.**

2.1. The Philippine Accounting Standard (PAS) 1 on Presentation of Financial Statements provides that:

> *Financial Statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Conceptual Framework for Financial Report.* (Underscoring supplied)

2.2. Input tax, as defined in the National Internal Revenue Code (NIRC), is the value-added tax due from or paid by a VAT-registered person in the course of his trade or business on importation of goods or local purchase of goods or services, including lease or use of property, from a VAT-registered person.

2.3. In CY 2020 audit, we noted a variance between the balance of Input tax per BIR VAT Return (2550Q) and per accounting records amounting to P307.918 million. Management committed to expedite the reconciliation of the balances between the two records.

2.4. However, our audit for CY 2021 revealed that there is still a variance of P43.150 million between the balance of Input tax reported by BCDA in its BIR VAT Return (2550Q) as of 4th quarter of CY 2021 and per books of accounts as of December 31, 2021, computed as follows:

Table 1. Comparison of Input tax balances

Particulars	Amount
Balance of Input tax per books of accounts	119,378,543.17
Less: Output tax for the month of December 2021	40,293,456.37
Adjusted balance per books	79,085,086.80
Balance per VAT Return	35,935,316.34
	43,149,770.46

2.5. While we commend BCDA for its efforts to reconcile the records which resulted in the substantial decrease of the variance of P307.918 million in CY 2020, the accuracy and reliability of the Input tax presented in the financial statements as of December 31, 2021 could not be established due to the variance noted above.

2.6. Additionally, it may have resulted in inaccurate filing of BIR returns in which tax surcharges/penalties may be imposed if assessed by the BIR pursuant to Revenue Memorandum Order No. 7-2015 dated January 22, 2015.

2.7. **We reiterated our previous year's recommendation and Management agreed to expedite the reconciliation of the balances of Input tax between BIR VAT Returns and accounting records; and prepare the necessary adjusting entries, if warranted.**

2.8. Management commented that the reconciliation between balance per books of accounts and VAT returns is continuously being undertaken.

3. Various purchases of goods, services and progress billings for infrastructure projects of BCDA as of December 31, 2021 totaling P31.870 million were still in the Goods Receipt/Invoice Receipt (GR/IR) temporary account and not reclassified/closed into their proper payable account, thereby, casting doubt on the valuation of the Payable accounts.

3.1. The GR/IR is a temporary liability account used mainly by the Procurement and Property Management Department (PPMD) to recognize in the accounting system (ACUMATICA) the amount of goods and services duly received by their Department and the progress billings for infrastructure projects from the Contractors.

3.2. Subsequently, the said account will be closed/reclassified by the Accounting and Comptrollership Department (ACD) into its proper liability account upon preparation of Disbursement Voucher with supporting documents such as Request for Payment from the end-user, Billing/Statement of Account submitted by the supplier/contractor, Inspection and Acceptance Report, Delivery Receipt, Invoice, Purchase Order and Request, etc.

3.3. Our audit disclosed that as of December 31, 2021, the balance of GR/IR account amounting to P31.870 million was still not reclassified/closed into their proper payable account.

3.4. Moreover, the GR/IR account, which includes CY 2011 transactions, was not properly maintained nor monitored there being no consistent reclassification of the account to accrued expenses once supporting documents to a particular GR/IR are completed.

3.5. The non-reclassification of the temporary GR/IR account to its proper payable accounts and non-verification of transactions in the said account render the liability accounts of BCDA as of year-end doubtful.

3.6. **We recommended and Management agreed to require the PPMD and ACD to properly maintain and reconcile their records to ensure that transactions in the GR/IR account are closed/reclassified in their proper liability accounts; and prepare the necessary adjusting journal entries, if warranted.**

3.7. Management commented that ACD is continuously in coordination with PPMD for the reconciliation of GR/IR account. Upon completion of the reconciliation, all supporting documents of adjustments in the books of accounts will be transmitted to the Audit Team immediately.

4. The accuracy and reliability of the balance of receivable from the Department of Health (DOH) as of December 31, 2021 amounting to P19.329 million could not be ascertained due to non-confirmation of the said amount by DOH and non-submission to the Audit Team of documents to support the P19.329 million receivable such as breakdown of amounts for the reimbursement of meals and accommodation provided for the medical personnel.

4.1. On June 30, 2021, BCDA entered into a Memorandum of Agreement (MOA) with DOH and Clark Development Corporation (CDC) for the establishment, operation, management, and maintenance of the temporary quarantine facilities to help alleviate the pressure on the healthcare system in the Province of Pampanga and Tarlac.

4.2. The MOA provides the reimbursement of the costs incurred or advanced/paid by BCDA for the salaries, allowances, hazard pay, accommodations and food of medical personnel assigned and staff assigned by DOH and/or hired by BCDA for the said facilities.

4.3. Review of records disclosed that as of December 31, 2021, the receivable from DOH amounted to P19.329 million. This pertains to the claim for reimbursement by BCDA for the meals of medical staff assigned at the facilities from May 2020 to March 2021 in accordance with the MOA.

4.4. The Audit Team sent a confirmation letter to the DOH Central Luzon Center for Health Development on April 21, 2022 to verify the correctness of the receivable of BCDA from them as of December 31, 2021.

4.5. Results of the confirmation disclosed that DOH has no outstanding/zero payable to BCDA. Hence, the accuracy and reliability of the claim of BCDA from DOH amounting to P19.329 million for the reimbursement of meals and accommodations could not be ascertained.

4.6. Additionally, review of the Check Vouchers (CVs) on the claim for reimbursement of BCDA for the payment of rent of the temporary quarantine facilities and meals for COVID-19 positive and medical personnel disclosed that the list of medical personnel hired/assigned by BCDA/DOH in the facilities was not attached to CVs.

4.7. The documents attached to the CVs did not include the separate receipts for costs incurred or paid by BCDA for each medical personnel assigned at the quarantine facilities supposedly to be shouldered by DOH in accordance with the signed MOA.

4.8. **We recommended that Management:**

a. **Coordinate with DOH in reconciling the P19.329 million receivable balance due from them and enforce the collection; and**

b. **Submit to the Audit Team the computation to support the amount paid per transaction relative to the expenses incurred in the operation and maintenance of temporary quarantine facilities and**

provide additional supporting documents such as the receipts of costs for each medical personnel.

4.9. Management commented that they will regularly coordinate with DOH to ensure that the receivables of the BCDA amounting to P19.329 million will be recognized in the books of accounts of DOH. The supporting documents for the P19.329 million receivables, together with the correspondences to collect the same from DOH, will be provided to the Audit Team immediately.

5. Payables amounting to P18.323 million which have been outstanding for two years or more were still not reverted to Retained earnings resulting in the understatement of Equity and overstatement of Liability accounts by the same amount.

5.1. Paragraph 15 of Philippine Accounting Standard (PAS 1) provides that:

Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Conceptual Framework for Financial Reporting (Conceptual Framework). The application of IFRSs, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation.

5.2. The Annual Audit Report on BCDA for CY 2020 included an audit observation on dormant payables totaling P35.984 million and recommended that Management evaluate/analyze the said payables and revert the same to Retained earnings for fair presentation of the account.

5.3. However, our audit disclosed that out of the above balance, a total of P18.323 million payables remained outstanding for two years or more, as follows:

Table 2. Dormant Payables aging two years or more

Account	Age		Total
	Over 2 years	Over 3 years	
Accounts payable	2,219,250.08	60,972.39	2,280,222.47
Due to officers and employees	2,553,203.39	576,081.36	3,129,284.75
Goods receipt/Invoice receipt (GR/IR)	0	12,627,342.26	12,627,342.26
Payroll deductions	0	286,022.10	286,022.10
	4,772,453.47	**13,550,418.11**	**18,322,871.58**

5.4. Analysis of the above outstanding payables disclosed the following:

a. Accounts payable – P2.280 million

- Goods and services procured from various suppliers/contractors totaling P2.048 million;
- Financial assistance for the Project Affected People (PAPs) in the New Clark City (NCC) amounting to P157,930;

- Remunerations (Per diems, honoraria, allowances, etc.) amounting to P72,265.89; and
- Transfer tax amounting to P1,955.

b. Due to officers and employees totaling P3.129 million pertains to salaries, allowances and other remunerations to BCDA employees.

c. GR/IR account amounting to P12.627 million pertains to goods and services procured by Management which remained dormant and not closed/reclassified into their proper liability accounts.

d. Payroll deductions refer to estate management fees (EMFs) charged against the BCDA Employees who availed the Pamayanang Diego Silang (PDS) housing units to be remitted to PDS Association totaling P286,022.10.

5.5. The above payables were still in the books of accounts for such a long period of time, hence, casting doubt on whether or not the claimants are aware of their receivables from BCDA. The possibility for these to be claimed by the creditors is remote.

5.6. **We reiterated our previous year's recommendation and Management agreed to:**

a. Evaluate and analyze all recorded payables which remained outstanding and dormant for two years or more and submit the result of analysis and the corresponding supporting documents to the Audit Team for verification; and

b. Prepare the necessary adjusting entries to revert the dormant payables to Retained earnings, if warranted, in accordance with PAS 1.

5.7. Management commented that the analysis and reconciliation of the dormant payables is currently being done to determine which of the remaining accounts will be reclassified or closed to Retained earnings. The necessary adjustments shall be done once the reconciliation is completed not later than July 31, 2022.

5.8. The Audit Team will continuously monitor the compliance of Management with the recommendation.

6. The completeness of the balance of Output tax as of December 31, 2021 could not be ascertained due to the unreconciled variance of P8.042 million between the balances of Output tax per accounting records and Value-added Tax (VAT) Returns.

6.1. Output tax is the VAT due on sale or lease of taxable goods or properties or services by any person registered or required to register under Section 236 of the National Internal Revenue Code, as amended.

6.2. In our audit for CY 2020, we noted a variance of P303.514 million between the balances of Output VAT per accounting records and VAT Returns. Management commented that they already started the reconciliation process in batches per year, starting with the most recent, until they complete the process of reconciliation. Likewise, BCDA assured that they shall strictly comply with the withholding and remittances of taxes in accordance with the Bureau of Internal Revenue (BIR) rules and regulation.

6.3. Our audit for CY 2021 disclosed that the Output tax has a balance in the books of accounts as of December 31, 2021 in the amount of P32.252 million. However, BCDA reported no outstanding Output VAT payable in its 4th Quarter of CY 2021 VAT Return for the reason that the allowable Input VAT from purchases was more than the Output VAT from sales. Hence, this resulted in a variance between the two records amounting to P8.042 million, computed as follows:

Table 3. Comparison of Output tax balances

Particulars	Amount
Balance per books of accounts	32,251,933.15
Less: Output tax for the month of December 2021	40,293,456.37
Adjusted balance per books of accounts	8,041,523.22
Balance per 4th quarter of CY 2021 VAT Return	0
	8,041,523.22

6.4. While the Audit Team commended Management for the substantial decrease in variance which was observed from CY 2020 audit, the above variance noted in CY 2021 still casts doubt on the qualitative characteristic of verifiability of Output tax as of December 31, 2021. Additionally, it may have resulted in inaccurate filing of BIR returns in which tax surcharges/penalties may be imposed if assessed by the BIR pursuant to Revenue Memorandum Order No. 7-2015 dated January 22, 2015.

6.5. **We reiterated our previous year's recommendation that Management determine the cause of the variance and reconcile the amounts between the accounting records and the tax returns filed and prepare the necessary adjusting entries to correct the account balance in the books of accounts, if warranted.**

6.6. Management commented that they are still in the process of reconciling the balances of accounting records and VAT Returns. Journal vouchers effecting the adjusting entries will be submitted to the Audit Team by the end of 3rd quarter of CY 2022 upon completion of reconciliation.

6.7. The Audit Team will monitor compliance of Management with the recommendations.

7. **The verifiability of the balance of Due to Subsidiaries/Joint Venture/ Associates/Affiliates account was not established due to a variance of P3.562 million between the balance per books of accounts and the confirmed amount.**

7.1. The Conceptual Framework for the Preparation and Presentation of Financial Statements includes, among others, the following qualitative characteristics of useful financial information:

> *Verifiability helps assure users that information faithfully represents the economic phenomena it purports to represent. Verifiability means that different knowledgeable and independent observers could reach consensus, although not necessarily in complete agreement, that a particular depiction is a faithful representation. xxx* (Underscoring supplied)

7.2. The Audit Team sent confirmation letters to the subsidiaries/affiliates of BCDA to verify the accuracy and reliability of the balance of the Due to Subsidiaries/Joint Venture/Associates/Affiliates account in the books of accounts as at December 31, 2021 totaling P338.257 million.

7.3. Out of six confirmation letters sent to BCDA subsidiaries/affiliates, only five responded. John Hay Management Corporation (JHMC) with balance per books of P8.622 million did not submit their reply. Results of confirmation for the remaining subsidiaries/affiliates with balance per books of accounts totaling P329.635 revealed a variance of P3.562 million, computed as follows:

Table 4. Results of Due to Subsidiaries/Affiliates confirmation

BCDA Subsidiaries/Affiliates	Balance		Variance
	Per books of accounts	Per confirmation	
Clark Development Corporation (CDC)	203,867,423.00	204,104,423.00	237,000.00
Clark International Airport Corporation (CIAC)	57,813.84	2,176,485.72	2,118,671.88
Poro Point Management Corporation (PPMC)	11,887,244.95	12,533,759.87	646,514.92
Fort Bonifacio Development Corporation (FBDC)	90,511,883.55	91,071,960.33	560,076.78
BCDA Management and Holdings, Inc. (BMHI)	23,311,225.35	23,311,225.35	0.00
	329,635,590.69	**333,197,854.27**	**3,562,263.58**

7.4. Periodic reconciliation of records which involves verification on the accuracy of one set of records against an independent set of documents, in this case, BCDA accounting records and the subsidiaries/affiliates' records, facilitates the determination of correctness and propriety of obligations of BCDA with them.

7.5. The aforementioned variance casts doubt on the verifiability and accuracy of the balance of Due to Subsidiaries/Joint Ventures/Associates/Affiliates account presented in the financial statements.

7.6. **We recommended that Management require the Accounting and Comptrollership Department (ACD) to reconcile records with BCDA subsidiaries/affiliates to ensure that all variances are promptly investigated, cleared and reconciled; and prepare the necessary adjusting journal entries, if warranted.**

7.7. The ACD, through the Subsidiary, Affiliates and Projects Monitoring Department (SAPMD), has coordinated with the concerned BCDA subsidiaries and affiliates. Once the propriety of the amount is verified, validated and reconciled by both BCDA and the concerned subsidiaries/affiliates, adjustments in the books of accounts shall be made, if necessary.

7.8. We recommended that Management submit the statement of reconciliation to the Audit Team after reconciling the balances with subsidiaries/affiliates and, for verification.

8. The year-end balances of Due to Government Service Insurance System (GSIS), Home Development Insurance Fund (HDMF) and Philippine Health Insurance Corporation (PHIC) showed unreconciled/unremitted mandatory contributions totaling P1.350 million which could deprive the member beneficiaries from the availment of some privileges and benefits due them.

8.1. Due to GSIS, Pag-IBIG and PhilHealth accounts are used to recognize the liability for the withholding of employees' premiums and other payables for remittance to GSIS, HDMF and PHIC.

8.2. Sections 14.1 and 14.3 of the Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 8291 or the GSIS Act provides that each government agency shall remit directly to the GSIS the employees' and government agency's contributions/deductions within the first 10 days of the calendar month following the month to which the contributions apply/when the deductions were effected.

8.3. Section 3(a), Rule VII of the IRR of RA No. 9679 or the HDMF Law of 2009 provides that all employers shall remit their contributions and the contributions of their covered employees as well as the latter's loan amortizations or payments to the Fund as provided for under Section 2 of this Rule, when applicable, within 15 days from the date the same were collected unless another period is previously agreed upon between the employer and the Fund, or within such periods as the Fund may prescribe otherwise. HDMF Circular No. 275 dated January 22, 2010 provides the due dates of the required monthly contributions based on the first letter of employer's name, as follows:

Table 5. Due dates of remittance of HDMF contributions

First Letter of employer's name	Due date
A to D	10th to the 14th day of the month following the period covered
E to L	15th to the 19th day of the month following the period covered
M to Q	20th to the 24th day of the month following the period covered
R to Z, Numeral	25th to the end of the month following the period covered

8.4. Section 18 (b) of the Revised IRR of the National Health Insurance Act of 2013 states that the monthly premium contribution of employed members shall be remitted by the employer on or before the date prescribed by the Corporation which is every 11th to 15th day or 16th to 20th day of the month following the applicable period, depending on the employer's PhilHealth Employer Number (PEN) pursuant to PhilHealth Circular No. 0001 series of 2014 dated January 9, 2014.

8.5. Due to GSIS, Pag-IBIG and PhilHealth accounts should basically pertain to premium payments and other payables withheld from employees for the month of December 2021 and should be remitted on the following month in accordance with the above deadlines. However, analysis of the accounts showed that after the remittances made in January 2022, there were still unreconciled/unremitted contributions/deductions in the total amount of P1.350 million, as follows:

Table 6. Unreconciled/unremitted mandatory contributions

Account	Balance as of Dec 31, 2021	Remittance in January 2022	Unremitted/ Unreconciled Balance as of Dec 31, 2021
Due to GSIS	3,694,151.72	2,411,051.31	1,283,100.41
Due to Pag-IBIG	217,503.92	152,626.75	64,877.17
Due to PhilHealth	205,086.17	202,886.19	2,199.98
	4,116,741.81	**2,766,564.25**	**1,350,177.56**

8.6. Analysis of unremitted/unreconciled balances disclosed the following:

a. Due to GSIS – P1.283 million

Unverified balance forwarded from old accounting system of BCDA in CYs 2011 to 2017 – Project Based Accounting System (PBAS) and System Analysis Program (SAP) Development	1,256,989.50
Unreconciled net over remittance of premium contributions from CYs 2017 to 2021	(3,624.50)
Unremitted policy loan amortizations	1,200.00
Remittance of conso loan amortizations not accepted by GSIS due to inactivity of loan	28,752.08
Refund of educational loan of an employee in October 2020 with no counterpart credit entry	(216.67)
	1,283,100.41

b. Due to Pag-IBIG – P64,877.17

Unverified balance forwarded from PBAS	48,752.93
Payment of multi-purpose loan of an employee in 2017 with no counterpart credit entry	(3,632.02)
Enhance Community Quarantine (ECQ) loan for the month of December 2021	666.42
Remittance of Housing and Calamity loan in February and March 2022	19,089.84
	64,877.17

c. Due to PhilHealth amounting to 2,199.98 pertains to unverified balance forwarded from PBAS

8.7. The unremitted balances indicate that the mandatory contributions/ deductions withheld from employees were not timely and fully remitted to GSIS, HDMF and PHIC noting that BCDA was also not able to maintain subsidiary ledgers for each government agencies relative to the amounts due them to facilitate the reconciliation of records. Moreover, the member beneficiaries could be deprived from the possible availment of the privileges/benefits and BCDA may be subjected to payment of penalties for delayed or non-remittance of said mandatory contributions.

8.8. **We recommended that Management:**

a. **Reconcile the unreconciled/unremitted mandatory contributions/ deductions with the concerned government agencies and prepare the necessary adjusting journal entries, if warranted; and**

b. **Henceforth, ensure that all government deductions withheld from employees are timely and fully remitted to avoid penalties that could be imposed to BCDA for non-compliance.**

8.9. Management commented that the reconciliation is currently being conducted by ACD and expected to be completed by July 31, 2022.

8.10. The Audit Team recommended that Management require ACD to submit the statement of reconciliation and supporting documents after the completion of verification of records.

9. **Advances to contractors totaling P1.084 million had been dormant in the books of accounts for more than 10 years, thus the possibility of recoupment/collection is remote, depriving BCDA of additional funds that could have been used for their operations.**

9.1. COA Circular 2020-002 dated January 28, 2020 provides that *Advances to Contractors* account is debited to recognize the amount advanced to contractors/sub-contractors and to be credited for recoupment of advances, and/or adjustments.

9.2. The Revised Implementing Rules and Regulations (RIRR) of Republic Act (RA) No. 9184 provides that the procuring entity shall, upon a written request of the contractor which shall be submitted as a contract document, make an advance payment to the contractor in an amount not exceeding 15 per cent of the total contract price.

