REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

CORPORATE GOVERNMENT AUDIT SECTOR
CLUSTER 4 - INDUSTRIAL AND AREA DEVELOPMENT

June 15, 2023

BASES CONVERSION & DEVELOPMENT AUTHORITY
RECEIVED
JUN 16 2023
BY: Segunda Andrea Cordero 12:26pm

JOSHUA M. BINGCANG
President and Chief Executive Officer
Bases Conversion and Development Authority
2nd Floor, Bonifacio Technology Center
31st Street, corner 2nd Avenue
Bonifacio Global City, Taguig City

Sir:

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines, we transmit herewith our report on the results of the audit of the accounts and transactions of Bases Conversion and Development Authority (BCDA) for the years ended December 31, 2022 and 2021.

The report consists of the Independent Auditor's Report, Audited Financial Statements, Observations and Recommendations, and Status of Implementation of Prior Years' Audit Recommendations.

The Auditor expressed an unmodified opinion on the fairness of presentation of the financial statements of BCDA.

The following are the observations and recommendations that need immediate actions:

1. The faithful representation of the balance of the Non-current Operating Lease Receivable account amounting to P2.172 billion could not be obtained due to the recognition of unbilled lease receivables totaling P516.910 million which were not supported by pertinent documents and the same remained non-moving since CY 2018.

   We recommended that Management require the Accounting and Comptrollership Department (ACD) to verify the unbilled lease receivables recognized in the books of accounts and prepare the necessary adjusting journal entries, if warranted; and submit the same to the Audit Team, for verification.

BCDA Bases Conversion and Development Authority
Central Receiving & Releasing Area
EY2023 3213

2. The accuracy and completeness of the service concession revenue relative to the 50 per cent share of BCDA on the gross toll revenues of Subic-Clark-Tarlac Expressway (SCTEX) for CY 2022 amounting to P1.629 billion could not be ascertained due to:

   a. Manual adjustments averaging 9,535 transactions per month which were deducted from the toll revenues totaling P239.391 million but not thoroughly scrutinized/verified by BCDA. Moreover, the submitted toll revenue reports were not validated monthly to ensure that variances in records, if any, will be immediately investigated and rectified; and

   b. The manual adjustments were not incorporated in the system used by Concessionaire in generating the toll revenues report for SCTEX which is not in compliance with the Business Agreement (BA) between BCDA and the Concessionaire in the operation and maintenance of SCTEX, resulting in non-assurance that the said system is reliable and functioning as intended.

   We recommended that Management:

   a. Conduct a detailed review/validation of manual adjustments and determine the exempt, special pass and emergency transactions, to ensure that toll revenues reported by Manila North Tollways Corp. (MNTC) are accurate and complete and that there is no loss to the government on the remitted concession fee to BCDA; and submit the results to the Audit Team, for verification;

   b. Ensure that appropriate internal controls are established by BCDA in ensuring that the toll revenues from SCTEX are correct and completely reported by MNTC; and

   c. Require MNTC to adhere with its obligation provided in the BA in the operation and maintenance of the SCTEX relative to the system-generated revenue reports, otherwise, consider terminating the said Agreement, if warranted.

3. The payments for Financial Assistance (FA) to the informal settlers/Project Affected Persons (PAPs) in the development of New Clark City (NCC) from CYs 2016 to 2022 totaling P431.396 million based on the value of trees/crops planted and structures built are contrary to Article 449 of Republic Act (RA) No. 386 otherwise known as the New Civil Code of the Philippines; hence, considered illegal. Moreover, the BCDA Implementing Guidelines used as the legal basis was not submitted to the Office of the Government Corporate Counsel (OGCC), for legal review and opinion.

   We recommended that Management:

   a. Discontinue the payment of FA to PAPs based on the value of forest/fruit-bearing trees and structures and submit justification on the use of the value of forest/fruit-bearing trees and structures in the payment of FA otherwise, a Notice of Disallowance shall be issued;

   b. Submit to OGCC the existing BCDA Implementing Guidelines for the FA to PAPs/informal settlers in NCC and request for legal review and opinion from the OGCC;

c. Submit document/s showing that the payment of FA to PAPs/informal settlers based on the value of forest/fruit-bearing trees and structures was actually recommended by the TWG created by the Special Committee on Bases Conversion of the House of Representatives, for approval of the BCDA Board of Directors; and

d. Submit the updated Policy and Procedural Guidelines of BCDA in the eviction of informal settlers and basis of computation of the financial assistance and limitations, as recommended by the OGCC.

4. Financial assistance totaling P6.947 million were granted and paid to 11 individuals even if they were not entitled to receive the same since they were not included in the Master List of PAPs in NCC prepared by BCDA.

   We recommended that Management cause the refund/recovery of payments of FA from 11 individuals which were not included in the approved Master List of PAPs in NCC Project, or submit justification/basis on the payments made, otherwise, a Notice of Disallowance will be issued, if warranted.

5. BCDA did not execute Performance Agreements (PAs) with Clark Development Corporation (CDC), and Clark International Airport Corporation (CIAC), its subsidiaries, as required under the provisions of Executive Order (EO) No. 62, which could result in conflicts on the obligations, roles, and functions of the BCDA as the owner and governing body while CIAC and CDC as Implementing Arms in the development of Clark Special Economic Zone (CSEZ) and Clark Freeport Zone (CFZ).

   We recommended that Management:

   a. Execute PAs with CDC and CIAC and its corresponding Financial Policy; and

   b. Provide the Audit Team copies of the PAs and Financial Policy upon execution.

The audit observations together with the recommended courses of action, which were discussed with concerned Management officials and staff during the exit conference conducted on June 6, 2023, are presented in detail in Part II of the report.

We respectfully request that the recommendations contained in Part II of the report be implemented and that this Commission be informed of the actions taken thereon by submitting the duly accomplished Agency Action Plan and Status of Implementation form (copy attached) within 60 days from the date of receipt.

We acknowledge the support and cooperation that the Management extended to the Audit Team, thus facilitating the completion of the report.

Very truly yours,

COMMISSION ON AUDIT

By:

EMMA V. MOISES
Director IV

Copy furnished:

The President of the Republic of the Philippines
The Vice President
The Speaker of the House of Representatives
The Chairperson – Senate Finance Committee
The Chairperson – Senate Appropriations Committee
The Secretary of the Department of Budget and Management
The Governance Commission for Government-Owned or Controlled Corporations
The Presidential Management Staff, Office of the President
The UP Law Center
The National Library

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, 2022 and 2021

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 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.

FINANCIAL HIGHLIGHTS

Comparative Financial Position

	2022	2021 (As restated)	Increase (Decrease)
Assets	208,036,952,762	208,200,438,748	(163,485,986)
Liabilities	37,226,658,365	43,493,833,740	(6,267,175,375)
Equity	170,810,294,397	164,706,605,008	6,103,689,389

Comparative Results of Operations

	2022	2021 (As restated)	Increase (Decrease)
Operating Income	5,995,805,129	6,553,677,576	(557,872,447)
Operating Expenses	3,025,856,752	2,463,800,372	562,056,380
Income from Operations	2,969,948,377	4,089,877,204	(1,119,928,827)
Income Tax Benefit/(Expense)	(326,951,315)	396,880,499	(723,831,814)
Net Subsidy Income/(Financial Assistance/Subsidy/ Contribution	4,032,733,065	(2,321,007,146)	6,353,740,211
Net Income	6,675,730,127	2,165,750,557	4,509,979,570

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, 2022 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, 2022 and 2021. 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 2022 and 2021.

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 faithful representation of the balance of the Non-current Operating Lease Receivable account amounting to P2.172 billion could not be obtained due to the recognition of unbilled lease receivables totaling P516.910 million which were not supported by pertinent documents and the same remained non-moving since CY 2018.

   We recommended that Management require the Accounting and Comptrollership Department (ACD) to verify the unbilled lease receivables recognized in the books of accounts and prepare the necessary adjusting journal entries, if warranted; and submit the same to the Audit Team, for verification.

2. The accuracy and completeness of the service concession revenue relative to the 50 per cent share of BCDA on the gross toll revenues of Subic-Clark-Tarlac Expressway (SCTEX) for CY 2022 amounting to P1.629 billion could not be ascertained due to:

   a. Manual adjustments averaging 9,535 transactions per month which were deducted from the toll revenues totaling P239.391 million but not thoroughly scrutinized/verified by BCDA. Moreover, the submitted toll revenue reports were not validated monthly to ensure that variances in records, if any, will be immediately investigated and rectified; and

   b. The manual adjustments were not incorporated in the system used by Concessionaire in generating the toll revenues report for SCTEX which is not in compliance with the Business Agreement (BA) between BCDA and the Concessionaire in the operation and maintenance of SCTEX, resulting in non-assurance that the said system is reliable and functioning as intended.

   We recommended that Management:

   a. Conduct a detailed review/validation of manual adjustments and determine the exempt, special pass and emergency transactions, to ensure that toll revenues reported by MNTC are accurate and complete and that there is no loss to the government on the remitted concession fee to BCDA; and submit the results to the Audit Team, for verification;

   b. Ensure that appropriate internal controls are established by BCDA in ensuring that the toll revenues from SCTEX are correct and completely reported by MNTC; and

   c. Require MNTC to adhere with its obligation provided in the BA in the operation and maintenance of the SCTEX relative to the system-generated revenue reports, otherwise, consider terminating the said Agreement, if warranted.

3. The payments for Financial Assistance (FA) to the informal settlers/Project Affected Persons (PAPs) in the development of New Clark City (NCC) from CYs 2016 to 2022 totaling P431.396 million based on the value of trees/crops planted and structures built are contrary to Article 449 of Republic Act (RA) No. 386 otherwise known as the New Civil Code of the Philippines; hence, considered illegal. Moreover, the BCDA Implementing Guidelines used as the legal basis was not submitted to the Office of the Government Corporate Counsel (OGCC), for legal review and opinion.

   We recommended that Management:

   a. Discontinue the payment of FA to PAPs based on the value of forest/fruit-bearing trees and structures and submit justification on the use of the value of forest/fruit-bearing trees and structures in the payment of FA otherwise, a Notice of Disallowance shall be issued;

   b. Submit to OGCC the existing BCDA Implementing Guidelines for the FA to PAPs/informal settlers in NCC and request for legal review and opinion from the OGCC;

   c. Submit document/s showing that the payment of FA to PAPs/informal settlers based on the value of forest/fruit-bearing trees and structures was actually recommended by the TWG created by the Special Committee on Bases Conversion of the House of Representatives, for approval of the BCDA Board of Directors; and

   d. Submit the updated Policy and Procedural Guidelines of BCDA in the eviction of informal settlers and basis of computation of the financial assistance and limitations, as recommended by the OGCC.

4. Financial assistance totaling P6.947 million were granted and paid to 11 individuals even if they were not entitled to receive the same since they were not included in the Master List of PAPs in NCC prepared by BCDA.

   We recommended that Management cause the refund/recovery of payments of FA from 11 individuals which were not included in the approved Master List of PAPs in NCC Project, or submit justification/basis on the payments made, otherwise, a Notice of Disallowance will be issued, if warranted.

5. BCDA did not execute Performance Agreements (PAs) with Clark Development Corporation (CDC), and Clark International Airport Corporation (CIAC), its subsidiaries, as required under the provisions of Executive Order (EO) No. 62, which could result in conflicts on the obligations, roles, and functions of the BCDA as the owner and governing body while CIAC and CDC as Implementing Arms in the development of Clark Special Economic Zone (CSEZ) and Clark Freeport Zone (CFZ).

We recommended that Management:

a. Execute PAs with CDC and CIAC and its corresponding Financial Policy; and

b. Provide the Audit Team copies of the PAs and Financial Policy upon execution.

AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

As of December 31, 2022, the unsettled balance of audit suspensions/disallowances and charges amounted to P3.108 million. No notices of suspensions, disallowances and charges were issued during the year.

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the 55 audit recommendations embodied in prior years' Annual Audit Reports, 48 were implemented and the remaining seven which were not implemented by BCDA are reiterated in Part II of this Report. Details are discussed in Part III of this Report.

TABLE OF CONTENTS

		Page
PART I	**AUDITED FINANCIAL STATEMENTS**	
	Independent Auditor's Report	1
	Statement of Management's Responsibility for Financial Statements	4
	Statements of Financial Position	5
	Statements of Comprehensive Income	6
	Statements of Changes in Equity	7
	Statements of Cash Flows	8
	Notes to Financial Statements	9
PART II	**OBSERVATIONS AND RECOMMENDATIONS**	84
PART III	**STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS**	202

PART I

AUDITED FINANCIAL STATEMENTS

REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City, Philippines

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, 2022 and 2021, 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, 2022 and 2021, 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. However, future events or conditions may cause BCDA to cease to continue as a going concern.

- 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 6, 2023

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of the 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, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as Management determines 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 the 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 the financial statements, including the schedules attached therein, and submits the same to the stakeholders and other uses.

The Commission on Audit has examined the financial statements of the BCDA in accordance with the 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
Senior Vice President and Chief Financial Officer
Investment and Financial Management Group

06 June 2023
Date Signed

JOSHUA M. BINGCANG
President and Chief Executive Officer

06 June 2023
Date Signed

DELFIN N. LORENZANA
Chairman

06 June 2023
Date Signed

BCDA
Accounting and Comptrollership Department
CD2023-0685

BASES CONVERSION AND DEVELOPMENT AUTHORITY
STATEMENTS OF FINANCIAL POSITION
December 31, 2022 and 2021
(in Philippine Peso)

	Note	2022	2021 (As restated)	January 1, 2021 (As restated)
ASSETS				
Current Assets				
Cash and Cash Equivalents	6	**9,249,750,228**	15,193,830,288	5,003,108,966
Financial Assets	7	**2,488,877,452**	1,251,810,157	7,101,262
Other Investments	8	**3,172,250,000**	3,215,007,181	1,319,183,926
Receivables, net	9	**6,136,153,089**	8,181,078,854	18,065,215,905
Inventories	10	**4,420,978,224**	4,421,440,985	703,169,393
Other Current Assets	11	**6,364,508,936**	3,972,759,960	2,868,051,993
		31,832,517,929	36,235,927,425	27,965,831,445
Non-Current Assets				
Financial Assets	7	**0**	500,000,000	1,751,730,717
Investment in Joint Venture	12	**469,199,932**	469,061,462	455,540,016
Investment in Associates/Affiliates	13	**13,447,508,160**	13,365,405,952	13,548,280,601
Investment in Subsidiaries	14	**3,500,344,783**	3,523,656,008	3,523,656,008
Other Investments	8	**103,024,319**	103,024,319	103,024,319
Receivables, net	9	**8,717,526,601**	10,746,722,578	15,895,523,729
Investment Properties, net	15	**84,150,654,979**	84,077,102,964	85,296,648,416
Property and Equipment, net	16	**14,792,620,612**	9,797,479,335	17,322,338,862
Service Concession Assets, net	17	**44,664,744,350**	42,721,005,093	28,457,464,308
Intangible Assets, net	18	**11,246,103**	16,397,077	13,181,533
Deferred Tax Assets	33	**4,792,373,134**	5,094,424,915	4,646,575,837
Other Non-Current Assets	19	**1,555,191,860**	1,550,231,620	1,557,584,612
		176,204,434,833	171,964,511,323	172,571,548,958
TOTAL ASSETS		**208,036,952,762**	208,200,438,748	200,537,380,403
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities				
Financial Liabilities	20	**1,886,308,042**	1,978,498,368	2,222,658,803
Inter-Agency Payables	21	**4,901,080,574**	9,084,907,774	3,760,732,304
Trust Liabilities	22	**1,422,871,598**	1,317,315,859	1,415,015,611
Provisions	23	**61,421,442**	41,616,068	35,974,617
Other Payables	24	**222,494,531**	223,494,531	225,494,631
		8,494,176,187	12,645,832,600	7,659,875,966
Non-Current Liabilities				
Financial Liabilities	25	**14,321,466,497**	15,982,697,138	17,647,358,892
Deferred Credits/Unearned Income	26	**12,989,919,629**	13,444,207,950	10,731,133,170
Other Payables	24	**1,421,096,052**	1,421,096,052	1,421,096,052
		28,732,482,178	30,848,001,140	29,799,588,114
Equity		**170,810,294,397**	164,706,605,008	163,077,916,323
TOTAL LIABILITIES AND EQUITY		**208,036,952,762**	208,200,438,748	200,537,380,403

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, 2022 and 2021
(in Philippine Peso)

	Note	2022	2021 (As restated)
REVENUE			
Service and Business Income	27	**5,073,612,223**	5,700,656,434
Gains	27	**922,192,906**	853,021,142
		5,995,805,129	6,553,677,576
EXPENSES			
Personnel Services	29	**315,204,184**	261,615,524
Maintenance and Other Operating Expenses	30	**913,435,878**	948,055,828
Financial Expenses	31	**312,616,482**	352,425,736
Non-Cash Expenses	32	**1,484,600,208**	901,703,284
		3,025,856,752	2,463,800,372
PROFIT BEFORE TAX		**2,969,948,377**	4,089,877,204
INCOME TAX BENEFIT/(EXPENSE)	33	**(326,951,315)**	396,880,499
PROFIT AFTER TAX		**2,642,997,062**	4,486,757,703
NET SUBSIDY INCOME/(FINANCIAL ASSISTANCE/ SUBSIDY/CONTRIBUTION)	34	**4,032,733,065**	(2,321,007,146)
NET INCOME		**6,675,730,127**	2,165,750,557
OTHER COMPREHENSIVE INCOME		**0**	0
TOTAL COMPREHENSIVE INCOME		**6,675,730,127**	2,165,750,557

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, 2022 and 2021
(In Philippine Peso)

	Note	Government Equity (Note 35)	Contributed Capital (Note 35)	Unappropriated Retained Earnings	Appropriated Retained Earnings	Total Equity
Balance, December 31, 2020		**100,000,000,000**	**10,625,127,810**	**45,724,732,573**	**6,000,000,000**	**162,349,860,383**
Adjustment in value of buildings in CIAC			934,325,320			934,325,320
Correction of Prior Years' Error/Estimates	36			(206,269,380)		(206,269,380)
Restated Balance, January 1, 2021		**100,000,000,000**	**11,559,453,130**	**45,518,463,193**	**6,000,000,000**	**163,077,916,323**
Equity from NG for the implementation of various projects			1,173,757,558			1,173,757,558
Net income for the year				2,165,750,557		2,165,750,557
BCDA's 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, as restated		**100,000,000,000**	**12,739,601,197**	**45,967,003,811**	**6,000,000,000**	**164,706,605,008**
Changes in equity for 2022						
Equity from NG for the implementation of various projects:			313,352,353			313,352,353
Net income for the year				6,675,730,127		6,675,730,127
Dividends				(885,393,091)		(885,393,091)
Balance, December 31, 2022		**100,000,000,000**	**13,052,953,550**	**51,757,340,847**	**6,000,000,000**	**170,810,294,397**

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, 2022 and 2021
(In Philippine Peso)

	Note	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash inflows			
Proceeds from joint venture projects		**4,031,623,499**	13,181,055,112
Proceeds from concession fee		**1,838,267,174**	1,240,858,586
Cash receipts from lessees		**937,295,822**	915,339,831
Proceeds from the disposition of transferred properties		**463,905,204**	162,707,132
Collection of receivables		**64,580,196**	52,766,832
Miscellaneous receipts		**16,307,365**	54,486,421
Receipts from BCDA housing projects		**5,450,137**	1,761,358
Proceeds from disposition of Heritage Park Investment Certificates		**1,631,857**	71,916
Collection of guarantee deposit/development control fees		**1,412,532**	238,340,042
Receipt of funds from the Department of Agriculture (DA), Department of Energy and Department of information and Communication (DICT) for the implementation of its projects		**0**	1,607,600,000
Collection of bid/performance bonds		**0**	4,227,498
Total cash inflows		**7,360,473,786**	17,459,214,728
Cash Outflows			
Subsidy to Clark Development Corporation		**0**	82,336,317
Estate Management Fees		**157,849,479**	178,874,786
Payment of financial assistance to Project Affected People in New Clark City		**177,291,972**	31,336,976
Payment of expenses for the implementation of projects of Department of Transportation, Philippine Veterans Affairs Office and DICT; and return of funds to DA		**496,197,778**	200,979,908
Personnel Services		**256,801,954**	215,919,924
Refund of bid bonds/performance bonds		**276,805,058**	0
Fund transfer to escrow account		**388,858,617**	533,865,912
Payment to suppliers/creditors/employees		**674,807,079**	952,466,030
Payment/remittance of taxes, duties and fees		**2,084,759,684**	352,067,940
Remittance of beneficiaries' share to the Bureau of Treasury (BTr)		**6,375,522,741**	2,686,114,488
Total cash outflows		**10,888,894,362**	5,233,962,281
Net cash provided by/(used in) operating activities		**(3,528,420,576)**	12,225,252,447
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash inflows			
Dividends received		**589,665,595**	607,583,333
Interest income from cash equivalents and short/long term investments		**192,273,616**	148,900,093
Total cash inflows		**781,939,211**	756,483,426
Cash outflows			
Capital call infusion of BCDA to Philippine Japan Initiative of CGC, Inc.		**0**	13,521,446
Road-Right-of-Way acquisition		**106,523,351**	129,221,130
Placement of funds in short and long term investments		**685,720,238**	1,862,863,183
Acquisition of property and equipment and payment for various infrastructure projects		**5,372,264,903**	3,939,386,206
Total cash outflows		**6,164,508,492**	5,944,991,965
Net cash used in investing activities		**(5,382,569,281)**	(5,188,508,539)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash inflows			
Subsidy income		**4,581,736,393**	4,847,463,934
Equity from National Government		**313,352,353**	1,173,757,556
27.50 per cent share of BCDA from asset disposition		**175,964,043**	61,716,498
Total cash inflows		**5,071,052,789**	6,082,937,988
Cash outflows			
Payment of financing charges		**148,657,529**	169,768,780
Payment of guarantee fees to BTr		**268,676,528**	186,236,907
Partial settlement of Japan International Cooperation Agency loan		**801,630,992**	856,034,151
Dividends paid to BTr		**885,393,091**	1,717,209,939
Total cash outflows		**2,104,358,140**	2,929,249,777
Net cash provided by financing activities		**2,966,694,649**	3,153,688,211
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**215,148**	289,203
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(5,944,080,060)**	10,190,721,322
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**15,193,830,288**	5,003,108,966
CASH AND CASH EQUIVALENTS AT END OF YEAR	6	**9,249,750,228**	15,193,830,288

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, 2022 and 2021 were authorized for issue by the Board of Directors on June 14, 2023.

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 and Sustainability Reporting Standards Council (FSRSC), 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 measurements

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by BCDA at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

BCDA uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities, for which fair value is measured or disclosed in the financial statements, are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, BCDA determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as investment property. Involvement of external valuers is decided upon annually. The current practice of BCDA is to involve external valuers every two to three years depending on the circumstances including market conditions and requirements. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussions with the external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, BCDA analyzes the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per accounting policies.

For this analysis, BCDA verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

BCDA, in conjunction with the external valuers, also compares each change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, BCDA has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Functional and Presentation Currency

The financial statements are presented in Philippine peso and all values/amounts are rounded off 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 2022 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, 2022:

- 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. The 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.

- 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.

- 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.

- Amendments to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets, 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.

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.

b. Effective in 2022 but not relevant to BCDA

- 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.

- 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 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.

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, 2022 and have not been applied in preparing the financial statements are summarized below.

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

- Amendments to PAS 1, *Presentation of Financial Statements* - 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 (i) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (ii) 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 (iii) 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, *Accounting Policies, Changes in Accounting Estimates and Errors* - 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, *Income Taxes* - 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.

- Amendment to PFRS 17, *Insurance Contracts* - Initial Application of PFRS 17 and PFRS 9-*Comparative information* – The amendment adds a transition option for a "classification overlay" to address temporary accounting mismatches between financial assets and insurance contract liabilities relating to comparative information presented on the initial application of PFRS 17. If an entity elects to apply the classification overlay, it can only do so for comparative periods to which it applies PFRS 17. No amendments have been made to the transition requirements of PFRS 9.

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.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS is not expected to have any material effect on the 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 constantly applied to all the years presented, unless otherwise stated.

Current and Non-current classification

BCDA presents assets and liabilities in the statements of financial position based on current/non-current classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other assets and liabilities which do not fall on the above conditions are classified as non-current.

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from date of acquisition and are subject to an insignificant risk of change in value.

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, 2022 and 2021.

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 (debt instruments) as at December 31, 2022 and 2021.

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 (equity instruments) as at December 31, 2022 and 2021.

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 treasury bills, and receivables as at December 31, 2022 and 2021.

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, 2022 and 2021.

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 bills/bonds/loans payables as at December 31, 2022 and 2021.

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.

Advances to related parties

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 statement 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 and are presented in the statement of financial position at cost. This account includes advances to officers and employees, 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 unserviceable property and equipment which are subject for disposal.

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 (see Note 14):

	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 Joint Ventures/Affiliates are as follows (see Notes 12 and 13):

	Percentage of Equity
Philippine Japan Initiative for CGC, Inc. (PJIC)	48
Filinvest BCDA Clark, Inc. (FBCI)	45
Fort Bonifacio Development Corporation (FBDC)	45
Bonifacio Estate Services Corporation (BESC)	33
Bonifacio Communications Corporation (BCC)	25
New Clark Government Center Corporation	10
Shin Clark Power Corporation	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 Properties

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 is calculated on a straight-line basis over the estimated useful lives ranging from 20 to 50 years.