9.3. The advance payment shall be repaid by the contractor by deducting 15 per cent from his periodic progress payments. The contractor may reduce his standby letter of credit or guarantee instrument by the amounts refunded by the Monthly Certificates in the advance payment.

9.4. As at December 31, 2021, the balance of Advances to Contractors account amounted to P1.135 Billion. Our audit disclosed that out of the said balance, P1.090 million or 0.10 per cent remained outstanding since 2011 which is already dormant and the possibility for recoupment/collection from the Contractors is very remote, as follows:

Table 7. Dormant advances to contractors

Contractor	Date of grant of advance payment	Age (in years)	Amount
Undetermined	April 30, 2011	10.68	983,619.00
Shipside, Inc.	November 9, 2011	10.15	100,000.00
			1,083,619.00

9.5. The major portion of the dormant amount pertains to the advances made to (various) unknown contractor/s based on the Schedule of Advances to Contractors maintained by the Accounting and Comptrollership Department (ACD). We were informed that this amount was just carried over from its old accounting system and no monitoring or subsidiary ledger (SL) was maintained for each contractor back then. The said monitoring/SL was only made recently.

9.6. The projects relative to the long outstanding advances to contractors could have been completed already and/or had been terminated, but BCDA failed to recoup the said advances from progress payments.

9.7. The non-recovery of the dormant advances to contractors deprived BCDA of funds that can be used for its operations or projects that could benefit BCDA and its stakeholders.

9.8. **We recommended that Management require ACD to verify and determine the validity of the dormant advances to contractors and prepare adjustments in the books of accounts, if warranted.**

9.9. BCDA adhered to the recommendation to determine the validity of the dormant advances to contractors. The journal vouchers to effect the necessary adjustments in the books of accounts will be submitted by the end of the third quarter of CY 2022.

9.10. Demand letters will also be sent to concerned contractors for the refund of the unrecouped amount, if there are any, upon completion of the validation.

9.11. The Audit Team will monitor the submission of relevant documents and evaluate the same.

10. The completeness and proper valuation of Inventories Held for Consumption and related expenses accounts totaling P3.249 million and P2.521 million, respectively, could not be established due to non-conduct of physical count of inventories and consequently, non-reconciliation of supposedly inventory results with accounting and property records.

10.1. Philippine Accounting Standard (PAS) 1 on Presentation of Financial Statements states that:

> *Financial Statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Conceptual Framework for Financial Report.*

10.2. Likewise, the Internal Auditing Standards for the Philippine Public Sector (IASPPS) defines internal control as an integral process that is effected by an entity's management and personnel and is designed to address risks and to provide reasonable assurance that in pursuit of the entity's mission, the general objectives are being achieved. The general objectives of internal control are: 1) execution of an orderly, ethical, economical, efficient and effective operations; 2) fulfilling accountability obligations; 3) complying with applicable laws and regulations; and 4) safeguarding resources against loss, misuse and damage.

10.3. As at December 31, 2021, the Inventories Held for Consumption and the related Expenses accounts of BCDA amounted to P3.249 million and P2.521 million, respectively, computed as follows:

Table 8. Inventories Held for Consumption and the related Expenses accounts balances

Inventories		Expenses	
Office Supplies Inventory	3,230,344.04	Office Supplies Expenses - Common	664,805.71
		Office Supplies Expenses - Non Common	438,056.83
Other Supplies and Materials Inventory	965.27	Other Supplies and Materials Expenses	119,820.14
Semi-Expendable Properties	17,539.32	Semi-Expendable Machinery and Equipment Expenses	815,041.46
		Semi-Expendable Furniture, Fixtures and Books Expenses	1,439.75
Drugs and Medicines Inventory	0	Drugs and Medicines Expenses	258,206.10
Medical, Dental and Laboratory Supplies Inventory	0	Medical, Dental and Laboratory Supplies Expenses	223,369.17
	3,248,848.63		**2,520,739.16**

10.4. However, during our audit we noted the following deficiencies:

10.5. **The Accounting and Property records were not reconciled.**

10.5.1. Section 490 of COA Circular No. 368-91 or the Government Accounting and Auditing Manual requires the physical inventory-taking to be regularly enforced, being an indispensable procedure for checking the integrity of property custodianship. Inventory of goods and/or supplies and materials, including medicines, drugs, and medical supplies in stock, exclusively for either commissary, sale, manufacture or relief purposes shall be taken at least every six months, as of June 30 and December 31 of each year. The inventory report shall be properly reconciled with the accounting and inventory records.

10.5.2. During our ocular inspection of the stockroom and inquiry with the concerned personnel from Property Management Division (PMD) revealed that BCDA failed to conduct the actual physical count of the inventories held for consumption as of December 31, 2021 such as the office supplies – common and non-common, medicines and medical supplies, semi-expendable properties and other supplies.

10.5.3. However, an Annual Inventory Report for common-used supplies as of December 31, 2021 totaling P3.245 million was submitted to the Audit Team despite the fact that the actual physical count was not conducted by PMD. We were informed that the data in the said Report were extracted from the ACUMATICA, the enterprise resource planning (ERP) system used by BCDA to record the purchases (receipts) and issuances of inventories to end-users. Nevertheless, there was a variance of P14,955.40 between the balance per books and the unsubstantiated inventory report, computed as follows:

Table 9. Comparison of Inventory balances

Account	Per Annual Inventory Report[1/]	Per Books	Variance
Office Supplies Inventory (Common-Use Supplies)	3,245,299.44	3,230,344.04	14,955.40

1/ No actual inventory conducted. Amount reported was based on the balance per Acumatica.

10.5.4. Consequently, the reconciliation of supposedly inventory results with the balances of accounting and property records was also not performed which renders the balances of inventory and its corresponding expense accounts doubtful.

10.5.5. The conduct of annual physical count of inventories and reconciliation of records are control measures and indispensable procedures to establish the existence and completeness of assets as at the given period and to reduce the concealment and misuse of properties of BCDA.

10.6. **Purchases of medical, office and other supplies totaling P0.875 million were recognized as outright expenses resulting in unrealiable year-end balances of inventories and its corresponding expense accounts.**

10.6.1. COA Circular 2020-002 dated January 28, 2020 provides that *Office Supplies Inventory*, *Other Supplies and Materials Inventory, Drugs and Medicines, and Medical, Dental and Laboratory Supplies Inventory* are asset accounts to be debited to recognize the cost or value of purchased/acquired supplies such as bond papers, pens, inks, paper clips, staple wires, rulers, medicines and medical supplies purchased/received for use or distribution. These are credited upon issuance or distribution to end-users, transfers, losses, other disposals, and/or adjustments.

10.6.2. For CY 2021, BCDA purchased various medical, office and other supplies totaling P0.875 million. However, our audit revealed that the said purchases were recognized in the books of accounts as outright expenses instead of recognizing the same under the corresponding inventory accounts in accordance with the above Circular.

10.6.3. Additionally, the Audit Team was not able to verify if all the purchased inventories for CY 2021 were issued to end-users since the Property Division did not conduct physical count of inventories at year-end as emphasized in the preceding observation in paragraph 10.5.

10.7. **The Requisition and Issue Slip (RIS) and Inventory Custodian Slip (ICS) were not properly accomplished.**

10.7.1. The RIS is the form used by the Requisitioning Division/Office to request supplies/ goods/equipment/property carried in stock and by the Supply and/or Property Division/Unit to issue the items requested while the ICS is used to establish accountability over the semi-expendable property issued to end-user.

10.7.2. Review of records showed that some of the RIS and ICS submitted to the Audit Team by PMD were not properly accomplished. Our audit revealed that some of the required information such as the designations, printed names and signatures of issuer/receiver and date of request, approval, issuance and receipt of items, were not provided in the RIS and ICS forms.

10.7.3. The RIS and ICS are one of basic forms used to establish and strengthen the internal control in safeguarding assets. Hence, non-compliance thereto could expose BCDA to the risk of loss or misappropriation of assets.

10.8. **Incompatible duties and functions in the monitoring and custody of inventories were not segregated.**

10.8.1. Segregation of duties is a basic building block of sustainable risk management and internal controls for a business. Key duties and functions should be assigned to different individuals to ensure that effective check and balance exist and to eliminate opportunities to conceal errors and irregularities. This standard of internal control entails that no one person or department should be in complete control over a transaction.

10.8.2. Review of internal control system over supply and property management revealed that one personnel from Property Management Division (PMD) has full control over the supplies and inventories of BCDA.

10.8.3. Inquiry disclosed that the functions of recording and monitoring of purchases, issuance and custody of inventories were all assigned to and performed by the same personnel. He prepares the Supply Requisition Slip for supplies on stock; submits quarterly report on the issuance and receipt of supplies; receives/stamps delivery items; prepares summary of delivered items on a daily basis; inspects and prepares vehicle waste materials; and conducts physical inventory of properties. Likewise, he also records transactions pertaining to the receipts and issuances of common-use supplies inventory in the enterprise resource planning (ERP) system of BCDA.

10.8.4. It bears stressing that the segregation of duties and functions ensures that effective check and balance exists and to prevent one employee from perpetrating or concealing irregularities or illegal acts alone, no one person or department should be in complete control over the transaction. The person responsible for an error may not be held responsible for an error if segregation of duties is not observed. Consequently, significant phase of transactions should be identified and each phase assigned to a different person. In this way, the work of one provided an automatic check on the work of another.

10.8.5. Moreover, the tendency of custodians to conceal the misused assets entrusted to them through manipulation of records and the use of improper entries will be reduced/minimized, had the access to records been restricted only to personnel not involved in the custody of properties.

10.9. **In view of the foregoing, we recommended that Management:**

a. **Refrain from submitting inventory report to the Audit Team without the actual physical count of inventory conducted and henceforth, require the PMD or Inventory Committee to include the supplies and semi-expendable properties in the conduct of**

Annual Physical Inventory and reconcile the same with Accounting and Property records;

b. **Recognize purchases of supplies and other items in the proper asset account and use the proper corresponding expense account upon issuance to end-user;**

c. **Properly accomplish the RIS and ICS to establish accountability of properties; and**

d. **Implement the proper segregation of incompatible duties and functions by assigning the recording and monitoring to different individuals for check and balance by issuing a Memorandum/Office Order.**

10.10. BCDA commented that they will conduct an actual physical count of supplies and submit a report every six months or every June and December of each year and PMD shall properly reconcile their records with the Accounting Records.

10.11. Inventories will be initially recorded by ACD as asset in the books of accounts and will be adjusted to its proper expense account upon issuance to end-user, in coordination with PMD.

10.12. Additionally, all RIS and ICS shall be strictly processed through the document tracking system to ensure tracking and requested actions are appropriately acted upon.

10.13. BCDA assured that the proper segregation of incompatible duties and functions will be implemented. But, in compliance with the various issuances due to COVID 19 pandemic, Management implemented a strict work arrangement wherein only a few BCDA employees were allowed to physically report for office, from March 15, 2020 to March 31, 2022. Therefore, temporarily, the segregation of incompatible duties and functions of the staff of the PMD were not exercised completely during the said period, particularly those functions requiring face-to-face or physical presence such as receiving and releasing the supplies.

10.14. However, Management has issued a new advisory for work arrangement wherein all employees shall report back to work physically effective April 1, 2022. This ensures the segregation of incompatible duties and functions of different individual.

10.15. As a rejoinder, the Audit Team will continuously monitor the strict compliance of BCDA with the recommendations.

11. The variance of P117,969 between the balance per books of accounts and confirmed balances of Advances to Procurement Service of the Department of Budget and Management (PS-DBM) was not reconciled.

11.1. The Audit Team sent a confirmation letter to PS-DBM to determine the correctness of the balance of Advances to PS-DBM account as of December 31, 2021 amounting to P267,393.

11.2. Results of said confirmation yielded a variance of P117,969, computed as follows:

Table 10. Results of confirmation with PS-DBM

Particulars	Amount
Balance per confirmation	99,187,872
Less: Adjustment	99,038,448
Adjusted balance per confirmation	149,424
Balance per books of accounts	267,393
	117,969

11.3. The adjustment pertains to the service fee paid by BCDA to PS-DBM amounting to P99.038 million or four per cent of the P2.476 billion total contract price awarded for the services rendered by the latter, as a procurement agent of BCDA in the 1) Construction of ASCOM Facilities at Camp Aquino Tarlac and 2) Construction of NCC Connecting Road-Package 1. The said fee was paid by BCDA per Check No. 20107 dated March 11, 2021 and it was recognized as Other General Services expenses, however, it was treated by PS-DBM as advances by BCDA.

11.4. It bears stressing that the periodic reconciliation of records and the coordination among different offices/departments within BCDA are one of the methods and measures to be adopted to properly safeguard its assets and ensure the accuracy and reliability of the balances of accounts presented in the financial statements.

11.5. **We recommended that Management reconcile the variance of P117,969 with PS-DBM to ensure that all variances are immediately verified and cleared; and prepare the necessary adjusting journal entries, if warranted.**

11.6. Management commented that ACD shall conduct regular reconciliation of PS-DBM accounts and all other accounts to ensure the validity and accuracy of accounts on both records.

11.7. The Audit Team will continuously monitor the balances of Advances to PS-DBM account as well as the periodic reconciliation of records.

B. OTHER ISSUES

12. The Annual Fixed Payment (AFP) and variable share of BCDA and the National Housing Authority (NHA) in Gross Revenues pursuant to Section 9 of the Joint Venture Agreement (JVA) for the development of the Bonifacio East Property executed among BCDA, NHA and Primelux Holdings, Inc., are not the most beneficial terms in favor of BCDA, hence may deprive BCDA/government of additional funds of P293.307 billion that could be used in the implementation of its projects/programs.

12.1. Review of the JVA disclosed the following audit observations:

12.2. **The computation of the AFP and Annual Variable Payment (AVP) was not based on the appraised value of the Development and Usufructuary Rights (DUR) for the 59.62-hectare property in the amount of P25.636 billion, as authorized under BCDA Board Resolution No. 2018-08-115.**

12.2.1. On December 8, 2017, BCDA received from Shanghai Nanjiang (Group) Co. Ltd. (SNCL) an unsolicited proposal for the financing, planning, design, development, construction, operation and management of the 59.62-ha. Bonifacio East Property and allotting a 9-ha. area thereof for on-site relocation of informal settler families (ISFs), using the Guidelines on the Privatization and Disposition of BCDA Properties — Procedures for Entering into Joint Venture (JV) Agreements with Private Entities (BCDA JV Guidelines).

12.2.2. After evaluation of the Proposal in accordance with Section 6.2 of the BCDA JV Guidelines, the Joint Venture Selection Committee (JVSC)-Bonifacio East Project recommended the acceptance of the said Proposal subject to, among other things, the condition that the said acceptance should not confer Original Proponent Status (OPS) to SNCL.

12.2.3. The JVSC was given authority by the BCDA Board of Directors (BOD) through Resolution No. 2018-08-115 to negotiate with SNCL for the development of the 59.62-ha. property under the terms of P10 billion to P17 billion Net Present Value (NPV) at **six per cent** subject to (i) analysis on current lease rates/Fair Market Value (FMV) (ii) appraisal from **three independent appraisers** (Development Bank of the Philippines + Colliers and update by Asian Appraisal).

12.2.4. In the Instructions to Private Sector Participants (PSPs) of the Tender Documents dated October 7, 2018, it was provided that BCDA will contribute to the JV its DUR over the 59.62-ha. property valued at P22.7 billion, subject to an independent third-party appraiser.

12.2.5. On December 17, 2018, a JVA for the Development of the Bonifacio East Property was executed among BCDA, NHA and Primelux Holdings, Inc., a special purpose subsidiary for the purpose of stepping into SNCL's rights and obligations under the Term Sheet, subject to the condition that SNCL shall provide parent support and/or guarantee to the joint venture or the special purpose subsidiary in a form duly approved by the BCDA.

12.2.6. Section 9 of the JVA reads as follows:

> *9.1. Annual Fixed Payment. - The PSP shall pay BCDA/NHA the first (1st Annual Fixed Payment in the amount of Philippine Pesos: Four Hundred Fifty Four Million and 00/100 (PhP454,000,000.00) within five (5) days prior to the 6th anniversary of the Signing Date and every anniversary date thereafter, in accordance with Annex "K", without need of demand. The first payment date shall be extended to reflect any delay in the scheduled delivery of the ISF area. The Annual Fixed Payment is subject to ten percent (10%) escalation rate every five (5) years after the first payment date. The Annual Fixed Payment is based on the minimum GFA of 3,500,000 sqm. which will be adjusted proportionately by agreement of the Panics in writing to reflect the approved CAAP height restriction.*
>
> *9.2. Annual Variable Payment. - The PSP shall cause the JV to pay BCDA/NHA a three percent (3%) Annual Variable Payment on the Gross Revenues of the JV, and an additional 0.5% on Gross Revenues for every accumulated ten percent (10%) tax incentive secured in favor of the JV. The PSP shall remit the Annual Variable Payment in accordance with the Payment Mechanism under Sections 9.3 and 9.5 hereof. It is understood that the payment for the Annual Variable Payment shall be sourced from the Gross Revenues. Subject to Sections 9.3 and 9.5, the PSP shall be entitled to the withdrawal of the remainder of the Gross Revenues after remitting the Annual Variable Payment to BCDA/NHA.*

12.2.7. Based on the Audit Team's computation using the amounts provided in Annex K-schedule of Fixed and Variable Payments of the JVA, the NPV of cashflows at six per cent from Fixed and Variable Payments is P21.916 billion, which is P0.784 billion less than the assumed value of the DUR of P22.7 billion in the Tender Documents.

12.2.8. In Audit Query Memorandum No. 2022-01 (2019) dated March 15, 2022, the Audit Team requested copies of all the appraisals made for the 59.62-ha. property. However, BCDA only provided one appraisal report prepared by Colliers International Philippines Inc. (Colliers) which is not in accordance with the conditions set by the BCDA Board under Resolution No. 2018-08-115, that the property should be appraised by three independent appraisers.

12.2.9. Based on the Valuation Report prepared by Colliers for the property as of November 16, 2018, the market value for a 50-year leasehold of the property is P25.636 billion or P3.720 billion higher than the NPV of the cashflows presented in Annex K of the JVA, as shown below:

Table 11. Comparison of appraised value of property and NPV of cashflows

Particulars	Amount
Appraised Value	25,636,000,000
NPV of cashflows at six per cent	21,916,352,511
	3,719,647,489

12.2.10. Because the conditions for the negotiation as approved by the BOD that the property should be appraised by three independent appraisers and that the appraised value should be the basis for the negotiation range, the NPV of cashflows is not sufficient to recover the value of the DUR even in the best-case scenario that the projections in the Financial Model would materialize.

12.3. **The Economic Internal Rate of Return (EIRR) of six per cent used by BCDA to determine the Net Present Value (NPV) of the project cash flow is significantly lower than what is prescribed by the National Economic and Development Authority (NEDA)-Investment Coordination Committee (ICC).**

12.3.1. Under ICC Memorandum dated September 30, 2016, the Social Discount Rate (SDR) was set from a previous rate of 15 per cent to a lower rate of 10 per cent. It was asserted that the SDR reflects the hurdle rate which the EIRR of a proposed project must equal or exceed for it to become an economically viable investment.

12.3.2. The memorandum also instructed that all project proposals to be submitted for ICC review shall henceforth adopt the updated SDR.

12.3.3. Although BCDA is exempted from the NEDA JV Guidelines and has its own JV Guidelines, the EIRR used in the evaluation of their projects should be at par with that of the ICC since it is based on the rates used by multilateral banks and reflects the circumstances in the development of the Philippine economy.

12.3.4. Because BCDA used a lower rate than the prescribed minimum EIRR of 10 per cent under the ICC memorandum, the NPV of the projected cashflows under Annex K of the JVA was overstated by P9.756 billion, as follows:

Table 12. Comparison of NPVs at six and 10 per cent

Particulars	Amount
NPV of cashflows at six per cent	21,916,352,511
NPV of cashflows at 10 per cent	12,160,531,499
	9,755,821,012

12.3.5. In effect, the shortfall from the appraised value of the DUR was increased to P13.475 billion, as follows

Table 13. Shortfall from the appraised value

Particulars	Amount
Appraised Value	25,636,000,000
NPV of cashflows at 10 per cent	12,160,531,499
	13,475,468,501

12.4. **The negotiation of BCDA/NHA and the Private Sector Participant (PSP) in the Joint Venture Agreement (JVA) for the Development of the Bonifacio East Property would not yield the most beneficial terms for the government considering the appraised value of the Development and Usufructuary Rights (DUR) and the PSP's equity and loan infusion in the project in the amount of P25.636 billion and P35.257 billion, respectively.**

12.4.1. Under Section 7.2 of the JVA, the Minimum Investment Commitment (MIC) of the PSP for the Project is P137 billion to be provided within the maximum development timetable of nine years.