The estimated useful lives and depreciation 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:

- Buildings and structures such as the ASEAN Villas and NGAC Sports Facilities in Clark, Pampanga and Capas, Tarlac, respectively;
- 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:

- The 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 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.

The assets or cash generating units are written down to their recoverable amount if any such indication exists and where the carrying values exceed the estimated 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 P50,000, with an estimated useful life of more than one year, as semi-expendable property in accordance with COA Circular No. 2022-004 dated May 31, 2022. These items are recognized as an expense when issued to the end-users.

Service Concession Assets and Deferred Concession Revenue

Recognition and Measurement of Service Concession Revenue

BCDA, as grantor, recognizes an asset provided by the operator and an upgrade to an existing asset of the grantor as a service concession asset if:

- The grantor controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price; and
- The grantor controls, through ownership, beneficial entitlement or otherwise any significant residual interest in the asset at the end of the term of arrangement.

The initial measurement of the service concession asset was recognized by BCDA in the books of accounts at its fair value. Where an existing asset of the grantor meets the conditions above, BCDA reclassifies the existing asset as a service concession asset.

After initial recognition or reclassification, service concession assets shall be accounted for as a separate class of assets. Subsequent capital expenditures made by the operator

are recognized as assets and depreciated on a straight-line basis over the life of the asset or the term of the concession agreement, whichever is shorter.

Recognition and Measurement of Liabilities (Deferred Concession Revenue)

BCDA also recognizes a deferred concession revenue, as a liability, when it recognizes a service concession asset in the conditions above were met using the Grant of a Right to the Operator Model – where the grantor does not have an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition, or upgrade of a service concession asset, and grants the operator the right to earn revenue from third-party users or another revenue-generating asset, the grantor shall account for the liability recognized as the unearned portion of the revenue arising from the exchange of assets between the grantor and the operator.

The liability is recognized initially at the same amount as the service concession asset adjusted by the amount of any other consideration from the grantor to the operator, or from the operator to the grantor.

Deferred concession revenue is amortized as income on a straight-line basis over the term of the concession assets.

The service concession assets and deferred concession revenue of BCDA are presented in Notes 17 and 26, respectively.

Intangible Assets

Intangible assets are 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 as required in 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 the amount stipulated in the contract. 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 payable to the Bureau of Internal Revenue and remittances of mandatory contributions to Government Service Insurance System, Social Security System, Pag-IBIG, and PhilHealth. 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 rate 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. BCDA 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 classifies finance lease if any of the following conditions apply:

- The asset transfers to the lessee at the end of the lease term;
- The lessee 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.

Borrowing Costs

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 recognized 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 Republic Act (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 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 equity from NG while the shares of beneficiaries other than BCDA are 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 Non-financial Assets

BCDA determines whether there are indicators of impairment of its property and equipment, creditable withholding taxes 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, 2022 and 2021 are P14.793 billion and P9.797 billion, respectively. Depreciation costs charged to operation amounted to P262.122 million and P182.229 million in CYs 2022 and 2021, respectively (see Note 16).

The increase in capitalization threshold from P15,000.00 to P50,000.00 shall be considered as a change in accounting policy and shall be applied retrospectively (COA Circular No. 2022-004 dated May 31, 2022).

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:

	2022	2021 (As restated)
Cash equivalents	**7,285,940,000**	10,383,528,766
Cash in banks	**1,963,158,312**	4,810,279,098
Cash on hand	**651,916**	22,424
	9,249,750,228	15,193,830,288

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. Investments are classified by BCDA as cash equivalent if it has an original maturity of three months or less from the date of acquisition. Interest earned from cash equivalents amounted to P83.130 million and P41.206 million in CYs 2022 and 2021, 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 earned from cash in banks amounted to P5.990 million and P1.238 million in CYs 2022 and 2021, 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:

	2022	2021
Current		
Treasury bills	**1,988,877,453**	0
Investment in bonds	**499,999,999**	0
Long-term placements in Fixed-Rate Treasury Notes	**0**	1,251,810,157
	2,488,877,452	1,251,810,157
Non-current		
Long-term Investment on Tier 2 Fixed-Rate Unsecured Subordinated Notes	**0**	500,000,000
	2,488,877,452	1,751,810,157

Interest earned from government securities amounted to P76.581 million and P64.691 million in CYs 2022 and 2021, respectively (see Note 27).

8. OTHER INVESTMENTS

The current portion of this account amounted to P3.172 billion and P3.215 billion as at December 31, 2022 and 2021, respectively, which 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 earned from time deposits amounted to P40.268 million and P31.594 million in CYs 2022 and 2021, respectively (see Note 27).

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

	2022	2021
Cost of 10 per cent investment in Bonifacio Water Corporation	**70,051,870**	70,051,870
Cost of 15 per cent investment in Poro Point Industrial Communication	**15,000,000**	15,000,000
Value of 30 golf and country club shares received by BCDA from CJHDevCo as partial payment of the latter's outstanding obligations	**12,000,000**	12,000,000
Cost of 10 per cent 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

	2022	2021
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:

	2022	2021 (As restated)
Loans and receivables	**9,626,245,621**	12,988,560,096
Inter-agency receivables	**4,421,587,855**	5,476,056,542
Lease receivables	**2,718,537,823**	2,231,461,014
Other receivables	**180,159,361**	175,238,793
	16,946,530,660	20,871,316,445
Allowance for impairment	**(2,092,850,970)**	(1,943,515,013)
	14,853,679,690	18,927,801,432
Current portion	**6,136,153,089**	8,181,078,854
Non-current portion	**8,717,526,601**	10,746,722,578

Loans and receivables consists of the following:

	2022	2021 (As restated)
Business projects		
Bonifacio South Pointe Project	**7,932,094,125**	10,413,223,141
JUSMAG Project	**1,244,290,879**	1,925,186,404
Newport Project	**128,809,322**	160,402,331
Serendra Project	**2,093,590**	237,088
Uptown Bonifacio Project	**0**	250,177,210
Concession fees	**239,068,019**	168,017,037
Interest receivable	**39,157,239**	28,964,443
Housing projects		
Rodriguez, Rizal Relocation	**17,631,239**	17,676,324
Pabahay 2000 in General Trias, Cavite	**8,458,331**	8,501,358
Pamayanang Diego Silang (PDS)	**4,972,104**	5,530,166
Heritage Park Investments	**9,445,626**	10,337,189
Dividends receivable	**183,844**	266,106
Others	**41,303**	41,299
	9,626,245,621	12,988,560,096

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 receivables pertain to the collection of MASRS in CY 2022 amounting to P2.481 billion from Bonifacio South Pointe,

P680.895 million from Joint US Military Advisory Group (JUSMAG) and P250.177 million from Uptown Bonifacio projects.

Receivables from concession fees refers to the BCDA's 50 per cent share of the gross toll revenues of Subic-Clark-Tarlac Expressway (SCTEx) amounting to P201.342 million and P145.779 million for CYs 2022 and 2021, 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 P37.726 million and P22.238 million for the 4th quarter of CYs 2022 and 2021, 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.

Receivables from Heritage Park Investment arises from the sale of Heritage Park Investment Certificates. Interest earned from installment sale and assessment of penalty for late payments amounted to P16,044 and P8,263 in CYs 2022 and 2021, respectively.

Dividends receivable pertains to the remaining balance of dividends from Fort Bonifacio Development Corporation (FBDC). In CY 2022, the BCDA Board approved the reimbursement of expenses of FBDC for the installation/implementation of the new traffic signal system in the BCDA area in Bonifacio Global City to be charged against the 2018 dividends receivable.

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.

	2022	2021 (As restated)
Subsidiaries/Affiliates	**3,744,641,894**	3,944,581,572
NGAs	**671,964,009**	1,512,859,536
LGUs	**3,950,173**	17,583,655
GOCCs	**1,031,779**	1,031,779
	4,421,587,855	5,476,056,542

Receivables from subsidiaries/affiliates are as follows:

	2022	2021 (As restated)
Clark International Airport Corporation (CIAC)	**1,918,374,985**	2,127,190,508
North Luzon Railways Corporation (NORTHRAIL)	**1,661,831,254**	1,661,831,254
Poro Point Management Corporation (PPMC)	**72,497,456**	72,497,456
Fort Bonifacio Development Corporation (FBDC)	**43,909,783**	43,813,435
New Clark Government Center Corporation	**27,135,804**	15,375,638
John Hay Management Corporation (JHMC)	**19,363,989**	22,344,658
Bonifacio Estate Services Corporation (BESC)	**1,500,000**	1,500,000
Clark Development Corporation (CDC)	**28,623**	28,623
	3,744,641,894	3,944,581,572

Receivable from CIAC represents (a) the 15 per cent importation cost of radar spare parts for the Terminal Radar Approach Control Project of P184.009 million, (b) result of the inter-company settlement of CDC-CIAC loans pursuant to Executive Order (EO) No. 716 dated April 3, 2008 of P196.861 million, (c) progress billings for various infrastructure projects of P503.494 million, (d) deposit for future stock subscription of P832.248 million, and (e) 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 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, FBDC and Bonifacio Land Corporation. BCDA has provided an allowance for impairment of P1.662 billion in CY 2017 because NORTHRAIL was already deactivated pursuant to GCG Memorandum Order No. 2019-05 dated August 20, 2019.

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 of land by PPMC to BCDA.

Receivable from FBDC represents the lease for the 23,126 square meters of land located at the Pamayanang Diego Silang amounting to P43.910 million.

Receivable from New Clark Government Center Corporation, formerly NGAC Phase 1 Joint Venture, pertains to the power consumption in the sports facitlies, government building and residence, athlete's village and commercial center in NGAC advanced by BCDA.

Receivable from JHMC represents funds released for the construction of access roads and other CAPEx projects of P17.346 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 NGAs, LGUs, GOCCs consist of receivables from the following:

	2022	2021 (As restated)
Senate of the Philippines	**629,280,000**	839,040,000
Department of Public Works and Highways (DPWH)	**27,466,791**	455,192,791
Department of Health (DOH)	**13,618,193**	21,597,442
Municipality of Taguig	**3,750,173**	3,750,173
Philippine Information Agency (PIA)	**900,000**	900,000
National Anti-Poverty Commission (NAPC)	**593,626**	593,626
Municipality of Capas	**200,000**	200,000
Office of Civil Defense (OCD)	**33,480**	33,480
Bureau of the Treasury (BTr)	**0**	148,389,657
National Shelter Program (NSP)	**0**	47,045,689
Provincial Government of Pampanga	**0**	8,348,410
Provincial Government of Tarlac	**0**	5,285,072
Various Agencies	**1,103,698**	1,098,630
	676,945,961	1,531,474,970

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

Receivable from DPWH pertains to the balance in connection with its acquisition of a 5,067.65 square meter-lot at Camp Atienza.

Receivable from DOH pertains to the remaining balance of the 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), 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 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" Program during the National Information Convention in February 2018.

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

Receivable from OCD pertains to the rent of the ASEAN Convention Center.

Receivable from BTr pertains to the over remittance to the BTr of other beneficiary agencies's share from the share of 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. The account was adjusted to reflect the prior period entries.

Receivable from NSP pertains to the balance 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 fully settled through the application of withheld NSP share in disposition proceeds based on Resolution No. 2019-01-04NSP.

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.

Lease receivables consists of the following:

	2022	2021 (As restated)
Operating lease receivables	**2,455,669,634**	1,941,377,053
Finance lease receivables	**262,868,189**	290,083,961
	2,718,537,823	2,231,461,014

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:

	2022	2021 (As restated)
Due from Non-Government Organizations (NGOs)	**9,752,880**	10,460,544
Receivables- Disallowances	**2,845,000**	2,845,000
Due from other individuals	**1,976,970**	2,058,672
Due from officers and employees	**1,857,192**	3,500,853
Others	**163,727,319**	156,373,724
	180,159,361	175,238,793

Due from NGOs consists of receivables from (a) Lakas Ilaw Association, Inc. for the bridge loan financing of P2.225 million; (b) SAMASAMA Forever Primary Multi-Purpose

Cooperative for livelihood fund of P414,617; (c) Samahang Kaisahan ng Sambayanan of P0.780 million; and (d) BCDA Employees Provident Fund, Inc. representing car loan facilities availed by officers of BCDA of P6.333 million.

Receivables – Disallowances pertains to the Notice of Disallowance (ND) No. 09-0014-01111 (2006-2008) dated October 22, 2009 on the payment of legal fees to private lawyers/consultants hired without written conformity and acquiescence from the Office of the Government Corporate Counsel and written concurrence of the Commission on Audit as required under COA Circular No. 95-011 and Office of the President Memorandum Circular No. 9. The ND was affirmed under COA Decision No. 2013-201 dated November 20, 2013 and finalized under Notice of Finality of Decision dated May 12, 2015.

Others mainly 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.

- *Receivable from Fontana Development Corporation (FDC)* in the amount of P127.053 million for the improvement of Fontana Convention Center (FCC) which was used during the ASEAN Summit in 2017. This was initially recorded as PPE and reclassified to receivable pursuant to FDC letter dated March 31, 2017 since FDC will reimburse BCDA on the amount paid for the said improvement of FCC.

10. INVENTORIES

This account consists of the following:

	2022	2021 (As restated)
Inventories held for sale	**4,418,089,153**	4,418,089,153
Inventories held for consumption	**2,881,655**	3,322,213
Semi-expendable office equipment	**7,416**	29,619
	4,420,978,224	4,421,440,985

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) refer 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, 2022, 4,923 HPICs with a carrying value of P308.345 million remain unsold.

- Condominium units allocated to BCDA at the Newport City. As of December 31, 2022, 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, 2022, 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 in General Trias, Cavite which are part of the BCDA's resettlement and housing program that benefitted residents affected by the conversion and disposition of the former base lands in Metro Manila. As of December 31, 2022, 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 P50,000 with a useful life of more than a year. These items are 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:

	2022	2021 (As restated)
Withholding tax at source	**1,912,550,309**	1,699,187,630
Input tax	**1,821,351,987**	123,480,342
Restricted funds	**1,455,471,575**	981,034,027
Advances to contractors	**1,162,269,851**	1,132,114,840
Other prepayments	**8,133,176**	8,820,419
Prepaid insurance	**2,843,840**	21,839,425
Others	**1,888,198**	6,283,277
	6,364,508,936	3,972,759,960

Withholding tax at source pertains to the creditable withholding taxes from lease, concession, and joint venture transactions, which can be claimed as tax credits against income taxes due.

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

Restricted funds pertains to the following:

- Proceeds from the sale of Serendra Condominium units and Serendra Retail area maintained in an escrow and trust accounts with the DBP. Interest earned amounted

to P9.157 million and P7.045 million in CYs 2022 and 2021, 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 an 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, 2022 amounted to P66.690 million. Interest earned amounted to P393,192 and P0.770 million in CYs 2022 and 2021, respectively (see Note 27).

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.

Other Prepayments pertains to advance payment of real property tax for certain properties in Pamayanang Diego Silang and Market Market.

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.

Others pertains to unserviceable property and equipment for disposal with a total carrying amount of P210,483, accrual of assets/properties pending reclassification to their specific asset/expense account amounting to P1.653 million, advances to officers and employees amounting to P21,691 and guarantee deposits amounting to P3,000.

12. INVESTMENTS IN JOINT VENTURES

This account pertains to the investment with the Philippine Japan Initiative for CGC, Inc. (PJIC) in the amount of P469.200 million and P469.061 million in CYs 2022 and 2021, 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

	2022	2021
Fort Bonifacio Development Corporation	**13,056,568,886**	13,056,568,886
Filinvest BCDA Clark, Inc.	**231,450,000**	231,450,000
Shin Clark Power Corporation	**74,976,529**	0
New Clark Government Center Corporation	**52,200,000**	44,400,000
Bonifacio Communication Corporation	**27,500,000**	27,500,000
Bonifacio Estate Services Corporation	**4,333,333**	4,333,333
Subic Clark Alliance for Development	**479,412**	1,153,733
	13,447,508,160	13,365,405,952

Fort Bonifacio Development Corporation (FBDC)

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

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 for use of the JVC over the NCC-Phase 1 property.

Shin Clark Power Corporation (SCPC)

SCPC has the primary purpose of developing, constructing, operating and maintaining electric power distribution systems in the New Clark City. BCDA has contributed its Development and Usufructuary Rights (DUR) in CY 2022 with a value of P74.977 million or 10 per cent of the authorized capital stock of the corporation.

New Clark Government Center Corporation, formerly NGAC Phase 1 Joint Venture

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

Under the JVA, BCDA shall contribute its DUR as equity capital to the joint venture over the 40-hectare project site for Phase 1A, equivalent to the value of 10 per cent of the total project cost amounting to P4.650 billion. In CY 2022, BCDA recognized P7.200 million equity contribution to the JV in accordance with Section 5.1 of the JVA.

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.

The decrease in investment amounting to P0.674 million represents the share of BCDA in the remaining funds of SCAD due to its dissolution in 2016. The return of the remaining balance of investment was communicated with SCAD and will be derecognized, if warranted, upon receipt of pertinent documents from SCAD.

Dividends earned from investment in affiliates amounted to P589.583 million in CY 2022 and P607.583 million in CY 2021 (see Note 27).

14. INVESTMENTS IN SUBSIDIARIES

	2022	2021 (As restated)
Clark Development Corporation	**2,813,507,300**	2,813,507,300
John Hay Management Corporation	**360,754,988**	360,754,988
BCDA Management Holdings, Inc.	**256,688,775**	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
	3,600,344,783	3,623,656,008
Allowance for impairment loss	**(100,000,000)**	(100,000,000)
	3,500,344,783	3,523,656,008

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 of 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.

On May 17, 2022, Santos Knight Frank, Inc., the independent appraiser hired by BCDA, issued its appraisal reports on some of the investment properties of BCDA as at October 26, 2021. Based on the reports, some of the properties located in Clark, NCC, Bataan Technology Park, Taguig and Pasay, with approximate total area of 14,803 hectares, has a total fair market value of P148.015 billion as at October 26, 2021.

The Market Approach is basically an appraisal technique in which the Market Value is reached primarily by comparing the subject with other properties which have been sold recently, and current asking prices and offers thereby establishing a measure of market reaction to the subject property. In the process of comparison, adjustments are usually made of the actual sale prices of properties to account for difference in the properties. Functional or economic divergences must be considered, as well as physical variations, and adjustments made accordingly.

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

	2022	2021 (As restated)
Land	**72,873,108,543**	72,583,154,562
Building	**11,277,546,436**	11,493,948,402
	84,150,654,979	84,077,102,964

The details of the carrying amount of building are as follows:

	2022	2021 (As restated)
COST		
Balance, January 1	**12,180,038,102**	12,173,575,805
Additions	**0**	6,462,297
Balance, December 31	**12,180,038,102**	12,180,038,102
ACCUMULATED DEPRECIATION		
Balance, January 1	**686,089,700**	469,687,734
Additions	**216,401,966**	216,401,966
Balance, December 31	**902,491,666**	686,089,700
Carrying Amount, December 31	**11,277,546,436**	11,493,948,402

Lease revenue earned from investment properties amounted to P1.395 billion and P1.277 billion in CYs 2022 and 2021, respectively (see Note 27). Expenses incurred arising from investment properties are as follows:

	2022	2021
Estate management fee	**162,625,223**	162,745,688
Zone maintenance	**126,346,897**	92,409,289
Security services	**120,982,762**	96,374,683
	409,954,882	351,529,660

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 (DND), Armed Forces of the Philippines (AFP) and Philippine Navy (PN) for the temporary use of approximately 100 hectares of Bataan Technology Park 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;

- DND for the right to use the remaining one-hectare property at Camp Claudio as a housing site for PN personnel;

- Filipino War Veterans Foundation Inc. for the use of a 5,000-square meter property within the commercial area of Pamayanang Diego Silang (PDS) 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 PDS 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

- DND and 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 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
2022								
COST								
Balance, January 1, 2022	2,798,681,044	1,517,511,871	89,391,973	25,395,555	192,522,887	7,852,001,015	96,296,790	12,571,801,135
Additions	4,320,513,266	23,867,367	7,654,616	8,641,319	6,484,607	5,527,796,143	52,494,888	9,947,452,206
Transfer	0	(217,873)	20,919,059	0	0	(4,335,050,279)	0	(4,314,349,093)
Reclassifications	0	0	(25,552,837)	(1,658,141)	(16,463,979)	(345,262,781)	(51,383,130)	(440,320,868)
Balance, December 31, 2022	**7,119,194,310**	**1,541,161,365**	**92,412,811**	**32,378,733**	**182,543,515**	**8,699,484,098**	**97,408,548**	**17,764,583,380**
ACCUMULATED DEPRECIATION								
Balance, January 1, 2022	2,098,620,092	450,076,726	49,486,571	17,581,780	112,235,041	0	46,321,590	2,774,321,800
Depreciation	159,242,763	43,149,574	12,890,055	1,593,627	12,637,803	0	32,608,670	262,122,492
Transfer	0	0	0	0	(610,587)	0	0	(610,587)
Adjustments	0	1,127,436	(3,791,721)	(1,532,502)	(14,123,178)	0	(45,550,972)	(63,870,937)
Balance, December 31, 2022	**2,257,862,855**	**494,353,736**	**58,584,905**	**17,642,905**	**110,139,079**	**0**	**33,379,288**	**2,971,962,768**
Carrying Amount, December 31, 2022	**4,861,331,455**	**1,046,807,629**	**33,827,906**	**14,735,828**	**72,404,436**	**8,699,484,098**	**64,029,260**	**14,792,620,612**
2021								
COST								
Balance, January 1, 2021	2,798,681,044	1,075,176,102	76,424,787	25,086,991	164,527,566	15,849,088,653	87,323,093	20,076,308,235
Additions	0	368,358,090	43,415,712	506,506	27,995,321	6,337,376,918	51,104,210	6,828,756,758
Transfer	0	0	(20,919,059)	0	0	0	(42,690,876)	(63,609,935)
Reclassifications	0	73,977,679	(9,529,467)	(197,942)	0	(14,334,464,556)	560,363	(14,269,653,923)
Balance, December 31, 2021 As restated	**2,798,681,044**	**1,517,511,871**	**89,391,973**	**25,395,555**	**192,522,887**	**7,852,001,015**	**96,296,790**	**12,571,801,135**
ACCUMULATED DEPRECIATION								
Balance, January 1, 2021	2,004,591,934	535,555,827	38,546,721	15,977,518	102,419,878	0	56,877,497	2,753,969,375
Depreciation	94,028,158	34,106,165	11,417,704	1,634,566	9,815,163	0	31,227,236	182,228,992
Transfer	0	0	(10,007,321)	0	0	0	0	(10,007,321)
Adjustments	0	(119,585,266)	9,529,467	(30,304)	0	0	(41,783,143)	(151,869,246)
Balance, December 31, 2021 As restated	**2,098,620,092**	**450,076,726**	**49,486,571**	**17,581,780**	**112,235,041**	**0**	**46,321,590**	**2,774,321,800**
Carrying Amount, December 31, 2021 As restated	**700,060,952**	**1,067,435,145**	**39,905,402**	**7,813,775**	**80,287,846**	**7,852,001,015**	**49,975,200**	**9,797,479,335**

Details of the Construction in Progress account are as follows:

Project	2022	2021 (As restated)
Airport to NCC Access Road Project (Phase 2)	**2,312,062,396**	581,612,736
NCC-SCTEX Access Road Project	**2,160,047,278**	1,819,475,495
Construction of ASCOM Facilities at Camp Aquino Tarlac	**1,406,777,281**	492,540,582
New Clark City Connecting Road Package 1	**805,320,405**	207,521,933
Construction of Various Structures and Facilities within the 100-Hectare Area at Bataan Technology Park, Morong, Bataan, Phase 1 - Package 3	**444,340,555**	0
Construction of Underground Corridor Connecting Road Package 1	**287,203,315**	0
Airport to NCC Access Road Project (Phase 3)	**275,204,017**	88,568,341
Design and Build of the New Academy of Sports (NAS) Phase 1	**176,145,469**	0
Construction of Special and Technical Staff Building for SCC/DACC	**144,669,729**	0
Detailed Engineering Design for the BCDA Iconic Building	**125,460,552**	133,380,988
Philippine Navy Facilities	**96,031,777**	42,680,790
Clark & SCTEx Access Road Project	**79,249,574**	411,817
Construction Management Supervision (CMS) of the Airport (CIA) to NCC Access Road (Phase 1).	**74,503,675**	3,399,014,385
Construction of Sewage Treatment Plant, Access Road and Freedom Park	**71,182,561**	0
Replication of Philippine Air Force (PAF) Parking Area and Relocation of Oil Circuit Breaker, High Tension Wire and Electrical System	**49,384,994**	24,692,495
Lawton Avenue Widening	**34,381,261**	34,381,261
JHMC Office Building	**28,425,493**	28,425,493
Consulting Services for Advance Preliminary Works for SCRP	**23,731,228**	11,430,400
Fit-Out Requirements for New Office in Clark Onewest	**17,153,387**	17,153,387
Replication OF ASCOM/SSC/DACC Facilities	**15,744,901**	15,737,144
Detailed Eng'g Design of CGC Mixed Income	**13,453,000**	13,295,390
Deep Well at Wallace Air Station	**11,684,049**	0
Relocation and Functional Replication of the PAF Operational Facilities	**10,521,741**	10,521,741
Major Road Network/Site Office in CGC	**8,829,364**	8,829,364
Detailed Design and Traffic Mgt for the new SCTEX Tarlac Toll Plaza	**6,092,954**	6,092,954
South Luna Ramps - Project Design	**5,356,955**	5,356,955
San Fernando Airport Drainage System	**4,869,941**	1,019,805
San Fernando Airport Runway Slope Protection	**4,646,942**	1,390,811
Renovation of CIAC Airport & Construction of Gangway	**4,490,372**	4,490,372
Utilities-Luzon Bypass Infrastructure Project	**1,736,836**	1,736,836
Streetlighting System and Pavement Markings Along McKinley Parkways	**169,600**	169,600
Airport to New Clark City Access Spur Road	**0**	483,985,497
Airfield Ground Lightning System	**0**	221,519,308
NCC to Access Road Project	**0**	74,524,629
Road Projects - NCC to SCTEX	**0**	70,408,682
Subic-Clark Railway Project	**0**	30,949,979
San Fernando Airport Fence	**0**	10,953,785
Construction of Ferry Port Terminal at Poro Point Freeport Zone	**0**	6,235,212
Installation of Fence AT PEZA-MOOG Leased Area	**0**	1,249,291
Storage SCRP	**0**	844,750
Construction materials for SCAA Detachment in NCC Area	**0**	568,874
Others	**612,496**	829,933
	8,699,484,098	**7,852,001,015**

17. SERVICE CONCESSION ASSETS

This account consists of the following:

	Subic-Clark-Tarlac Expressway (SCTEx)	Clark International Airport (CIA)	Total
2022			
COST			
Balance, January 1, 2022	33,864,093,345	14,808,719,344	48,672,812,689
Additions	346,395,739	6,240,139,053	6,586,534,792
Reclassifications	0	(3,795,375,319)	(3,795,375,319)
Balance, December 31, 2022	**34,210,489,084**	**17,253,483,078**	**51,463,972,162**
ACCUMULATED DEPRECIATION			
Balance, January 1, 2022	5,759,433,734	192,373,862	5,951,807,596
Depreciation	527,301,245	320,118,971	847,420,216
Balance, December 31, 2022	**6,286,734,979**	**512,492,833**	**6,799,227,812**
Carrying Amount, December 31, 2022	**27,923,754,105**	**16,740,990,245**	**44,664,744,350**
2021			
COST			
Balance, January 1, 2021	32,761,877,059	1,166,273,245	33,928,150,304
Additions	194,886,877	13,714,230,066	13,909,116,943
Reclassifications	907,329,409	(71,783,967)	835,545,442
Balance, December 31, 2021	**33,864,093,345**	**14,808,719,344**	**48,672,812,689**
ACCUMULATED DEPRECIATION			
Balance, January 1, 2021	5,351,892,344	111,653,744	5,463,546,088
Depreciation	407,541,390	80,720,118	488,261,508
Balance, December 31, 2021	**5,759,433,734**	**192,373,862**	**5,951,807,596**
Carrying Amount, December 31, 2021, As restated	**28,104,659,611**	**14,616,345,482**	**42,721,005,093**

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:

	Provided by BCDA	Introduced by MNTC	Total
2022			
COST			
Balance, January 1, 2022	31,671,907,926	2,192,185,419	33,864,093,345
Additions	15,871,018	330,524,721	346,395,739
Balance, December 31, 2022	**31,687,778,944**	**2,522,710,140**	**34,210,489,084**
ACCUMULATED DEPRECIATION			
Balance, January 1, 2022	5,422,095,920	337,337,814	5,759,433,734
Depreciation	427,272,714	100,028,531	527,301,245
Balance, December 31, 2022	**5,849,368,634**	**437,366,345**	**6,286,734,979**
Carrying Amount, December 31, 2022	**25,838,410,310**	**2,085,343,795**	**27,923,754,105**
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	907,329,409	0	907,329,409
Balance, December 31, 2021	**31,671,907,926**	**2,192,185,419**	**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	407,541,390
Balance, December 31, 2021	**5,422,095,920**	**337,337,814**	**5,759,433,734**
Carrying Amount, December 31, 2021	**26,249,812,006**	**1,854,847,605**	**28,104,659,611**

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 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 (CIA)

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 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:

	Turned-over by CIAC	Introduced by LIPAD	Asset provided by BCDA	Total
2022				
COST				
Balance, January 1, 2022	531,560,588	3,907,281,634	10,369,877,122	14,808,719,344
Additions	0	5,727,619,494	512,519,559	6,240,139,053
Reclassifications	0	(3,795,375,319)	0	(3,795,375,319)
Balance, December 31, 2022	**531,560,588**	**5,839,525,809**	**10,882,396,681**	**17,253,483,078**
ACCUMULATED DEPRECIATION				
Balance, January 1, 2022	192,373,862	0	0	192,373,862
Depreciation	80,720,119	26,619,855	212,778,997	320,118,971
Balance, December 31, 2022	**273,093,981**	**26,619,855**	**212,778,997**	**512,492,833**
Carrying Amount, December 31, 2022	**258,466,607**	**5,812,905,954**	**10,669,617,684**	**16,740,990,245**
2021				
COST				
Balance, January 1, 2021	603,344,555	562,928,690	0	1,166,273,245
Additions	0	3,344,352,944	10,369,877,122	13,714,230,066
Reclassifications	(71,783,967)	0	0	(71,783,967)
Balance, December 31, 2021	**531,560,588**	**3,907,281,634**	**10,369,877,122**	**14,808,719,344**
ACCUMULATED DEPRECIATION				
Balance, January 1, 2021	111,653,744	0	0	111,653,744
Depreciation	80,720,118	0	0	80,720,118
Balance, December 31, 2021	**192,373,862**	**0**	**0**	**192,373,862**
Carrying Amount, December 31, 2021, as restated	**339,186,726**	**3,907,281,634**	**10,369,877,122**	**14,616,345,482**

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. It also includes the horizontal infrastructure projects of the CIA New Terminal Building amounting to P2.535 billion. The Department of Transportation (DOTr) shall transfer funds to CIAC for the procurement and implementation of the project. BCDA

shall record the project upon completion pursuant to the Memorandum of Agreement among DOTr, CIAC and BCDA dated May 23, 2022 and subsequently to LIPAD upon rectification of the noted defects and issuance of Certificate of Completion by CIAC to the contractor.

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 P5.227 million and P4.441 million in CYs 2022 and 2021, respectively.

The carrying amount of BCDA's intangible assets are as follows:

	2022	2021 (As restated)
COST		
Balance at the beginning of the year	**45,762,544**	25,651,147
Additions	**76,440**	8,393,431
Reclassifications	**0**	22,828,741
Adjustments	**11,883,577**	11,883,577
Disposals/Write-off	**0**	(22,994,352)
Balance at the end of the year	**57,722,561**	45,762,544
ACCUMULATED AMORTIZATION		
Balance at the beginning of the year	**29,365,467**	12,203,156
Amortization	**5,227,412**	4,440,664
Adjustments	**11,227,756**	(11,227,756)
Reclassifications	**655,823**	33,319,273
Disposals/Write-off	**0**	(9,369,870)
Balance at the end of the year	**46,476,458**	29,365,467
Carrying Amount at the end of the year	**11,246,103**	16,397,077

19. OTHER NON-CURRENT ASSETS

This account comprises the following:

	2022	2021
Restricted fund	**1,427,778,367**	1,421,096,052
Prepayments	**71,908,451**	72,402,567
Deposits	**7,094,347**	8,322,306
Other Assets	**48,410,695**	48,410,695
	1,555,191,860	1,550,231,620

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 P18.638 million and P20.714 million for CYs 2022 and 2021, respectively (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 remittance made to the Armed Forces of the Philippines (AFP) for the its share in the proceeds from 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:

	2022	2021 (As restated)
Payables	**1,090,671,014**	1,137,303,782
Bills/Bonds/Loans Payable	**795,637,028**	841,194,586
	1,886,308,042	1,978,498,368

Payables consists of the following:

- Payables to various suppliers/contractors arising from BCDA's purchases of goods and services. This also includes tax refunds payable to BCDA officers and employees based on annualized tax computation.

- 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 Japan International Cooperation Agency loan related to the construction of the SCTEx Project.

21. INTER-AGENCY PAYABLES

This account consists of the following:

	2022	2021 (As restated)
Due to Bureau of the Treasury (BTr)	**3,544,789,771**	7,125,177,708
Due to National Government Agencies (NGAs)	**1,016,297,474**	1,546,133,199
Due to Subsidiaries/Affiliates	**238,636,999**	337,859,616
Due to Bureau of Internal Revenue (BIR)	**51,312,909**	20,786,163
Income Tax Payable	**24,899,534**	51,234,456
Value Added Tax Payable	**21,130,523**	0
Due to Government Corporations	**3,933,291**	3,667,704
Due to Local Government Unit (LGU)	**31,145**	0
Others	**48,928**	48,928
	4,901,080,574	9,084,907,774

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 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:

	2022	2021
Department of Information and Communications Technology (DICT)	**913,962,359**	1,123,636,851
Department of Transportation (DOTr)	**78,849,090**	101,953,196
Department of Energy (DOE)	**20,498,805**	20,500,000
Philippine Veterans Affairs Office (PVAO)	**2,987,220**	15,029,500
Department of Agriculture (DA)	**0**	285,000,000
Bureau of Customs	**0**	13,652
	1,016,297,474	1,546,133,199

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 DOTr 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.

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.

Due to Subsidiaries/Affiliates is composed of the following:

	2022	2021 (As restated)
Clark Development Corporation (CDC)	**203,867,423**	201,283,263
John Hay Management Corporation (JHMC)	**22,202,904**	8,622,249
Fort Bonifacio Development Corporation (FBDC)	**7,064,324**	90,511,884
Poro Point Management Corporation (PPMC)	**3,239,442**	11,887,245
Clark International Airport Corporation (CIAC)	**2,262,906**	2,243,750
BCDA Management and Holdings, Inc. (BMHI)	**0**	23,311,225
	238,636,999	337,859,616

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

Due to JHMC refers to the remaining Estate Management Fee for CY 2022 and land-related costs in the John Hay Special Economic Zone (JHSEZ) advanced by JHMC.

Due to FBDC represents utilities and commonly used service area in the leased office space at Bonifacio Technology Center, Taguig.

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

Due to CIAC mainly refers 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. 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:

	2022	2021
Contractor's security deposits	**1,015,027,275**	914,363,706
Customer's deposit	**407,844,323**	402,952,153
	1,422,871,598	1,317,315,859

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. This will be charged/reduced for any damage caused by the lessee on the leased property until the end of the lease period.

23. PROVISIONS

This account represents the undiscounted monetary value of accumulated employees' leave credits based on their basic salaries. The movement of this account is as follows:

	2022	2021
Beginning	**41,616,068**	35,974,617
Additions	**26,237,502**	13,024,270
Payments	**(6,432,128)**	(7,382,819)
	61,421,442	41,616,068

24. OTHER PAYABLES

The current portion of this account pertains to the construction guarantee deposit for construction projects in Bonifacio Global City amounting to P222.495 million and P223.495 million as of December 31, 2022 and 2021, respectively.

The non-current portion pertains to the payable to Camp John Hay Development Corporation 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 JICA loan in the amount of P14.321 billion and P15.983 billion for CYs 2022 and 2021, 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 CYs 2022 and 2021, payments were made amounting to P0.802 billion (¥1.906 billion) and P0.856 billion (¥1.906 billion), respectively. As of reporting date, the unpaid balance amounted to ¥36.217 billion. This balance is carried at a restated amount based on the BSP's foreign exchange rate of P0.4174 and P0.4413 for CYs 2022 and 2021, respectively.

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% per annum of outstanding balance

26. DEFERRED CREDITS

This account consists of the following:

	2022	2021 (As restated)
Deferred Credits	**10,586,245,362**	11,016,556,681
Unearned Revenue/Income	**2,403,674,267**	2,427,651,269
	12,989,919,629	13,444,207,950

Deferred credits consists of the following:

	2022	2021 (As restated)
Deferred Service Concession Revenue	**7,827,025,459**	8,281,227,194
Deferred Finance Lease Revenue	**1,183,407,275**	1,194,059,843
Other Deferred Credits	**1,575,812,628**	1,541,269,644
	10,586,245,362	11,016,556,681

Deferred service concession revenue pertains to the unamortized upfront cash from Manila North Tollways Corporation (MNTC) amounting to P2.325 billion, and assets constructed by MNTC for SCTEx amounting to P2.198 billion. It also includes assets constructed, developed, and provided by LIPAD for the Clark International Airport Project amounting to P3.304 billion.

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:

	2022	2021
Unearned Tax Subsidy	**2,143,583,713**	2,281,139,887
Other Unearned Revenue/Income	**200,902,659**	87,339,486
Commitment Contribution	**55,000,000**	55,000,000
Unearned Revenue/Income-Investment Property	**4,187,895**	4,171,896
	2,403,674,267	2,427,651,269

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 CYs 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 CY 2022 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:

	2022	2021 (As restated)
Service Income		
Fees and commission income	**8,536,135**	4,758,434
Permit fees	**6,816,523**	8,779,388
Other Service Income	**2,688,482**	165,158
Business income		
Service Concession Revenue	**1,935,570,931**	1,355,003,889
Rent/Lease Income	**1,394,984,816**	1,276,817,282
Interest Income	**985,695,839**	2,355,121,849
Dividend Income	**589,583,333**	607,583,333
Landing and Parking Fees	**4,660,235**	3,478,940
Fines and Penalties-Business Income	**2,343,211**	1,374,432
Income from Hostels/Dormitories and Other Like Facilities	**90,150**	3,750
Other Business Income	**142,642,568**	87,569,979
	5,073,612,223	5,700,656,434
Gains	**922,192,906**	853,021,142
	5,995,805,129	6,553,677,576

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

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

Service Concession revenue pertains to the 50 per cent share of BCDA from the audited gross toll revenue of SCTEx amounting to P1.629 billion and P1.116 billion in CYs 2022 and 2021, respectively, the amortized portion of MNTC's upfront cash payment in the amount of P111.607 million in CYs 2022 and in 2021, and the amortization of concession assets introduced by MNTC in the amount of P70.139 million and P55.662 million in CYs 2022 and 2021, respectively. It also includes the gross revenue share from the operation of the Clark International Airport amounting to P124.613 million and P71.244 million in CYs 2022 and 2021, respectively.

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.

Interest income consists of interest income from bank deposits, investments in treasury bills, interest income from finance lease and interest income from unincorporated joint venture arrangements.

Dividend income in CY 2022 is made up of the P540 million dividends paid by Fort Bonifacio Development Corporation (FBDC), P46.250 million received from Bonifacio Communication Corporation (BCC) and P3.333 million received from Bonifacio Estate Services Corporation (BESC).

Other business income consists mainly of the variable revenue from the Serendra Project. It also includes other income such as Pamayanang Diego Silang administration fee, Bonifacio Technology Park museum & shrine tour fee and fees on electricity consumption of various entities at the National Government Administrative Center (NGAC) and earned portion of BCDA's Development Usufructuary Rights (DUR) in relation to BCDA's investment in Shin Clark Power Corporation and New Clark Government Center Corporation.

Gains pertains to the realized and unrealized foreign exchange transactions.

28. LEASE AGREEMENTS

As a lessee

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

The significant leases entered into by BCDA are as follows:

Fort Bonifacio Development Corporation (FBDC)

The BCDA leases its office in BGC under a renewal lease agreement with FBDC. The lease term is three years commencing from November 1, 2021 until 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.

JRC Commercial Unit

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.

Housing Facilities

BCDA also leases temporary housing facilities for the 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, 2025, with renewal options.

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:

	2022	2021 (As restated)
Salaries and wages	**137,391,480**	116,469,813
Other compensation	**98,812,889**	81,251,405
Personnel benefit contributions	**49,266,449**	49,409,656
Other personnel benefits	**29,733,366**	14,484,650
	315,204,184	261,615,524

30. MAINTENANCE AND OTHER OPERATING EXPENSES

This consists of the following:

	2022	2021 (As restated)
General services	**292,955,606**	398,488,972
Professional services	**247,496,552**	246,914,383
Taxes, insurance premiums and other fees	**162,215,790**	29,788,183
Repairs and maintenance	**48,980,540**	72,334,566
Utilities	**47,838,826**	70,059,449
Supplies and materials	**20,587,809**	12,409,455
Traveling expenses	**14,125,819**	3,220,399
Rent expense	**12,377,449**	61,934,064
Communication	**9,270,848**	7,976,303
Representation expenses	**5,304,000**	1,560,010
Printing, advertising and promotion	**3,933,062**	15,428,899
Training and scholarship expenses	**2,938,627**	1,735,216
Survey expenses	**779,018**	1,225,446
Other maintenance and operating expenses	**44,631,932**	24,980,483
	913,435,878	948,055,828

The significant increase in taxes, insurance premiums and other fees pertains to the additional taxes paid by BCDA in CY 2022 totaling P113.435 million as a result of the assessment of the Bureau of Internal Revenue for taxable year 2018. This includes income tax, value-added tax, expanded withholding tax, withholding tax on compensation and other taxes.

31. FINANCIAL EXPENSES

This consists of the following:

	2022	2021
Guarantee fees	**156,716,422**	178,792,885
Interest expenses	**154,405,312**	168,313,108
Management/Supervision/Trusteeship Fees	**1,474,755**	0
Bank charges	**19,993**	1,550,801
Other financial charges	**0**	3,768,942
	312,616,482	352,425,736

32. NON-CASH EXPENSES

This consists of the following:

	2022	2021 (As restated)
Depreciation	**1,325,944,673**	886,892,466
Impairment loss	**152,114,846**	1,182,553
Amortization	**5,227,412**	4,440,663
Losses	**1,313,277**	9,187,602
	1,484,600,208	901,703,284

Impairment loss pertains to the provision for expected credit losses on receivables and the carrying amount of the derecognized unserviceable properties.

Losses pertains to losses on foreign exchange transactions due to the effect of foreign currency translation for the special yen loan package of the SCTEx project and bank deposits for dollar transactions. It also pertains to loss on sale of property and equipment.

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 two per cent to one per cent starting July 1, 2020 until June 30, 2023;
- Reduction of the non-deductible interest expense from 33 per cent to 20 per cent of the gross interest income; and
- Imposition of the Improperly Accumulated Earning Tax has been repealed.

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

	2022	2021 (As restated)
Current tax	**117,705,310**	538,601,276
Deferred tax	**(444,656,625)**	(141,720,777)
	(326,951,315)	396,880,499

The reconciliation of income tax (expense) benefit computed at applicable statutory tax rates and shown in the statement of comprehensive income is as follows:

	2022	2021 (As restated)
Statutory Income Tax	**(1,750,670,293)**	(485,966,010)
Income tax effects of:		
Non-taxable income (subsidy income and subsidy expense)	**1,813,629,204**	1,236,322,748
Income already subjected to final tax (interest income and dividend revenue)	**205,935,368**	196,528,968
Expiration of NOLCO	**(633,544,715)**	(472,776,453)
Expiration of MCIT	**(56,030,606)**	(72,874,745)
Adjustment of MCIT	**0**	8,503,441
Non-deductible expenses (interest expense, representation and taxes)	**(35,988,019)**	(12,338,765)
Non-taxable sale (Asset Disposition Program)	**129,717,746**	418,482,344
Adjustment due to change in income tax rate	**0**	(419,001,029)
	(326,951,315)	396,880,499

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

	2022	2021 (As restated)
Deferred tax assets		
Net operating loss carry over (NOLCO)	**2,740,576,757**	2,566,840,841
Accounts receivable from business agreements	**1,227,661,982**	1,233,503,399
Unearned service concession revenue	**1,976,978,490**	2,424,122,964
Unearned lease revenue	**309,601,819**	308,322,935
Excess MCIT	**124,167,600**	155,298,672
Allowance for impairment	**37,333,989**	0
Accrued expenses	**34,272,826**	107,278,940
	6,450,593,463	6,795,367,751

	2022	2021 (As restated)
Deferred tax liabilities		
Unrealized forex gain (loss)	**(14,076,650)**	202,410,963
Unbilled accounts receivable	**(296,732,340)**	(129,227,449)
Service concession asset	**(1,347,411,339)**	(1,774,126,350)
	(1,658,220,329)	(1,700,942,836)
	4,792,373,134	5,094,424,915

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 Expired	Remaining Balance	Year of Expiration
2022	807,280,631	0	807,280,631	2025
2021	1,075,749,034	0	1,075,749,034	2024
2020	857,547,092	0	857,547,092	2023
2019	633,544,715	633,544,715	0	2022
	3,374,121,472	**633,544,715**	**2,740,576,757**	

For the years ended December 31, 2022 and 2021, BCDA is subject to one per cent MCIT as defined in the tax regulations.

Year Incurred	Amount Incurred	Amount Expired	Remaining Balance	Year of Expiration
2022	24,899,534	0	24,899,534	2025
2021	59,472,019	0	59,472,019	2024
2020	39,796,047	0	39,796,047	2023
2019	56,030,606	56,030,606	0	2022
	180,198,206	**56,030,606**	**124,167,600**	

34. FINANCIAL ASSISTANCE/SUBSIDY/CONTRIBUTION

This consists of the following:

	2022	2021
Subsidy from National Government	**7,254,516,816**	4,985,020,108
Subsidy to operating units	**0**	(39,729,116)
Contributions to AFP Modernization	**(3,092,123,821)**	(7,149,076,358)
Financial assistance/subsidy/contributions-others	**(129,659,930)**	(117,221,780)
	4,032,733,065	(2,321,007,146)

Subsidy from National Government consists mainly of 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.

Contributed capital pertains to the excess in the authorized capital 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 P313.352 million and P1.174 billion for the implementation of the Access Road Projects in NCC in CYs 2022 and 2021, 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, 2021 was restated for the following adjustments:

Adjustment on prior years' receivables	651,026,944
Adjustment on Investment in JHMC	23,059,091
Charging to expense of previously capitalized low-value assets (LVA)	17,495,984
Adjustment on Goods Receipt/Invoice Receipt	(3,013,316)
Reversion of long outstanding payables	(12,683,579)
Reversal of output tax	(36,353,732)
Recognition of Serendra Retail Units	(96,647,985)
Correction of prior years' income/expenses	(336,614,027)
	206,269,380

37. RELATED PARTY TRANSACTIONS

The summary of BCDA's related party transactions as of December 31, 2022 and 2021 are as follows:

Category	Note	Amount of Transactions/Outstanding Balances	
		2022	2021
Due from subsidiaries/affiliates	9	**3,744,641,894**	3,944,581,572
Investments in subsidiaries	14	**3,500,344,783**	3,523,656,008
Fund releases for project implementation	34	**275,222,598**	403,722,128
Due to subsidiaries/affiliates	21	**238,636,999**	337,859,616
Estate management fees	15	**158,982,904**	162,745,688
Security services	15	**120,768,530**	96,374,683
Zone maintenance	15	**107,958,449**	92,409,289
Key management personnel compensation	29	**35,905,019**	29,623,188

a. BCDA Management and Holdings, Inc. (BMHI), 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 (PPMC) 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 the Local Government Unit (LGU) of 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, where applicable. Cases filed by BCDA in the exercise of eminent domain are also pending decision in their respective courts. In addition, various cases were filed by BCDA for the cancellation of Title of the properties owned by BCDA. Contingent liability and/or assets from these claims were not recognized since they are still pending and the outcome is not presently determinable.

The Ad Hoc Arbitral Tribunal granted D.M. Consunji Inc. Project Developers, Inc.'s (DMCI PDI) claim on February 21, 2020 for the return of its P300 million deposit for future subscription in the planned increase of NORTHRAIL's authorized capital stock, with legal interest of (i) P444.448 million from February 18, 2005 to February 21, 2020; and (ii) P44.667 million per annum, from February 22, 2020 to date of payment. Petition for money claim was filed by DMCI PDI with the Commission on Audit (COA). No provision has been recognized on the claim since the outcome of the case is not presently determinable.

The Construction Industry Arbitration Commission awarded E.M. Cuerpo, Inc. a total amount of P23.891 million on October 18, 2021 for the payment of monetary judgment relative to the construction of 21 units ASEAN Summit Villas. BCDA filed its answer in relation to the payment of monetary judgement on December 20, 2022. Petition for money claim was filed by E.M. Cuerpo, Inc. with the Commission on Audit (COA) on March 7, 2023. No provision has been recognized on the claim since the outcome of the case 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 P0.802 billion (¥1.906 billion) in CY 2022 and P0.856 billion (¥1.906 billion) in CY 2021, while interest payments totaled P0.149 billion (¥0.353 billion) in 2022 and P0.167 billion (¥0.371 billion) in 2021.

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 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 its 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.