12.4.2. The PSP shall provide 15 per cent or P20.550 billion of the MIC as equity in the JV while 85 per cent or P116.450 billion thereof shall be provided through loan financing to be fully secured by the PSP.

12.4.3. However, in the Financial Model for the project dated October 1, 2018, which is the basis for the amounts contained in Annex K of the JVA, the equity to be invested by the PSP into the project is only P11.544 billion with an additional amount of P23.714 billion to be financed through loan.

12.4.4. Our analysis of the investment of both BCDA and the PSP based on the Financial Model is as follows:

Table 14. Investment of BCDA and PSP

Investment	Amount	Percentage
BCDA – DUR	25,636,000,000	42.10
PSP		
Equity Injection	11,543,835,374	
Loan Financing (Fully Secured by the PSP)	23,713,521,291	
	35,257,356,665	57.90
	60,893,356,665	**100.00**

12.4.5. However, as provided in the Financial Model, the projected net cashflow from the project is P917.329 billion to be distributed between BCDA and the PSP, as follows:

Table 15. Distribution of cashflow to BCDA and PSP

Project Net Cashflow	Amount	Percentage
BCDA Fixed Revenue	30,793,500,815	
BCDA Variable Revenue	62,094,813,214	
	92,888,314,029	10.13
PSP's share	824,440,711,568	89.87
	917,329,025,597	**100.00**

12.4.6. Evidently, the percentage of investment by both parties does not equate to their percentage share in the net cashflows, which is 42.10 per cent and 57.90 per cent for BCDA and the PSP, respectively.

12.4.7. If BCDA's share in the project's net cashflows was based on the percentage of investment in the project, the nominal value of BCDA's share will be P386.194 billion or an increase of P293.307 billion from the total amount under Annex K of the JVA, as shown below:

Table 16. Details of increase in share of BCDA

Particulars	Amount
Project Net Cashflow	917,329,025,597
Percentage of BCDA's Investment	42.10
Should be share	386,195,519,776
BCDA's share per Annex K of the JVA	92,888,314,029
Increase	**293,307,205,747**

12.4.8. The unfavorable terms contained in the JVA deprived BCDA/ government of additional funds that could be used for the implementation of its programs/projects.

12.5. **We recommended that Management:**

a. **Prepare a revised Financial Model that will be responsive to the 10 per cent EIRR requirement of the NEDA-ICC Memorandum dated September 30, 2016, showing all the assumptions used in arriving at the amounts presented and taking to account the best possible scenario for the government; and**

b. **Formulate a policy on the terms for JV projects, whether solicited or unsolicited, which includes the establishment of the IRR to be used in the project evaluation, taking into account not only the appraised value of BCDA's investment but also the PSP's Minimum Investment Commitment and the Financial Model for the proposed project to improve the basis for business decisions and maximize the revenue that the government will receive from the investment of its properties.**

12.6. Management, in its letter dated April 21, 2022, commented the following:

a. The fair market value (FMV) used to calculate the Annual Fixed and Variable Payment was P22.677 billion.

All the values reflected in the appraisal, assumed that the Bonifacio East property is vacant, clear, and ready for immediate development, use, and occupancy. The property has more than 13,000 informal settler families (ISFs) per NHA's census/master list for relocation and resettlement. With the presence of the ISFs within the property, the value could have been much lower than P22.676 billion but BCDA was able to negotiate the P22.676 billion with the Proponent.

Taking into consideration the higher risks posed by the heavy presence of the ISFs within the property, the use of the six per cent Discount Rate led to a higher present value and therefore more advantageous to BCDA.

b. In the evaluation of the Bonifacio East Project (BEP), the Project IRR was used instead of the EIRR. Nonetheless, for the more than 13,000 ISFs occupying the property, an on-site relocation was made an integral part of the project to provide the ISFs decent housing in a master-planned community with all the necessary services utilities, transportation, schools and medical. Further, the project proponent also included an off-site relocation to identified NHA communities. Once implemented, the redevelopment of the area would contribute to the escalation of the property values of the BCDA and the development of the area that is once-blighted to a well-planned urban cityscape that promotes decent housing and wellness of the community and its surroundings.

BCDA has been trying to free up the property of ISFs since 2000 for potential development. The BEP with an on-site and off-site relocation, redounds to more benefits not just to BCDA but significantly to the ISFs' health and sanitation (as a result of a planned community) bringing about environmental safety, welfare and the overall wellness of the relocated and the nearby communities.

c. The JVA provides for the PSP's investment commitment in the amount of P137 billion, which both BCDA and NHA will monitor for compliance. Based on the Proponent's financial model, there will be a roll-over of funds generated from the sale of the improvements that forms part of the project-self-equity financing after rolling developments.

12.7. The Audit Team responded accordingly to the comments of Management in a letter dated April 28, 2022, as follows:

a. The NPV of the cashflows as provided in Annex K of the JVA is P21.916 billion and not P22.676 billion. The cashflows to BCDA are composed of Fixed and Variable payments. The latter, being unguaranteed, should not have been given a 100 per cent probability of occurrence when the Financial Model was evaluated. In BCDA's experience with Joint Venture

(JV) projects, the full amount of unguaranteed payments included in JV partners' proposals are not met during actual operations.

Assumptions to be used in the conduct of appraisals should be based on the actual condition of the property appraised or the established conditions that will be the basis for negotiations. Assumptions that the property is vacant, free, clear, and ready for immediate development use and occupancy leave questions of additions or deductions left for Management to decide which defeats the purpose of the independent appraisal.

b. The use of the six per cent discount rate, although led to a higher present value of cashflows to BCDA, is not more advantageous as compared to the prescribed EIRR of 10 per cent under the Investment Coordination Committee (ICC) Memorandum dated September 30, 2016. This resulted in an overstatement of P9.756 billion in the NPV of the projected cashflows under Annex K of the JVA, as follows:

Table 17. NPV of cashflows at six and 10 per cent

Particulars	Amount
NPV of cashflows at six per cent	21,916,352,511
NPV of cashflows at 10 per cent	12,160,531,499
	9,755,821,012

The higher rate of 10 per cent led to a lower NPV. This means that, in order for BCDA to recover the value of the DUR during the term of the JVA, the amounts of cash inflows to BCDA should be increased. Such increase in cashflows indicates a higher return from the government's investment and is, therefore, more advantageous.

c. Based on the Proponent's financial model, there will be a roll-over of funds from the sale of the improvements. However, we emphasized that had BCDA employed the same strategy of rolling over their share of revenue generated from the project, the sharing of net cash inflows would change in favor of BCDA.

In fact, based on the financial model, the share of BCDA in the revenue would also be rolled over for five years in the total amount of P6.393 billion due to insufficiency of cash.

However, the roll-over of the share of BCDA in the revenue did not incur any additional benefit to the government. Based on the JVA, it is the obligation of the proponent to finance the project and should therefore shoulder the cost of the development by infusing additional investment into the project. Payments for the share of BCDA in the project's revenue should not be deferred in favor of the Proponent.

12.8. BCDA, in its letter dated May 5, 2022, confirmed that the NPV in Annex K of the JVA is P21.916 billion and agreed with the recommendation of the Audit Team that properties of BCDA should also be valued based on its actual condition. The appraisal report based on the assumption that the property if free, vacant and ready for immediate development leaves questions of additions or deductions left Management to decide which defeats the purpose of the independent appraisal. The appraisal reports used to evaluate the project confirmed that the computation falls within the appraised value of the property.

12.9. BCDA further commented that they did not use EIRR in the evaluation of the project, considering the following economic benefits:

- Allocation of nine hectares from the gross project area for the on-site relocation of the informal settlers (ISFs). This on-site relocation will provide decent housing for the more than 13,500 ISFs occupying the property in a master-planned community with all the necessary services namely basic utilities, transportation, schools and medical. The said relocation program will cost the Private Sector Partner (PSP) an amount of P17.5 billion, pursuant to the JVA;
- Additional off-site relocation facilities within the identified NHA communities;
- Additional economic productivity and higher land value appraisal within the project site spawned by the redevelopment. Once the Project is implemented, BCDA will benefit from higher property value based on the expected developments consistent with a well-planned urban cityscape;
- The community provided with decent housing, is expected to gain an improved over-all wellness, based on improved access to sanitation, better opportunities form the job creation, environmental safety and general welfare; and
- BCDA will save on cost from its regular efforts to free-up the property of ISFs since 2000.

12.10. Given all the aforesaid benefits, BCDA agreed with the Audit Team that the use of a higher discount rate leads to lower NPV. On the other hand, the use of lower discount rate increases the cash flows and will result to a higher return for the government's investment and therefore is more advantageous. The six per cent discount rate used for the project provided higher NPV in the amount of P21.916 billion compared with the P12.16 billion at 10 per cent discount rate.

12.11. However, BCDA said that they did not agree with the provision on the roll-over of its share in the gross revenues. Section 9.2 of the JVA states that the private partner shall only be entitled to withdraw the remainder of the Gross Revenues after remitting the annual variable payment to BCDA. Likewise, Section 9.3 of the JVA states that the payment for the fixed and variable of BCDA were prioritized over the share of the private sector pursuant to.

12.12. Additionally, the Financial Model showed that the three per cent share of BCDA in the Gross Revenue would not be remitted fully during the 4^{th} to 8^{th} year. If BCDA did not agree to the schedule of roll-over of its share, then they should have requested an amendment to the Financial Model to reflect the agreement of both parties.

12.13. The Audit Team pointed out that the amounts that are unguaranteed were those provided under Annual Variable Payment (AVP) in Annex K of the JVA with a total amount of P62.094 billion and were used as the basis in evaluating the reasonableness of the Financial Model.

12.14. Moreover, we enlightened Management as to its misconception that the use of a lower discount rate increases the cash flows and indicates a higher rate of return for the government's investment and therefore more advantageous. We stressed that a lower discount rate does not increase cash flows. In computing the NPV of a stream of payments using a discount rate of 6 per cent and 10 per cent, the total cash flows would remain the same. In order for an investor to recover the value of the investment at the required 10 per cent discount rate, the cash flows from the project should be increased.

12.15. Thus, we emphasized that the Financial Model is crucial in the decision making for investments and projects and the accuracy of the assumptions used in projecting the outcome of the projects should be given utmost importance to avoid losses.

12.16. Moreso, we stand with our recommendation that Management formulate a policy on the terms for Joint Venture projects, whether solicited or unsolicited, which includes the establishment of the IRR to be used in the project evaluation, taking into account not only the appraised value of BCDA's investment but also the PSP's Minimum Investment Commitment and the Financial Model for the proposed project to improve the basis for business decisions and maximize the revenue that the government will receive from the investment of its properties.

12.17. BCDA agreed with the recommendations of the Audit Team and further commented that as a real estate company, they used the Financial Internal Rate of Return (FIRR) to determine the financial viability using the cash flow of the project and the Rate of Return of the Project.

12.18. The six per cent discount rate was determined by using BCDA's Cost of Debt. The NPV using 10 per cent discount rate computation do not include other benefits of the project.

12.19. On the other hand, NEDA uses the 10 per cent EIRR in the evaluation of developmental projects which considers non-quantifiable factors that impact the national economy.

12.20. The Weighted Average Cost of Capital (WACC), at the rate of 10.25 per cent, will be considered in the revision of the financial model and will be submitted to the Audit Team, as soon as available.

12.21. The Financial Model will be revised and updated by BCDA/NHA, in coordination with the Development Bank of the Philippines (DBP), being the BCDA financial advisor for the project, to reflect the following:

- Revision of the terms due to the NHA's non-delivery of the 59-hectares to the PSP.

- Impact of CAAP Height Restrictions on the 3,500,000 sqm GFA of the Project.
- Updating of assumptions, including the WACC, used in the Financial Model.

12.22. The Audit Team requested for the immediate submission of the copy of the revised JV Guidelines and Financial Model once approved, for reference, monitoring, and further evaluation.

13. The Variation Order (VO) in the construction of villas included Interior Design and Furnishings for seven villas totaling P20.169 million which could have been procured by BCDA as separate project thru public bidding in accordance with Section 10 of the Revised Implementing Rules and Regulations (RIRR) of Republic Act (RA) No. 9184. Moreso, the said inclusion is not within the general scope of the project as bid and awarded as provided under Section 1.1, Annex E of the RIRR, thus, defeating the government policy on competitiveness and transparency in procurement activities and the objective to obtain the most advantageous price for the government.

13.1. Section 10 of the RIRR requires that all procurement shall be done through competitive bidding, except as provided in Rule XVI of the RIRR.

13.2. Public bidding as a method of government procurement is governed by the principles of transparency, competitiveness, simplicity and accountability. By its very nature and characteristic, a competitive public bidding aims to protect the public interest by giving the public the best possible advantages through open competition. Another self-evident purpose of public bidding is to avoid or preclude suspicion of favoritism and anomalies in the execution of public contracts[1].

13.3. Goods and Infrastructure Projects were defined under Section 5 of the RIRR as follows:

> ***Goods.*** *Refer to all items, supplies, materials and general support services, except Consulting Services and infrastructure projects, which may be needed in the transaction of public businesses or in the pursuit of any government undertaking, project or activity, whether in the nature of equipment, furniture, stationery, materials for construction, or personal property of any kind, including non-personal or contractual services xxx*
>
> ***Infrastructure Projects.*** *Include the construction, improvement, rehabilitation, demolition, repair, restoration or maintenance of roads and bridges, railways, airports, seaports, communication facilities, civil works components xxx*

13.4. Meanwhile, Section 1.1 of Annex E of the 2016 RIRR of RA No. 9184 or the Contract Implementation Guidelines for the Procurement of Infrastructure Projects provides that:

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1 G.R. No. 230566

Variation Orders may be issued by the procuring entity to xxx ***due to change plans, design or alignment to suit actual field conditions resulting in disparity between the preconstruction plans*** *xxx, provided that the cumulative amount of the positive or additive Variation Order does not exceed ten per cent (10%) of the original contract price.* ***The addition/deletion of works under Variation Orders should be within the general scope of the project as bid and awarded****. The scope of works shall not be reduced so as to accommodate a positive Variation Order. xxx.* (Emphasis supplied)

13.5. In November 2017, the Philippines, thru the Chairmanship of President Rodrigo Roa Duterte, hosted the 31st ASEAN Summit with the theme "Partnering for Change, Engaging the World". The said event was attended by members of the ASEAN represented by their heads of government/states.

13.6. Relative thereto, BCDA procured the construction of 21-Unit ASEAN Summit Villas at the Clark Special Economic Zone (CSEZ), Angeles City Pampanga thru public bidding, to be used and will be served as accommodation of the heads of government/states during the Summit.

13.7. The project was awarded to E.M. Cuerpo, Inc. (EMCI) thru the issuance of the Notice of Award on May 8, 2017. Accordingly, BCDA and EMCI entered into a contract on May 25, 2017 for the construction of 21-unit villas amounting to P466.333 million, inclusive of value-added tax, as well as expenses, fees and taxes, for obtaining the necessary licenses, permits and clearances from concerned government agencies.

13.8. However, the Audit Team was not aware of the mode of procurement adopted by BCDA wherein four suppliers submitted price quotations and eventually awarded the items to EMCI, being the lowest bidder. The procurement could have been done thru public bidding in accordance with Section 10 of the RIRR of RA No. 9184. This will increase the number of prospective bidders and intensify competition which in turn, will ensure that government will get the possible quality cost for the goods and/or services sought to be procured.

13.9. The construction started on May 15, 2017 and EMCI has 120 calendar days or until September 11, 2017 to complete the construction of the ASEAN villas.

13.10. However, the Director General (DG) for Operations of the ASEAN National Organizing Council (NOC), Office of the President of the Philippines, in its letter to BCDA dated August 3, 2017, required BCDA to ensure that 11 villas must be fully furnished and functional by November 1, 2017.

13.11. Due to the urgency of the construction of the 21-Unit ASEAN Summit villas, BCDA Project Management Department (PMD) and Clark Development Corporation prepared the plans and specifications instead of having it designed by a Detailed Architectural and Engineering Design Consultant. Consequently, during the course of implementation, BCDA applied variations, changes and additional works necessary to complete the construction of the villas on time and to make them functional to serve its purpose as the official residences of the Heads of States during the 31st ASEAN Summit.

13.12. The assigned Project Manager for the construction of the villas, thru Internal Memo dated February 6, 2018, requested Management for the approval of the new contract cost or the as-built quantities for the 21-Unit ASEAN Villas amounting to P512.966 million, including a variation cost of P46.633 million, computed as follows:

Table 18. Computation of the new contract cost and the details of VO

Particulars	Amount
Additive Quantities	
Civil/Structural Works	12,188,340.49
Architectural Works	36,988,431.88
Electrical Works	1,910,494.95
Plumbing and Sanitary	2,900,005.50
Interior and Furnishings for seven Villas	**20,168,949.22**
Sub-Total	**74,156,222.04**
Deductive Quantities	
Civil/Structural Works	2,464,652.40
Architectural Works	25,058,452.01
Sub-Total	**27,523,104.41**
Variation Cost	**46,633,117.63**
Original Contract Cost	**466,333,333.77**
New Contract Cost/As-built Quantities	**512,966,451.40**

13.13. As shown in the above table, the Interior and Furnishings amounting to P20.169 million was included in the approved variation order as an additive cost for the interior design and supply of furniture, blinds and curtains in compliance with the directive from the Office of the President of the Philippines thru the DG of ASEAN NOC. This was included after BCDA accepted the quotation of the EMCI, having the least price offered for the needed furnishings for the villas from among the four suppliers who submitted their respective offers.

13.14. **The inclusion of the interior design and supply of furniture, blinds and curtains amounting to P20.169 million as a variation order in the contract for construction of ASEAN Villas is contrary to Section 1.1, Annex E of the RIRR of RA No. 9184.**

13.15. The furniture, blinds and curtains are under the category of Goods, hence, these should have been procured thru a separate project/contract in accordance with the pertinent provisions/ procedures for the procurement of Goods prescribed under RA 9184 and its revised IRR. Moreover, the said items were not included in the general scope of the project and not an integral part of the infrastructure contract and should not be a variation order.

13.16. Additionally, based on the review of General Conditions of the Contract and its Technical Specifications as bid and awarded, the said furnishing of the seven Villas is neither similar nor somehow in line with the nature of work or service in its construction. To be considered as such, the technical specifications should be an integral part of the original contract that provides the description of works to be done and the qualities of materials to be used, the equipment to be installed and the mode of construction.

13.17. Moreover, EMCI is not in the line of business of selling furniture, blinds, curtains, etc., rather its business is to provide and undertake general building construction and other related services which specializes in infrastructure projects such as general building, steel fabrication, construction, and development of real properties. Hence, the quotation made by EMCI inclusive of a markup of 14 per cent or P2.462 million, indicates that these items will be procured from a third party. Had a public bidding been adopted by BCDA, the mark-up of 14 per cent or P2.462 million could have been avoided given that various suppliers in the business of selling those items, will participate and submit bids.

13.18. The interior design and furnishing, which are Goods in nature, should have been procured as a separate project/contact thru public bidding in accordance with Section 10 of the RIRR. As a result thereof, competitiveness and transparency in the procurement process were impaired and BCDA is not assured that the most advantageous price for the government was obtained.

13.19. On the other hand, Annex C of the RIRR of RA No. 9184 or the Recommended Earliest Possible Time and Maximum Period Allowed for the Procurement of Goods and Services, provides that a total of **26 calendar days** is operational timeline needed from the Pre-Procurement Conference until the Issuance of Notice to Proceed.

13.20. While the completion of villas was urgent, it is worthy to mention that from the letter of DG of the ASEAN NOC dated August 3, 2017 up to the ASEAN Summit on November 1, 2017, BCDA had **90 calendar days** to procure and complete the said furnishings for the villas.

13.21. **We recommended that Management strictly adhere to the pertinent provisions of RIRR of RA No. 9184 relative to the (a) procurement of goods through public bidding, if warranted, to get the best price and quality; and (b) issuance of variation orders within the general scope of the project as bid and awarded. Disbursement of government funds in violation of laws, rules and regulations may warrant the issuance of Notice of Disallowance to persons liable.**

13.22. Management commented that upon receipt of the letter from NOC, BCDA has considered all possible options under RA 9184 and its IRR to meet the said requirement given the immovable deadline of the event. BCDA was also instructed to provide furniture appropriate and befitting for the Heads of State and to showcase Filipino Hospitality and culture.

13.23. The villas, with the furniture installed, are even required to be ready 10 days prior to the event on October 20-25, 2017. This is to give sufficient time to the NOC and the Presidential Security Guard (PSG) to inspect and secure the area.

13.24. These conditions imposed by the NOC and National Government left BCDA with just 68 calendar days to comply which falls on October 10, 2017.

13.25. Based on market research conducted by BCDA at that time from credible furniture manufacturers and suppliers, a minimum of 60 days is required to fabricate and deliver the needed volume/quantities for the furniture. Factoring in the bidding process under RA 9184, a minimum of 26 calendar days is needed to meet mandatory timelines from publications to bid opening. Bidding preparation will entail at least seven days.

13.26. Thus, BCDA will need a minimum of 93 calendar days to procure the said furniture and it will fall on November 4, 2017, which is 25 days beyond the immovable deadline of October 10, 2017.

13.27. This does not account yet the expected request for time extension by bidders in their preparation and submission of bids. Failure to grant such request will result in the high probability of failure of bidding. This likely scenario will therefore render the purpose of the ASEAN Villas useless.

13.28. Nonetheless, BCDA thru its procuring department, studied the situation and found it difficult to procure the items under normal public bidding.

13.29. With decreasing limited options, BCDA has considered including the procurement of the furniture in the contract of the Construction of the 21-Unit ASEAN Summit Villas as a Variation Order. Immediately after, several seasoned manufacturers were tapped to start the planning for layout, production and delivery of the furniture. This option will ensure that BCDA can deliver the requirement on quality and on time as required by the National Government. Quotations from the furniture suppliers were evaluated by BCDA to determine the most advantageous proposal and the same were found to be within the fair market value of industry.

13.30. In the course of project implementation, several additional works were determined as necessary to complete the works for the 21 villas. This reduced the budget that may be intended for the furniture, such that it can only accommodate seven villas. RA 9184 limits the cumulative amount of additive variation to ten per cent of the original contract amount.

13.31. BCDA was able to furnish the seven villas thru VO while they sought assistance of the Provincial Government of Pampanga to source out from several Kapampangan Suppliers, Owners/Collectors of Furniture to furnish the four other villas. Fortunately, and as true representation of Filipino Bayanihan spirit and nationalism, these furniture owners responded to National call of duty and even lent BCDA pieces of Paintings/Artworks and landscaping ornaments to support the need of the Philippine Government.

13.32. The Audit Team's rejoinder emphasized that the inclusion of furniture, blinds and curtains as a Variation Order is not within the general scope of the

Contract for the Construction of 21 Units ASEAN Summit Villas as bid and awarded. The furnishing of the seven Villas is neither similar nor somehow in line with the nature of work or service in the construction project which is not in accordance with Section 1.1 of Annex E of RA No. 9184 and its RIRR.

13.33. The Audit Team reiterated that the subject items are under the category of Goods as defined under Section 5 of the RIRR and should have been procured as a separate project/contract, through public bidding, in accordance with the pertinent provisions/procedures for the procurement of Goods.

13.34. It was also stressed that BCDA approved on October 4, 2017 the realignment of budget from the construction of 21 units ASEAN Summit Villas (Infrastructure) to Furniture and Fixtures – ASEAN Summit Villas (Goods) amounting to P18.487 million per Request No. 2017-10-054.

13.35. It was noted that the procurement of the furniture, fixtures and equipment for the Villas was **included in the approved Annual Procurement Plan (APP) for Goods and Services for CY 2017** of BCDA through public bidding or alternative mode of procurement.

13.36. We find no merit in the contention of Management that they did not conduct the procurement through public bidding due to the **68 calendar days (CDs)** shortened period for the procurement planning of the furniture, blinds and curtains. Annex "C" of the RIRR or the Recommended Earliest Possible Time and Maximum Period Allowed for the Procurement of Goods and Services provides that the minimum operational timeline for the said procurement is only **26 CDs**.

13.37. The Audit Team noted further that on October 10, 2017, a Certification on the Inspection Report for VO was issued jointly by BCDA's Project Manager and the President of E.M. Cuerpo, Inc. (EMCI) attesting that the interior design and supply of furniture, blinds and curtains were already accomplished and installed. Thus, it took EMCI to fabricate and deliver the said items a total of **44 CDs only** from the date the quotation was submitted to BCDA on August 26, 2017, which is contrary to Management's claim that a minimum of **60 CDs** is required to fabricate and deliver the needed volume/quantities for the furniture based on their market research conducted.

13.38. This is a manifestation that several competent manufacturers and suppliers could actually meet the shortened deadline by the ASEAN NOC considering also that immediately after the subject items were included in the variation order which is deemed to be on August 26, 2017, Management was able to communicate and tap them to start the planning for layout, production and delivery of the furniture.

13.39. We believed that had the procurement of the subject items been done thru public bidding in accordance with the relevant provisions on procurement of goods of RA No. 9184 and its RIRR, the indirect costs such as the overhead costs, other expenses and Contractor's profit could have been avoided by

BCDA and saved as much as P2.477 million or 12.28 per cent of the total cost of the subject items.

13.40. Finally, it is noteworthy to mention that BCDA was able to look for a cost-free solution for the furnishing of the four remaining villas by seeking the assistance of the Provincial Government of Pampanga. Thus, this could have been considered also by BCDA as another feasible way to furnish the seven villas instead of procuring items which deviated from the relevant provisions for the procurement of goods provided by RA No. 9184 and its RIRR.

13.41. While the Audit Team is cognizant of Management's intention to religiously comply with the directive of the National Government to furnish the Villas for the use of the different heads of the ASEAN nations, compliance with the relevant government procurement rules and regulations is strictly required.

13.42. **In view of the foregoing, we maintained our recommendation that Management strictly adhere to the pertinent provisions of RIRR of RA No. 9184 relative to the (a) procurement of goods through public bidding, if warranted, to get the best price and quality; and (b) issuance of variation orders within the general scope of the project as bid and awarded.**

13.43. **Moreover, we recommended that Management conduct an evaluation to determine the persons responsible for the procedural lapses in the procurement of interior design and furnishings for seven villas totaling P20.169 million and institute appropriate legal action or impose penalties pursuant to RA No. 9184 and its RIRR, if warranted; and submit the results of evaluation to the Audit Team for verification.**

13.44. BCDA agreed to adhere to the provisions of RA No. 9184 and its RIRR and determine the possible liabilities, if any, of the persons involved in the variation order process of the interior design and furnishings for the villas. Further, BCDA is crafting specific procedure and guidelines aimed in improving its internal control in the monitoring and implementation of projects including variation orders. BCDA will submit these reports to the Audit Team once completed.

13.45. Management further commented during the exit conference that the said VO amounting to P20.169 million was not yet paid to the Contractor.

13.46. The Audit Team noted that on December 3, 2018, EMCI submitted its claim to BCDA and requested for the payment of the VO for the interior and furnishings for seven villas totaling P20.169 million.

13.47. However, BCDA did not pay EMCI nor a liability was set up/recognized in the books of accounts.

13.48. As a rejoinder, we recommended that Management inform EMCI to file for Money Claim before the Commission on Audit relative to the VO on interior design and furnishings for seven villas.

14. BCDA allowed the completion of the Variation Order (VO) even without the necessary approval from the Head of the Procuring Entity (HoPE) and the processing of VO exceeded the 30-day prescribed period, which are not in compliance with Sections 1.5e and 3.1 of Annex E of the RIRR of RA No. 9184.

14.1. Sections 1.5 (e) and 3.1 of Annex E of the RIRR of RA No. 9184 requires that:

> *1.5 (e) The timeframe for the processing of Variation Orders from the preparation up to the approval by the procuring entity concerned shall not exceed thirty (30) calendar days.*
>
> *3.1 Under no circumstances shall a contractor proceed to commence work under any Change Order or Extra Work Order unless it has been approved by the Head of the Procuring Entity or his duly authorized representative.* (Underscoring ours)

14.2. However, in the event of an emergency where the prosecution of the work is urgent to avoid detriment to public service, or damage to life and/or property; and/or when time is of the essence, the procuring entity's representative/ Project Engineer may**, subject to the availability of funds and within the limits of his delegated authority**, allow the immediate start of work under any Change Order or Extra Work Order. Provided, however, that such approval is valid on work done up to the point where the cumulative increase in value of work on the project which has not yet been duly fully approved does not exceed five per cent of the adjusted original contract price. Provided, finally, that for a Change Order or Extra Work Order involving a cumulative amount exceeding five per cent the original contract price, **no work thereon may be commenced unless said Change Order or Extra Work Order has been approved** by the Head of the Procuring Entity or his duly authorized representative.

14.3. The BCDA Project Manager, in its Internal Memo dated February 6, 2018 requested for the approval of the As-Built Quantities for the 21 Units ASEAN Summit Villas, which includes the variation order costing P46.633 million.

14.4. However, the approval was only made on July 23, 2018, thus, it took 167 calendar days (CDs) – from February 6, 2018 to July 23, 2018 – of the said VO, which is contrary to the required timeframe of 30 CDs from the preparation up to the approval under Section 1.5 (e) of the 2016 RIRR of RA No. 9184.

14.5. Meanwhile, the Summary of Work Accomplished prepared and submitted by the President of EMCI which was duly certified correct by BCDA Project Manager, disclosed that the construction of the 21 Units ASEAN Summit Villas was already **completed as of September 22, 2017**, including the variation order.

14.6. Relative thereto, it is very apparent that BCDA allowed the commencement and completion of work under variation order even without the approval of HoPE.

14.7. **We recommended that Management:**

a. **Justify the delay of 167 CDs in processing of VO from preparation to the approval by the HoPE, which is beyond the 30-day prescribed period under Section 1.5 (e), Annex E of the RIRR of RA No. 9184; and**

b. **Henceforth, strictly observe the provisions of Annex E of the RIRR of RA No. 9184 by adhering to the required timeframe of 30 CDs to process the variation order including its budget from preparation to the approval of HoPE.**

14.8. BCDA commented that upon completion of the project in November 2017 and after completion of punchlisting works, the As-Built Quantities for the Project was prepared and finalized to include all additional works, quantity overruns/underruns, including for the furniture. The As-Built Quantities, together with the As-Built plans and drawings, are needed to be approved and can be considered as final Variation Order.

14.9. Upon submission of the As-Built Quantities on February 6, 2018 to BCDA, several validations, verifications and clarifications were conducted, which took considerable amount of time, to ensure that the amount of works and inventories are in order based on the submitted as built quantities.

14.10. On July 23, 2018, the As-built Quantities for the Construction of the 21 Units ASEAN Summit Villas were approved by BCDA Management.

14.11. The Audit Team emphasized that the **30-day prescribed period** for the processing of VO from the preparation up to the approval by the procuring entity concerned under Section 1.5 (e) of Annex E of RA No. 9184 and its RIRR **is not merely directory but mandatory.**

14.12. We observed that a considerable amount of time/day was expended by BCDA to prepare the proposed additional/extra work orders, the plans, computations as to the quantities of the additional works involved, the inspections and investigations, the detailed estimate of the unit cost of such items of work, and the justifications for the need of such variation orders. Based on the documents submitted by Management on March 23, 2022, some of the needed preparations such as the inspection and punchlisting of variation orders were made and conducted from October 6, 2017 to January 17, 2018.

14.13. This is an indication of weak internal control on the monitoring and implementation of Annex E of the RIRR. Moreso, BCDA failed to assess/evaluate variation orders by including and approving the supply of furniture, blinds and curtains as discussed in Paragraph 2.

14.14. The approval of the VO amounting to P46.633 million or 10 per cent of the original contract cost should have been secured first before Management allowed the commencement and completion of work which exceeded the five per cent threshold in accordance with the above provisions.

14.15. Verification of submitted documents disclosed that the request for approval for the variation orders was only transmitted on February 6, 2018 after the lapse of 134 CDs from the project completion on September 25, 2017 which is a long period of time factoring that the start of work for variation orders happened during the course of project implementation.

14.16. As a rejoinder, we recommended and Management agreed that henceforth, BCDA observe the provisions of Annex E of RA No. 9184 and its RIRR by adhering to the required timeframe of 30 CDs to process the variation order from preparation to the approval of Head of the Procuring Entity.

15. The delayed review and evaluation of the VO for the Construction of the 21-Unit ASEAN Summit Villas due to non-submission of pertinent documents to the Office of the Auditor, contravened COA Circular Nos. 2009-001 and 2012-001.

15.1. COA Circular No. 2009-001 dated February 12, 2009 was issued by the Commission to restate the submission of copy of government contracts, purchase orders and their supporting documents entered into by any government agency irrespective of amount involved. Section 3.1.1 thereof requires that:

> ***Within five (5) working days from the execution of a contract*** *by the government or any of its subdivisions, agencies or instrumentalities, including government-owned and controlled corporations and their subsidiaries, a copy of said contract and each of all the documents forming part thereof by reference or incorporation shall be furnished to the Auditor of the agency concerned.* (Emphasis supplied)

15.2. Section 3.1.2 of the Circular further provides the needed documents to be submitted together with the contracts such as other documents peculiar to the contract and/or to the mode of procurement and considered necessary in the auditorial review and in the technical evaluation thereof.

15.3. COA Circular No. 2012-001 dated June 14, 2012 prescribed the revised guidelines and documentary requirements for common government transactions including the variation order/extra work order.

15.4. We noted that the pertinent documents required for the review/evaluation of the changes in the contract were not yet submitted which precluded the Audit Team in conducting timely auditorial and technical review of the contract to determine if the processes and activities performed by BCDA for the procurement of the construction of the 21-Unit ASEAN Summit Villas are in compliance with the relevant provisions of RA No. 9184 and its RIRR.

15.5. **We recommended that Management submit the certified true copies of the aforementioned documentary requirements for the VO for the Construction of 21-Unit ASEAN Summit Villas and henceforth, comply with the timely submission of contracts and supporting documents in accordance with COA Circular Nos. 2009-001 and 2012-001.**

15.6. Management took note of its failure to submit on time needed documents to allow the conduct of timely review and evaluation of the Project accounts.

15.7. BCDA commented that it is not their intention to deter or hinder COA's exercise of its mandate and that BCDA will submit to any further request for documents and clarifications to arrive at an orderly audit of its project.

15.8. Accordingly, Management submitted the requested documents.

15.9. The Audit Team verified the submitted documents for the Variation Orders for the Construction of the 21 Units ASEAN Summit Villas and the documents were found to be complete, and the same will be forwarded to COA-Technical Services Office (TSO), for technical review and evaluation of the Contract.

16. BCDA did not assert to include in the Memorandum of Agreement (MOA) entered into with the Department of Health (DOH) and Clark Development Corporation (CDC), the full reimbursement of all expenses shouldered in the operations and maintenance of temporary quarantine facilities in New Clark City (NCC) instead of the medical manpower expenses and meals only, given that the mandate to protect, preserve or restore the health of the Filipino people, rests with DOH.

16.1. BCDA was created under RA No. 7227 and mandated to accelerate the sound and balanced conversion into alternative productive uses of the Clark and Subic military reservations and extensions, to raise funds by the sale of portions of Metro Manila military camps, to apply said funds for the development and conversion to productive civilian use of the lands.

16.2. Meanwhile, pursuant to Executive Order No. 102 instituting the Administrative Code of 1987, DOH shall be primarily responsible for the formulation, planning, implementation, and coordination of policies and programs in the field of health.

16.3. DOH is mandated to provide assistance to local government units (LGUs), people's organization (PO) and other members of civic society in effectively implementing programs, projects and services that will:

a. Promote the health and well-being of every Filipino;
b. Prevent and control diseases among populations at risks;
c. Protect individuals, families and communities exposed to hazards and risks that could affect their health; and
d. Treat, manage and rehabilitate individuals affected by disease and disability.

16.4. On March 8, 2020, President Duterte issued Proclamation No. 922 declaring a state of public health emergency throughout the Philippines due to the outbreak of Corona Virus Disease 2019 (COVID-19) and enjoining, under Section 2 thereof, all government agencies and local government units (LGUs) to render full assistance, cooperation, and mobilization of the necessary resources to undertake critical, urgent, and appropriate response and measures in a timely manner to curtail and eliminate the COVID-19.

16.5. Pursuant to Republic Act (RA) No. 11469, otherwise known as the Bayanihan to Heal as One Act, and the guidelines issued by the Office of the President to implement the same, the DOH is authorized to adopt and implement measures to prevent, suppress further transmission and spread of COVID-19 through effective education, detection, protection, and treatment, following the World Health Organization guidelines and best practices.

16.6. The Inter-Agency Task Force for the Management of Emerging Infectious Disease (IATF-EID) issued Resolution No. 16 on March 27, 2020 which directed all LGUs and GOCCs to identify their respective government facilities that may be temporarily converted into isolation or quarantine facilities.

16.7. BCDA, in its efforts to assist in the government's response to address the national emergency due to COVID-19, has identified establishments within the Clark Freeport and Special Economic Zone (CSEZ), specifically the ASEAN Convention Center, National Government Administrative Center (NGAC) Buildings and NCC Athlete's Village, which was approved by the IATF-EID on March 31, 2020 as temporary Clark COVID-19 Quarantine and Medical Facilities (CCQ-MTFs).

16.8. Accordingly, BCDA entered into a MOA with DOH and CDC on June 30, 2021 for the establishment, operation, management, and maintenance of the temporary CCQ-MTFs to help alleviate the pressure on the healthcare system in the Province of Pampanga and Tarlac.

16.9. Review of the MOA disclosed that BCDA is responsible for the following in the CCQ-MTFs:

a. Provide, at its own cost, the facilities management such as janitorial, security, waste disposal, laundry and building maintenance;
b. Shoulder the cost of the utilities for power, water, communication and internet connection;
c. Provide and shoulder the cost of transportation, board and lodging for the manpower/personnel assigned;
d. Shoulder the cost of x-ray, laboratory and diagnostic services, including coordination with existing hospitals and medical facilities as may be deemed necessary; and
e. Shoulder the cost for the procurement of the necessary medical equipment, materials, medicines and supplies.

16.10. However, not all the costs provided/shouldered by BCDA could be reimbursed by DOH. The MOA provides that the reimbursement pertains only to the costs incurred or advanced/paid by BCDA for the salaries, allowances, hazard pay, and food of medical personnel assigned and staff assigned by DOH and/or hired by BCDA for the CCQ-MTFs.

16.11. The Minutes of the regular BCDA Board Meeting disclosed that on August 25, 2020, CDC submitted a revised draft MOA to express authorization to advance/pay all the expenses incurred by BCDA and CDC in the CCQ-MTFs subject to reimbursement by DOH. Accordingly, on December 2020, DOH communicated that they can only commit to reimburse the compensation and food expenses of medical personnel advanced by BCDA and CDC, including the special risk allowance of the medical personnel and staff assigned by DOH and/or hired by BCDA and/or CDC for the CCQ-MTFs.

16.12. The proposition of DOH should have been contested by BCDA and insisted instead for the reimbursement of all the costs advanced/paid by the latter in the operation and maintenance of the CCQ-MTFs since the former is mandated and responsible to promote the health and well-being of every Filipino and to prevent/control diseases among populations at risks, not BCDA.

16.13. It was verified that receivables from DOH amounted to P19.329 million as of December 31, 2021. However, our audit disclosed, BCDA made payments to various contractors/suppliers relative to the operation and maintenance of the NGAC Buildings and NCC Athlete's Village, as temporary quarantine facilities, in the total amount of P85.945 million and P83.044 million for CYs 2020 and 2021, respectively. These amount could have been used by BCDA for its operations and projects based on its mandate.

16.14. The IATF-EID Resolution No. 16 merely directed GOCCs to **identify only** their respective government facilities that may be temporarily converted into isolation or quarantine facilities in which BCDA identified the NGAC Buildings and NCC Athlete's Village.

16.15. We are cognizant of BCDA's untiring efforts to assist the government's response to address the national emergency brought by the COVID-19 pandemic, however, it is also important that the funds being used by BCDA are within its mandate.