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/contributions-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:

	2022	2021 (As restated)
Value of the following transferred properties:		
Clark Main Zone	**31,367,952,183**	31,367,952,183
Villamor Air Base	**27,930,757,935**	27,930,757,935
Various Metro Manila Camps	**13,292,953,263**	13,292,953,263
Camp John Hay	**9,496,223,406**	9,496,223,406
San Fernando Seaport	**366,018,198**	366,018,198
Heritage Park	**267,858,499**	267,858,499
Bataan Technology Park	**126,547,170**	126,547,170
Sacobia	**26,164,356**	26,164,356
San Fernando Airport	**5,259,638**	5,259,638
	82,879,734,648	82,879,734,648
Value of the capitalized portion of Fort Bonifacio which is equivalent to 45 per cent share in FBDC	**19,769,006,975**	19,769,006,975
Equity from National Government (NG) for the implementation of various infrastructure projects	**5,698,500,021**	5,385,147,668
Net of proceeds from the disposition of transferred properties as provided under RA No. 7227, as amended	**4,516,183,148**	4,516,183,148
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 NG	**13,250,000**	13,250,000
	113,050,022,692	112,736,670,339
Fund from Legislative-Executive Council	**2,930,858**	2,930,858
	113,052,953,550	112,739,601,197

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 Newport 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. (SMPHI) 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 SMPHI shall provide financing for, and shall undertake the planning, construction and development of the Project.

SMPHI 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 SMPHI 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.

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, the BCDA Board also approved the conceptual development plan of Filinvest Land Inc. 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 January 20 and February 9, 2023, BCDA remitted a total of P50.007 million to the Bureau of the Treasury (BTr), representing guarantee fees relative to the loan facility with JICA for the construction of the Subic-Clark-Tarlac Expressway (SCTEx) Project covering the period October 1 to December 31, 2022.

b. On April 27, 2023, BCDA remitted P527.402 million to the BTr representing dividends to the National Government based on the 2022 Unaudited Financial Statements of BCDA as approved by the BOD on April 12, 2023.

c. On April 27, 2023, BCDA remitted to BTr the shares of the Armed Forces of the Philippines and other beneficiary agencies in the amount of P3.551 billion, relative to the disposition proceeds received in 2022, as approved by the BOD on April 12, 2023.

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	207,759,921,566	440,517,182	208,200,438,748
Liabilities	43,635,358,667	(141,524,927)	43,493,833,740
Equity	164,124,562,899	582,042,109	164,706,605,008
STATEMENT OF COMPREHENSIVE INCOME			
Revenues	6,714,769,341	(161,091,765)	6,553,677,576
Operating Expense	2,449,898,154	13,902,218	2,463,800,372
Income Tax Benefit	367,900,346	28,980,153	396,880,499

45. SUPPLEMENTARY INFORMATION ON TAXES

In compliance with the requirements of BIR Revenue Regulations 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 P343.145 million based on the amount of sales subject to VAT of P2.860 billion. The amount of VAT Input taxes claimed are broken down as follows:

Beginning of the year	2,923,914
Goods other than for resale or manufacturing	223,188,182
Services lodged under other accounts	1,858,424,786
	2,084,536,882
Creditable VAT withheld	(9,519,825)
Input tax claimed	(324,105,724)
End of the year	**1,750,911,333**

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

Withholding taxes:	
Withholding tax on compensation	46,118,670
Expanded withholding tax	223,441,006
Withholding VAT	878,235,020
	1,147,794,696
Other taxes	
BIR Annual Registration	500
Taxes related to transfer of properties	133,185,608
	133,186,108
	1,280,980,804

PART II

OBSERVATIONS AND RECOMMENDATIONS

OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL AUDIT

1. The faithful representation of the balance of the Non-current Operating Lease Receivable account amounting to P2.172 billion could not be obtained due to the recognition of unbilled lease receivables totaling P516.910 million which were not supported by pertinent documents and the same remained non-moving since CY 2018.

1.1. Paragraph 15 of Philippine Accounting Standards (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 Reporting. Xxx*

1.2. Philippine Financial Reporting Standard (PFRS) 16 provides that a lessor shall recognize lease payments from operating leases as income on either a straight-line basis or another systematic basis. The lessor shall apply another systematic basis if that basis is more representative of the pattern in which benefits from the use of the underlying asset are diminished.

1.3. As of December 31, 2022, the Operating Lease Receivables totaling P2.456 billion was presented in the financial statements of BCDA as current and non-current, as follows:

Table 1. Operating Lease Receivables

Classification	Amount
Current	P 283,204,645.00
Non-current	2,172,464,988.29
	P 2,455,669,633.29

1.4. Our audit disclosed that out of the non-current operating lease receivables, 23.79 per cent or P516.910 million pertains to the unbilled lease receivable which was recognized in the books of accounts without the proper supporting documents such as the amortization schedule of rent payments and lease contracts. We noted further that the said amount remained outstanding and not moving since CY 2018 or at least four years as of December 31, 2022, and no corresponding allowance for credit losses was provided by BCDA.

1.5. Inquiry with the concerned personnel from the Accounting and Comptrollership Department (ACD) disclosed that they are still looking for the supporting documents on the unbilled lease receivables before preparing the necessary adjustments, if warranted. These pertain to the remaining balance of operating

lease receivable arising from various agreements entered into by BCDA computed in accordance with PFRS 16.

1.6. **We recommended that Management require the ACD to verify the unbilled lease receivables recognized in the books of accounts and prepare the necessary adjusting journal entries, if warranted; and submit the same to the Audit Team, for verification.**

1.7. Management commented that they applied Paragraph 81 of PFRS 16, wherein the lessor shall recognize lease payments from operating leases as income on either a straight-line basis or a systematic basis. The unbilled operating lease receivable amounting to P516.910 million represents the difference between the rent income on a straight-line basis and based on the lease contract's schedule of payments. Hence, it is not collectible against the lessees but merely recognized in the books of accounts pursuant to PFRS 16.

1.8. While we agree that the unbilled lease receivables are not collectible against the lessees but merely recognized in the books of accounts as the difference between the rent income and accounts receivable based on the lease contracts schedule of payments, however, we noted that there was no amortization made over the lease period since the said amount remained non-moving since 2018.

1.9. In addition, the schedule of rent payments and lease contracts was not submitted to the Audit Team to support its recognition in the books of accounts.

1.10. As a rejoinder, we recommended and Management agreed to require the ACD to verify the unbilled lease receivables and prepare the necessary adjusting journal entries, if warranted, and submit the same to the Audit Team for verification.

1.11. During the exit conference, Management commented that they are currently verifying the figures and they will make necessary adjustments, if warranted.

2. The accuracy and completeness of the service concession revenue relative to the 50 per cent share of BCDA on the gross toll revenues of Subic-Clark-Tarlac Expressway (SCTEX) for CY 2022 amounting to P1.629 billion could not be ascertained due to:

a. Manual adjustments averaging 9,535 transactions per month which were deducted from the toll revenues totaling P239.391 million but not thoroughly scrutinized/verified by BCDA. Moreover, the submitted toll revenue reports were not validated monthly to ensure that variances in records, if any, will be immediately investigated and rectified; and

b. The manual adjustments were not incorporated in the system used by Concessionaire in generating the toll revenues report for SCTEX which is not in compliance with the Business Agreement between BCDA and the Concessionaire in the operation and maintenance of

SCTEX, resulting in non-assurance that the said system is reliable and functioning as intended.

2.1. Paragraph 15 of 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 Reporting. Xxx*

2.2. The SCTEX is one of the big projects of BCDA as the country's longest expressway at 93.77 kilometers which is built to serve the needs of motorists, tourists, and commuters to support the evolution of Central Luzon into a major multi-modal logistics and transshipment hub in Asia.

2.3. On February 26, 2015, BCDA entered into a Business Agreement (BA) with Manila North Tollways Corporation (MNTC), now North Luzon Expressway Corporation (NLEX), for the management, operation, and maintenance of the SCTEX.

2.4. Sections 8.2.1 and 8.2.2 of the BA requires that:

> *8.2.1 From Effective Date up to October 30, 2043, MNTC shall pay BCDA Concession Fees, which shall be equivalent 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. Xxx* (Emphasis supplied)
>
> *8.2.2 MNTC shall gross up Concession Fees by an amount equivalent to the 12 per cent VAT on Concession Fees, deduct therefrom the applicable withholding tax, and provide BCDA a copy of the withholding tax certificate xxx*

2.5. For CY 2022, BCDA reported service concession revenue relative to its 50 per cent share in the toll revenues from SCTEX totaling P1.629 billion, computed as follows:

Table 2. Share of BCDA in SCTEX Toll Revenue

Particulars	Amount
Unadjusted toll revenues*	P 3,597,225,057.14
Manual adjustments as reported by MNTC	**(239,390,643.74)**
Additional adjustments	451,290.12
Discounts, exempts, emergency, and special pass	(99,861,938.16)
Adjusted toll revenues	**3,258,423,765.36**
50 per cent share of BCDA	**P 1,629,211,882.68**

Generated from the Jaspersoft system of MNTC

2.6. Our audit disclosed the following deficiencies:

2.7. **The manual adjustments averaging 9,535 transactions per month which were deducted from the toll revenues totaling P239.391 million were not thoroughly scrutinized/verified by BCDA. Moreover, the submitted toll revenue reports were not validated monthly to ensure that variances in records, if any, will be immediately investigated and rectified.**

2.7.1. Pursuant to the BA, MNTC is required to submit to BCDA the system-generated monthly traffic and revenue reports within 15 business days from the last day of each month.

2.7.2. BCDA or its appointed representatives shall have the right to audit, examine and review MNTC's financial records and books which are directly related to the receipt of SCTEX gross toll revenues. Section 7.2.3 of the BCDA further states that:

> *7.2 Rights and Responsibilities of BCDA*
>
> *Xxx*
>
> *7.2.3 Audit of MNTC's financial books and records, systems and procedures* ***to enable BCDA to verify the accuracy and completeness of the gross toll revenues of the SCTEX****; xxx*
> (Emphasis supplied)

2.7.3. In the previous years' audits, the Audit Team noted the lack of validation controls and non-observance of control measures of BCDA in the audit of MNTC's books and records, systems, and procedures, a vital control mechanism to ensure the accuracy and completeness of its 50 per cent share from the gross toll revenues of the SCTEX. Management commented that the gross toll revenues of SCTEX operations are validated not only by the inputs provided by MNTC but by cross-checking these reports from the system to which they have been provided access by MNTC.

2.7.4. Moreover, the concerned personnel from the Subsidiaries, Affiliates and Project Monitoring Division (SAPMD) also apprised the Audit Team that they used the Jaspersoft System of MNTC, which handles all reports – revenues and traffic – from plaza and lane, to cross-check the reports provided by MNTC. Accordingly, they also provided login credentials to the Audit Team to monitor the real time revenues and traffic details of the SCTEX.

2.7.5. In CY 2022 audit, we generated the gross toll revenues of SCTEX from Jaspersoft and compared the amount on the actual reports submitted by MNTC to BCDA. A comparison of records disclosed a variance of P338.801 million, computed as follows:

Table 3. Comparison of Gross Toll Revenues

Particulars	Amount
Per a generated report from Jaspersoft (unadjusted)	P 3,597,225,057.14
Per the actual report of MNTC	3,258,423,765.36
	P 338,801,291.78

2.7.6. The above-noted variance was reconciled by the concerned SAPMD personnel and submitted to the Audit Team; and the results of reconciliation are as follows:

Table 4. Computation of adjusted toll revenues

Particulars		Amount
Unadjusted toll revenues*		P 3,597,225,057.14
Manual adjustments as reported by MNTC	**P (239,390,643.74)**	
Additional adjustments	451,290.12	
Discounts, exempts, emergency, and special pass	(99,861,938.16)	(338,801,291.78)
		P 3,258,423,765.36

Generated from the Jaspersoft system of MNTC

2.7.7. Inquiry disclosed that the manual adjustments, which were not incorporated and cannot be generated in the Jaspersoft system, are the cash collections wherein manual official receipts are issued and the electronic toll collection exceptional adjustments like charging farthest distance, processed entry as an emergency due to tag no reaction, double charging issues and account holder with transit ticket. Management further clarified that back then, the bulk of the mode of payment was via cash transactions. However, the Department of Transportation ordered in November 2020 the use of cashless mode of payments, like Radio Frequency Identification (RFID), initially as one of the measures to mitigate the spread of the COVID-19 virus and as means to ensure a more efficient flow of traffic in all expressways.

2.7.8. Management submitted to the Audit Team the report on manual adjustments provided to them by MNTC. We clarified if the said reports were duly validated and scrutinized by BCDA considering the huge number of manual adjustments, which were deducted from the gross toll revenues, averaging 9,535 transactions per month for a total of P239.391 million in CY 2022.

2.7.9. Management, in its letter dated March 9, 2023, admitted that due to the high volume of transactions/adjustments to be checked compared to the previous years and other work assignments, it became a challenge for them to conduct a detailed review of all the adjustments. The only validation procedures performed by the concerned personnel from SAPMD was to request the submission of supporting documents for the toll revenue reports, and checking the amounts tallied and the calculations are correct.

2.7.10. We noted further that aside from the manual adjustments, the exempt, special pass, and emergency transactions were also not duly verified by BCDA if these were duly authorized in accordance with the BA.

2.7.11. It is worth emphasizing that the SCTEX Commercial Policy of BCDA and MNTC requires the conduct of monthly validation of toll revenues including other non-cash transactions. In case of a discrepancy in validated revenues, the

representative should discuss the findings of each respective report for reconciliation.

2.7.12. Internal Control as defined by the International Organization of Supreme Audit Institutions Guidelines for Internal Control Standards for the Public Sector (INTOSAI GOV 9100) is an integral process that is affected by an entity's management and personnel and is designed to address risks to provide reasonable assurance that in pursuit of the entity's mission, the following general objectives are achieved:

- executing orderly, ethical, economical, efficient, and effective operations;
- fulfilling accountability obligations;
- complying with applicable laws and regulations; and
- safeguarding resources against loss, misuse, and damage.

2.7.13. Internal control is a dynamic integral process that is continuously adapting to the changes an organization is facing. Management and personnel at all levels have to be involved in this process to address risks and to provide reasonable assurance of the achievement of the entity's mission and general objectives.

2.7.14. It bears stressing that the share of BCDA in toll revenues from SCTEX is one of the big sources of its revenues (billions), hence, it is imperative for Management to establish an effective and efficient internal control, such as the detailed validation and verification of toll revenues reported by MNTC, to ensure that the concession fee remitted to BCDA is accurate and complete and that there is no loss to the government. While we commend Management that they already conducted systems audit, it does not include the revenue audit relative to the toll revenues.

2.8. **The manual adjustments were not incorporated in the system used by MNTC in generating the toll revenues report for SCTEX, which is not in compliance with the BA between BCDA and the Concessionaire in the operation and maintenance of SCTEX, resulting in non-assurance that the said system is reliable and functioning as intended.**

2.8.1. Relative to our preceding observation, we clarified from Management the reason why the said manual adjustments were not incorporated/included in the Jaspersoft system by MNTC.

2.8.2. In its letter dated March 9, 2023, Management informed the Audit Team that the records generated in the Jaspersoft system are based on the actual raw transactions of the motorists during the actual passage in the expressway. Although the RFID, as a mode of payment and incorporated into the system, the toll collection system (TCS) of SCTEX is separate from the Easytrip Account Management System (AMS), and the latter is the system used in handling the management of the RFID accounts of motorists. Adjustments on the transactions of motorists are processed through the Electronic Toll Collection (ETC) portal, which is a separate application, reflecting the debit/credit memo on the

accountholder's RFID. These adjustments are reported by MNTC to Easytrip, for appropriate adjustments in the motorist's account.

2.8.3. The BA requires that the report to be submitted by MNTC relative to the revenue and traffic reports are system-generated, to enable BCDA to facilitate real-time time review of transactions in SCTEX and to verify that the submitted actual reports are the same as the data in the system used by MNTC to generate the report, coupled with applicable controls on the system.

2.8.4. Moreover, one of the responsibilities of MNTC in the operation and maintenance of SCTEX is the establishment of a Toll Collection and Audit System (TCS) that would achieve at least a 99.9 per cent level of efficiency using the TCS, measured by the percentage of the shortages/overages over the gross toll collection.

2.8.5. We noted that two reports can be generated from the Jaspersoft system of MNTC – Unadjusted and Adjusted. It is our view that the adjusted report generated in the said system is the same as the actual report submitted by MNTC. During our queries from the previous audits on the process flow on how the toll revenues were accounted starting from the point of the collection of toll fees up to the generation and submission of reports, Management provided the process flow and the end-product is the Adjusted Report that can be generated from the Jaspersoft system, which is also the actual reported submitted to BCDA.

2.8.6. However, when we generated the Adjusted Report from Jaspersoft, we noted that it is not the same as the actual report submitted due to the manual adjustments which were not incorporated in the system. We were informed that MNTC used the Unadjusted Reports that can be generated from the said system since these contain the raw data/transactions.

2.8.7. BCDA did not assert the compliance of MNTC with its obligations provided in the BA relative to the submission of the report, which should be system-generated, or if with manual adjustments, the same should be incorporated in the system and duly verified, with efficient and effective application controls.

2.8.8. We were informed by BCDA that MNTC has shared its plan to modify the TCS and middleware serve in CY 2023 wherein adjustments could be made directly in the TCS instead of using the ETC portal.

2.9. **We recommended that Management:**

a. Conduct a detailed review/validation of manual adjustments and determine the exempt, special pass, and emergency transactions, to ensure that toll revenues reported by MNTC are accurate and complete and that there is no loss to the government on the remitted concession fee to BCDA; and submit the results to the Audit Team, for verification;

b. Ensure that appropriate internal controls are established by BCDA in ensuring that the toll revenues from SCTEX are correct and completely reported by MNTC; and

c. Require MNTC to adhere to its obligation provided in the Business Agreement in the operation and maintenance of the SCTEX relative to the system-generated revenue reports, otherwise, consider terminating the said Agreement, if warranted.

2.10. Management commented that there was an exponential increase in the volume of transactions/adjustments from an average of 800 transactions (pre-pandemic) to 9,000 transactions that a tedious and thorough scrutiny of each of the transactions posed a greater challenge for the current manpower of SAPMD to undertake. Nevertheless, BCDA performed a review of the toll revenues and the concession fees remitted.

2.11. Further, Management checked samples from the voluminous transactions. Based on our inquiry with MNTC regarding the manual adjustments, it was found that the root cause for such adjustments was actually related to SCTEX's toll collection system and the adoption of the RFID. In the conduct of system review, Management included a review of the lane adjustments since they were related to the problems encountered by the extensive adoption of the RFID mode of payment.

2.12. Management commented further that as a form of internal control, SAPMD adopts the following internal process in validating the SCTEX revenues:

a. Remind/request from Concessionaire to submit its reports after BCDA receives the remittance of the Concession Fees;
b. Conduct a review of the reports and check if the Concession Fees received were correct and complete;
c. Check if the reports are consistent with the remittance. If yes, update the revenue monitoring report. If no, inquire with Concessionaire to complete supporting documents and/or meet with Concessionaire;
d. If not resolved elevate the matter to top management; and
e. If based on the review there are unremitted Concession Fees, BCDA shall issue a letter to Concessionaire to remit the lacking Concession Fees.

2.13. Management noted that the installed process is not perfect and recognizes the fact that it needs further improvement in the face of new developments in the toll road industry. But BCDA is not remiss in its duty to protect the revenues of the government and will continue to seek ways how to improve the process.

2.14. Nonetheless, Management committed to undertake a more detailed review of the said manual adjustments, including the exempt, special pass, and emergency transactions, and submit the results to the Audit Team.

2.15. Management is aligned with the position of the Audit Team that MNTC must implement the necessary upgrades in the toll collection system so as to eradicate

or at least minimize the manual adjustments outside the system. This observation was actually one of the items raised with MNTC in the report on the review of the toll collection system. Management sought from MNTC on the improvement of the system and include the manual adjustment in their maintenance plan for the system.

2.16. Management added that as a result of their review of the SCTEX Toll Collection System, they issued a letter to MNTC dated March 21, 2023, calling their attention to address the findings noted during the review. BCDA required MNTC to provide remedial actions relative to the said observations and will monitor their compliance thereto. It is hoped that the problems noted in the manual adjustments will be addressed once these corrective activities are started and completed.

2.17. The Audit Team emphasized that the toll revenues, which is the basis of the share of BCDA, should be complete when reported and remitted by NLEX to BCDA. For CY 2022, there were huge manual adjustments deducted from the gross toll revenues including the exempt, special pass, and emergency transactions. Accordingly, BCDA must ensure the integrity of data/reports submitted by NLEX.

2.18. Considering the huge amount of manual adjustments which were deducted from the toll revenues, the internal control adopted, as reported by BCDA, may not be sufficient to ensure that there is no revenue leakage and that the interest of the government is protected.

2.19. As a rejoinder, we maintained our recommendation that Management implements sufficient appropriate internal controls to ensure that the toll revenues from SCTEX are correct and completely reported by MNTC.

2.20. We also noted that there may be a need to complement the personnel responsible for the review and validation of toll revenues considering the bulk of transactions from SCTEX.

2.21. The Audit Team will monitor further the commitment of Management to conduct a detailed review of SCTEX toll revenues and the submission of the results thereof to the Audit Team.

2.22. Moreover, we also recommended that Management assert its right that the report of toll revenues should be system-generated in accordance with the executed BA. Otherwise, consider terminating the said agreement in case of non-compliance, if warranted, pursuant to Sections 19.2 and 20.1 of the BA.

3. The faithful representation of the balance of the Due from the National Government Agencies (NGAs) account totaling P671.964 million was not obtained due to variances between the balance per books of accounts and the confirmed balances from the Department of Public Works and Highways (DPWH) and Department of Health (DOH) amounting to P36.197 million and P13.618 million, respectively.

3.1. 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)*
>
> *Comparability is the qualitative characteristic that enable users to identify and understand similarities and differences among, items. xxx*

3.2. As of December 31, 2022, the total balance of the Due from NGAs account, current and non-current, amounted to P671.964 million, consisting of the following:

Table 5. Due from NGAs

Particulars	Amount
Senate of the Philippines (Senate)	P 629,280,000.00
DPWH	27,466,790.61
DOH	13,618,192.80
Philippine Information Agency	900,000.00
National Anti-Poverty Commission	593,625.80
Various Agencies	105,398.89
	P 671,964,008.10

3.3. The Audit Team sent confirmation letters (CLs) to the Senate, DPWH, and DOH to determine the correctness of the recorded receivables in the books of account. All three agencies submitted their replies to the CLs and results disclosed a variance totaling P49.815 million between the balances per books of accounts and the confirmed amount from DPWH and DOH, computed as follows:

Table 6. Results of Confirmation

NGA	Balances		Variance (absolute amount)
	Per books	Per confirmation	
Senate	P 629,280,000.00	P 629,280,000.00	P 0
DPWH	27,466,790.61	63,663,975.35	36,197,184.74
DOH	13,618,192.80	0	13,618,192.80
			P 49,815,377.54

3.4. Verification disclosed that the variance from the records of DOH amounting to P13.618 million pertains to the balance of the 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.

3.5. The receivable from DPWH, as recognized in the books of accounts, pertains to the balance due from them in connection with its acquisition of a 5,067.65 square meter lot at Campus Atienza and Melchor in Libis, Quezon City, and a 23,597 square meter right-of-way at Villamor Air Base, Pasay City.

3.6. **Given the foregoing, we recommended and Management agreed to require the ACD to reconcile records with DPWH/DOH and ensure that all variances are promptly investigated, cleared, and reconciled; and prepare necessary adjusting journal entries, if warranted.**

3.7. Management commented the following:

a. For the DPWH variance of P36.197 million, BCDA will coordinate with them to determine the details of the variance and will adjust its books of accounts, if warranted.

b. For DOH variance of P13.618 million, this pertains to the balance of the reimbursement of BCDA for food, benefits of the medical staff assigned by DOH for the Clark COVID-19 quarantine, and medical treatment facilities.

The DOH Region III sent a copy of the minutes of the meeting last April 28, 2023, which states that the funds were reverted back to the Bureau of the Treasury. DOH informed BCDA that the payment of receivable in the amount of P13.618 million is not possible and recommended BCDA to make a request to DOH Central Office. In this regard, BCDA shall continue to exert its efforts to collect the receivables from the DOH.

3.8. The Audit Team will monitor the commitment of the Management on the reconciliation of records.

4. The faithful representation of the balance of the Service Concession Receivable (SCR) – Clark International Airport (CIA) account amounting to P37.726 million could not be established due to a variance of P31.960 million between the balance per books and the confirmed amount.

4.1. The Conceptual Framework for Financial Reporting provides that if financial information is to be useful, it must be relevant and faithfully represent what it purports to represent. The usefulness of financial information is enhanced if it is comparable, verifiable, timely, and understandable.

4.2. 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.

4.3. Comparability is the qualitative characteristic that enable users to identify and understand similarities in, and differences among, items. Unlike the other

qualitative characteristics, comparability does not relate to a single item. A comparison requires at least two items.

4.4. On January 21, 2019, BCDA entered into an Operations and Maintenance (O&M) Concession Agreement with Luzon International Premier Airport Development Corp. (LIPAD) for the operations and maintenance of the CIA.

4.5. The Agreement provides that BCDA shall receive 18.25 per cent share of all gross revenues generated from the O&M of CIA during the concession period. The Concessionaires shall pay BCDA's revenue share no later than 15 days after the end of each quarter.

4.6. Review of records disclosed that the receivable of BCDA from LIPAD as of December 31, 2022, amounted to P37.726 million. This pertains to the share of BCDA for the 4th quarter and the additional share in newly-introduced revenues for the 3rd quarter of CY 2022 amounting to P36.655 million and P1.072 million, respectively.

4.7. On April 26, 2023, the Audit Team sent a confirmation letter to LIPAD to determine the correctness of the recorded receivable in the books of accounts of BCDA. Results of confirmation disclosed a variance of P31.960 million between the balance per books vis-à-vis the confirmed amount, computed as follows:

Table 7. Results of confirmation with LIPAD

Particulars		Amount
Per books of accounts	P	37,726,490.48
Per confirmation from LIPAD		69,686,490.79
	P	**31,960,000.31**

4.8. The above-noted variance cast doubt on the faithful representation of the balance of the concession receivable from LIPAD. This may also be construed as an understatement of the revenue and receivable of BCDA, since the amount confirmed is higher than the balance per books of accounts.

4.9. **We recommended that Management reconcile records with LIPAD and ensure that all variances are promptly investigated, cleared and reconciled; and prepare necessary adjusting journal entry, if warranted.**

4.10. Management explained that the variance comes from the difference between BCDA and LIPAD's revenue recognition. BCDA recognizes its revenue share based on LIPAD's gross revenue receipts per Section 22.9 of the O&M Concession Agreement.

4.11. As at year-end, BCDA accrued its uncollected revenue share from 2022 gross receipts. However, the balance confirmed by LIPAD is the 18.25 per cent share of BCDA based on the gross revenues, regardless if collected or not.

4.12. The Audit Team clarified that in accordance with the Conceptual Framework for the Preparation and Presentation of Financial Statements, an essential characteristic of a liability is that the entity has a present obligation on its responsibility or duty to act or perform in a certain way.

4.13. Hence, if the said amount was recognized in the books of accounts of LIPAD as payable to BCDA, a valid obligation was determined by the former and the same shall be collected by the latter.

4.14. As an audit rejoinder, we maintain the need to confer with LIPAD on its recognition of payable to BCDA and prepare necessary adjusting journal entries to correct the balance of SCR-Clark International Airport.

5. The verifiability of the balance of Due to Subsidiaries/Joint Ventures/ Associates/Affiliates account was not established due to a variance amounting to P14.932 million between the balance per book and the confirmed amount.

5.1. This is a reiteration of the prior year's observation with updated information.

5.2. 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*

5.3. The Audit Team sent confirmation letters to the subsidiaries and affiliates of BCDA to verify the completeness and existence of the balance of the Due to Subsidiaries/Joint Ventures/Associates/Affiliates account in the books of accounts as of December 31, 2022 totaling to P238.637 million.

5.4. Results of confirmation disclosed a variance totaling P14.932 million between the books of accounts and confirmed balances, computed as follows:

Table 8. Results of Confirmation with Subsidiaries/Affiliates

Particulars	Balance		Variance (absolute value)
	Per books	Per confirmation	
Fort Bonifacio Development Corporation	P 7,064,324.22	P 6,258,831.65	P 805,492.57
John Hay Management Corporation	22,202,903.50	35,583,050.12	13,380,146.62
Clark International Airport Corporation	2,262,906.27	2,262,906.27	0.00
Clark Development Corporation	203,867,423.10	203,867,423.10	0.00
Poro Point Management Corporation	3,239,442.38	3,986,284.17	746,841.79
	P 238,636,999.47	**P 251,958,495.31**	**P 14,932,480.98**

5.5. While we commend Management for reconciling the records in CY 2022, we emphasize that the reconciliation, which involves verification of records and appropriate documents, in this case, the BCDA accounting records and subsidiaries/affiliates' records, should be implemented on a regular basis to facilitate the easy determination of correctness and propriety of obligations of BCDA.

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

5.7. **We also recommended that Management consider integrating in its Policy the reconciliation of records with subsidiaries/affiliates on a periodic basis.**

6. Transactions totaling P3.915 million were still in the temporary Accounts Receivable (AR) Clearing account and not reclassified/closed into their proper receivable account as at year end.

6.1. AR Clearing account is a temporary receivable account used mainly by the Treasury and Project Finance Department (TPFD) and ACD to recognize in their accounting system (ACUMATICA) the advances by BCDA to various suppliers and providers of services on behalf of its lessees and employees upon the receipt of request for payment from the various suppliers and providers of services.

6.2. The advances pertain mainly to the payment of electricity bills of the lessees, which were billed to BCDA, in Pamayanang Diego Silang, Bataan Technology Park, Inc. and Philippine Army Task Group Bantay, and employee-related expenses such as HMO, staff house, parking fees and daily subsistence allowance refunds paid by BCDA to suppliers (Peninsula Electric, Meralco, Philippine British Insurance, etc.). Subsequently, the said account will be closed/reclassified by the ACD into its proper receivable account upon receipt of invoice from the TPFD.

6.3. The audit disclosed that as of December 31, 2022, the balance of the AR clearing account amounting to P3.915 million was not yet reclassified/closed into their proper receivable account. The non-reclassification and non-verification of transactions in the said account renders the receivable accounts of BCDA as at year-end doubtful.

6.4. **We recommended and Management agreed to require the TPFD and ACD to reconcile their records to verify the transactions in the AR Clearing account and close/reclassify balances of the said account in their proper receivable accounts; and prepare the necessary adjusting journal entries, if warranted.**

6.5. Management committed to continue reconciling its records and will make corresponding adjusting entries in the books of accounts, if warranted.

B. OTHER OBSERVATIONS

7. The payments for Financial Assistance (FA) to the informal settlers/Project Affected Persons (PAPs) in the development of New Clark City (NCC) from CYs 2016 to 2022 totaling P431.396 million based on the value of trees/crops planted and structures built are contrary to Article 449 of Republic Act (RA) No. 386 otherwise known as the New Civil Code of the Philippines; hence, considered illegal. Moreover, the BCDA Implementing Guidelines used as the legal basis was not submitted to the Office of the Government Corporate Counsel (OGCC), for legal review and opinion.

7.1. NCC is the new planned city currently being developed on a former military base in the country by BCDA and various private sector companies. Merging with nature, the heart of NCC is proposed to be a central park with a business district wrapped around it that has magnificent views of the hills. Served by public transport, housing, and industries form the other layers. A network of open spaces forms the bond between diverse mixed use districts.

7.2. NCC is envisioned to be the country's first smart, green, and disaster-resilient 9,450-hectare metropolis to rise in Clark, Central Luzon. However, to attain and develop the NCC, the grant of financial assistance to PAPs is incidental to pursue the said project.

7.3. As embodied in the Annual Audit Report (AAR) on BCDA for CY 2019, it was observed that the grant of FA to PAPs in NCC has no legal basis, hence, a Board Resolution could not be a basis for payment of FAs. The Audit Team recommended to discontinue the granting of FA and asked BCDA to explain/justify why the grant thereof should not be considered as irregular and unnecessary use of government funds. This was a reiteration from previous years' AARs (2016 and 2017). It was observed that FAs were paid to PAPs starting CY 2016, to compensate them and vacate the area to give way to the implementation of the Project.

7.4. On December 16, 2015, the BCDA Board of Directors approved Resolution No. 2015-12-177, authorizing BCDA Management to negotiate and offer the FA to the PAPs in Clark Green City, now NCC, in the amount of P30.00 per sq.m. for the farmlands for a maximum of five hectares, or the value of the forest and fruit bearing trees subject to valuation of the Department of Agriculture (DA) and the Department of Environment and Natural Resources (DENR), whichever is higher.

7.5. The Implementing Guidelines for the FA to the PAPs in NCC was formulated and crafted by BCDA, incorporating the FA assistance package in the said Resolution together with the coverage, determination of qualified PAPs, application and payment procedures, among others.

7.6. In CY 2016 audit, it was observed that the BCDA Board Resolution is not sufficient authority to support the grant of FA, hence, appears to be an irregular

use of government funds. The claimants are not lot owners – they admitted that they do not own the land, and that they are aware that the land is owned by the government based on the "Kasunduan at Pagbibitiw Habol" signed by them. The lavish amount being granted will, most likely, open the floodgates toward encroachment by informal settlers on the vast and unsecured 9,450-hectare NCC and later on conveniently claim financial assistance as well.

7.7. Management justified that the grant of FA to PAPs was based on sound business judgment, social justice, equity and human considerations. BCDA averred that the PAPs have been in possession of the said property prior to the enactment of Republic Act (RA) No. 7227 and the strong opposition from the latter. Thus, the Special Committee on Bases Conversion of the House of Representativesve directed the formation of a Steering Committee or Technical Working Group (TWG) composed of representatives from the concerned government agencies and Local Government Unit of Tarlac. The recommendations of the TWG were given greater weight by BCDA in resolving the issues concerning PAPs. The creation of the TWG reinforced the intent of the lawmakers to confer upon BCDA the power to evaluate the situation and determine the appropriate solutions thereto which it recommended to the BCDA Board.

7.8. Management presented, as precedence, the disturbance compensation given to affected farmers by another government agency, the Philippine Veterans Affairs Office (PVAO), for construction of the Capas Shrine in 2001 in the amount of P105,000 per hectare or P10.50 per sq.m. corresponding to P18.37 per sq.m. at present as factored considering inflation rate.

7.9. In CY 2017 audit, the Audit Team reiterated the said observation and recommendations that Management submits legal bases, other than the BCDA Board Resolution No. 2015-12-177, specifically authorizing the grant of FA at P30.00 per sq.m. to occupants of land owned by the government or at the value of trees planted thereon, whichever is higher; and discontinue the granting thereof, in case it is found to be lack of legal basis.

7.10. Management reiterated its previous comments and emphasized that BCDA does not consider the financial assistance to PAPs as a sunk cost or an expense that can no longer be recovered but rather an investment. It is a critical investment considering that BCDA will not be able to build and develop something on NCC and add value to it if it will not clear the area and compensate the occupants for the improvements introduced by them on the land. The clearing of the NCC is, thus, part of the over-all 50-year development plan of BCDA to make it a major economic hub in the ASEAN Region.

7.11. The Audit Team was not convinced with the comments of Management and since the audit recommendations were not implemented, ruled in the CY 2019 audit report that the grant of the FA to PAP has no legal basis. The PAPs/informal settlers are not the legal owners of the land. The subject land is owned by the State. Hence, the PAPs need not be compensated for the value of the land or the value of the crops and trees in the farmlands occupied by them. Thus, it was reiterated that Management discontinue the granting of FA and explain/justify

why the grant of financial assistance to the NCC PAPs should not be considered as irregular and unnecessary use of government funds.

7.12. To comply with the recommendation of the Audit Team, Management stopped the granting and payment of FA to PAPs effective August 13, 2020. In its latest letter-reply dated April 7, 2021, Management commented that they sought the opinion of its statutory counsel, the OGCC, to address the issue on the legality of the grant of FA to the PAPs. The OGCC, in its Opinion No. 322, series of 2020 dated December 1, 2020, discussed that BCDA is statutorily mandated to develop and convert into productive civilian use of the lands mentioned in RA No. 7227, and in line thereto, to undertake the adjustment, relocation and settlement of the population of Clark, as it may deem necessary and beneficial, it follows that it has the authority to relocate the PAPs found in the areas to be developed. Consequently, BCDA has the concomitant authority to determine the manner and scope of relocation and settlement which included the grant of FA to PAPs as it is duly empowered under Section 5 of RA 7227 to perform such acts necessary to carry out its purposes and mandates.

7.13. As regards the legal basis of P30.00/sq.m. given as FA, the OGCC said that it is intrinsically financial in nature and is beyond the competence and authority of their Office to evaluate.

7.14. The OGCC recommended that BCDA formulate and draft its own Policy and Procedural Guidelines which lay down the procedures in the eviction of informal settlers and set the guidelines and basis of computation of the financial assistance and limitations. BCDA may consider to initiate the discussions with the National Housing Authority for the latter to assist and guide the former in drafting its policies and procedural guidelines.

7.15. Management informed the Audit Team that they are revisiting the policies and implementing guidelines relating to the grant of FA to PAPs to ensure that the same are up to date and compliant with applicable rules and regulations that have been recently issued by any concerned government agencies.

7.16. Management resumed the payment of FAs to PAPs beginning August 4, 2021.

7.17. In our audit of the FAs granted and paid to PAPs/informal settlers, we are guided by the following BCDA Board Resolutions:

Table 9. BCDA Board Resolutions on Payment of FAs and PAPS in NCC

Resolution No.	Date Approved	Particulars
2015-12-177	December 16, 2015	Negotiate and offer the financial assistance to the PAPs in NCC in the amount of P30 per sq.m. for the farmlands for a maximum of five hectares, or the value of the forest trees and fruit bearing trees subject to the valuation of DA and DENR, whichever is higher.

Table 9. BCDA Board Resolutions on Payment of FAs and PAPS in NCC

Resolution No.	Date Approved	Particulars
2016-11-193	November 23, 2016	• Allocation of 1,200 sq.m. area within the "buffer zone" in Barangay Aranguren, Capas Tarlac to serve as immediate relocation site for the 12 Informal Settler Families (ISFs) affected by the Clark-Bamban-Capas access road • Allocation of a maximum area of 100 sq.m. per ISF. • Execution of an Agreement ("Kasunduan") with each ISF. • Structural Appraisal shall be based on assessment by the Municipal Assessor of concerned LGU using the approved SFMV.
2020-03-026	March 11, 2020	Amending Board Resolution No.2015-12-177, as follows: a. A PAP may avail of FA based on the following formulas, whichever is higher. • P30 per sq.m. for a maximum of 5 hectares, which may be a single lot or a combination of two or more lots, which may not necessarily be contiguous, but should be within the NCC project area; or • The value of the trees (forest and fruit-bearing) within their cultivated farmlands; provided that, in cases where the area of the claimed parcels within the NCC project area is more than five hectares, the financial assistance shall only consider the valuation for trees within a maximum five hectare section; provided further that, in no case shall the FA to be provided to the PAP be more than P8 Million. b. A PAP with multiple claimed lots can only choose to avail the FA based on either of the above formulas.
2021-08-083	August 11, 2021	• Approved the authority of the BCDA President and Chief Executive Officer (PCEO) to sign the Memorandum of Agreement between BCDA and the Municipality of Bamban specific for the development of the 3.5-hectare relocation site within the Dapdap Resettlement Area for NCC PAPs. • Approved the authority of the BCDA PCEO to issue Certificate of Budget Inclusion (CBI) to finance the following, chargeable

Table 9. BCDA Board Resolutions on Payment of FAs and PAPS in NCC

Resolution No.	Date Approved	Particulars
		against the Military Replication Project under the 2020 General Appropriation Act: o P17,584,377.46 site development cost for the 3.5-hectare Bamban Relocation Site. o P6,400,000 to finance the payment for financial assistance to the affected structures of the 17 PAPs located within the 65-hectare PAF relocation site in NCC. • Approval of P10,800,000 to finance the payment for financial assistance to the affected structures of the 81 PAPs located within the ANAR Project chargeable against BCDA's Corporate Funds, subject to proper government procurement, accounting and auditing rules and regulations.

7.18. It can be gleaned from the table above that there were three modes/basis in which the FA may be paid/granted by BCDA to the PAPs/informal settlers within NCC: 1) based on farmland at P30.00/sq.m. for a maximum of five hectares or P5 million, 2) trees/crops based on valuation by DENR/DA but not to exceed P8 million, or 3) based on valuation of its structures by the concerned LGU using the Schedule of Fair Market Value (SFMV).

7.19. As of December 31, 2022, a total of P769.658 million were paid and granted to PAPs as FA in the implementation of the NCC Project from CYs 2016 to 2022, computed as follows:

Table 10. Total FAs Paid to PAPs in NCC

Year	Amount
2016	P 36,056,927
2017	65,671,850
2018	228,171,773
2019	194,492,327
2020	40,874,086
2021	74,614,579
2022	129,776,930
	P 769,658,472

7.20. Of the total amount, 81.30 per cent or P625.748 million was verified by the Audit Team relative to the basis/mode of FA granted/paid to the PAPs/informal settlers. Out of the verified amount, 31.06 per cent or P194.352 million were paid based on land valued at P30.00/sq.m., 63.52 per cent or P397.466 million based on the forest and fruit-bearing trees valued by DENR and/or DA, and 5.42 per cent or P33.931 million based on the value of structures assessed by the Municipal Assessor of the concerned LGU of Tarlac using the SFMV.

7.21. However, during the course of our audit, we noted the following:

7.22. **The payments of FA based on the value of forest/fruit-bearing trees and structures are contrary to Article 449 of RA No. 386 or the New Civil Code of the Philippines, which states that:**

> *He who builds, plants or sows in bad faith on the land of another loses what is built, planted or sown without right to indemnity.*

7.22.1. It is worthy to mention that the Clark International Airport Corporation (CIAC) also sought the opinion of the OGCC as to the interpretation and/or implementation of the provisions "Tala ng Kasunduan" executed between CIAC and informal settlers in the Clark Industrial Estate and airport expansion area. The OGCC, in its Opinion No. 168, series of 2018, dated September 7, 2018, discussed and opined the following:

> *Informal settlers are neither paid on the basis of the land area nor on the improvements built thereon because they are possessors in bad faith. Xxx being possessors or builders in bad faith, the* ***informal settlers are not entitled to be indemnified or compensated for the value of the land and the structures built or crops planted or sown therein****.* (Emphasis supplied)
>
> *It is clear that the financial assistance should not be given based on the area of the land unlawfully occupied or the improvements introduced thereto, whether permanent structures or plants/crops since the informal settlers are possessors in bad faith and thus, not entitled for any indemnity xxx.*

7.22.2. The OGCC further states that the grant of FA, which is usually granted in a per family or per head of the family basis, is only given in order to aid the family with their relocation.

7.22.3. Moreover, in COA Decision No. 1980-222, the Commission decided on the claim for payment of the improvements which was introduced on a portion of public land where there is no right to occupy the land, the claimants are considered possessor in bad faith and cannot claim indemnity for whatever was planted or sown thereon based on Article 449 of the New Civil Code.

7.22.4. The policy of BCDA in paying FA to PAPs/informal settlers based on the value forest/fruit-bearing trees and structures is illegal being contrary to the law and also considered as excessive in accordance with the provisions of COA Circular No. 2012-003 dated October 29, 2012 since we observed that various claimants received a hefty compensation based on the value of trees/structures, as much P10.549 million, given that they are informal settlers who encroached the government-owned land.

7.22.5. Granting, for the sake of argument, that the legal basis of payment of FA amounting to P30.00/sq.m. for a maximum of five hectares or a total of P1.500 million was sufficiently addressed by Management, BCDA should have considered this as the only basis or the maximum amount that would be given to the PAPs/informal settlers, in a per family or per head of the family basis, in order to aid the family with their relocation. Consequently, at a maximum, P8 million were granted and paid a PAP/informal settler as FA based on the value of trees/structures.

7.22.6. We noted that CIAC immediately stopped implementing its policy on the payment of FA to PAPs/informal settlers based on the value of trees/structures, following the OGCC Opinion No. 168, series of 2018 dated September 7, 2018.

7.22.7. Additionally, BCDA asserted that the FA is extended mainly for humanitarian consideration to recompense the PAPs for whatever economic or financial loss they would suffer as a consequence of leaving their place of abode and for giving up their livelihood, to yield to the development of the NCC. However, we believe that there were no loss to some alleged PAPs since our inquiry disclosed that PAPs were able to claim their FA even though they were residing abroad/out of the country, either working or personal matters, through a Special Power of Attorney.

7.23. **The Implementing Guidelines for the FA to PAPs in NCC crafted by BCDA was not submitted to OGCC for legal review and opinion.**

7.23.1. In 2015, BCDA crafted its Implementing Guidelines following the issuance of Board Resolution No. 2015-12-177 on December 16, 2015. This includes the coverage, determination of qualified PAPs, application and payment procedure, among others. The FA package in the said Guidelines are as follows:

a. Financial assistance for land including unrealized income for five years, in the amount of P30 per sq.m. but not exceeding five hectares per PAP for claims within the entire CGC project area.

b. For those with fruit bearing trees, the PAP shall receive the same (P30 per sq.m.) or the estimated cost of the fruit bearing trees within their cultivated farmlands but not to exceed five hectares, whichever is higher. If PAP opted to receive financial assistance for the fruit bearing trees and forest trees, inventory and appraisal will be based on the standard valuation of the appropriate government agencies.

c. For the areas subject to immediate development, the PAPs shall be allowed for one-time harvest on the existing crops.

d. Renters, caretakers, tenants, tillers and the like shall not be entitled to any financial assistance.

7.23.2. On January 17, 2017, the BCDA Board approved Resolution No. 2016-11-193 to include in the FA package, the value of structures of 12 informal settler families

affected by the Clark-Bamban-Capas access road within the NCC using the SFMV.

7.23.3. Additionally, on June 24, 2020, amendments were made in the said Guidelines, thru BCDA Board Resolution on 2020-03-026, as follows:

> *A Project-Affected People (PAP) may avail of FA based on the following formulas, whichever is higher.*
>
> a. *P30 per sq.m. for a maximum of five hectares, which may be a single lot or a combination of two or more lots, which may not necessarily be contiguous, but should be within the New Clark City (NCC) project area; or*
>
> b. *The value of the trees (forest and fruit-bearing) within their cultivated farmlands; provided that, in cases where the area of the claimed parcels within the New Clark City (NCC) project area is more than five hectares, the financial assistance shall only consider the valuation for trees within a maximum five-hectare section; provided further that, in no case shall the FA to be provided to the PAP be more than P8 million.*

7.23.4. On September 21, 2021, the BCDA Board of Directors approved Resolution No. 2021-08-083 relative to the payment of FA to 81 PAPs based on the structures affected by the Clark International Airport to NCC Access Road Project and 17 PAPs affected by the 65-hectare PAF relocation site in NCC.

7.23.5. However, review of the OGCC Opinion No. 322, series of 2020 dated December 1, 2020, disclosed that the said Implementing Guidelines for the FA to PAPs in NCC was not submitted to the OGCC, in aid of review, relative to the letter of BCDA dated October 15, 2020, requesting for opinion of the former on whether or not the latter has legal basis to determine the amount of FA to be given to the PAPs. We noted that only the various AOMs and Rejoinders issued by the COA and corresponding replies of BCDA were submitted to the OGCC, as discussed in the said Opinion.

7.24. **No document showing that the payment of FA to PAPs/informal settlers based on the value of trees/structures was actually recommended by the TWG created by the Special Committee on Bases Conversion of the House of Representatives, for approval of the BCDA Board of Directors.**

7.24.1. In order to address the various issues and concerns of the PAPs, a TWG was created which is composed of BCDA, Department of National Defense or the Armed Forces of the Philippines, National Commission on Indigenous Peoples and district representatives and local executives of the Provinces of Tarlac and Pampanga. The TWG is being chaired by the Governor of Tarlac.

7.24.2. In various replies of Management on the AOMs issued by the Audit Team on the legal basis of the payment of FA amounting to P30.00/sq.m., BCDA always reiterates that the recommendations of the TWG were given greater weight by BCDA in resolving the issues concerning PAPs.

7.24.3. The TWG conducted series of meetings and discussions to determine the different issues with the PAPs. They reviewed the applicable laws as well as on similar government projects done in the past that could serve as basis for the computation and recommendation of the financial assistance to be given to the PAPs.

7.24.4. Review of the minutes of the TWG sub-committee meeting disclosed that on November 15, 2015, they discussed the draft Implementing Guidelines for the FA to PAPs, which includes the set guidelines/procedure, limitations and FA package to be given to the PAPs. The grant of FA based on the value of affected crops/trees and structures was also discussed during the said meeting.

7.24.5. However, on January 15, 2016, the TWG discussed and presented their final recommendation relative to the FA package to PAPs. The recommendation to include the value of affected crops/trees and structures as basis for paying FA to the PAPs/informal settlers was not clearly agreed upon during said meeting, hence, it was not recommended to the BCDA Board for approval.

7.24.6. There were no documents provided to the Audit Team showing that the TWG actually recommended to the BCDA Board, for its approval, the payment of FA to PAPs based on the value of trees/structures.

7.25. **In addition, BCDA has not yet formulated and drafted its own Policy and Procedural Guidelines, which will lay down the procedures in the eviction of informal settlers and set the guidelines and basis of computation of the financial assistance and limitations, as recommended by the OGCC in its Opinion No. 322, series of 2020 dated December 1, 2020.**

7.26. **We recommended that Management:**

a. Discontinue the payment of FA to PAPs based on the value of forest/fruit-bearing trees and structures and submit justification on the use of the value of forest/fruit-bearing trees and structures in the payment of FA otherwise, a Notice of Disallowance shall be issued;

b. Submit to OGCC the existing BCDA Implementing Guidelines for the FA to PAPs/informal settlers in NCC and request for legal review and opinion from the OGCC;

c. Submit document/s showing that the payment of FA to PAPs/informal settlers based on the value of forest/fruit-bearing trees and structures was actually recommended by the TWG created by the Special Committee on Bases Conversion of the House of Representatives, for approval of the BCDA Board of Directors; and

d. Submit the updated Policy and Procedural Guidelines of BCDA in the eviction of informal settlers and basis of computation of the financial assistance and limitations, as recommended by the OGCC.