16.16. **We recommended that Management:**

a. **Exert all possible options to reimburse from the DOH all expenses incurred/paid by BCDA in the operation and maintenance of temporary quarantine facilities; and**

b. **Request the Department of Finance (DOF) to offset the receivable from DOH pertaining to the full reimbursement of all the payments for expenses incurred in the operations and maintenance of temporary quarantine facilities in NCC, against future dividends payable to the National Government pursuant to RA No. 7656 otherwise known as the GOCC Dividends Law.**

16.17. Management commented to comply with the recommendation of the Audit Team. A copy of the Audit Observation Memorandum (AOM) will be provided to CDC for their information and appropriate action as a party to the MOA with the DOH.

16.18. The BCDA Senior Vice-President (SVP) for Corporate Services Group, in its Internal Memo dated May 22, 2022 to the SVP of Legal Service Group, requested for legal opinion on how to enforce or implement the recommendation of the Audit Team relative to the reimbursement from DOH of all the expenses in the operation and maintenance of the temporary quarantine facilities which were not covered in the MOA among BCDA, CDC and DOH.

16.19. The Audit Team will continuously monitor the compliance of BCDA with its recommendation.

17. The receivable from DOH amounting to P19.329 million recognized in the books of accounts, which is covered under the terms and conditions of the MOA, was not yet collected by BCDA, thus depriving them of additional funds that could be used in their operations.

17.1. Review of records disclosed that the Vice President for Treasury and Project Finance Department (TPFD), BCDA wrote a letter dated August 10, 2021 to the Director of DOH, Central Luzon Center for Health Development sending bill for the reimbursement of meals and accommodations paid in advance by BCDA in the amount of P19.329 million.

17.2. However, as of this date, the said amount was not yet collected from DOH and remain outstanding in the books of accounts as Due from National Government Agencies, the amount of which could have been used by BCDA to finance its other projects.

17.3. The Audit Team was informed that the related budget of DOH was already reverted to the Bureau of the Treasury (BTr) upon the expiration of the Bayanihan Act on June 30, 2021.

17.4. **We recommended and Management agreed to continuously enforce the immediate collection of receivables from DOH.**

17.5. BCDA commented that they will pursue collection efforts by continuously sending Statements of Account (SOAs) to collect the receivables from DOH.

17.6. During the exit conference on May 20, 2022, Management thanked the Audit Team for the said observation and the issuance of AOM as this will help them to bill and enforce the collection of receivables from DOH.

17.7. Additionally, Management commented that a letter was sent to DOH on May 23, 2022 to enforce the collection of P19.329 million relative to their reimbursement claim on the amount advanced/paid in the operation and maintenance of the temporary quarantine facilities with the AOM issued by the Audit Team attached to the said letter.

18. The reimbursement for the payment of meals for the medical personnel for the period April 1, 2021 to February 23, 2022 was not covered by the MOA.

18.1. Article VIII of the MOA provides that:

> *This Agreement shall be effective from **31 March 2020 ("Effective Date") and shall subsist for a term of one (1) year from Effective Date**, unless sooner terminated, revises or revoked for cause with written notice to the other party sent thirty (30) days in advance, and in accordance with the provisions hereof.*
>
> ***The Agreement may be renewed or extended upon mutual agreement of the parties, and for the same purpose as specified herein.*** *Xxx* (Emphasis supplied)

18.2. In reference to the MOA dated June 30, 2021, our audit disclosed that the reimbursement for the payments to the Contractor for the meals of medical personnel/staff assigned at temporary quarantine facilities were not claimed/billed by BCDA from DOH for the period April 1, 2021 to February 23, 2022 since the said MOA already expired on March 31, 2021.

18.3. The Audit Team was informed by the concerned personnel that no extension nor renewal of the validity or effectivity of the MOA was made/executed between BCDA and DOH.

18.4. BCDA entered into a Catering Services Agreement for the COVID-19 Quarantine Facilities to provide individually packed meals for the patients, **medical and support personnel** from January 1 to July 30, 2021 and September 1 to December 31, 2021. A total of P15.455 million was paid by BCDA to the Contractor for the meals provided from April to December 2021, as shown in the table below:

Table 19. Details of payment for meals

Check No.	Date	Period Covered	Amount
3091292	June 15, 2021	April 2021	P 4,290,052.00
3091493	July 13, 2021	May 2021	2,574,380.00
3102650	September 22, 2021	June 2021	2,348,030.50
3103100	November 24, 2021	July 2021	1,440,741.00
3103248	December 15, 2021	September 2021	2,087,246.00
3103252	December 15, 2021	October 2021	1,229,960.00
3119559	January 26, 2022	November 2021	866,743.50
3119807	February 23, 2022	December 2021	617,890.00
			P 15,455,043.00

18.5. The above payments include the meals which were provided for the medical personnel and staff but not included in the reimbursement claim of BCDA from DOH.

18.6. Section 1.10 (a) of the MOA provides that BCDA has the right to reimburse from the DOH what they have expended for the medical manpower including meals paid in advance on behalf of DOH. However, since the subject MOA has already expired on March 31, 2021, BCDA lost the legal basis to claim reimbursement from DOH.

18.7. **We recommended that Management make a representation with DOH relative to the extension or renewal of the validity of the MOA and file for reimbursement claim for expenses for the period April 1, 2021 to February 23, 2022.**

18.8. Management commented that RA No. 11519 or the Bayanihan to Heal as One Act was the source of funds COVID-19 pandemic which expired last June 30, 2021.

18.9. The MOA among BCDA, CDC and DOH covered only the periods stated or up to March 31, 2021 because when the MOA was being crafted/finalized, it was earlier than the said date and there was no certainty as to when the quarantine facilties will be operational. While the MOA took time to be finalized, exceeding beyond the March 31, 2021, DOH explained that the Bayanihan Funds allocated immediately and easily as other COVID-19 efforts of the IATF/NTF, DOH and other agencies were also being funded. An extension or renewal of the validity of the MOA has been considered and requested from the DOH but the latter reiterated that the Bayanihan Act has already expired.

18.10. The Audit Team reiterated that all the cost incurred in the temporary quarantine facilities should be paid/reimbursed by DOH. BCDA should have exercised prudence before entering into a contract with third parties. Since the MOA is valid only until March 31, 2021, BCDA should not have entered into a contract for the operations of the facilities such as the rents, meals and laundry services beyond March 31, 2021 unless the extension of the MOA is certain in order to protect its interest and the funds that could have been saved and used by BCDA to pursue its mandate.

18.11. Management commented that they will study all legal options to enforce the DOH the recommendation of the Audit Team, including the expenses that were not covered in the MOA with the DOH. However, Management expressed that the operations of the quarantine facilities at the New Clark City were guided by the National Government and urgency of the situation to immediately open/reopen the quarantine facilities to mitigate the spread of COVID-19 especially during surges.

19. The disbursement paid to Philippine International Air Terminals Corporation, Inc. (PIATCO) in the amount of P180 million for the return of the replication budget was not supported by sufficient and relevant documents to establish the validity of the claim as prescribed by COA Circular No. 2012-001.

19.1. Section 4 of Presidential Decree (PD) No. 1445 provides that one of the fundamental principles governing the financial transactions and operations of any government agency is that claims against government funds should be supported with complete documentation.

19.2. COA Circular No. 2012-001 requires all types of disbursements to be supported with sufficient and relevant documents to establish the validity of the claim.

19.3. In 1996, the Department of Transportation and Communication (DOTC) and Manila International Airport Authority (MIAA) published in a newspaper of general circulation a notice inviting interested parties to submit a counter-proposal to the unsolicited proposal submitted by Asia's Emerging Dragon Corporation (AEDC) for the Build-Operate-Transfer Arrangement of the Ninoy Aquino International Airport Terminal 3 (NAIA 3) covering a 650,000 square-meter property located at the Villamor Air Base (VAB).

19.4. PIATCO submitted a counter-proposal to challenge the unsolicited proposal submitted by AEDC and eventually was awarded the Concession Agreement (CA).

19.5. For the CA to commence, BCDA and MIAA entered into a Contract of Lease on April 14, 1997, where BCDA agreed to lease in favor of MIAA for a period of 25 years the 65-ha property where the NAIA Terminal 3 would be constructed. The said property, while owned by the BCDA, was nevertheless occupied by facilities of the Philippine Air Force (PAF).

19.6. Part 4.2.4.1 of the bidding documents for the CA required the winning bidder to remit the fixed amount of P180 million for the replication of the PAF facilities which was to be relocated from the portion of the VAB set to be occupied by the NAIA Terminal 3.

19.7. The amount covered the replication cost of the following PAF facilities:

Table 20. Details of replication cost

Particulars	Amount
Temporary relocation of 410th Aircraft Maintenance Wing and 420th Supply Wing to Clarkfield	46,000,000
Replication of the Presidential Hangar	88,700,000
Relocation of the Air Force Research and Development Center and the 355th Aviation Engineering Wing	45,300,000
	180,000,000

19.8. On August 22, 1997, PIATCO remitted to BCDA P180 million and subsequently BCDA remitted the said amount to PAF on May 6, 1998.

19.9. However, on May 5, 2003, the Supreme Court, in the case of Agan vs. PIATCO (GR Nos. 155001, 155547, and 155661) declared the CA null and void for being contrary to public policy, among others.

19.10. In light of the SC Rulings in Agan and Mupas, PIATCO requested BCDA on November 16, 2016 to return the P180 million replication budget, with interest.

19.11. BCDA referred the matter to the Office of the Solicitor General (OSG) and the Department of Justice (DOJ) for their opinion on whether to grant PIATCO's request.

19.12. In a letter dated July 28, 2017, the OSG expressed their opinion that the said amount should be returned to PIATCO pursuant to the principle that the accessory follows the principal and to Article 1398 of the Civil Code which states that (a) an obligation having been annulled, the contracting parties shall restore to each other the things which have been the subject matter of the contract, with their fruits and the prices with its interest except in cases provided by law.

19.13. In their letter dated October 23, 2018, the DOJ agreed with the OSG's opinion that the replication fees should be restored to PIATCO in view of the invalidation of the contract. However, the DOJ refrained from rendering an opinion as to who is liable for the return of the said amount to PIATCO, considering that they may be called upon to adjudicate such issue if and when raised by BCDA in a proper proceeding.

19.14. On December 5, 2018 during the BCDA Board Meeting, the Directors passed Resolution No. 2018-12-167, as follows:

> *Resolve, as it is hereby resolved, that the authority of BCDA, pursuant to the Opinions rendered by the Office of the Solicitor General (OSG) and the Department of Justice (DOJ), to immediately return the replication budget of PhP180M to Philippine International Air Terminals Co. (PIATCO) be, as it is hereby APPROVED.*
>
> *Resolve further, as it is hereby further resolved, that the supplemental budget in the amount of One Hundred Eighty Million Pesos (PhP180,000,000), to fund the return be, as it is hereby APPROVED.*
>
> *Resolve finally, as it is hereby finally resolved, that the authority of BCDA, through PCEO Vivencio B. Dizon and/or his duly authorized representative/s, to negotiate with PIATCO, the Manila International Airport Authority (MIAA) and/or the Department of Transportation (DOTr) for the reimbursement to BCDA of the PhP180M, the rate of interest and the commencement of the imposition of the same be, as it is hereby APPROVED.*

19.15. On December 21, 2018, BCDA returned to PIATCO the P180 million replication budget through Disbursement Voucher (DV) No. APV004459 by issuing Check No. 2990713 dated December 18, 2018 with the following supporting documents:

- Official Receipt No. 000006 for P180 million issued by PIATCO
- Secretary's Certificate from PIATCO
- Letter to PIATCO dated December 11, 2018

* Board Resolution No. 2018-12-167
* DOJ opinion dated October 23, 2018
* OSG Opinion dated July 28, 2017

19.16. However, the documents attached to the DV for the payment made to PIATCO did not properly support the validity of the said disbursement.

19.17. For instance, the request made by PIATCO for the return of the replication budget was not attached to the DV.

19.18. Additionally, there was no agreement attached to the DV wherein PIATCO was required to remit to BCDA the said amount of P180 million and that the amount was actually received by BCDA.

19.19. Failure to meet the documentary requirements under COA Circular No. 2012-001 cast doubt on the legality/propriety/regularity of the disbursement which may result in pecuniary loss to the government and which will be disallowed in audit if not validly justified by the Management.

19.20. **We recommended that Management submit all the relevant documents related to the transaction to establish the validity of the payment made to PIATCO.**

19.21. In compliance with the Audit Team's recommendation, BCDA submitted the following documents as additional support to DV No. 004459 dated 18 December 2018:

* Request of PIATCO for the return of the replication budget dated 16 November 2016
* Acknowledgment Receipt for Check No. 0329926 dated 22 August 1997 evidencing the remittance of P180 million to BCDA;

19.22. Copy of the PBAC Bulletin No. 03 for the Technical/Financial Requirements (NAIA Terminal Project) dated August 16, 1996 indicating the replication requirements was also submitted to the Audit Team.

19.23. During the Exit Conference, Management further commented that PIATCO is claiming and demanding payment from BCDA of the alleged interest to the PAF replication budget which was remitted to the latter.

19.24. Management commented that the PAF replication budget of P180 million was returned to PIATCO on December 21, 2018 pursuant to BCDA Board Resolution No. 2018-12-167 adopting the OSG Opinion dated July 28, 2017 and DOF Confirmatory Opinion on October 23, 2018.

19.25. In the same Resolution, the BCDA Board directed Management to refer to the DOJ's clarification on the payment of interest particularly the reckoning date thereof. Accordingly, BCDA sent a letter to DOJ on February 14, 2019.

19.26. The DOJ, in its letter September 30, 2019, opined that:

> *Xxx When PIATCO delivered the check to BCDA on 22 August 1997, there was no obligation on the part of the Philippine government to pay back any sum of money to PIATCO, considering that at the time, there was no breach to speak of. As such, there was no occasion for PIATCO to make judicial or extrajudicial demand. It should also be noted that the money delivered was not a loan or forbearance of money. Xxx*
>
> *The earliest that PIATCO can insist any sort of interest is upon its extrajudicial demand for the return of the replication budget, pursuant to Article 1169 of the Civil Code. While this could have been on 16 November 2016, as mentioned above, nothing precludes PIATCO from proving that a demand for the return of the replication budget was in fact made at an even earlier time.*

19.27. Acting on the clarification, the BCDA Board approved the release of P22.872 million representing the interest of the replication budget from November 2016 to November 2019. Accordingly, BCDA advised PIATCO of the release of interest in its letter dated November 22, 2019. However, the check went stale for failure of PIATCO and its authorized representative/s to submit the required Secretary Certificate and Quitclaim.

19.28. As a rejoinder, we recommended that Management inform PIATCO to file for Money Claim before the Commission on Audit relative to the alleged interest in the remittance of replication budget to BCDA.

20. The Applications for Leave of BCDA personnel were filed and approved through the enterprise resource planning system (ACUMATICA) which is not in accordance with the form prescribed by the Civil Service Commission (CSC), thereby violating the Omnibus Rules on Leave (ORL) issued by CSC.

20.1. The CSC issued the ORL, as amended to promulgate the implementing rules and regulations on leave administration and to harmonize the various rules when needed in the interest of equity and fairness in accordance with Rule XVI of the Omnibus Rules Implementing Book V of Executive Order No. 292.

20.2. Sections 51 and 53 of the ORL, as amended, require that:

> ***Sec. 51. Application for vacation leave. –*** *<u>All applications for vacation leave</u> of absence for one (1) full day or more <u>shall be submitted on the prescribed form</u> for action by the proper head of agency five (5) days in advance, whenever possible, of the effective date of such leave*
>
> ***Sec. 53. Application for sick leave.*** *<u>All applications for sick leave of absence</u> for one full day or more <u>shall be made on the prescribed form</u> and shall be filed immediately upon employee's return on such leave. Xxx* (Underscoring ours)

20.3. The CSC, in its latest amendment in the ORL thru Memorandum Circular No. 5, s. 2021 dated April 28, 2021, provides that all employees shall use the prescribed revised Application for Leave Form per Civil Service Form No. 6, Revised 2020. Application for any type of leave shall be made using the Form and to be accomplished at least in duplicate with documentary requirements.

20.4. Review of ledger cards disclosed that a total of 1,993 days were availed of as leave of absence by BCDA personnel for CY 2021.

20.5. We requested from Human Resource Management Department (HRMD) to provide the Audit Team copies of Applications for Leave filed by employees and duly approved by their Supervisors and/or Department Heads using the form prescribed by CSC to support and verify the propriety of the leaves availed. However, we were informed by concerned personnel from HRMD that the said forms were not utilized by BCDA personnel instead, the filing and approval thereof of applications were done and recorded thru ACUMATICA.

20.6. ACUMATICA is a robust, web-based enterprise resource planning system that allows BCDA to take advantage of web technologies in meeting automation objectives at a considerably lower total cost of ownership. One of its key features is the Human Resource Information System (HRIS) that handles Human Resource functions such as personnel information management, timekeeping, and payroll, among others.

20.7. Although the details of the leaves availed by the employees such as the date of filing, number of days availed, type of leave, the approver and the reason/s for filing the said leave could be provided by or extracted from the ACUMATICA, it is noteworthy to mention that there were no directives or issuances from CSC relative to the software/system used by government agencies in filing their applications for leave will suffice in lieu of the required Civil Service Form No. 6.

20.8. Moreover, BCDA could not solely depend in the said system relative to data and document management especially the rampant hacking of software/ system nowadays without security measures in place noting that in March 2021, there was a malware infection detected in BCDA's network and several computers have been affected where some of the files stored therein could not be opened. Hence, proper documentation is one of the appropriate controls to be implemented by BCDA to safeguard its assets and records.

20.9. **We recommended that Management require HRMD to properly file and approve the leaves availed/taken by employees using the Application for Leave Form prescribed by the CSC.**

20.10. Management commented that as correctly pointed out by the Audit Team, all the necessary details of a leave application such as date of filing, number of days and type of leave applied for, among others, are indicated in the online leave form and can easily be generated from the HRIS.

20.11. An approval system with adequate controls is embedded in the HRIS such that both individual applications for leave do not progress to the next stage in the workflow without the necessary password-protected approval action from the designated official.

20.12. Needless to say, the Acumatica ERP system, along with the HRIS, enabled BCDA to function continuously and securely during the course of community lockdowns and despite the implementation of work-from-home arrangements.

20.13. Nevertheless, BCDA should inquire with the CSC as to the acceptability of using electronic forms/action documents and system-generated reports, specifically in the filing and approval of leave applications, in relation to existing CSC directives and issuances.

20.14. The Audit Team requested for the documents relative to the inquiry of HRMD to CSC on the acceptability of using electronic forms/action documents and system-generated reports, specifically in the filing and approval of leave applications, however, we were informed that the inquiry were made verbally and BCDA is in close coordination with CSC.

20.15. However, we emphasized that CSC Memorandum No. 5 s.2021, which was issued during the pandemic, provides that all employees shall use the prescribed revised Application for Leave Form No. 6 Revised 2020.

20.16. Hence, in the absence of CSC ruling authorizing government agencies to use electronic leave application forms in lieu of the prescribed CSC form, we maintain our recommendation that Management ensure that the leaves availed/taken by employees were properly filed and approved using the Application for Leave Form prescribed by the CSC.

20.17. Management commented that a letter dated May 2, 2022 was sent to the CSC Human Resource Policies and Standards Office (HRPSO) relative to the acceptability of using electronic forms/action documents and system-generated reports, specifically in the filing and approval of leave applications and DTRs. The HRPSO is the lead unit of the CSC in policy formulation.

20.18. Follow-up calls have been made by BCDA but they were informed that the matter is still being addressed. BCDA also requested to meet with the assigned CSC HRPSO team so that they can discuss the matter in detail.

20.19. BCDA committed to inform the Audit Team once they received the reply from CSC.

20.20. The Audit Team will monitor compliance of Management with the recommendation pending the reply of CSC to their inquiry/clarification.

21. The accuracy and reliability of the monthly Daily Time Records (DTRs) could not be ascertained because these were not duly signed by employees nor certified correct/approved by the Department Heads which is not in accordance with Item C(1) of the CSC Memorandum Circular No. 21, s.1991.

21.1. Item C(1) of the CSC Memorandum Circular No. 21, s. 1991 states that:

> *All officers and employees shall record their daily attendance on the proper form or, whenever possible, have them registered on bundy clock. Any other means of recording attendance may be allowed* ***provided their respective names and signatures*** *as well as the time of their actual arrival to and departure from office are indicated, subject to verification. Xxx* (Emphasis supplied)

21.2. The BCDA Manual of Approval provides that the Department Heads shall approve the administrative documents of his/her staff such as the DTR.

21.3. We requested from HRMD to submit the DTRs of all employees to determine if the undertime, late/tardiness and leave availed/taken by employees were properly reflected in their Leave Cards.

21.4. Review of the submitted DTRs disclosed that the said documents were not signed by the employees nor certified correct/approved by their respective Department Heads. Upon inquiry, we were informed that the time-in and time-out of employees were recorded through ACUMATICA.

21.5. DTR is one of the basic documentary requirements to verify the correctness of details of leave credits as reflected in the LCs. Hence, it is important that it is duly signed and approved to ensure that the corresponding work hours, undertime and/or late/tardiness and other related details are properly verified.

21.6. **We recommended that Management require the HRMD to ensure that all employees submit their monthly DTRs duly signed by them and certified correct/approved by their respective Department Heads in compliance with the ORL, as amended and CSC Memorandum Circular No. 21.**

21.7. Management commented that same as with the Applications for Leave, the time in and out of employees were being recorded, monitored and approved in ACUMATICA. HRMD did not require the submission of physical document duly signed by employees and approved by their Department Heads.

21.8. Additionally, in the case of electronically generated DTRs that reflect entries from a biometric input system, the following statement is indicated at the bottom: *"This is a system-generated document. Only DTR adjustments, overtime and leaves that were approved within the system are included in this report"* in lieu of actual signatures.

21.9. Management will also clarify to CSC the acceptability of DTRs using electronic forms.

23.2. A personnel Leave Card (LC) shall comprise entries for earned vacation and sick leave credits together with the utilization/monetization, deductions on undertime and late/tardiness, and the cumulative running balance of leave credits for the period.

23.3. The ACD, in recognizing the accrual for leave benefits, used the balances of leave credits as of December 31, 2021 forwarded by HRMD. However, inquiry with the concerned personnel from HRMD disclosed that the LCs of employees forwarded/submitted to ACD were not being reviewed periodically by the immediate Supervisor or the person in charge in HRMD.

23.4. This resulted in several errors and misstatements in the books of accounts which were noted by the Audit Team and duly communicated and already adjusted by ACD.

23.5. A review by the immediate supervisor is necessary to correct any error and omission while the documented approval of the Department Head is important to monitor that a review has been done. These are the common control activities to establish the accuracy and reliability of records.

23.6. **We recommended that Management establish appropriate compensating controls in monitoring the earned leave credits by ensuring that the leave cards are properly and regularly reviewed by the immediate Supervisor/Department Head.**

23.7. Management agreed with the recommendation and commented that the leave card entries shall henceforth undergo an additional layer of review by the Division Chief of the HRM Division. The said supervisor shall undertake the review of the summary of leave balances prior to its submission to the Department Head. To help in the task of computing and validating the earned leave credits, a monitoring tool shall also be developed with the help of the Information and Communication Technology Department (ICTD).

24. Dividends Receivable from Fort Bonifacio Development Corporation (FBDC) totaling P19.003 million as of December 31, 2021 was still not collected by BCDA which could have been used in their operations.

24.1. FBDC, as one of the affiliates of BCDA with 45 per cent ownership, is engaged in the development of certain areas in Bonifacio Global City (BGC) for residential, commercial and business mixed development and is also leasing out certain buildings and areas in BGC.

24.2. On January 31, 2022, the Audit Team sent a Confirmation Letter to FBDC to confirm the balance of Dividends Receivable account as of December 31, 2021 amounting to P19.003.

24.3. Results of confirmation disclosed that FBDC has no outstanding dividends payable to BCDA, hence, there is a variance of P19.003 million between the balances per BCDA's books of accounts and per confirmation reply of FBDC.

24.4. Our verification revealed that the P19.003 million Dividends Receivable from FBDC pertains to the alleged share of BCDA on the expenses for the installation of traffic signals, streetlights, and lane markings at BCDA areas amounting to P15.222 million and P3.781 million cash dividends for CY 2002.

24.5. A similar observation was already issued during the previous year's audit and in reply to COA AOM No. 2015-06 dated May 11, 2015, BCDA submitted their comments on the variance in the Dividends Receivable-FBDC account.

24.6. On August 17, 2015, a letter dated August 11, 2015 was received by the Audit Team from the then BCDA President and Chief Executive Officer stating that FBDC has deducted the amount of P15.222 million as share of BCDA on the expenses for the installation of traffic signals, streetlights, and lane markings at BCDA areas. Accordingly, BCDA has objected to the said offsetting since the proposed reimbursement of expenses is still subject to the approval of BCDA Board.

24.7. Moreso, the recommendation to resolve the foregoing observation remained not implemented on the prior years' Annual Audit Reports.

24.8. **We recommended that Management:**

a. **Submit an update on the status of the P15.222 million deducted by FBDC from the dividend that should be remitted to BCDA which was objected to by the then President and CEO of BCDA since the reimbursement of expenses has no corresponding BCDA Board's approval; and**

b. **Collect from FBDC the cash dividends for CY 2002 in the amount of P3.781 million.**

24.9. Management commended that BCDA and FBDC agreed to execute an agreement to establish the obligations of both parties as follows:

- BCDA shall reimburse to FBDC the amount of P15.222 million representing the advance payment of the latter for the improvement of the traffic signals system at Intersections 121 and 124; and

- FBDC shall remit to BCDA the dividends withheld amounting to P15.222 million.

24.10. BCDA and FBDC will reconcile the cash dividends in the amount of P3.781 million and have agreed that FBDC shall pay BCDA upon determination of liability, if there is any.

24.11. Management committed to furnish the Audit Team copies of the following documents upon settlement of obligations of BCDA and FBDC:

- Signed contract between BCDA and FBDC;

- Official Receipt issued by FBDC for the reimbursement of the traffic signal system; and
- Official Receipt issued by BCDA for the remittance of dividends.

24.12. During the exit conference, Management clarified from the Audit Team if they can just offset their liability to FBDC with their receivable to them.

24.13. Paragraph 42 of International Accounting Standard 32 on offsetting a financial asset and financial liability reads that:

> *A financial asset and a financial liability shall be offset and the net amount presented in the statement of financial position when, and only when, an entity: (a) currently has a legally enforceable right to set off the recognized amounts; and (b) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.*

24.14. However, the prior act of FBDC in offsetting its accounts with BCDA even without the express approval of the latter, necessitates observance of control measures.

24.15. **We recommended that the proposed offsetting of liability and receivable should be approved by the BCDA Board.**

25. The required reports on the disbursement of funds made by BCDA for the implementation of different projects were not periodically submitted to the Audit Team and to the government Source Agencies (SAs) which is not in accordance with COA Circular No. 94-013.

25.1. COA Circular No. 94-013 dated December 13, 1994 was issued to prescribe the rules and regulations in the grant, utilization and liquidation of funds transferred to implementing agencies as well as the necessary details on the duties and responsibilities of both the source and implementing agency.

25.2. Section 4.6 of the Circular on the liquidation of funds transferred to implementing agencies requires that:

> *<u>Within ten (10) days after the end of each month/end of the agreed period for the Project</u>, the IA shall submit the Report of Checks Issued (RCI) and the Report of Disbursement (RD) to report the utilization of the funds. Only actual project expenses shall be reported. The reports shall be approved by the Head of the Implementing Agency (IA).* (Underscoring supplied)

25.3. The Circular further provides that the Accountable Officer (AO) of BCDA as the IA, shall prepare within five days after the end of each month, the Report of Checks Issued (RCI) and the Report of Disbursements (RD) and shall submit them with all supporting vouchers/payrolls and documents to the Accountant. These reports shall be approved by the Head of the Agency.

25.4. Likewise, the Accountant shall verify the Reports within 10 days after receipt from the AO and provide accounting entries, record and submit the duplicate copies of the Reports with all the originals of vouchers/payrolls and all supporting documents to the IA Auditor.

25.5. Review of records disclosed that BCDA received funds from various government agencies/SAs for the implementation of projects in the total amount of P3.317 billion. Out of this amount, P1.382 billion was utilized in CYs 2018 to 2020 and P208.725 million for CY 2021, or an outstanding balance of P1.546 billion as of December 31, 2021.

25.6. However, our audit revealed that the RCI, RD and other supporting documents to report the utilization of the funds for CY 2021 were not submitted periodically to the Audit Team and SAs as required in COA Circular No. 94-013. Said documents were only submitted to the SAs mostly in CY 2022.

25.7. Likewise, the reports and all the supporting documents were submitted only to the Audit Team on March 23, 2022 upon request through our letter dated February 3, 2022, hence, precluding the audit team in verifying the accuracy and propriety of the said utilization in a timely manner.

25.8. It is also noteworthy that the non-submission or delayed submission of the required reports on the utilization of funds to the SAs could result to variance of balances between the records of BCDA and SA, resulting in non-recognition of liquidation of funds transferred in their books of accounts.

25.9. **We recommended and Management agreed to adhere to the submission of the required reports to the Audit Team and Source Agencies relative to the utilization of funds transferred to BCDA in accordance with Sections 4.6 and 6.5 of COA Circular 94-013.**

26. Funds transferred from the Department of Agriculture (DA) and Department of Energy (DOE) amounting to P285 million and P20.500 million, respectively, remained unutilized as at December 31, 2021, thus depriving the general public of the benefits that could have been derived therefrom had the projects been immediately implemented by BCDA or the funds returned to Source Agencies (SAs) for their operation or other projects.

26.1. Funds transferred from DA – P285 million.

26.1.1. On December 16, 2020, BCDA and DA entered into a Memorandum of Agreement (MOA) for the development of Agro-industrial Business Corridor in New Clark City as part of the latter's Inclusive Agribusiness Development Program. The major program of the said project is the establishment of National Seed Technology Park (NSTP) which recognizes that accessible, good quality and certified seeds are important in increasing farmers' income and the country's agricultural production.

26.1.2. The MOA provides that DA shall develop Phase 1 of the Project which covers the seven-hectare portion of the property for agricultural modernization and inclusive agribusiness facilities comprising the components of the NSTP such as the seed laboratory, incubation hubs, showcase and exhibition center, soil and water chemistry laboratory and other facilities. BCDA shall then implement the remaining 43-hectare land as Phase 2 of the Project for commercial components and purposes for agribusiness developments to include downstream and upstream linkages in the agricultural value chains.

26.1.3. DA allocated a budget for the development of the Project per Special Allotment Release Order (SARO) No. SARO-BMB-E-20-0018527 and transferred the amount of P285 million to BCDA on April 5, 2021, however, to date, the said amount remained unutilized and the Project has not been implemented.

26.1.4. The Audit Team was informed by the concerned BCDA personnel that the first phase of the Project was already completed by DA, however, the second phase was not yet started by BCDA nor a joint venture or concession agreement was executed with third parties for its development.

26.1.5. Moreover, the funds transferred by DA to BCDA were from the RA No. 11519 or Bayanihan Act 2 budget which already lapsed on June 30, 2021.

26.2. Funds transferred from DOE – P20.500 million.

26.2.1. A MOA was executed between BCDA and DOE on January 15, 2021 in which BCDA is responsible for the procurement of Contractor for the design and construction of DOE's water, sewer and drainage connections in Bonifacio Global City.

26.2.2. During our audit, we noted that a contract was entered into by BCDA and Positive Builders and Trading for the design and construction of the DOE's water, sewer and drainage connection in BGC area only on January 10, 2022 in the amount of P20.352 million despite the early transfer of funds by DOE to BCDA on May 20, 2021 considering that the said Project is urgent to properly address the environment and health concerns associated to the water usage and wastewater discharges at DOE.

26.3. It bears stressing that the non-implementation of the projects immediately by BCDA deprived the general public for the benefits that could be derived therefrom and had the unutilized funds been returned to the SAs, these could have been used for their operations and other projects.

26.4. **We recommended that Management:**

a. Justify the non-implementation/late implementation of projects with DA and DOE despite the early transfer of funds from the SAs; and

b. **Revert/return the unutilized funds as at December 31, 2021, if warranted.**

26.5. Management commented that DA failed to secure BCDA's approval of the Project Plans within 14 months from the execution of the MOA. Consequently, the parties are bound by the automatic termination contained in the executed MOA.

26.6. BCDA shall process the refund of P285 million upon the confirmation of the DA for the termination of the MOA.

26.7. For the DOE project, BCDA encountered a delay in the implementation due to the failure of the first procurement wherein the proposal submitted by the lone proponent was found to be non-responsive since it did not meet the minimum requirement of the Terms of Reference (TOR) which caused BCDA to go through another bidding.

26.8. Subsequently, BCDA awarded the project to Positive Builders and Trading. The contractor has not yet submitted progress billing to BCDA despite the 20 per cent accomplishment.

26.9. The Audit Team will monitor the refund of funds to DA and the implementation of DOE project.

27. The lack of coordination between the Accounting and Comptrollership Department (ACD) and Procurement and Property Management Department (PPMD) and non-reconciliation of records resulted in late recording of liquidation of advances to Procurement Service of the Department of Budget and Management (PS-DBM) totaling P4.302 million in the books of accounts regarding the actual delivery of procured items from CYs 2017 to 2020.

27.1. Administrative Order No. 17 series of 2017 directed all government agencies to procure their common-used supplies from PS-DBM.

27.2. The Advances to PS-DBM in the books of accounts is used to recognize the advances made to PS-DBM and the delivery of the common-use supplies and equipment (CSE) procured therefrom.

27.3. The Audit Team conducted an interim audit of the account in 2021 since initially, the balance in CY 2020 amounting to P5.640 million remained the same and non-moving. There were no transactions on the Advances to PS-DBM account from January to September 2021. Hence, the Audit Team requested from PPMD and ACD copies of reconciliation of records and supporting documents on the actual deliveries of items procured from PS-DBM, which were only submitted on February 16, 2022.

27.4. The audit disclosed that the documents relative to the items procured from and actually delivered by PS-DBM to BCDA such as the Inventory and Acceptance Reports and Delivery Receipts were not immediately forwarded by PPMD to ACD to recognize the same in the books of accounts as liquidation of advances to PS-DBM.

27.5. As a result, the liquidation of the P4.302 million advances to PS-DBM, which pertains to the items actually delivered by PS-DBM from CYs 2017 to 2020 were only recorded in the books of accounts in CY 2021.

27.6. Inquiry with respective personnel from the two Departments revealed that they were not coordinating and the reconciliation of their records was not conducted periodically. We were informed that they are not aware and have no idea who shall initiate the said reconciliation.

27.7. **We recommended and Management agreed to require the PPMD and ACD to coordinate regularly and periodically reconcile records relative to the advances made by BCDA to PS-DBM and the actual delivery of common-use supplies and equipment from the latter.**

27.8. Management commented that PPMD, as the purchasing unit, shall initiate all documents to liquidate the cash advances to PS-DBM and ACD shall regularly review the account to ensure that it is still valid and moving.

27.9. To improve the existing monitoring, PPMD shall submit a quarterly report to ACD on the actual deliveries of common-use supplies and equipment from PS-DBM. The quarterly reconciliation report shall start in July 2022 covering deliveries for January-June 2022.

28. Audit of the construction of Clark International Airport (CIA) New Terminal Building (NTB) and the Concession Agreement on Operation and Maintenance of old/existing terminal, to attest that all requirements under the contract/ agreement were complied with, was delayed due to BCDA's failure to submit relevant documents on time, which is not in accordance with COA Circular No. 2009-001 dated February 12, 2009.

28.1. COA Circular No. 2009-001 dated February 12, 2009 was issued by the Commission to restate the submission of copy of government contracts, purchase orders and their supporting documents entered into by any government agency irrespective of amount involved. The Circular provides the necessary documents requirements for technical review and evaluation of the contracts.

28.2. Section 111 of PD No. 1445 or the Government Auditing Code of the Philippines provides that:

> *Keeping of accounts.*
>
> *The accounts of an agency shall be kept in such detail as is necessary to meet the needs of the agency and at the same time be adequate to furnish the information needed by fiscal or control agencies of the government. Xxx*

28.3. It further provides that it shall be the direct responsibility of the agency head to install, implement, and monitor a sound system of internal control. Internal control is the plan of organization and all the coordinate methods and measures adopted within an organization or agency to safeguard its assets, check the accuracy and reliability of its accounting data, and encourage adherence to prescribed managerial policies.

28.4. On January 29, 2018, BCDA entered into an EPC Agreement with Megawide-GMR Construction Joint Venture, Inc., a consortium of Megawide Construction Corporation, GMR Infrastructure (Singapore) Pte. Limited and GMR Holdings Overseas (Singapore) Pte. Ltd, for the construction of the shell and structure of NTB of the CIA.

28.5. Meanwhile, an Operation and Maintenance (O&M) Concession Agreement dated January 21, 2019 was executed by and between BCDA and North Luzon Airport Consortium (NLAC) led by Filinvest Development Corporation with JG Summit Holding, Inc., Changi Airports (Phils.) Pte. Ltd. and Phil. Airport Ground Support Solutions, Inc., for the operation and maintenance of the existing/old CIA terminal and the NTB upon completion of the construction and turn-over by the EPC Contractor to BCDA. In accordance with the O&M Agreement, NLAC incorporated the Luzon International Premiere Airport Development Corporation (LIPAD) on February 18, 2019 as the special purpose company in-charge with the implementation and operation of the CIA.

28.6. On February 14, 2022, the Audit Team requested for the submission of various supporting documents relative to the said Agreements, which are necessary in the conduct of audit of accounts of BCDA, to be submitted to the Audit Team not later than February 21, 2022.

28.7. On March 1, 2022, BCDA made a partial submission of the requested documents (softcopy/scanned copy) by sharing a google drive link to the Audit Team where the documents were uploaded therein. Management explained that due to voluminous nature of documents which covered a period of more than four years, the e-copies are already in the process of printing and certifying the documents already secured. On the other hand, some documents were still being tracked due to the fact that most of the documents were submitted during the pandemic and the Records Coordinators are validating the documents physically received for the Clark and Manila office.

28.8. Review of the approved BCDA Functional Statement under Governance Commission for Government Owned or Controlled Corporations (GCG) Memorandum Order No. 2019-07 dated July 2, 2019, disclosed that some of the functions of the Records Administration Division (RAD) is to **provide easily accessible** information to support work performance; and to create and maintain proper taxonomy of all BCDA documents, in order to Build up a **Project's history for later reference/research.**

28.9. In addition, most of the requested documents were supposedly prepared and/or submitted already by the EPC Contractor and O&M Concessionaires before pandemic in 2018 and 2019, respectively, since these are prerequisite documents before the commencement of the construction of the NTB and the operation and maintenance of the old/existing terminal. Thus, we find no merit on the justification of Management that most of the documents were submitted during pandemic.

28.10. Furthermore, it is noteworthy to mention that based on the several advisories of BCDA relative to the alternative work arrangement due to the pandemic, all departments/units must ensure continuous service delivery and the availability of RAD officers to receive various documents from external parties.

28.11. The justification of Management on the non-submission of documents are manifestations of weakness in internal control in monitoring and custody of documents which is contrary with their certification from the International Organization for Standardization (ISO). Being ISO Certified, BCDA warrants that they adopted a process approach when developing, implementing and approving the effectiveness of a management system, to enhance public satisfaction by meeting citizen's requirements.

28.12. As a result thereof, the non-submission of necessary documents supporting the Agreements entered into by BCDA relative to CIA deterred the Audit Team to conduct timely auditorial and legal review of the contracts, and the conduct of appropriate procedures as necessary to establish the propriety and validity of transactions. Moreover, it resulted in non-assurance that all operation and maintenance requirements for CIA were undertaken and complied with by the Concessionaire.

28.13. **We recommended that Management:**

a. **Submit the necessary supporting documents relative to the construction of the New Terminal Building and the operation and maintenance of Clark International Airport; and**

b. **Revisit the existing internal control system in monitoring and custody of all records of BCDA and establish additional compensating controls, if necessary, in compliance with PD 1445.**

28.14. Management submitted the requested documents on March 18, 2022 and agreed to revisit existing internal control system in monitoring and custody of files and records.

28.15. The documents were still being verified and validated by the Audit Team and the same will be forwarded to COA-Technical Services Office (TSO) for technical review and evaluation.

28.16. The Audit Team will likewise monitor compliance of BCDA in establishing controls in monitoring and custody of all their records.

29. The monthly Bank Reconciliation Statement (BRS) were not prepared timely and consequently, belatedly submitted to the Audit Team despite prior year's recommendation, which is not in accordance with Section 74 of Presidential Decree (PD) No. 1445.