7.27. Management commented that Section 4 of Republic Act (RA) No. 7227, as amended, provides the purpose and mandates of BCDA. Specifically, under Section 4 (g) of the said Republic Act, BCDA is mandated to adopt and implement the conversion and development plans for the reverted baselands and military camps or reservations it owns, holds and administers. In line with this mandate is BCDA's authority to plan and undertake the adjustment, relocation or settlement of the population within Clark, as it may deem necessary and beneficial, and determine the manner and scope of relocation and settlement, which includes the grant of financial assistance to the PAPs.

7.28. The OGCC, in its Opinion No. 322, series of 2020, recognizes such authority of BCDA. Given that BCDA is statutorily mandated to develop and convert into productive civilian use the lands mentioned in RA No. 7227, and in line thereto, to undertake the adjustment, relocation and settlement of the population of Clark, as it may deem necessary and beneficial, it follows that it has the authority to relocate the PAPs found in the areas to be developed. Consequently, BCDA has the concomitant authority to determine the manner and scope of relocation and settlement which includes the grant financial assistance to the PAPs as it duly empowered under Section 5 of RA No. 7227 to perform such acts necessary to carry out its purpose and mandates.

7.29. Hence, when the BCDA Board issued Resolution Nos. 2015-12-177 and 2020-03-026, it acted in compliance with BCDA's mandate and within its legal jurisdiction. This action of the BCDA Board aligns with BCDA's 50-year conversion and development plan for NCC, as well as with the government's vision for the NCC as a vital economic hub in the ASEAN Region.

7.30. As to the legal basis of the amount of financial assistance granted by BCDA, the OGCC cannot deny that the determination of the amount of financial assistance is primarily based on financial considerations and falls outside its expertise.

7.31. In fact, it acknowledged BCDA's authority to determine the reasonable amount of financial assistance to occupants or claimants who are above the level of a mere squatter. Thus, pursuant to its mandate, by parity of reasoning, BCDA may validly determine (sic) the reasonable amount of disturbance compensation of financial assistance to occupants who are not higher than mere squatters of government land.

7.32. Therefore, it is worthy to note that the financial assistance approved by the BCDA Board for owners of the fruit-bearing and forest trees is based on the valuation made by the Department of Environment and Natural Resources or the Department of Agriculture, assessed value determined by the relevant Municipal Assessor. Indeed, the amount of FA granted to PAPs who own fruit-bearing/forest trees or structures is not arbitrary and has a basis. It is determined through appropriate valuation methods of the relevant government agencies.

7.33. Regarding the Honorable Commission's recommendation to submit the subject Implementing Guidelines to OGCC for review, it is worth mentioning that the Guidelines are not among the documents subject to scrutiny by OGCC. Nevertheless, in our commitment to upholding BCDA's mandate and promoting transparency in the implementation of the program, we will adhere to the Commission's recommendation and submit the guidelines to OGCC for review.

7.34. As an audit rejoinder, the Audit Team would like to clarify that the mandate of BCDA to develop and convert into productive civilian use the lands mentioned in RA No. 7227 is not questioned. While we agree with Management and the opinion of the OGCC that BCDA has the concomitant authority to determine the manner and scope of relocation and settlement which includes the grant of FAs to the PAPs, the said granting and payment thereof, including the implementing guidelines crafted by Management, should be made in accordance with existing applicable laws, rules and regulations.

7.35. It is worth stressing that in fact, the OGCC, in its Opinion No. 168, series of 2018 dated September 7, 2018, emphasized that FAs to the PAPs should not be made based on the forest/fruit-bearing trees and structures introduced by the informal settlers to the land, to wit:

> *Again, it should be emphasized that the* ***grant of financial assistance should not be made in accordance with the area of the land occupied or the value of the structures or plants introduced thereto since the informal settlers are possessors in bad faith and thus, not entitled for any indemnity or compensations****. Xxx*
> (Emphasis supplied)

7.36. Moreover, we also reiterate that in COA Decision No. 1980-222, the Commission decided on the claim for payment of the improvements which was introduced on portion of public land that having no right to occupy the land, the claimants are considered possessor in bad faith and cannot claim indemnity for whatever was planted or sown thereon based on Article 449 of the New Civil Code.

7.37. At the onset, it should be pointed out that the financial assistance is extended by the government to informal settlers, not to compensate or pay them the value of the land taken or any structures/trees introduced thereto but only in order to render a financial aid for their relocation, that is why the FA is usually given on a per family or per head of the family basis. It is given not in the nature of "payment", but only as an act of liberality from the government.

7.38. While we commend Management on its commitment to develop the NCC in upholding its mandate, the Management, especially the Head of the Agency, must observe prudence on the use of government funds. All resources of the government shall be managed, expended or utilized in accordance with law and regulations, and safeguarded against loss or wastage through illegal or improper disposition, with a view to ensuring efficiency, economy and effectiveness in the operations of government.

7.39. We also noted that BCDA already has its own implementing guidelines in the payment of FAs to PAPs, however, this was not submitted to OGCC for review, since it was recommended in its Opinion No. 322 dated December 1, 2020 that BCDA should have the said implementing guidelines. Thus, since OGCC was looking for the guidelines of BCDA, Management should have informed OGCC that they already have the guidelines and should be presented to the latter, together with the request for opinion, as an attachment thereto.

7.40. Meanwhile, there was no comment provided by Management relative to the observations on the submission of document/s showing that the payment of FA to PAPs/informal settlers based on the value of forest/fruit-bearing trees and structures was actually recommended by the TWG created by the Special Committee on Bases Conversion of the House of Representatives, for approval of the BCDA Board of Directors; and the updated Policy and Procedural Guidelines of BCDA in the eviction of informal settlers and basis of computation of the financial assistance and limitations, as recommended by the OGCC.

7.41. Management further commented that while the Audit Team recognized BCDA's role in fulfilling the State's policy to accelerate the sound and balance conversion of the lands mentioned in RA No. 7227 into alternative productive civilian use, as well as its concomitant authority to determine the manner and scope of relocation and settlement, including the grant of FA to PAPs, it is unfortunate that Audit Team fails to acknowledge that BCDA's authority to grant FA to PAPs inherently entails the power to determine the amount of FA to be provided and to establish limits on it in accordance with its Guidelines. These actions carried out by BCDA were conducted within the boundaries of its mandate and, therefore, were lawful.

7.42. Management further commented that the Audit Team is insistent that the computation of the FA disbursed to PAPs should not be determined by the number of fruit-bearing or forest trees and structures found on the land citing the legal opinion issued by OGCC to the Clark International Airport Corporation (CIAC) in 2018, as well as COA Decision No. 1980-222 since the claimants are considered as possessors-in-bad faith.

7.43. Management emphasized that the legal opinion cited by the Audit Team pertains specifically to CIAC, which does not have its own charter to derive authority from. In contrast, BCDA's mandate, purposes of its creation, as well as its powers, are explicitly defined in RA No. 7227.

7.44. Furthermore, Management commented that BCDA's decision to provide FA to the affected persons and the careful consideration regarding the amount to be awarded were not arbitrary in nature. The Resolutions issued by the BCDA Board of Directors are not only based on well-founded business judgement but these actions align with the provisions of the law, specifically Sections 4 (g), 5 (m) and (n) of RA No. 7227. These provisions mandated BCDA to plan, program, and undertake the readjustment, relocation, or resettlement of population within the Clark and Subic military reservations and their extensions as may be deemed necessary and beneficial by the Conversion Authority, in coordination with the appropriate government agencies and local government units (LGUs), as well as

empowers BCDA to promulgate all necessary rules and regulations and perform such other powers as may be deemed necessary and proper to carry out the purposes of this Act.

7.45. As previously communicated by Management, the project area is extensively occupied by the PAPs, with significant cultivation of crops, fruit-bearing/forest trees, as well as structures. Upon evaluation, it has been determined by BCDA that pursuing ejectment suits against the owners of the improvements on the land is not a practical option for BCDA.

7.46. It is imperative for BCDA to avoid significant delays in the execution of the NCC project due to existing contractual commitments. Pursuing legal cases would likely have a detrimental impact on the project, potentially resulting in substantial financial losses.

7.47. The aforementioned situation demonstrates the importance of devising a comprehensive plan that enables BCDA to adhere to its project timeline, while concurrently ensuring fair and compassionate resolutions for all individuals affected by it, even those who have expressed resistance to BCDA's NCC project.

7.48. With regard to the recommendation of the Audit Team to provide documentation that would substantiate that the payment of FA to PAPs based on the value of fruit-bearing or forest trees and structures was proposed by the Technical Working Group (TWG) established by the Special Committee on Bases Conversion of the House of Representatives, and subsequently approved by the BCDA Board of Directors, Management commented that during the conceptualization phase of the NCC project, the TWG, which was spearheaded by BCDA, took into consideration the existing laws at the time, and conducted a benchmarking by looking into other government projects that likewise provided FA for those affected by the projects. Given that the use of lands in NCC in general is primarily for agricultural purposes, it is only natural that the improvements would include the crops and trees planted by the PAPs.

7.49. Conversely, as regards the recommendation to provide the updated Policy and Procedural Guidelines of BCDA pertaining to the eviction of informal settlers, Management said that it is important to note that the legal process for evicting informal settlers is already defined under RA No. 7279, also known as the Urban Development and Housing of 1992. Therefore, if there arises an urgent need for BCDA to proceed with the eviction of the affected persons in NCC, it will strictly adhere to the provisions outlined in RA No. 7279.

7.50. On the recommendation to likewise submit the basis of computation of FA, as suggested by OGCC, it is worth mentioning that OGCC, in its Opinion No. 322, series of 2020, explicitly states that it cannot disregard the fact that the determination of the amount of FA is primarily founded on financial considerations, which falls outside its area of expertise. The OGCC acknowledges BCDA's legitimate authority to determine a reasonable amount of financial assistance for occupants or claimants who exceeded the status of mere

squatters. Thus, from this statement alone, it can be inferred that even the OGCC recognizes that the PAPs in NCC surpass the classification of mere squatters.

7.51. Notwithstanding, if the Office of the Honorable Auditor maintains its recommendation, BCDA will respectfully comply and submit its Implementing Guidelines on the Grant of Financial Assistance to OGCC for thorough review. It is important to reiterate, however, that these guidelines are not among the documents subject to scrutiny by OGCC.

7.52. The Audit Team stressed that in pursuing the mandate of the agency, the actions to be undertaken by Management should always be in accordance with the existing laws, rules and regulations. It is clear from the provisions of the New Civil Code of the Philippines and more so, from the Opinion of the OGCC, that informal settlers are not entitled to be indemnified or compensated for the value of the land and the structures built or crops planted or sown therein. Financial assistance should not be given based on the area of the land unlawfully occupied or the improvements introduced thereto, whether permanent structures or plants/crops since the informal settlers are possessors in bad faith and thus, not entitled for any indemnity. Hence, the payments of FAs to PAPs based on the value of trees/crops planted and structures built, is unlawful.

7.53. While the OGCC recognized that the BCDA has legitimate authority to determine a reasonable amount of financial assistance for occupants or claimants who exceeded the status of mere squatters, this does not automatically mean that they should be compensated the same way as a legitimate owner of a land. As it stands, the FA herein given is no longer an assistance, but more of a compensation. Surely, when the OGCC said that the claimants exceeded the status of mere squatters, they did not mean that they are to be considered in the same level as owners in good faith. Considering the assessment and calculation of the concerned values, the amount being given as FA is already tantamount to a just compensation, which is given only to legitimate owners of property taken away by the government. The fact that the so-called financial assistance is being based on the improvements found on the land the government already owns makes the giving of said FA violative of Article 449 of the Civil Code. Said grant places the subject PAPs in the concept of owners in good faith although they are informal settlers, who are, therefore, merely possessors in bad faith. This negates their right to claim for indemnity on what they have built, planted, or sown in accordance with the cited Article 449 of the Civil Code. In short, while the authority of BCDA to give financial assistance is duly recognized, said grant should only be an assistance and not so substantial so as to make it an equivalent to an indemnity or just compensation for the things built, planted or sown, in violation of Article 449 of the Civil Code.

7.54. Moreover, the Audit Team would like to mention the case of Padilla vs. Malicsi under G.R. No. 201354 dated September 21, 2016 wherein the Supreme Court held that:

As builders in bad faith, respondents have no right to recover their expenses over the improvements they have introduced to petitioners' lot under Article 449 of the Civil Code, which provides:

Article 449. He who builds, plants or sows in bad faith on the land of another, loses what is built, planted or sown without right to indemnity. (Emphasis supplied)

7.55. In addition, it worthy to mention that in the case of Yap vs. COA under GR No. 158562, April 23, 2010, the SC held that the powers of the BCDA Board is not absolute and subject to limitations, to wit:

> *In order to demonstrate the legality of the grant of his benefits,* ***it was insufficient for the petitioner to assert that the disputed allowances and benefits were approved by the board of directors of the MGC****. Such board action should in itself be authorized by law or regulation or have valid legal basis. Otherwise,* ***it becomes an illegal corporate act that is void and cannot be validated****.* (Emphasis supplied)

7.56. Therefore, it is clear from the foregoing that the power of the BCDA Board is not absolute and still subject to limitations, such as applicable legal provisions, which in this case is Article 449 of the Civil Code.

7.57. We noted further that since BCDA had already requested OGCC for its review and opinion on the legal bases of BCDA to determine the amount of financial assistance to be given to the PAPs, they should have at least informed the OGCC that they already have the guidelines and presented the same for review.

7.58. Meanwhile, the OGCC, in its Opinion No. 322, series of 2020, did not only recommend the crafting of the policy and procedural guidelines in the eviction of its informal settlers but it also recommended to set the clear guidelines and basis of computation of the financial assistance and its limitations. It should be noted that according to the law itself, the coverage of RA No. 7279 are lands in urban and urbanizable areas that may be identified by the LGU as suitable for socialized housing, which is not the case for the New Clark City. That being said, if Management will assert that it already complied with the recommendation of the OGCC due to the existence of the RA No. 7279 or the Urban Development and Housing of 1992, then, the FAs given to PAPs should not be based P30.00/sqm and value of trees/structures since RA No. 7279 also provides the computation on the amount of FAs to be given to informal settlers.

7.59. As a rejoinder, we maintain our recommendations that Management:

a. Discontinue the payment of FA to PAPs/informal settlers based on the value of forest/fruit-bearing trees and structures contrary to Article 449 of the New Civil Code of the Philippines and OGCC Opinion No. 168, series of 2018 dated September 7, 2018, otherwise, a Notice of Disallowance will be issued to all the person/s liable including the members of the BCDA

Board of Directors who approved the said payments of FAs to PAPs/informal settlers;

b. Submit to OGCC the existing BCDA Implementing Guidelines for the FA to PAPs/informal settlers in NCC and request for legal review and opinion, copy furnished the Audit Team and provide the Team a copy of the results thereof;

c. Submit document/s showing that the payments of FA to PAPs/informal settlers based on the value of forest/fruit-bearing trees and structures was actually recommended by the TWG, for approval of the BCDA Board of Directors; and

d. Submit the updated Policy and Procedural Guidelines of BCDA in the eviction of informal settlers and basis of computation of the financial assistance and limitations, as recommended by the OGCC.

7.60. During the exit conference, the Audit Team emphasized that the audit was conducted based on the documents submitted by Management.

7.61. Accordingly, Management committed to submit the necessary documents requested by the Audit Team, especially the basis/document for the payment of FAs based on the value of forest/fruit-beraing trees and structures.

7.62. The Audit Team will monitor the commitment of Management in the recommendations.

8. Financial assistance totaling P6.947 million were granted and paid to 11 individuals even if they were not entitled to receive the same since they were not included in the Master List of PAPs in NCC prepared by BCDA.

8.1. In order to ascertain the actual occupants who are affected by the NCC Project, the Right-of-Way and Community Relations Team (ROW-COMREL) of BCDA, with the assistance of the concerned LGUs, conducted census survey within the project area. Through the census, the ROW-COMREL was able to come up with Master List, which will be used to determine who will be covered or affected by the implementation of a particular project within NCC and thus, considered as PAPs who are entitled to receive the FA.

8.2. The Master List prepared by the ROW-COMREL was prepared to ensure that those who will be paid are the bonafide occupants of the project affected area within the NCC.

8.3. Our audit disclosed that FA was granted and paid by BCDA to the following 11 individuals totaling P6.948 million despite that their names were not in the Master List:

Table 11. Individuals Granted with FA but not in Master List

Individual	DV date	DV No.	Check No.	Amount
Individual A	11/10/2017	1400009269	58020074	P1,500,000.00
Individual B	10/19/2018	APV003594	266744	305,610.00
Individual C	12/03/2018	APV004235	266815	202,590.00
Individual D	01/30/2019	APV005205	266936	1,500,000.00
Individual E	06/18/2019	APV007114	267139	47,760.00
	01/21/2022	APV018442	300739	228,448.00
Individual F	08/11/2021	APV016994	300718	704,700.00
Individual G	08/11/2021	APV016998	300717	846,780.00
Individual H	11/29/2021	APV018346	300701	1,030,080.00
Individual I	12/27/2021	APV018796	300735	25,650.00
Individual J	01/21/2022	APV018826	300759	54,080.00
Individual K	11/08/2022	APV023580	3155859	502,200.00
				P6,947,898.00

8.4. It bears stressing that Management should ensure that the guidelines and procedures are strictly implemented by BCDA for the application, payment and release of FA to PAPs, yet, the very first step to determine if the claimant was indeed in the Master List was not observed.

8.5. **We recommended that Management cause the refund/recovery of payments of FA from 11 individuals which were not included in the approved Master List of PAPs in NCC Project, or submit justification/basis on the payments made, otherwise, a Notice of Disallowance will be issued, if warranted.**

8.6. Management commented that the claim of the Audit Team for 11 individuals who received financial assistance amounting to P6.948 million from BCDA were not part of the approved Master list of PAPs in NCC is inaccurate and does not completely align with the facts. Summary of the justifications are as follows:

a. Individual A is the actual claimant. But at the time of census, Individual A, being an Overseas Filipino Worker (OFW), was represented by her father. After the conduct of census, the father requested his daughter to come home. The documentary requirements were personally accomplished by Individual A when she came home to the Philippines. In fact, the release of the FA to Individual A was made when she came home to the Philippines. In fact, the release of the FA to Individual A was witnessed by her father, as shown in the Kasunduan at Pagbibitiw Habol.

b. Individual B was determined as a claimant within NCC based on the Initial Data Sheet dated June 01, 2015. Individual B was censused on July 16, 2018 when his claimed parcel of land was affected by the construction of the Clark-Bamban-Capas Road Extension Project of BCDA. Individual B's name not being in the Master List of PAPs in NCC is a case of error in the encoding. His name should have been included in the Master List.

c. Individual C was likewise censused as a claimant in NCC on December 3, 2015. The omission of Individual C's name in the Master List of PAPs in NCC was due to an encoding error.

d. Individual D, whose name was included in the Master List of PAPs in NCC, executed in 2012 a document denominated as "Affidavit of Transfer and Waiver of Rights" in favor of another Individual. The aforementioned document was included in the other individual's FA folder.

e. In the case of Individual E, the name that was written in the Master List of PAPs in NCC was her maiden name. She was censused on June 25, 2013 through her maiden name. Subsequently, she got married on November 22, 2015.

f. The nephew of Individual F represented the later during the census interview held by BCDA last 2013. The nephew of Individual F recognized that his uncle will be replaced by the latter's wife. An Affidavit of Transfer and Waiver of Rights was executed by the nephew in favor of Individual F's wife, as witnessed by the family of Individual F.

g. The nephew of Individual G represented the latter during the census interview held by BCDA last 2013. The nephew recognized that Individual G will be replaced by latter's sister. An Affidavit of Transfer and Waiver of Rights was executed by the nephew in favor of the sister of Individual G, as witnessed by the family of Individual G.

h. Individual H is part of the Master List of PAPs in NCC. She was registered under her maiden name.

i. Individual I is included in the Master List of PAPs in NCC. He passed away on January 4, 2020. Hence, the FA was released to his wife.

j. Individual J and Individual K are common-law partners. Individual J is the registered claimant as shown in the Master List of PAPs in NCC. The Barangay Captain of the barangay where they reside certified the fact that they are common-law partners. On August 3, 2021, Individual J and Individual K jointly executed and issued a document denominated as "Authorization Letter/Pinagsamang Salaysay", which granted full authority to Individual K to transact with BCDA on concerns related to the financial assistance.

k. Individual L is the lawful wife of individual M, who is claiming on behalf of her husband, whose name is included in the Master List of PAPs in NCC.

8.7. Based on the explanation provided by Management on the payment of 11 individuals which were not included in the Master List, we found that the procedures for the application and payment of the FA and the representation of Management that they strictly implemented their Guidelines were not well taken.

8.8. While the Audit Team observed that there have been some changes in the data and information of PAPs such as their last name due to marriage and ownership/occupancy, we emphasized that all of the said changes or updates must also be reflected in the Master List of PAPs in NCC to avoid inconsistencies and inaccuracies in the submitted documents as this serves as one of our references in conducting our audit. As early as in the CY 2017 audit, the Audit Team is regularly requesting Management to submit all the documents pertaining to FA to PAPs, including the said Master List of PAPs in NCC.

8.9. Furthermore, the comment by Management on the exclusion of some PAPs in the Master List due to error may be construed as negligence of the concerned BCDA officials and employees. The said document is vital in the payment and disbursement of government funds; hence, it is inexcusable to commit error noting the said document was assumed that it already passed through the scrutiny and review by the officials of BCDA before the said Master List was finalized. As government employees, these are their accountabilities and they are expected to commit and demonstrate competence in the conduct of their duties and responsibilities. Each one, from the head of agency, to the rank and file, has to work for the achievement of the agency's objectives and to protect the interest of the government. Committing an error once is maybe understandable but committing the same error twice or more may give an impression of inefficiency of person handling and monitoring the records and transactions of BCDA.

8.10. If it was admitted that there was an error in preparing this Master List, there must be someone who should be responsible and answerable to it. Accordingly, a Notice of Disallowance may be issued against the person who committed such error in preparing the inaccurate and unreliable Master List.

8.11. We noted further that for the payment to Individual N, authorization letter is clearly not allowed in the BCDA Implementing Guidelines; and Individual O is the wife of Individual P as written in the submitted Master List of PAPs in NCC and not Individual Q.

8.12. Management acknowledged the concern of the Audit Team regarding the meticulous implementation of BCDA's Implementing Guidelines. But it is crucial to highlight that the clearing of PAPs in NCC is an intricate and rigorous process, and it is inevitable that errors may occur along the way, especially given the significant number of PAPs involved. In every organization, it is recognized that no process is flawless. Nevertheless, we are committed to striving for utmost diligence in rectifying any errors and ensuring that everything is in proper order.

8.13. On the observation that the payment to an individual involving the use of an authorization letter is not allowed under the BCDA Implementing Guidelines, it should be noted that while the issuance of an authorization letter is not explicitly mentioned in the guidelines, it is permitted under the Law on Agency. As long as it is unequivocally established that the agent is duly authorized by his/her principal to act or perform on his/her behalf, such authorization letter is legally acceptable.

8.14. For your reference, the Management submitted Certification issued by the Barangay attesting to the aforementioned information.

8.15. As asserted by Management, the Master List was created to ensure that those who will be paid are the real PAPs. Hence, we reiterate that we believe that the Master List underwent rigorous review and scrutiny by BCDA officials before it was finalized, as it is signed by the Head of NCC RRWO and ComRel, thus, we find no reason that the said document was inaccurate due to errors in the encoding of names, as admitted by Management.

8.16. The Audit Team stressed that Management should exercise extra diligence in the preparation of the Master List which will be used to determine the proper recipients of the financial assistance since this is vital in the payment and disbursement of a large amount government funds, hence, it is unacceptable to commit an error twice or more.

8.17. As rejoinder, we maintain our recommendation that Management investigate the person/s who committed the said error in the preparation of the Master List and also those who submitted the same inaccurate Master List to the Audit Team; and impose necessary (legal) actions, if warranted.

8.18. During the exit conference, Management admitted the error made in the Master List, which is the basis for payment of FAs to PAPs in NCC.

8.19. The Audit Team emphasized the importance of documentation especially if this is one of the necessary requirements in the disbursement of government funds.

8.20. Management committed to submit to the Audit Team the updated Master List, duly approved by BCDA Board.

8.21. The Audit Team will monitor the commitment of Management on the submission of necessary documents.

9. The Implementing Guidelines for the payment of FA to PAPs in NCC crafted and formulated by BCDA was not strictly implemented.

9.1. Management claimed that BCDA showed extra diligence in the payment of FA to the PAPs/informal settlers, by formulating Guidelines for determining the beneficiaries entitled to receive the FA; its procedures for the application and payment release of the FA. Accordingly, the said Implementing Guidelines was strictly implemented by BCDA.

9.2. BCDA prepared and maintained an individual folder for each PAPs to ensure that the preparation and compilation of supporting documents are completely and properly verified before it was endorsed by the concerned personnel for payment.