29.1. Section 74 of PD No. 1445 requires that:

> *At the close of each month, depositories shall report to the agency head, in such form as he may direct, the condition of the agency account standing on their books. The head of the agency shall see to it that a reconciliation is made between the balance shown in the reports and the balance found in the books of the agency.*

29.2. In our CY 2020 audit, we observed that the BRS for all bank accounts maintained by BCDA from various depository banks were not prepared on a regular and timely basis, hence, there was a delay in the submission of the said BRSs to the Audit Team ranging from 8 to 282 days. We recommended that Management prepare and submit the BRS on a regular and timely manner in accordance with Section 74 of PD No. 1445; and communicate with the depository banks to provide immediately the bank statements needed in the preparation of the BRS.

29.3. Management assured that they will strictly follow the prescribed deadline on the submission of BRS for all bank accounts maintained by BCDA from various depository banks. The Accounting and Comptrollership Department (ACD) committed that the BRS for all bank accounts shall be prepared and submitted to the Audit Team on or before the 25th of the ensuing month.

29.4. However, our audit for CY 2021 disclosed that there were still delays in the preparation and submission of the BRS ranging from 2 to 131 days despite the commitment of ACD to comply with the said recommendation.

29.5. Inquiry with concerned personnel disclosed that the Bank Statements for all bank accounts maintained by BCDA were not immediately submitted to them by the depository banks despite their emails/follow-ups.

29.6. It is worthy to emphasize that the regular and timely preparation of BRS is one of the important internal controls over cash whereby the balances per books and the corresponding bank balances were matched and reconciled. BRS must be prepared at regular intervals for all bank accounts to ensure that the balances per books are correct and to identify accounting and bank errors.

29.7. In addition, the timely preparation of BRS is necessary to ensure that only authorized withdrawals are made by BCDA and to ascertain whether bank-related transactions are properly recorded in the accounting books.

29.8. **We reiterated our previous year's recommendation and Management agreed to:**

   a. **Communicate with the depository banks and request for timely submission of monthly Bank Statements; and**

   b. **Prepare and submit the BRS on a regular and timely manner in accordance with Section 74 of PD 1445.**

29.9. Management commented that the BRS will be submitted to the Audit Team every 25th day of the ensuing month starting May 2022.

30. The gender mainstreaming of BCDA programs, activities and projects was still not accelerated due to lack of implementation of its Gender and Development (GAD) Manual which resulted in minimal integration of GAD Priority Projects identified by the GAD Focal Point System (GFPS) in the GAD Plans and Budgets (GPB) of BCDA.

30.1. Section 36 of Republic Act (RA) No. 9710 otherwise known as the Magna Carta for Women (MCW) states that:

> *Section 36. Gender Mainstreaming as a Strategy for Implementing the Magna Carta of Women. – xxx All departments, including their attached agencies, offices, bureaus, state universities and colleges, government-owned and -controlled corporations, local government units, and other government instrumentalities shall adopt gender mainstreaming as a strategy to promote women's human rights and eliminate gender discrimination in their systems, structures, policies, programs, processes, and procedures xxx* (Underscoring ours)

30.2. Gender mainstreaming is the main strategy to implement the MCW. It is pursued by integrating the gender perspective in government policies, plans, programs, activities and projects (PAPs) to carry out the law's procedural, policy and sectoral program requirements. One important mechanism for gender mainstreaming is the annual GAD planning and budgeting process. The GAD plan seeks to address identified women and gender issues through specific activities and the GAD budget is the amount required to implement the GAD plan.

30.3. The PCW, in partnership with the National Economic and Development Authority (NEDA) and the Department of Budget and Management (DBM), issued a Joint Circular (JC) No. 2012-01 to prescribe the guidelines for the preparation of Annual GPBs and Accomplishment Reports (AR) to implement the MCW. The JC provides the procedures for the formulation, implementation, monitoring and evaluation of GPBs of agencies and identify the setting of the **GAD agenda** as one of the steps in formulating the GAD plan.

30.4. The essential elements in planning and budgeting include 1) creation and/or strengthening of the GFPS; 2) capability building on GAD; 3) conduct of gender audit; and 4) institutionalizing GAD database/sex-disaggregated data.

30.5. In CY 2020 audit, we observed that the gender mainstreaming in BCDA was not accelerated due to poor planning and recommended that Management integrate more GAD PAPs in the regular activities of BCDA. Management committed to comply with the recommendation by implementing the BCDA Group GAD Manual and the 2020 BCDA Group GAD Priority Projects which were formulated by the collaborative engagement of BCDA GAD Focal Point System, Management Committee, and its planning and operating units and subsidiaries, to clearly and strongly demonstrate BCDA's commitment to continue the process of gender mainstreaming.

30.6. The Manual, which was considered as their GAD Agenda, provides a three-year development plan to be implemented by BCDA and its subsidiaries for CYs 2020 to 2022 to uphold and reaffirm women's rights and empowerment, while defining specific roles and responsibilities of both men and women. The said plan has six objectives or goals to be achieved through the implementation of **28 priority projects** which started in 2020 amidst the onset of COVID-19 pandemic.

30.7. Section 1.2.1.1 of PCW Memorandum Circular No. 2020-05 dated September 11, 2020 on the preparation and online submission of CY 2021 GPBs, requires that the gender issues/GAD mandates and corresponding GAD PAPs to be included in the GPB should be within the context of the agency's mandates.

30.8. Agencies shall refer to the gender issues and mandates identified in their agency GAD Agenda, which is the agency's strategic framework and plan on gender mainstreaming, and achieving women's empowerment and gender equality with reference to PCW MC 2018-04. Section 6.3 thereof states that:

> *In the formulation of the agency's annual GAD Plan and Budget, the entries in the GAD agenda such as the gender issue, GAD outcome, indicator, target, activities, and budget for the specified year shall be reflected in the annual GPB.*

30.9. Review of the GPB for CY 2021 which was generated thru the Gender Mainstreaming Monitoring System (GMMS) and submitted by GFPS to the Audit Team on February 15, 2022, disclosed that **none** of the 28 identified priority projects in the GAD Manual was included in the said GPB noting that the following nine projects in the Manual were already completed in 2021:

- Design of Philippine Navy Facilities
- Design of NCC Connecting Roads
- Corporate Culture Program
- Enhancement of NCC Security Guards
- Incorporation of Gender-Responsive Language

- Audit of Quality Management System
- Conduct Operational Planning
- GAD-focused project to AFP or project-affected people
- Use of gender-sensitive language in BCDA corporate communication materials.

30.10. BCDA instead identified only **nine** GAD activities, **four** of which are to strengthen the organizational capacity for gender mainstreaming through the conduct of various GAD related trainings and workshops, **one** GAD activity to address the material and physical well-being, and special needs of women in the BCDA workforce, and the **other four** activities were suspended due to COVID-19 restrictions, as follows:

Table 21. BCDA GAD activities and budget for 2021

No.	Activity	Budget
Client-Focused Activities		
1	Conduct of survey with the community members in the New Clark City.	0
2	Conduct empowerment and leadership building programs for women.	0
3	Facilitate the conduct of skills training by linking or coordinating with other government agencies.	0
Organization-Focused Activities		
4	Participation in nationwide observance of the 18-Day Campaign to end Violence Against Women (VAW) to raise awareness among all stakeholders.	300,000
5	Conduct of training or workshop on HGDG for GFPS members and planning on immediate and strategic interventions.	250,000
6	Conduct of training or workshop on Gender Sensitivity for staff	250,000
7	Participation in nationwide celebration of Women's month to enhance awareness on women's initiatives among employees.	300,000
8	Monitoring of implementation of GAD policy and IRR in project development cycle.	0
9	Costing of the special benefit leave privileges granted to women employees/staff as well as solo parent leaves, paternity and maternity benefit leaves.	1,000,000
		2,100,000
Attributed Program		**490,750,000**
		492,850,000

30.11. It can be gleaned in the table above that there was no budget allocated for the three client-focused activities and one organization-focused activity. On the contrary, we noted that there were no identified GAD related activities in the Attributed Program despite having a budget of P490.750 million which is an indication that the Harmonized Gender and Development Guidelines (HGDG) was not properly observed/followed by the BCDA in formulating its GPB for CY 2021.

30.19. Nevertheless, the BCDA GFPS still used the GPB as reference in the preparation of their GAD Accomplishment Report to be submitted to the PCW for review on or before March 18, 2022.

30.20. **We recommended that Management require the BCDA GFPS to strengthen gender mainstreaming in BCDA by integrating more GAD PAPs in the annual GPB and implement or revisit the existing BCDA GAD Manual to incorporate the identified gender issues therein in the GPB.**

30.21. Management commented that some of the priority projects in their GAD Manual had to be halted or de-prioritized for various reasons, not the least of which was the onset of the pandemic. There were also a number of projects that simply did not fit the PCW requirements to be incorporated into the GPB.

30.22. BCDA recognized, however, that they still have a lot of room for improvement in the implementation of their GAD programs. As the country's situation continues to improve despite the prevailing COVID pandemic, they are expecting to expedite the continued implementation of its GAD initiatives.

30.23. Management will abide by the recommendation of the Audit Team to strengthen gender mainstreaming in BCDA by integrating more GAD programs, activities and projects in their GPB. Likewise, Management shall revisit their existing GAD Manual to incorporate the identified gender issues into the GPB.

31. The BCDA GAD Focal Point System (GFPS) was not able to comply with the review comments of PCW on the submission of the result of Harmonized Gender and Development (HGDG) test and compliance with the five per cent budget allocation requirement, hence, the GPB of BCDA was not endorsed by PCW.

31.1. Section 1.2.5 of the PCW MC No. 2020-05 dated September 11, 2020 on the Preparation and Online Submission of 2021 GPBs states that:

> *PCW shall endorse the 2021 GPB if (1) the minimum five percent GAD Budget requirement has been met, and (2) the agency has complied with all the requested revisions (if any) in the GPB within the prescribed deadline*

31.2. The Audit Team noted that the GPB of BCDA was not endorsed by the PCW due to non-submission of the result of HGDG test and the non-compliance with the five per cent budget allocation requirement. We were informed by the concerned member of the GFPS, thru e-mail, the comments of PCW-assigned reviewer in the CY 2021 GPB of BCDA, as follows:

> *xxx We have noticed that the percentage of your GAD budget allocation is below the minimum required by law. Per PCW Memorandum Circular 2020-05 xxx, GPBs of agencies whose GAD budget is below 5% of their FY 2021 National Expenditure Program (NEP) budget level or their corporate operating budget (COB) in the*

case of GOCCs shall not be reviewed nor endorsed by PCW. It is recommended to add more GAD programs/projects/activities or to apply the Harmonized Gender and Development (HGDG) tool for budget attribution (Section 1.2.2) in order to be compliant with the 5% statutory requirement on the GAD budget.

Relative to HGDG attribution, please be gently reminded to use the appropriate HGDG checklist in assessing the gender-responsiveness of the project. Importantly, please complete the checklist by indicating the basis of the Partly Yes or Yes response, which pertains to how the gender element is considered in the project. The following guide in the HGDG toolkit will help identify the basis for the Yes or Partly Yes response: For Element 1.0, a "partly yes" to Question 1.1 (or Q1.1) means meeting with male officials and only a woman or a few women who also happen to be officials in the proponent or partner agency or organization; or with male and female officials and some male beneficiaries. In contrast, full compliance involves meeting with female and male officials and consulting other stakeholders, including women and men that may be affected positively or negatively by the proposed project. The responses provided will help in reviewing the proposed HGDG score and the corresponding percentage of the program budget that is attributable to the GAD budget.

31.3. The GFPS was not able to comply with the above review comments and recommendations of the PCW in adding more GAD PAPs and apply the HGDG tool for budget attribution. Moreover, the documents to support their answers in the HGDG checklist submitted to the PCW were also not submitted to the latter.

31.4. The non-compliance of GFPS with the recommendations of PCW resulted in non-endorsement of its GPB and one of the factors why the gender mainstreaming was not accelerated in BCDA as discussed in the preceding observation.

31.5. The review and endorsement of the GPB by the PCW are necessary as this will serve as the guidance of the GFPS to attain the five per cent statutory requirement on the GAD Budget and to effectively address the identified gender issues within BCDA and its subsidiaries and the realization of the country's commitment, plans and policies on women empowerment, gender equality and GAD.

31.6. **We recommended that Management:**

a. **Require the BCDA GFPS to ensure the endorsement of annual GPB by the PCW by complying with the five per cent budget allocation requirement for GAD PAPs;**

b. **Add more GAD programs/projects/activities or apply the HGDG tool for budget attribution in order to be compliant with the five per cent statutory requirement on the GAD budget; and**

c. **Conduct/attend trainings to capacitate the GFPS and personnel in the use of HGDG tool in assessing gender-responsiveness of the major PAPs of BCDA to attribute budget in its GAD activities.**

31.7. Management commented that given the difficult circumstances amid the health crisis, there were too many logistical, budgetary and operational constraints that prevented BCDA from adding more direct GAD projects and activities during the year as the PCW had recommended in its review of the CY 2021 GPB.

31.8. The inability to apply budget attribution in the preparation of the GPB is due mainly to the lack of technical knowledge on the proper use of the PCW-prescribed HGDG tools among key personnel involved in project implementation. As recommended by the Audit Team, BCDA shall hold more training programs/activities to capacitate the GFPS and other concerned personnel in the use of the HGDG tool in assessing the gender-responsiveness of the major infrastructure projects of BCDA.

32. The amount appropriated for GAD programs, projects and activities in CY 2021 was not fully utilized based on their GAD Accomplishment Report, leaving an unused balance of P491.067 million or 99.64 per cent of the GAD Budget at year-end, thus the objectives of the PAPs to pursue women's empowerment and gender equality were not attained.

32.1. Our audit of the GAD AR for CY 2021, which was submitted by the member of the BCDA-GFPS to the Audit Team, together with copies of supporting documents duly submitted to the PCW, disclosed that out of the P492.850 million GAD budget, only P1.783 million was utilized for the implementation of the six GAD-related activities, as follows:

32.2.

Table 22. GAD activities and utilization of budget

Type of Activity	No. of PAPs	Budget	Utilization		Percentage of Utilization
			No. of PAPs Implemented	Actual Cost	
Client-focused	1	0	1	1,125,572.45	
Organization-focused	5	2,100,000.00	5	657,189.39	
Attributed Program	0	490,750,000.00	0	0	
	6	**492,850,000.00**	**6**	**1,782,761.84**	**0.36**

32.3. As presented above, BCDA implemented one GAD client-focused program/activity expending P1.126 million, drawn from Personal Services, despite the absence or non-allocation of budget. This pertains to the identified gender issue on the development of community-based projects to address the social and economic condition of women and other marginalized people in the New Clark City (NCC). A census every Friday for the period of February to November 2021 was conducted by 21 BCDA employees to gather sex-disaggregated data from project-affected people across the 41 on-going projects within the NCC. The non-allocation of budget as part of the GPB is one of the factors why BCDA did not achieve the required five per cent GAD budget.

32.4. On the other hand, only P0.657 million was utilized for the organization-focused activities or 31.29 per cent of the P2.1 million allocated budget despite the implementation of all the five targeted GAD PAPs.

32.5. Moreover, we noted that the major portion of unutilized budget was due to inability of GFPS to attribute or allocate cost of its major programs as part of the utilization of its budget for attributed program. This in connection with the preceding observations noted by the Audit Team relative to HGDG with emphasis that the planning of BCDA GFPS was inadequate that will effectively address the gender issues.

32.6. The unutilized budget could have been used by BCDA for other GAD PAPs which directly respond to its mandates and other gender issues and concerns arising from the unequal status of their women and men stakeholders. Agencies are directed to use their GAD budgets in supporting programs, projects and activities that will address the identified priority gender issues within BCDA and its subsidiaries and to pursue women's empowerment and gender equality.

32.7. **We recommended that Management maximize the utilization of the GAD funds through the implementation of GAD-related programs, projects and activities in order to attain the objective for which funds were provided.**

32.8. BCDA commented that they were able to successfully implement all of its organization-focused GAD activities, albeit most of them were significantly scaled down on account of the constraints of the pandemic. These involved sending GFPS members and other concerned personnel to trainings, workshops, seminars, and other activities both internal and external. Ordinarily, such events and activities would have been held face-to-face. However, the national state of health emergency that was, and still is, in place in most of the country prevented such activities. Instead, our organization-focused activities were mostly conducted via online platforms, thus substantially lowering the implementation and logistical costs.

32.9. However, the client-focused activities in the communities within the NCC area were cancelled also due to the COVID-19 pandemic. The said activities would have focused on helping women from the areas surrounding the BCDA project sites by enhancing their understanding of gender roles and empowering them to take on leadership positions in their communities.

32.10. Henceforth, BCDA shall abide by the recommendation of the Audit Team to maximize the utilization of GAD funds through the implementation of GAD-related programs, projects and activities so that the set objectives are attained. Management shall endeavor to ensure that all identified projects and activities are undertaken and completed.

33. BCDA did not create/assign a Responsibility Center for the BCDA GFPS to account, monitor and report GAD expenses and other GAD-related financial transactions which is not in compliance with COA Circular No. 2021-008.

33.1. COA Circular No. 2021-008 on September 6, 2021 requires all government agencies, including government corporations, to create/assign a **Responsibility Center (RC)** for their GFPS to facilitate generation of all reports pertaining to GAD-related expenses and other GAD-related financial transactions, and to monitor and properly account for the GAD funds.

33.2. The following definitions were provided under Item 3 of the Circular:

> ***Responsibility Accounting –*** *provides access to cost and revenue information under the supervision of a manager having a direct responsibility for its performance. It is a system that measures the plans (by budgets) and actions (by actual results) of each RC.*
>
> ***Responsibility Center (RC) –*** *is a part, segment, unit or function of a government entity, headed by a manager, who is accountable for a specified set of activities. Except for some, which derive most of their income from collection of taxes and fees, government entities are basically cost centers with primary purpose to render service to the public at the lowest possible cost. Cost centers are established to provide each government entity with accessibility to cost information and to facilitate cost monitoring at any given period.*
>
> ***RC Code –*** *the code assigned by the government entity concerned to its individual RCs. The additional three-digit codes for the agency's major offices/departments shall be appended to its organization code.*

33.3. During the course of our audit on GAD, we noted that the BCDA GFPS were having difficulty in collating the documents to support the actual expenditures incurred as reflected in the GAD AR for CY 2021. Upon inquiry, we were informed that the necessary documents or reports to support the actual expenditures of various departments accountable for a specified activity were not immediately submitted to the GFPS.

33.4. The problems in securing/collating the supporting documents could have been mitigated had BCDA established their own responsibility accounting for GAD **by creating or assigning RCs** and RC Codes so that the GFPS can facilitate the generation of all reports pertaining to GAD-related expenses and other GAD-related financial transactions, and to monitor and properly account for the GAD funds.

33.5. **We recommended that Management strictly comply with the requirement of COA Circular No. 2021-008 dated September 6, 2021 by creating/assigning Responsibility Center for the GFPS.**

33.6. Management commented that the Accounting and Comptrollership Department has been accounting, monitoring and reporting GAD expenses and other GAD-related financial transactions. BCDA shall further enhance and refine the current accounting procedures to ensure compliance with COA Circular No. 2021-008.

34. Compliance with Tax Laws

For CY 2021, BCDA has remitted the taxes withheld totaling P297.147 million, while leaving an outstanding withholding tax payable of P20.773 million to be remitted in CY 2022.

35. Compliance with Rules on Government Mandatory Deductions and Remittances

For CY 2021, the appropriate premium contributions and loan amortizations were deducted from the salaries of the employees of BCDA. Employees' share together with the employer's share as well as loan amortizations were remitted to Government Service Insurance System (GSIS), Social Security System, Home Development Mutual Fund (HDMF) and Philippine Health Insurance Corporation (PHIC) within the prescribed period.

The remittances for CY 2021 are as follows:

Table 23. Remittances of Government Mandatory Deductions

Particulars	Amount
GSIS contribution	23,458,577
HDMF contribution	1,281,400
PHIC contribution	2,378,169
GSIS loan amortization	4,993,638
HDMF loan amortization	791,355
	32,903,139

36. Status of Notice of Suspensions, Disallowances and Charges

36.1. As of year-end, the status of audit suspensions, disallowances and charges issued is as follows:

Table 24. Audit suspensions, disallowances and charges

Audit Action	Beginning Balance January 1, 2021	Issued	Settled	Ending Balance December 31, 2021
Suspensions	0	0	0	0
Disallowances	3,108,000	0	0	3,108,000
Charges	0	0	0	0
	3,108,000	**0**	**0**	**3,108,000**

36.2. The disallowance of P3.108 million as of December 31, 2021 pertains to the following:

a. Payment of legal fees to private lawyers/consultants amounting to P2.845 million under Notice of Disallowance (ND) No. 09-0014-01111(2006-2008) dated October 22, 2009 was affirmed under COA

Decision No. 2013-201 dated November 20, 2013. This is covered by COA Order of Execution (COE) dated January 5, 2015. BCDA sent Statements of Account to persons liable.

b. The Manager of the Budget Department of BCDA was excluded from persons liable under COA Decision No. 2014-235 dated September 11, 2014. One of the persons liable in the said ND passed away last September 19, 2016.

c. On June 6, 2018, BCDA transmitted a letter to the General Counsel endorsing the said COE together with all the documents to the Office of the Solicitor General for appropriate collection.

d. The amount of P0.263 million represents the unsettled balance of the disallowed payment of Christmas Package/annual gift check to the members of the Board of Directors and consultant in CYs 2003 to 2007 totaling P1.318 million. This is due from two payees who are no longer connected with BCDA. An Appeal dated January 13, 2010 was filed at the Office of the then Cluster B Director, CGS which was received on February 23, 2010 under Order Docket No. (CGS-B) 2010-005 dated February 26, 2010.

e. The P3.108 million disallowance does not include the Notices of Disallowance, Notices of Charge and Notices of Suspension issued prior to the effectivity of the Rules and Regulations on the Settlement of Accounts issued by the COA.

PART III – STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the 34 audit recommendations embodied in prior years' Annual Audit Reports (AARs), 20 were implemented and 14 were partially implemented, as shown below:

Reference	Audit Observations	Recommendations	Status of Implementation
CY 2020 AAR, Observation No. 1, pages 82-83	The accuracy and reliability of the balance of Input Tax amounting to P213.860 million as of December 31, 2020 could not be ascertained due to the variance of P307.918 million between the balance reported in the Value-Added Tax (VAT) Return (BIR Form 2550Q/2550M) and the balance per books.	Prepare proper reconciliation of the balances of input tax presented in BIR VAT Returns and accounting records, and prepare the necessary adjusting entries, if warranted.	Partially Implemented Reiterated in Observation No. 2 of this report.
CY 2020 AAR, Observation No. 2, pages 83-84	The unreconciled variance of P303.514 million between the balances of Output VAT per accounting records and VAT Returns (BIR Forms 2550Q/2550M) casts doubt on the faithful presentation of the balance of Output Tax as of December 31, 2020.	Determine the cause of the variance and reconcile the amounts between the accounting records and the tax returns filed and prepare the necessary adjusting entries to correct the account balance in the books, if warranted.	Partially Implemented Reiterated in Observation No. 6 of this report.
CY 2020 AAR, Observation No. 3, pages 84-86	The qualitative characteristic of verifiability of Withholding Tax at Source could not be established due to the variance of P93.776 million between the amount presented in the Annual Income Tax Return (BIR Form 1702) and the balance per books.	Require the Accounting Division to continuously reconcile the amount reported as creditable withholding tax in the Annual Income Tax Return (ITR) with the balance per accounting records and adjustments be made, if warranted.	Implemented The balance of Withholding Tax at Source for CY 2021 per books and per ITR were duly reconciled by Accounting and Comptrollership Department and the same was submitted to the Audit Team and

Reference	Audit Observations	Recommendations	Status of Implementation
			found to be in order after verification.
CY 2020 AAR, Observation No. 4, pages 86-87	The year-end balances of the Due to BIR accounts totaling P40.865 million showed unremitted taxes amounting to P17.418 million, thus exposing the Authority to possible assessment of deficiency tax and penalties imposed by BIR.	Remit all taxes withheld in accordance with BIR rules and regulations to avoid penalties or sanctions as imposed by BIR under Section 272 of the Tax Code.	Implemented The amount of P17.418 million were fully remitted to the BIR in CY 2022
CY 2020 AAR, Observation No. 5, pages 88-91	Payables amounting to P35.984 million which have been outstanding for two years or more were not reverted to Retained Earnings which is not in accordance with the prescribed presentation under Philippine Accounting Standard (PAS) 1 and the Conceptual Framework of Financial Reporting resulting in the understatement of Equity and overstatement of liability accounts by the same amount.	a. Evaluate and analyze all recorded payables which remained outstanding and dormant for two years or more and submit the result of analysis and the corresponding supporting documents to the Audit Team for verification; and	Partially Implemented Reiterated in Observation No. 5 of this report.
		b. Prepare the necessary adjusting entries to revert the dormant payables to Retained Earnings in accordance with COA Circular No. 99-004 and DBM- COA Joint Circular No. 99-6, if warranted.	Partially Implemented Reiterated in Observation No. 5 of this report.
CY 2020 AAR, Observation No. 6, page 91	Abnormal or negative balances of Accounts Payable totaling P60,000 were offset against the total balance of Liability	Analyze the Liability accounts to ascertain the cause of abnormal or negative balances and reclassify to Receivable accounts, if warranted.	Implemented Abnormal or negative balances were adjusted accordingly.

Reference	Audit Observations	Recommendations	Status of Implementation
	accounts instead of reclassifying to Receivable accounts.		
CY 2020 AAR, Observation No. 7, page 92	Reconciling item in the Serendra Sequioa Trust Fund account amounting to P0.692 million remained unadjusted in the books of accounts.	Make necessary adjustment on the identified book reconciling item for Trust Fund amounting to P0.692 million.	Implemented The identified long outstanding reconciling item was already adjusted.
CY 2020 AAR, Observation No. 8, pages 92-94	The Authority was not able to collect from MEGAWORLD the Minimum Annual Secured Revenue Share (MASRS) of P873.414 million each for CYs 2018 to 2020, totaling P2.620 billion; the interest due on delayed/non-payment of MASRS of P450.825 million for CYs 2018 to 2020; and interest on the delayed remittance in the total amount of P103.317 million for CYs 2011 and 2012, thereby, depriving BCDA of valuable cash inflows that could be invested in high yielding treasury notes.	a. Continuously enforce the collection of the MASRS and interest due therefrom for CYs 2018 to 2020 and include in the negotiations with MEGAWORLD the interest on the late remittance of MASRS for CYs 2011 and 2012 which remained unpaid; and	Implemented Management collected MASRS for the 8th to 11th selling period (CYs 2018 to 2021) and interest for the late remittance thereof in the total amount of P4.128 billion.
		b. Provide the Audit Team copies of documents relative to the negotiations being undertaken by BCDA and MEGAWORLD, for further verification.	Implemented The Audit Team verified the ORs pertaining to the collection of MASRS for the 8th to 11th selling period (CYs 2018 to 2021) and interest for the late remittance thereof.
CY 2020 AAR, Observation No. 9, pages 94-96	The non-submission of pertinent documents relative to the Heritage Park Investment Certificates or memorial products which include, among others, the land	Submit to the Audit Team all pertinent documents to support the initial cost of the Merchandise Inventory-Heritage Park recognized in the books	Partially Implemented Reiterated in Observation No. 1 of this report.

Reference	Audit Observations	Recommendations	Status of Implementation
	development cost and its conversion cost, and the current status of the assets is not in accordance with Sections 39 and 111 of Presidential Decree (PD) No. 1445, hence, the Audit Team was precluded from verifying and validating the current status of the assets as to their present location and condition.	of accounts to verify and validate the current status of the assets as to their present location and condition.	
CY 2020 AAR, Observation No. 10, pages 96-98	Taxes amounting to P343 million withheld from the payment made to a contractor in CY 2019 were not remitted to the Bureau of Internal Revenue (BIR) which is not in accordance with the National Internal Revenue Code, as amended. Likewise, the required Expanded Withholding Tax and Value-added Tax totaling P274.613 million were not deducted from the additional payment made in CY 2020, resulting in non-remittance to BIR.	Remit to BIR the taxes withheld amounting to P343 million and require the Joint Venture to remit to BIR the taxes due on the payment made by BCDA.	Implemented The required taxes were already withheld per CV No. 18780 dated March 31, 2022 and the same was remitted to BIR per CV Nos. 18855 and 19173 dated April 7, 2022 and April 27, respectively.
CY 2020 AAR, Observation No. 11, pages 98-104	The existing billing and collection procedures were not strictly monitored and implemented by BCDA resulting in low collection efficiency rate and accumulation of long outstanding receivables aging less	a. Intensify the efforts in the collection of receivables by implementing strictly the billing and collection policy/procedures of the Authority;	Partially Implemented BCDA collected a total amount P3.310 billion or 46.65 per cent of the P7.094 billion long outstanding receivables as of

Reference	Audit Observations	Recommendations	Status of Implementation
	than one year to more than five years in the total amount of P7.094 billion.		December 31, 2021.
		b. Issue follow-up demand letters to debtors for the immediate collection of overdue receivables and coordinate with Legal Services Department (LSD) for legal remedies, if warranted;	Implemented Various Statements of Account (SOAs) were prepared and released by BCDA in accordance with the revised procedures. Demand letters and Final Notices were also issued to debtors with overdue receivables.
		c. Submit necessary supporting documents for the long outstanding receivables for further verification by the Audit Team; and	Implemented Various supporting documents were submitted to the Audit Team and were found to be in order.
		d. Evaluate the long outstanding receivables and make necessary action in accordance with COA Circular No. 2016-005 dated December 19, 2016.	Partially Implemented BCDA will re-apply their request for write-off of dormant receivables in the total amount of P1.675 billion.
CY 2020 AAR, Observation No. 12, pages 104-105	Delay in the preparation and submission of monthly Bank Reconciliation Statements (BRS) ranging from 8 to 282 days is not in accordance with	a. Prepare and submit the BRS on a regular and timely manner in accordance with Section 74 of PD No. 1445; and	Partially Implemented Reiterated in Observation No. 29 of this report.

Reference	Audit Observations	Recommendations	Status of Implementation
	Section 74 of PD No. 1445.	b. Communicate with the depository banks to provide immediately the bank statements needed in the preparation of the BRS.	Partially Implemented Reiterated in Observation No. 29 of this report.
CY 2020 AAR, Observation No. 13, pages 105-106	Cash in Bank amounting to P4.765 million remained dormant and idle in the savings account for more than five years earning a minimal interest of P3,074.79 per annum for an interest rate of 0.0645 per cent rather than having it invested in high yielding investment in government securities and/or fixed term deposits as authorized under Section 2 of Administrative Order (AO) No. 173 and Section 2 of Department of Finance Department Order No. 071-2018, as amended.	Initiate the closure of the subject bank account and transfer the balance to other bank accounts to be used in recurring expenses of the Authority or consider investing its excess or idle cash balance in government issued securities and/or fixed-term deposits offering high yielding interest rate pursuant to Section 2 of AO No. 173.	Implemented The Audit Team verified that the subject bank account was closed on April 20, 2021 and the remaining balance of P4.766 million was transferred to the LBP Buendia account.
CY 2020 AAR, Observation No. 14, page 107	Additional cash advances were granted to officers and employees even if the previous advances were not yet liquidated which is not in accordance with Section 22.c of Executive Order (EO) No. 77 and Section 25.c Part I of BCDA Internal Guidelines for the Implementation of EO No. 77.	Stop the granting of cash advances to officers and employees who have not liquidated the cash advances for previous government-funded travels abroad.	Implemented No cash advance was granted for travel abroad.

Reference	Audit Observations	Recommendations	Status of Implementation
CY 2020 AAR, Observation No. 15, pages 107-108	Delay in the liquidation of cash advances averaging 13 to 577 days on foreign travels was beyond the reglementary period prescribed in Sections 22.a of EO No. 77 and 25.a of BCDA Guidelines.	The Accountant closely monitor the cash advances by reminding officers and employees to liquidate within the reglementary period set forth under EO No. 77 and BCDA Internal Guidelines.	Implemented No cash advance was granted for travel abroad.
CY 2020 AAR, Observation No. 16, pages 108-109	The liquidations of cash advances for foreign travels are not supported with complete documents contrary to the provisions of COA Circular No. 2012-001.	Instruct the Accountant to demand from officers and employees the lacking supporting documents required under COA Circular 2012-001 and submit the same to the Audit Team for further evaluation.	Implemented The required supporting documents were submitted and duly verified by the Audit Team.
CY 2020 AAR, Observation No. 17, pages 109-111	The Authority spent P3.568 million in payment of expensive venues in the conduct of team-building activities, trainings, planning events and other similar activities for its officers and personnel in violation of the austerity measures provided under AO No. 6.	Ensure the prudent use of government funds and refrain from conducting activities in expensive venues to save funds needed for the Authority's operations in compliance with AO No. 6.	Implemented No team-building activities were conducted in CY 2021.
CY 2020 AAR, Observation No. 18, pages 111-114	Various deficiencies were noted in the implementation of rules and regulations provided by the Civil Service Commission (CSC), the Department of Budget and Management (DBM) and the sound internal control system on the monetization of leave		

Reference	Audit Observations	Recommendations	Status of Implementation
	credits of the BCDA personnel. a. Monetization of leave credits were allowed to some employees even if their leave balances were below the minimum requirement of 10 days and some employees have no accumulated vacation leave (VL) credits of 15 days, contrary to Section 22 of the Omnibus Rules on Leave (ORL).	a. Strictly comply with the provisions of the ORL by ensuring that only employees with accumulated 15 days of VL credits are allowed monetization of a minimum of 10 days with at least five days balance retained after monetization;	Implemented Only the employees who met the requirements of the ORL as to the number of accumulated and retained leave credits were allowed to monetize their leave credits.
	b. VL credits were not exhausted first before resorting to the special monetization of Sick Leave (SL) credits contrary to CSC Resolution No. 000034. Moreover, the pertinent supporting documents were not attached to the disbursement vouchers as required under COA Circular No. 2012-001.	b. Exhaust first the VL credits of employees before resorting to the special monetization of SL credits in accordance with CSC Resolution No. 000034; c. Submit to the Audit Team the pertinent documents to support the payment of monetization of 50 per cent or more leave credits of some of the BCDA employees as required in COA Circular 2012-001 for verification;	Implemented The Audit Team verified that VL credits were being exhausted first before the SL credits. Implemented Monetization for CY 2021 were duly supported with pertinent documents
	c. Twenty-four (24) employees were allowed to monetize their leave credits more than once a	d. Adhere to CSC-DBM Joint Circular No. 2-97 which provides that monetization of leave credits shall be	Implemented Employees were only allowed to

Reference	Audit Observations	Recommendations	Status of Implementation
	year which is contrary with CSC-DBM Joint Circular No. 2-97.	availed of only once a year; and	monetize leave credits once a year.
	d. The computation and certification of the value of leave credits for monetization is being handled by Treasury and Project Finance Department contrary to the sound internal control system on the segregation of duties of employees.	e. Ensure that appropriate internal controls are established by segregating key duties and responsibilities from different individuals/ department and instruct Accounting and Comptrollership Department (ACD) to review/certify in the computation of leave credits to be monetized/commutated.	Implemented Computation of leave credits are now conducted by Human Resource Management Department before it is forwarded to the ACD for further verification and certification.
CY 2020 AAR, Observation No. 19, pages 115-117	The gender mainstreaming in BCDA was not accelerated due to poor planning which resulted in implementation of minimal Gender and Development (GAD) programs, activities and projects (PAPs) that will address women empowerment and gender equality.	a. Strengthen gender mainstreaming in BCDA by integrating more GAD PAPs in the regular activities of the Authority thru the utilization of Harmonized Gender and Development Guidelines tool in the attribution of relevant costs of its PAPs to the GAD budget; and	Partially Implemented Reiterated in Observation No. 30 of this report.
		b. Maximize the utilization of funds allocated for GAD thru the implementation of GAD-related PAPs which address gender and development issues in order to attain the objective for which	Partially Implemented Reiterated in Observation No. 32 of this report.

Reference	Audit Observations	Recommendations	Status of Implementation
		the funds were provided.	
CY 2020 AAR, Observation No. 20, pages 117-118	No supporting documents were attached to GAD Accomplishment Report (AR) for CY 2020 submitted to the Audit Team as required by Section 10.4 of PCW-NEDA-DBM Joint Circular No. 2012-01 and Section 6.0 of PCW Memorandum Circular (MC) No. 2021-01, thereby precluding the team from conducting a thorough audit of the GAD AR.	Strictly comply with pertinent provisions pertaining to the attachment of required supporting documents to the GAD AR set forth under Section 10.4 of PCW-NEDA-DBM Joint Circular No. 2012-01 and Section 6.0 of PCW MC No. 2021-01, and submit the same to the Audit Team for further evaluation.	Implemented Pertinent documents were submitted to the Audit Team and found them in order.
CY 2019 AAR, Observation No. 17, pages 120-122	Several parcels of lot were obtained through Right of Way (ROW) acquisition valued at P139.303 million. Out of the 65 parcels of lot, 53 were not covered with Transfer Certificates of Title (TCTs) in the name of BCDA despite payments made to respective lot owners.	Ensure strict compliance in the submission of required supporting documents before making any payment as stated in the procedures adopted in ROW acquisition and as required under COA Circular 2012-001; and	Partially Implemented Out of the 53 titles for segregation, 26 titles have already been segregated and registered under BCDA's name. One of the remaining titles is already in process in the Registry of Deeds and the other 26 titles will be processed after Management secures the approved Survey Plans which are still pending with the Department of Environment and Natural Resources.

Reference	Audit Observations	Recommendations	Status of Implementation
CY 2017 AAR, Observation No. 8, pages 93-95	TCTs of land assets with an area of 809,019 sq. m. valued at P583.001 million were not available upon inspection.	Account for the TCTs of land assets with an area of 809,019 sq. m. valued at P583.001 million.	Partially Implemented Management was able to provide copies of 32 TCTs in their possession. The status of the remaining titles are as follows: **SCTEx** (474,135 sqm) valued at P87.112 million *Asset No. 10000029*-Expropriated; annotated court decision on the mother title however the lot owner is not willing to surrender the title. Likewise, the title owner refuses to withdraw the just compensation deposited on the clerk of court. *Asset No. 10000075*-Under Expropriation Case/ Unsurrendered title by Metrobank who facilitated the transfer in coordination with a BCDA lawyer in retrieving the BCDA title. *Asset No. 10000106*- Sale already annotated on the mother title,

Reference	Audit Observations	Recommendations	Status of Implementation
			for segregation, survey plan being processed. **Diego Silang Village** (27,153 sqm) valued at P6.259 million Continuous coordination with RD to facilitate the release of the BCDA title. However, the RD informed BCDA that they are still in the process of retrieving/checking lost titles in their records which, according to them, includes the title to Diego Silang Village **PPMC TCT No. 13488** (2,010 sqm) valued at P4.771 million Title was already reconstituted (TCT No. 025-T-13488). LADD is following up on the release by BIR of the revalidated BIR eCAR to proceed with the entry in the Registry of Deeds as a prerequisite for the processing and issuance of title in favor of BCDA.

Reference	Audit Observations	Recommendations	Status of Implementation
			SCTEx - 2017 (11,066 sqm) valued at P1.618 million *Asset No. 0000282-* For DENR approval of survey plan *Asset No. 10000291-* Under Expropriation. CAR already secured; requested for the owner to surrender the original copy of the title. *Asset No. 10000297-* ECAR revalidation of estate and sale; expected release of title is on the last quarter of this year *Asset No. 10000300-* For DENR approval of the survey plan. The expected release of the approved survey plan is in the third quarter of this year. Expected release of the title is in the last quarter of this year. **East of C5** (317 sqm) valued at P0.143 million. Numerous coordination and visits to BMI Realty

Reference	Audit Observations	Recommendations	Status of Implementation
			were made only to find out later that the company changed addresses. LSD's assistance will be sought to reconstitute the title as an alternative way to process the title.
CY 2016 AAR, Observation No. 5, pages 69-71	Advances to BCDA Board of Directors (BOD) totaling P4.567 million remained uncollected.	Recover from the BOD the P4.567 million.	Partially Implemented The Audit Team verified OR Nos. 5477326, 5477327 and 5477345 for payments made by Custodio Acorda Sicam and De Castro Law Offices on CY 2021 for a total amount of P2.026 million and verified the schedule for the balance of P0.632 million.