9.3. However, post-audit of various Disbursement Vouchers (DVs) and supporting documents attached thereto relative to the payments of FA to the PAPs/informal settlers, on a test basis, disclosed the following deficiencies:

9.4. **Some Census Forms were not duly signed nor certified by the concerned barangay representatives; and the DVs on the payment of FA to some PAPs/informal settlers were not supported by accomplished Application Forms and Individual Agreement, which are contrary to Items 5 and 6 the Implementing Guidelines and Section 4 of Presidential Decree (PD) No. 1445.**

9.4.1. Items 5 and 6, Section 4 of PD 1445 states that:

> *(5) Disbursement or disposition of government funds or property shall invariably bear the approval of the proper officials.*
>
> *(6) Claims against government funds shall be supported with complete documentation.*

Census Survey Form

9.4.2. Item C of the Implementing Guidelines for the Financial Assistance to PAPs in NCC provides that:

> *C. Determination of Qualified PAPs*
>
> ***A PAP must be in the approved census list,** its claim must be tagged through photo documentation, and it must be verified and validated by the Barangay LGU.*

9.4.3. Management also mentioned the following in their letter dated August 14, 2020, as a response to the rejoinder-letter dated August 13, 2020 issued by the Audit Team, relative to AOM No. 2020-12 (2019) dated March 20, 2020:

> *Item C – BCDA Exercised due diligence in (a) Determining the Beneficiaries of the FA and (b) In the process of actual release of the FA.*
>
> *m. BCDA conducted a census survey on who are actual occupants of the affected properties, and crafted a master list of all these occupants.*
>
> ***n. In conducting the census survey, the LGUs and relevant barangay officials** assisted BCDA for the purpose of verifying **and confirming the identities of the PAPs, as required by the BCDA Guidelines.*** (Emphasis supplied)

9.4.4. The Census Survey form is a detailed questionaire used by BCDA representatives during their interview with the PAPs, for the purpose of recording

and analyzing the list/names of individuals who were affected by the projects in NCC, together with their household profiles, claims, among others.

9.4.5. Review of records disclosed that some of the Census Survey forms were not duly signed nor certified by the concerned barangay representative/s.

9.4.6. It is worthy to emphasize that the signature of the concerned barangay representative/s in the Census Form is indispensable as this attests the veracity and accuracy of the details and information in the said form, and that the individual was actually interviewed in person and still existing.

Application Form, Individual Agreement, and the processing and release of payments to PAPs

9.4.7. Item F – Application and Payment Procedure of the Implementing Guidelines specifically requires that:

a. Execution of individual agreement between BCDA and PAPs. PAPs will also be required to submit Waiver and Quit Claim.
b. Processing and release of payment to PAP's. Payment shall be in the name of the qualified PAP and will only be released to the same person.

9.4.8. We observed that the supporting documents such as the Application Form and the duly executed Individual Agreement between BCDA and the concerned PAPs were not attached to the DVs/folders created for each PAPs.

9.4.9. An inquiry with the personnel from BCDA ROW-COMREL disclosed that they forego and did not require the submission of the Application Form since the PAPs/informal settlers do not actually want to leave the area they occupied within the NCC.

9.4.10. With regard to the Individual Agreement between BCDA and PAPs, we were informed that they used the "Kasunduan at Pagbibitiw Habol" instead, since the provisions therein were also the same with the required Agreement, as to the waiver and quitclaim of the PAPs.

9.4.11. Additionally, we noted that there were PAPs who executed a Special Power of Attorney (SPA) to claim their FA, which is clearly not allowed in the Implementing Guidelines since the processing and release of payment to PAP shall be in the name of the qualified PAP and will only be released to the same person.

9.4.12. It bears stressing that there were no documents showing that the above deviations/non-compliance from the pertinent requirements of the Implementing Guidelines by Management were approved by the BCDA Board of Directors as an amendment to the said Guidelines.

9.4.13. We also observed that the two claimant of FA (name in the check/DV) were not the actual person interviewed by the barangay representative, as indicated in the Census Survey forms.

9.5. **The appraisal of the value of structures/improvements was conducted by BCDA instead of the Municipal Assessor of the concerned LGU, which is not in accordance with BCDA Board Resolution No. 2016-11-193.**

9.5.1. Item D of BCDA Board Resolution No. 2016-11-193 states:

> *Xx*
>
> *D) Structural Appraisal shall be based on assessment by the Municipal Assessor of concerned Local Government Unit (LGU) using the approved Schedule of Fair Market Value (SFMV).*

9.5.2. Our audit disclosed that the appraisal of the value of structures/improvements was conducted/determined by the representative of BCDA instead of the Municipal Assessor of the concerned LGU, which is contrary to the above pertinent provisions.

9.5.3. Moreover, the copy of Geodetic Engineer's Certification of the Final Area for the 40,000 sq.m. affected area and Census Survey form were not attached in the folder of the concerned PAPs.

9.5.4. **We recommended that Management:**

a. Submit justification why the claims of PAPs/informal settlers were processed despite non-compliance with the Implementing Guidelines;

b. Submit the lacking supporting documents to the Audit Team, otherwise, a Notice of Suspension will be issued; and

c. Henceforth, ensure compliance with the Implementing Guidelines for Financial Assistance to PAPs and pertinent provisions of PD No. 1445.

9.5.5. Management admitted that the Survey Forms submitted by the claimants were not signed by the Barangay representative at the time when copies were attached to their respective FA folders. However, the original copies of these Survey Forms were already duly signed by a Barangay Representative.

9.5.6. Conversely, the Survey Forms of two claimants were signed by the barangay representative, although the signature of the barangay representative was not placed directly above the name of said Barangay Representative.

9.5.7. As to the valuation of the structures/improvements made by a representative of BCDA instead of the Municipal Assessor of the relevant Local Government Unit (LGU), it is important to note that there are structures, i.e temporary makeshift structure and deep well pump, that have no equivalent category or value in the Schedule of Building Cost issued by the relevant LGUs. Thus, BCDA relied on

its in-house appraiser to determine the fair value of these structure/improvements.

9.5.8. The appraisals conducted by the in-house appraiser of BCDA for the structures/improvements in question resulted in a lower valuation compared to those made by the Municipal Assesor of Bamban, Tarlac (for the temporary makeshift structure using the Schedule of Building Cost) and the third-party appraiser (for the deep well pump). Hence, the appraisal made by BCDA are more beneficial to the Government.

9.5.9. BCDA provided copies of the Appraisal Reports for the temporary makeshift structure and deep well pump prepared by BCDA. Submitted also copies of the Appraisal Report for the temporary makeshift structure made by the Bamban Municipal Assessor using the Schedule of Building Cost and the Appraisal Report issued by the Asian Appraisal Company for improvements affected during the construction of the MacArthur to NCC Access Road Project, which includes a valuation of a deep well pump.

9.5.10. As an audit rejoinder, the Audit Team would like to emphasize that the audit of FAs to PAPs was conducted based on the documents attached to each folder per PAP which were submitted to the Audit Team. While Management commented that the census survey forms were eventually signed by the Barangay Captain, the said forms initially submitted to us were clearly found to be unsigned nor certified by the Barangay representative and/or Captain. Thus, we believe that the said payments were processed without observing the pertinent requirements of PD 1445.

9.5.11. Additionally, no comment/reply was provided by Management to our observation regarding the Application forms, Individual Agreement with PAPs. The said supporting documents were not attached to the DV's/folders created for each PAPs which is clearly not in compliance to the BCDA Implementing Guidelines.

9.5.12. Moreover, PAPs who executed a Special Power of Attorney (SPA) to claim their Financial Assistance is clearly not allowed in the Implementing Guidelines since the processing and release of payment to PAP shall be in the name of the qualified PAP and will only be released to the same person.

9.5.13. While we took note of the comment of Management that the conducted appraisal of BCDA's in-house appraiser resulted to a lower valuation and more beneficial to the government, this is not in accordance with the BCDA Implementing Guidelines for payment of FAs PAPs in NCC and BCDA Board Resolution No. 2016-11-193 in which the structural appraisal shall be based on assessment by the Municipal Assessor of concerned LGU using the approved Schedule of Fair Market Value (SFMV).

9.5.14. Consequently, it is in our view that BCDA should have conducted also an in-house appraisal of all alleged affected structures of the PAPs in NCC and compare the appraisal made by the Bamban Municipal Assessor to determine

the lower amount which will be the basis of the payment of FA, to be more beneficial to the government.

9.5.15. Management further commented that although the Census Survey Forms are part of the necessary documentation for processing the FA, it is important to acknowledge that right from the beginning, significant resistance was encountered from the PAPs. This resistance led to their skepticism and questioning of the validity of the Census Survey Forms and Application Forms issued by BCDA. As a result, the SSD faced considerable challenges in fulfilling the documentation requirements in accordance with the BCDA Implementing Guidelines, particularly in the completion of the Census Survey Forms and/or Application Forms. But please take not that the individual agreements referred to as "Kasunduan ng Pagbibitiw Habol" have been securely attached to the respective individual folders of the PAPs.

9.5.16. As regards the execution of a SPA, a legal document used widely, which authorizes another person to do things on one's behalf, as previously mentioned, this action is legally permissible under the Law of Agency.

9.5.17. Moreover, it is essential to address the concerns raised by Audit Team regarding the in-house appraisal conducted for the affected structures. While it is alleged to be inconsistent with the BCDA Implementing Guidelines on the Grant of FA and the relevant Board Resolutions, the Audit Team failed to acknowledge the underlying rationale behind conducting an in-house appraisal for these particular structures. Management have already clarified that these specific structures are not covered by the Schedule of Fair Market Value provided by the concerned Office of the Municipal Assessor. Moreover, it is crucial to highlight that the appraisal conducted by BCDA's in-house appraiser yielded a lower valuation, thereby presenting a more favorable and advantageous outcome for BCDA.

9.5.18. Nevertheless, if the aforementioned situations as conflicting with the BCDA Implementing Guidelines, Management are open to revisiting and updating these guidelines to explicitly address and incorporate these specific instances.

9.5.19. We found the claim by Management that they exercised diligence in payment of FAs to PAPs by creating the Implementing Guidelines for the Financial Assistance to PAPs to have a clear guidance and procedures on payments not well taken.

9.5.20. There were deviations or non-compliance from the pertinent requirements of the Implementing Guidelines but there were no documents showing approval of the BCDA Board on the amendment to the Guidelines, such as the Application Form and Individual Agreement which were not attached to the FA folders created for each PAP.

9.5.21. It bears stressing that the Implementing Guidelines was approved by the BCDA Board and therefore, any changes or updates thereto must also be approved by them, subject to limitations and audit.

9.5.22. In addition, while we note that the Management is fully aware of the applicability of the Special Power of Attorney under the Law of Agency, this should have been considered by Management from the beginning in crafting their own implementing guidelines/policy.

9.5.23. Meanwhile, the payment of FAs based on the structures in which its value were appraised by BCDA's in-house appraiser since these were not covered by the SMFV provided by the concerned Office of the Municipal Assessor, we are in the position that they should not be entitled for FAs because they are not covered by the BCDA Implementing Guidelines approved under Board Resolution No. 2016-11-193, in which it requires that the structural appraisal shall be based on assessment by the Municipal Assessor of concerned LGU using the approved SMFV.

9.5.24. As an audit rejoinder, the Audit Team maintains the recommendation that Management henceforth, ensure compliance with the Implementing Guidelines for Financial Assistance to PAPs and PD No. 1445. Also, Management should determine the persons liable who requested, endorsed, and processed the payment of PAPs without observing the requirements of PD No. 1445 on the complete documentation with proper signatures.

10. One PAP/informal settler was able to claim FA totaling P8.064 million, which was more than what was prescribed in the Implementing Guidelines for the payment of FA to PAPs.

10.1. The Implementing Guidelines for FA provides that PAPs can only choose to avail between FA in the value of land at P30.00/sq.m. for a maximum of five-hectare area or value of trees/crops within the said area but not to exceed P8 million.

10.2. However, review of records disclosed that the claimant, an employee from the Office of the Mayor, Local Government of Capas, Tarlac, was able to receive FA package totaling P8.064 million.

10.3. Verification disclosed that the claimant agreed to receive FA, per DV Nos. 1400006774 and 1400006774, based on the value of 30,010 sq.m. land, which was affected by the Cutero Aggregates Project.

10.4. However, a year after the said payments, her alleged remaining 14,222 sq.m. farmland within the NCC was also affected by the implementation of the Clark International Airport to New Clark City Access Road project. She signified her intent and requested to avail the FA based on the value of existing trees within the less than 5-hectare portion of her occupied areas.

10.5. Management approved her request amounting to P8.064 million, computed based on the value of fruit bearing trees in her remaining lot, but BCDA deducted the amount previously paid to her totaling P0.900 million; hence, she received an additional P7.163 million.

10.6. It bears stressing that the noted deficiency is an indication that Management was not able to strictly implement its Guidelines. As a result, the claims for FA of the alleged PAPs/informal settlers may be abused and that the interest of BCDA in specific, and government in general, was not protected.

10.7. **We recommended the Management:**

a. Cause the recovery/refund the overpayment of FA from the Claimant, otherwise, a Notice of Disallowance will be issued; and

b. Henceforth, require the persons responsible in verifying the claims of PAPs/informal settlers to observe and assert its Implementing Guidelines before endorsing the same for approval.

10.8. Management denied that the claimant was doubly compensated by BCDA, as misconstrued by the Audit Team. BCDA deducted the amount of P0.900 million which she previously received from BCDA, from the amount of P8.064 million which she is entitled to receive for the number of trees affected by the implementation of the Clark International Airport to New Clark City Access Road Project of BCDA. Thus, what she actually received from BCDA as a financial assistance is P7.163 million on the basis of the affected trees. The P8.064 million was granted at the time when the BCDA Board has not yet issued its Resolution setting a cap or ceiling amount in so far as the affected trees are concerned. Presently, the maximum amount of financial assistance that can be granted to the owners of fruit-bearing or forest trees pursuant to Board Resolution No. 2020-03-026 is P8.000 million.

10.9. The Audit Team emphasized that the approval of Management on the request of the claimant to shift or change the basis of FA from the value of land to the value of existing trees is an indication that they were not able to strictly implement its Guidelines. Moreover, if this is the case, and the claimant informed other PAPs that they may change the basis of their claim, this may provide an opportunity to other PAPs to change also the basis of their FAs which more advantageous to them, hence, may be abused.

10.10. The Management further commented that the BCDA Board Resolutions actually provide for alternative options for PAPs whose properties have been affected by the implementation of the BCDA projects. In the case of the Claimant, her properties happened to be affected on two separate occasions by the BCDA projects. However, she made the choice to receive compensation for the number of trees affected specifically by the implementation of the Clark International to NCC Access Road Project by BCDA. On the other hand, BCDA exercised prudence and took into consideration that the claimant should not receive double compensation, despite the fact that her properties were affected on two distinct occasions by the BCDA projects. Thus, the amount of P0.900 million, which the claimant previously received, was deducted by BCDA from the amount of P8.064 million, which she is supposed to receive based on the number of affected trees.

10.11. The Audit Team likewise brought to the attention of BCDA the possibility for other affected persons to change the basis of their FA in a more advantageous manner. While this is a valid concern, such occurrences are seldom to happen since it is unlikely that a great number of PAPs will be affected twice or more by the implementation of the BCDA projects. Nonetheless, BCDA remains committed to exercising prudence in disbursing FA, ensuring that no individual takes advantage of the situation. We are fully aware of the importance of upholding transparency and safeguarding the interest of BCDA and the government throughout the payment process. Rest assured, more stringent measures will be implemented to prevent any potential misuse or exploitation of the FA.

10.12. On the assertion that the BCDA Board Resolution does not sufficiently justify the grant and payment of FA at P30.00 per square meter, and therefore the basis in setting the cap or ceiling amount of P8.000 million for owners of fruit-bearing or forest trees as provided in Board Resolution No. 2020-03-026 is also in question, we have previously addressed these issues. The issuance of the subject BCDA Board Resolution is based on a sound business judgement, a power that is inherently implied in the exercise of its explicit powers under the BCDA Charter. It is also worth mentioning that Section 5 (m) of RA No. 7227 unequivocally confers upon BCDA the power to formulate necessary rules and regulations in order to achieve its objectives. Hence, the BCDA Board Resolution is consistent with the aforementioned law.

10.13. The Auditors stressed that while they previously noted that the Management's basis in the grant of financial assistance to PAPs in the value of land at P30/sqm under Board Resolution No. 2015-12-177 is in question and they required the Management to submit proofs and documentations to substantiate their basis in granting the FA. They would also like to call the attention of the Management and asked their computation and basis of setting up a maximum of P8 million financial assistance in the value of fruit-bearing/forest trees which is provided in the Board Resolution No. 2020-03-026.

10.14. As an audit rejoinder, we maintain our recommendation that Management require the persons responsible in verifying the claims of PAPs/informal settlers to observe and assert its Implementing Guidelines before endorsing the same for approval. Also, we would like to reiterate that Management conducts an investigation and impose the necessary legal action, if warranted.

11. BCDA did not execute Performance Agreements (PAs) with Clark Development Corporation (CDC), and Clark International Airport Corporation (CIAC), its subsidiaries, as required under the provisions of Executive Order (EO) No. 62, which could result in conflicts on the obligations, roles, and functions of the BCDA as the owner and governing body while CIAC and CDC as Implementing Arms in the development of Clark Special Economic Zone (CSEZ) and Clark Freeport Zone (CFZ).

11.1. Section 3 of EO No. 62 provides that:

> *The BCDA shall have the power to form, establish, organize, and maintain subsidiary corporation(s) pursuant to Section 16 of the Act.*
>
> *To perform its oversight function over subsidiaries, attached authorities, and special economic zones declared under the Act, including SBMA, the BCDA shall adopt and implement an effective oversight mechanism to encourage the efficient utilization of scarce government resources and to ensure that plans and programs of subsidiaries, attached authorities and special economic zones are proceeding according to national goals and objectives.*

11.2. Section 3.3.6. of the said EO provides that:

> *A Performance Agreement shall be entered into by and between the Chief Executive Officer of the subsidiary or attached authority with the BCDA embodying the performance criteria and target for the year and the desired goals of the succeeding years as worked out and agreed upon by the subsidiary or authority and the BCDA.* (Emphasis ours)

11.3. We requested from Management the submission of PAs entered into between BCDA and its subsidiaries, namely CDC, CIAC, John Hay Management Corporation (JHMC) and Poro Point Management Corporation (PPMC).

11.4. Management was able to provide the Audit Team copies of signed PAs for JHMC and PPMC. However, only draft PAs were submitted for CDC and CIAC.

11.5. In its letter dated March 14, 2023, Management mentioned that the PAs with CDC and CIAC were not yet executed pending comments from them on the draft BCDA Financial Policy No. 103-3 based on the OGCC Opinion No. 141 series of 2022 which provides that the financial provision must be included in the financial policy instead of including it in the PA.

11.6. Management explained that the PA with CDC was already approved by the BCDA Board and was endorsed to the CDC Board for the approval. However, the CDC Board has a concern on the five per cent share of BCDA from the land leases in CFZ.

11.7. BCDA likewise endorsed the PA to CIAC for their comments. However, CIAC, same as CDC, had concerns with the PA on the five per cent share of BCDA.

11.8. BCDA formulated its draft Financial Policy No. 103-3 on November 8, 2022, and transmitted the same to its subsidiaries, particularly CDC and CIAC, for comments. Accordingly, Management is waiting for a response from CDC while CIAC informed BCDA, in its response letter, that they are reserving their final comments about the said draft financial policy.

11.9. Proclamation No. 163 was issued on April 3, 1993, which created and designated the area covered by the Clark Special Economic Zone and transferred the lands to the BCDA pursuant to RA No. 7227. Section 2 thereof provides that BCDA shall determine the utilization and disposition of the lands covered by the CSEZ.

11.10. Section 3 established BCDA as the governing body of the CSEZ and which shall promulgate all necessary policies, rules, and regulations to govern and regulate the CSEZ thru the operating and implementing arm it shall establish for the CSEZ.

11.11. Meanwhile, EO No. 80 authorized the establishment of the CDC as the implementing arm of the BCDA for the CSEZ. BCDA as the incorporator and holding company of its Clark subsidiary shall determine the powers and functions of the CDC.

11.12. On the other hand, EO No. 192 s, 1994 authorized the establishment of the CIAC to operate and manage the Clark Aviation Complex. CIAC shall be a wholly-owned subsidiary of CDC and shall be formed in accordance with the Corporation Code and existing rules and regulations promulgated by the Securities and Exchange Commission. The CIAC shall be subject to the policies, rules and regulations promulgated by BCDA/CDC.

11.13. During the administration of President Gloria M. Arroyo, CDC and CIAC were merged under EO No. 7. Then, on March 10, 2003, CIAC was re-established as a subsidiary of BCDA under EO No. 186. On April 4, 2003, EO No. 193 repealed EO No. 186, reverting back CIAC as a subsidiary of the CDC.

11.14. EO No. 716 transformed CIAC from a subsidiary of CDC to a subsidiary of BCDA. On December 21, 2011, EO No. 64 was issued, amending EO No. 716, making CIAC an agency attached to the DOTC (now the Department of Transportation).

11.15. On February 28, 2017, EO No. 14 was issued reverting the CIAC as a subsidiary of the BCDA, and maintaining the policy supervision and operational control of the Department of Transportation (DOTr) over the Clark International Airport.

11.16. BCDA is currently developing New Clark City with an area of approximately 9,450 hectares located within the CSEZ in the towns of Bamban and Capas in Tarlac Province.

11.17. Also, within the CSEZ is the Clark International Airport New Terminal Building, a joint project of the DOTr and BCDA, a hybrid Public-Private Partnership (PPP) project under the Build Build Build program which is located within the Civil Aviation Complex of the Clark Freeport Zone.

11.18. BCDA, CDC, and CIAC operate within the CSEZ and CFZ. Being government-owned and controlled corporations, there should be synergy in the operations of the corporations in Clark.

11.19. As of date of audit, the PAs with CDC and CIAC and the corresponding Financial Policy are still not executed by BCDA.

11.20. The lack of PAs with the CDC and CIAC could result in conflicts on the obligations, roles, and functions of BCDA as the owner and governing body and CIAC and CDC as Implementing Arms in the development and management of the CSEZ and CFZ unless specifically defined in a PA.

11.21. **We recommended that Management:**

a. Execute PAs with CDC and CIAC and its corresponding Financial Policy; and

b. Provide the Audit Team copies of the PAs of CDC and CIA and Financial Policy upon execution.

11.22. Management commented that CDC and CIAC refused to sign the PA with BCDA. However, BCDA is taking all the necessary steps to ensure that the PAs with the aforementioned subsidiaries will be executed and copies of the same will be furnished to the Audit Team once signed.

11.23. The Audit Team will monitor Management's actions on the recommendation.

12. Payment of differentials for the monetization of leave credits of 29 BCDA employees for the period September 29, 2021, to May 6, 2022, and the terminal leave benefits granted to one resigned employee, totaling P0.768 million, is contrary to Chapter I (1) of the CPCS Implementing Guidelines of EO No. 150, series of 2021.

12.1. On October 1, 2021, then President Rodrigo Duterte issued EO No. 150, approving the CPCS and Index of Occupational Services, Position Titles, and Job Grades for GOCCs (IOS-G) Framework, repealing EO No. 203 (s.2016), and for other purposes, effective October 5, 2021, upon its publication in a newspaper of general circulation.

12.2. Section 3 of EO No. 150 provides that the monthly basic salary structure of a government-owned or controlled corporation (GOCC) and its allowances, benefits and incentives shall be effective upon issuance of a corresponding authorization from the GCG. The GCG En Banc may likewise set a uniform date of effectivity across GOCC, which shall in no case be earlier than the effectivity of the EO.

12.3. On May 10, 2022, BCDA received from GCG its authorization to implement the CPCS under EO No. 150, with an option to retroactively apply the appropriate salary structure, and the allowances, benefits and incentives under the CPCS effective October 5, 2021, considering that BCDA has fully complied with the CPCS requirements upon approval of the EO.

12.4. The GCG issued implementing guidelines of EO No. 150 under CPCS Implementing Guidelines No. 2021-01 dated January 12, 2022. Chapter I (1) thereof states that:

> *Retroactive Application - Upon, receipt of their respective authorization to adopt the CPCS, GOCCs with substantial compliance to CPCS requirements upon the approval of E.O. No. 150* ***shall retroactively apply the appropriate salary structures, and the allowances, benefits and incentives (ABIs)*** *under the CPCS effective October 5, 2021, in accordance with GCG En Banc Resolution No. 2021-02. xxx* (Emphasis supplied)

12.5. The ABIs provided under the CPCS Implementing Guidelines which may be given retroactive application are as follows:

A. Standard Allowances and Benefits
- Year-end Bonus and Cash Gift
- Uniform/Clothing Allowance
- Personnel Economic and Relief Allowance

B. Specific-Purpose Allowances and Benefits
- Hazard Pay
- Compensation for Overtime Work
- Night Shift Differential Pay
- Honorarium
- Special Counsel Allowance
- Representation and Transportation Allowance
- Subsistence Allowance
- Magna Carta Benefits for Public Health Workers
- Magna Carta Benefits to Scientists, Engineers, Researchers and Other Science and Technology Personnel
- Magna Carta Benefits for Public Social Workers

C. Incentives
- Loyalty Award
- Anniversary Bonus
- Mid-year Bonus
- Productivity Enhancement Incentive
- Collection Negotiation Agreement Incentive
- Program on Awards and Incentives for Service Excellence

D. Grant of Allowances, Benefits, and Incentives Outside the CPCS

E. Excess Allowances, Benefits, and Incentives

12.6. The new CPCS under EO No. 150 was implemented by BCDA retrospectively effective October 5, 2021. However, our audit disclosed that differentials for the monetization of leave credits of 29 employees for the period September 29, 2021

to May 6, 2022 and terminal leave benefits of one employee who resigned prior to the receipt of authorization of BCDA to implement the CPCS, were given/paid to the said employee/s in the total amount of P0.674 million and P93,963.27, respectively.

12.7. The said payments totaling P0.768 million are contrary with Chapter I (1) of the CPCS Implementing Guidelines No. 2021-01 and considered as an irregular expenditure. The monetization of leave credits and terminal leave benefits are part of Other Entitlements under Chapter IV of the said Guidelines, hence, shall not be given retroactive application by BCDA.

12.8. In fact, the GCG answered and issued the Frequently Asked Questions on the new CPCS for GOCCs, to wit:

> ***31. What can be given retroactively effective 05 October 2021?***
> *For GOCCs that with at least substantial compliance to CPCS requirements, they may grant the monthly basic salary pay and the allowances, benefits and incentives under Chapter VI(A) and (B) attached to E.O. No. 150 effective October 5, 2021.*

12.9. Moreover, the Audit Team sought clarification from the GCG on March 28, 2023, thru e-mail, whether the employees who monetized their leave credits within the retrospective period from October 5, 2021 to May 10, 2022 are entitled to be given differential payment.

12.10. On March 30, 2023, the concerned GCG personnel responded with our clarifications thru email, as follows:

> *Please note that* ***the monetization of leave credits does not fall under the allowances, bonuses and incentives*** *enumerated under EO No. 150, but rather, it is one of the entitlements considered as "indirect compensation and/or are outside the Total Compensation Framework of GOCCs". As such,* ***the same cannot be applied retroactively and cannot be subject to differential payment.***

12.11. **We recommended that Management require the recovery/refund from the concerned BCDA employees who were granted with differentials on the monetization of their leave credits for the period September 29, 2021 to May 6, 2022, and the terminal leave benefits to the resigned employee, otherwise, a Notice of Disallowance will be issued.**

12.12. Management commented that they have brought the matter to the attention of the GCG being the central policy-making and regulatory body mandated to develop and implement the CPCS.

12.13. Upon discussing the issues raised with the GCG in the presence of all three of its esteemed Commissioners on April 24, 2023, they strongly advised BCDA to set a meeting with the GCG CPCS Secretariat and Technical Team to review and clarify the issues at hand in more detail.

12.14. Consequently, an on-line meeting was held on April 26, 2023, among the BCDA CPCS committee, BCDA legal team, and the GCG CPCS Technical Team. The GCG CPCS Technical team advised BCDA to formally submit a letter addressed to GCG Chairman Justice Alex L. Quiroz (ret.) seeking clarification and resolution of said issues to give them the opportunity to provide official guidance for all parties concerned.

12.15. Given the foregoing, Management is constrained to hold in abeyance any comments that may have pended submission of our clarificatory letter to the GCG and the subsequent resolution of the issued by the GCG as the rightful and proper authority on the CPCS. Management will respond to the said AOM accordingly, immediately upon receiving guidance from the GCG.

12.16. As an audit rejoinder, we recommended that Management submit the response of the GCG on their clarifications and require the recovery/refund from the concerned BCDA employees who were paid with differentials on monetization of their leave credits.

13. The Representation and Transportation Allowances of BCDA Officials for the period June to December 2022 were paid based on the new rates under CPCS Circular No. 2021-006 dated January 12, 2022, which is not yet effective pending the issuance by the GCG of the final Job Evaluation (JE) with career bands of each BCDA position resulting in underpayment of RATA to BCDA officials ranging from P87.97 to P42,000.00.

13.1. On May 10, 2022, BCDA received from GCG its authorization to implement the CPCS under EO No. 150, with an option to retroactively apply the appropriate salary structure, and the allowances, benefits and incentives under the CPCS effective October 5, 2021, considering that BCDA has fully complied with the CPCS requirements upon approval of the EO.

13.2. However, the said authorization categorically provides that:

> *The final Job Evaluation (JE) results with career bands of each position shall be provided once the same has been validated. In the meantime, BCDA may already adopt the CPCS salary structure as provided above.* ***For allowances, benefits and incentives that require the determination of the career band of the positions entitled thereto, the same shall be granted in accordance with existing DBM and CSC issuances pursuant to Chapter XI of the CPCS, until such time that the GCG has issued the final results of the GOCCS.*** (Emphasis supplied)

13.3. Review of records revealed that beginning June 2022, BCDA implemented the payments of RATA to its officials based on the new rates provided under Section 5.2 of CPCS Circular No. 2021-006 dated January 12, 2022, even without the final JE results with career bands of each position for BCDA, as follows:

Table 12. Rates of RATA per Position Level

Monthly RA or TA	Position Level
11,000.00	Head of GOCC
10,000.00	Other Executive Band Positions in the GOCC
8,500.00	M Band – JG 16
7,500.00	M Band – JG 14 to 15
5,000.00	M Band – JG 10 to 13

13.4. Inquiry and clarification from the concerned GCG personnel disclosed that their Office has not yet issued the final JE results with the career bands of each position for all GOCCs and specifically for BCDA. The above new RATA rates should not have been implemented by BCDA and the existing rates under DBM NBC No. 548 dated May 15, 2013 should be applied instead, as follows:

Table 13. Rates of RATA per Official/Employees under DBM NBC No. 548

Officials/Employees	Monthly RA or TA	RATA Code
Department Secretaries and those of equivalent ranks	14,000	RT1
Department Undersecretaries and those of equivalent ranks	11,000	RT2
Department Assistant Secretaries and those of equivalent ranks	10,000	RT3
Bureau Directors, Department Regional Directors, and those of equivalent ranks	9,000	RT4
Assistant Bureau Directors, Department Assistant Regional Directors, Department Service Directors, and those of equivalent ranks	8,500	RT5
Assistant Bureau Regional Directors and those of equivalent ranks	7,500	RT6
Chiefs of Division identified as such in the Personal Services Itemization and Plantilla of Personnel and those of equivalent ranks	5,000	RT7

13.5. Based on the available documents submitted to the Audit Team, we recomputed the should be RATA from June to December 2022 of BCDA Officials in accordance with the above rates under DBM NBC No. 548. We noted an underpayment ranging from P87.97 to P42,000.00, computed as follows:

Table 14. Recomputation of RATA

BCDA Official	As paid, based on CPCS Circular No. 2021-006		Should be, based on DBM NBC No. 548		Underpayment		
	RA	TA	RA	TA	RA	TA	Total
Official A	52,500.00	52,500.00	63,000.00	63,000.00	10,500.00	10,500.00	21,000.00
Official B	5,000.00	4,738.05	8,500.00	8,500.00	3,500.00	3,761.95	7,261.95
Official C	52,500.00	2,783.95	63,000.00	9,000.00	10,500.00	6,216.05	16,716.05
Official D	52,500.00	29,594.17	63,000.00	36,000.00	10,500.00	6,405.83	16,905.83
Official E	48,750.00	-	63,000.00	-	14,250.00	-	14,250.00
Official F	50,000.00	52,500.00	63,000.00	63,000.00	13,000.00	10,500.00	23,500.00
Official G	15,000.00	14,687.07	18,000.00	18,000.00	3,000.00	3,312.93	6,312.93
Official H	-	4,912.03	-	5,000.00	-	87.97	87.97
Official I	52,500.00	-	63,000.00	-	10,500.00	-	10,500.00
Official J	51,895.77	-	63,000.00	-	11,104.23		11,104.23
Official K	22,500.00	25,000.00	42,500.00	42,500.00	20,000.00	17,500.00	37,500.00
Official L	35,000.00	20,000.00	52,500.00	30,000.00	17,500.00	10,000.00	27,500.00
Official M	45,000.00	30,000.00	54,000.00	36,000.00	9,000.00	6,000.00	15,000.00
Official N	52,500.00	-	63,000.00	-	10,500.00	-	10,500.00
Official O	52,500.00	52,500.00	63,000.00	63,000.00	10,500.00	10,500.00	21,000.00
Official P	45,000.00	-	54,000.00	-	9,000.00	-	9,000.00
Official Q	52,500.00	-	63,000.00	-	10,500.00	-	10,500.00
Official R	30,000.00	30,000.00	51,000.00	51,000.00	21,000.00	21,000.00	42,000.00
Official S	51,875.00	12,500.00	59,500.00	17,000.00	7,625.00	4,500.00	12,125.00
Official T	52,500.00	-	63,000.00	-	10,500.00	-	10,500.00
Official U	35,000.00	19,050.00	55,500.00	30,000.00	20,500.00	10,950.00	31,450.00
Official V	52,500.00	-	63,000.00	-	10,500.00	-	10,500.00

13.6. **We recommended that Management:**

a. **Compute the RATA that should be granted/paid to BCDA officials from June to December 2022 using the rates provided in DBM NBC No. 548 dated May 15, 2013, and compare the RATA paid under CPCS Circular No. 2021-006 dated January 12, 2022, and pay the resulting underpayment; and**

b. **Henceforth, apply the existing RATA rates under DBM NBC No. 548 pursuant to the letter of GCG to BCDA on its authorization to implement the CPCS under EO No. 150 pending the issuance of GCG of the final JE results with the career bands of each position for BCDA.**

13.7. BCDA committed to determine the correct RATA rates based on DBM NBC No. 548 dated May 15, 2013, and grant the concerned officials the corresponding underpayments as soon as these are computed and validated. Henceforth, the implementation of CPCS Circular No. 2021-006 will be put on hold and promptly revert to the policy on the grant of RATA in accordance with DBM NBC No. 548 pending a clear directive from the GCG to commence the implementation of the CPCS Circular.

13.8. The Audit Team will monitor the commitment of Management to comply with the recommendation.

14. The existing policy/practice of BCDA in the computation and granting prorated RATA was inconsistent with DBM NBC No. 548, which resulted in over/underpayment.

14.1. Pursuant to Section 6.1 of DBM NBC No. 548, a rationalized scheme on the grant of RATA based on the number of days of actual work performance on workdays by the officials/employees concerned is prescribed as follows:

Table 15. Scheme on Grant of Rata Based on Number of Days

Number of WDs of Actual Work Performance in a Month	Actual RATA for a Month
1 to 5	25% of the monthly RATA
6 to 11	50% of the monthly RATA
12 to 16	75% of the monthly RATA
17 and more	100% of the monthly RATA

14.2. To illustrate the application of the above schedule, if the number of actual work performance of an official for a month is only four workdays, he/she is entitled to 25 per cent of his/her monthly RATA; if eight workdays – 50 per cent; 15 workdays – 75 per cent; and 22 workdays – 100 per cent.

14.3. Moreover, Section 6.3 of the Circular provides that for the purposes of RATA, the following leaves, notwithstanding that such are paid and are authorized time-off from work, shall not be construed as actual work performance:

- Vacation Leave with pay in excess of five days forced or mandatory leave;
- Sick Leave with pay;
- Maximum of three days Special Leave Privileges;
- Maximum of seven days Paternity Leave;
- Maximum of seven days Parental Leave;
- Maximum of ten days Leave for Victims of Violence Against Women and their Children;
- Maximum of 60 days Maternity Leave;
- Maximum of two months Special Leave Benefits for Women under Republic Act 9710;
- Maximum of six months Rehabilitation Leave; and
- Maximum of six months Study Leave.

14.4. In addition, the Circular further provides that for incumbents who used government vehicle, the grant of TA shall be pro-rated based on the number of days of actual performance on workdays without an official vehicle, as follows:

Table 16. Basis of Pro-rated TA

Number of WDs of Actual Work Performance in a Month Without an Official Vehicle	Actual TA for a Month
3 to 5	25% of the monthly TA
6 to 11	50% of the monthly TA
12 to 16	75% of the monthly TA
17 and more	100% of the monthly TA

14.5. Our audit disclosed that some BCDA officials/employees who are entitled to TA are using government vehicle. However, the deductions for TA were computed based on the liters consumed relative to the distance traveled by the said officials/employees who used/utilized the government vehicle, multiplied by the prevailing cost per liter or, in case of fluctuation of prices, the average of at least three price per month, during the subject period.

14.6. Inquiry with the concerned personnel of General Services Department (GSD) revealed that their basis on the said computation was provided under Item A(2)(c) of BCDA Office Order No. 009 series of 2013 dated June 17, 2013 re: the Policy Guidelines on Cost E2 (Effectiveness and Efficiency) Program, to with

> *In case an official with Transportation Allowance uses an official vehicle for trips within Metro Manila, a corresponding deduction from his/her Transportation Allowance shall be required. Relative thereto, drivers shall always accomplish the Trip Ticket and list the name/s of all passenger/s at all times, which shall serve as basis for deducting from the officer's Transportation Allowance. xxx*

14.7. We also noted that under the BCDA Personnel Policy Manual Series of 2022, the computation of TA deductions is based on the following formula:

$$\frac{Actual\ distance\ traveled}{Fixed\ distance\ km/liter}\ x\ rate/liter$$

14.8. The existing policies/practices of BCDA are not in consonance with DBM NBC No. 548, wherein the amount of deduction should be the number of workdays of actual work performance in a month with vehicle.

14.9. It is stressed that the practice or policy of Management should conform to the pertinent laws, rules and regulations, as indicated in Section 4 of Presidential Decree No. 1445, which requires that all laws and regulations applicable to financial transactions shall be faithfully adhered to.

14.10. Consequently, there may be under or over payment of RATA to officials/employees due to inconsistency of its existing policy and actual practice vis-a-vis the proper procedure and formula prescribed under DBM NBC No. 548. However, the said under or over payment could not be ascertained by the Audit Team due to incomplete supporting documents such as trip tickets.

14.11. **We recommended that Management:**

a. Revisit the BCDA's existing policy and recompute the actual RATA that should be granted/paid to each BCDA officials/employees who are entitled to receive the said allowances based on the number of days of actual work performance on workdays in accordance with on the pertinent provisions of DBM NBC No. 548;

b. Submit to the Audit Team the results of the recomputation of RATA, including all supporting documents, for further verification; and

c. Henceforth, ensure compliance with DBM NBC No. 548 by updating/revising the existing policy in the grant/payment of RATA.

14.12. Management commented that BCDA has always complied with the DBM rules and regulations on the grant of RATA. To augment the DBM rules, BCDA has institutionalized internal policies to regulate the grant of RATA. Once such internal policy is the Policy Guidelines on Cost E2 (Effectiveness and Efficiency) Program (Office Order No. 009, series of 2013) that was meant to ensure cost efficiency in the assignment and use of government vehicles by BCDA officials.

14.13. As correctly noted by the Audit Team, BCDA has also been tracking the actual use of its service vehicles by its officers, and effecting the appropriate deductions from their respective TA based on the amount of fuel consumed relative to the total distance traveled by the said officer who used the vehicle, multiplied by the prevailing cost of fuel per liter. The said practice was based on the previously quoted Item A.2.c of BCDA Office Order No. 009, s. 2013. It is being implemented on top of the DBM-prescribed scheme for the grant of RATA to further regulate and control the use of government vehicles by BCDA officers/employees.

14.14. Also, there were instances where the total deductions from particular officers go beyond their allocated TA, thus resulting in said officers having to shoulder their excess travel expenses.

14.15. Nevertheless, Management shall revisit and review the existing internal policy on the grant of RATA as recommended by the Audit Team.

14.16. As an audit rejoinder, while the Audit Team commended Management on its commitment to ensure cost efficiency in the assignment and use of government vehicles, such policy should be in line and consistent with the pertinent provisions of the rules and regulations on the grant of RATA per DBM NBC No. 548.

14.17. Nothing in the said DBM NBC provides that the deductions from the TA of incumbent BCDA Officials who used the government shall be based on the prorated actual distance traveled times the fuel consumption (rate/liter), instead it should be based on the number of workdays of actual performance within the period pursuant to the said Circular.

15. BCDA did not observe the proper reckoning date in the computation of the three-year present value (PV) of discontinued allowances, benefits, and incentives (ABIs), which should be from receipt of the authorization of the Compensation and Position Classification System (CPCS) from Governance Commission for GOCCs (GCG). Moreover, the ABIs already received by BCDA incumbents from January to May 2022 due to retrospective application of the CPCS totaling P25.195 million was deducted in the payment of 1st tranche, as a refund.

15.1. Item No. 6 of CPCS Circular No. 2021-009 dated January 12, 2022 requires that:

> *Type of Allowances, Benefits and Incentives – Only allowances, benefits, and incentives duly authorized by the President of the Philippines and/or by law that were discontinued by the GOCCs* ***upon the receipt of their authorization to adopt the CPCS shall be included in the computation of the 3-year present value of discontinued ABIs.*** (Emphasis supplied)

15.2. The GCG likewise issued and answered the Frequently Asked Questions (FAQs) on the implementation of the CPCS for GOCCs. Item Nos. 80 and 91 thereof states that:

> ***80. Can we still continue granting our existing ABIs based on our current compensation framework even those are not mentioned under the CPCS while we wait for the release of the authorization?***
>
> *Yes, GOCCs will only discontinue the ABIs outside the CPCS upon receipt of the CPCS authorization. No refund will be required for the amounts given from October 5, 2021 to the date*

of implementation of the CPCS.
(Underscoring ours)

91. Can a GOCC choose not to retroact the application of the CPCS?

No. According to the CPCS Implementing Guidelines, the CPCS shall be applied retroactively to October 5, 2021 for the compliant GOCCs. The retroactive application of the CPCS will not have any negative effect on the GOCCs as no refund shall be required for the allowances, benefits and incentives that the officers and employees received from October 5, 2021 up to the date of implementation of the CPCS. (Underscoring ours)

15.3. Our audit disclosed that the starting period used by BCDA in the computation of the three-year PV of discontinued ABIs was January 2022, instead of the date of receipt of their authorization to adopt the CPCS on May 10, 2022. Moreover, the ABIs already paid and received by BCDA incumbents for the period January to May 2022 totaling P25.195 million were deducted, as a refund, in the payment and release of 1st tranche of the discontinued ABIs, which is not in accord with the above pertinent provisions and clarifications from the GCG, to wit:

Table 17. Payment of 1st Tranche discontinued ABIs

Particulars	Amount
1st Batch	P 48,316,615.59
2nd Batch	9,963,953.31
1st Tranche PV of Discontinued ABIs	58,280,568.90
Less: ABIs received from January to May 2022	25,195,301.60
	P 33,085,267.30

15.4. The ABIs received by BCDA incumbents for the period January to May 2022 which were deducted in the 1st Tranche, are as follows:

Table 18. ABIs Received from January to May 2022

Particulars	Amount
Meal Allowance	P 355,000.00
ACA	710,000.00
Educational Subsidy	8,222,437.00
Mid-Year Economic Improvement Allowance	13,347,743.18
Medical Allowance	794,416.30
Optical/Dental Allowance	203,705.12
Rice	1,562,000.00
	P 25,195,301.60

15.5. However, it is worthy to mention that as much as we are certain on the above observation, the Audit Team is restrained to compute the should be or correct total three-year PV of discontinued ABIs, as there were other ABIs included in the computation of BCDA, which we deemed not, based on our interpretation of the related issuances from the GCG. Nevertheless, we were informed by BCDA

that they were already in close coordination with the concerned personnel of GCG to clarify their issues on the proper implementation of the CPCS under EO No. 150.

15.6. **We recommended that Management:**

a. **Immediately seek clarification from the GCG in writing on the proper implementation of the new CPCS under EO No. 15, s. 2021 and the reckoning or starting date of the computation of the three-year PV of the discontinued ABIs;**

b. **Submit to the Audit Team a copy of the clarificatory letter from GCG and its response, if any, for verification;**

c. **Recompute the three-year PV of discontinued ABIs based on the responses from GCG, and cause the recovery from or reimbursement to the under or over paid BCDA incumbents, respectively, if any; and**

d. **Henceforth, ensure compliance with the issuances of the GCG relative to the new CPCS under EO No. 150, s. 2021 and implement properly to all covered BCDA incumbents.**

15.7. Management submitted to the Audit Team a copy of their letter to GCG dated May 10, 2023 which was duly received by GCG on May 22, 2022 re: request for clarification on the various components of the compensation system under the CPCS of EO No. 150. The Audit Team will be apprised on the response of the GCG once received by Management.

15.8. Management will continue to seek guidance from the GCG on other issues concerning the interpretation of the provisions of various GCG issuances regarding the CPCS, as needed.

15.9. As required by the Audit Team, Management agreed to re-compute the three-year PV of discontinued ABIs based on the responses they will receive from the GCG.

15.10. Management also committed to revisit the payments made and if found justified and equitable, will cause either the recovery or refund any overpayments or underpayments, if warranted. Management shall strive to ensure compliance with the pertinent GCG issuances.

15.11. The Audit Team will monitor the commitment of Management on the above recommendations.

16. The Additional Compensation Allowance (ACA) of P1,000/person/month, which was included by BCDA in their computation of the three-year PV of discontinued ABIs, exceeded the existing rate authorized by the President prior to the CPCS amounting to P500/person/month; hence, contrary to Item No. 6 of CPCS Circular No. 2021-009, resulting in an overpayment to

142 BCDA incumbents estimated at P478,389.35 and could be considered as an irregular expenditure under existing COA rules and regulations.

16.1. The ACA is one of the allowances of BCDA that shall be discontinued for being outside the CPCS. However, audit disclosed that P1,000/person/month was considered by BCDA in the computation of three-year PV of discontinued ABIs, instead of the existing authorized rate of P500 only, which resulted in an overpayment of the 1st Tranche to BCDA incumbents totaling P478,389.35 computed as follows:

Table 19. Over Payment of Discontinued ACA

Particulars		Amount
1st tranche of ACA released by BCDA in 2022 (1,000/month)	P	956,778.70
Less: Should be ACA (500/month) *		478,389.35
	P	**478,389.35**

**Based on the reckoning period considered by BCDA in the computation of the three-year present value of discontinued ABIs, without prejudice to Observation No. 1*

16.2. The above estimated overpayment of discontinued ACA is contrary to CPCS Circular No. 2021-009 and considered as an irregular expenditure as this does not adhere to the established rules, regulations, procedural guidelines, policies, principles or practices that have gained recognition in laws. A transaction conducted in a manner that deviates or departs from, or which does not comply with standards set is deemed irregular.

16.3. **We recommended and Management agreed to cause the refund of the excess ACA granted and paid to 142 BCDA incumbents totaling P478,389.35, which exceeded the rate authorized by the President prior to the CPCS.**

16.4. During the exit conference on June 6, 2023, Management commited that they will make one time recovery/refund from or to BCDA incumbents once they received the reply from GCG on their clarifications on the CPCS implementation.

17. BCDA was not able to strictly or correctly implement Item No. 9 of CPCS Circular No. 2021-009 on the service obligation requirement for the 1st annual payout for five retired/resigned employees, which resulted in incorrect/non-refund of payment received estimated at P217,055.64.

17.1. Item No. 9 of the CPCS Circular No. 2021-009 dated January 12, 2022 provide that:

> *Incumbents who will receive the 3-year present value* ***shall be required to render one (1) year of service in the GOCC or in the Government for each annual payout received, provided that those who will not be able to meet the required service obligation shall refund the amount received in proportion to the balance of the service obligation.*** (Emphasis supplied)

17.2. The first annual payout of the three tranches of the discontinued ABIs were released to the BCDA incumbents in two batches – July 14, 2022 and November 14, 2022 amounting to P48.317 million and P9.964 million, respectively, as follows:

Table 20. Payout Summary

1st Payout	Check No.	Date	Amount
1st batch	CV020354	07/14/2022	P 48,316,615.59
2nd batch	CV021296	11/14/2022	9,963,953.31
			P 58,280,568.90

17.3. Based on the list submitted by BCDA, we observed that five employees who received the 1st annual payout, already resigned/retired from BCDA as of December 31, 2022, hence, they did not complete the one-year service obligation requirement and a refund should be made for balance of the service obligation that was not complied with.

17.4. However, our audit disclosed that out of the five retired/resigned employees, one did not refund the prorated balance of the amount received for the 1st payout amounting to P86,897.01 while the refund made by the four employees were incorrect which resulted in underpayment of refund to the BCDA totaling P130,158.63.

17.5. We also observed that the reckoning date used by BCDA in determining the balance of the one-year service obligation for the 1st payout is on January 1, 2022 instead of the actual date of release of payments to them, which is on July 14, 2022 and November 14, 2022 for the 1st and 2nd batch releases of the 1st annual payout, respectively, contrary to Item No. 9 of CPCS Circular No. 2021-009.

17.6. **We recommended and Management agreed to cause the recovery/refund of the correct prorated balance of unpaid service obligation from the five retired/resigned employees totaling P217,055.64 pursuant to Item No. 9 of CPCS Circular No. 2021-009.**

17.7. Management submitted a copy of their letter to GCG dated May 10, 2023, which was duly received by GCG on May 22, 2022 which includes the clarification on the proper implementation of the service obligation requirement of the CPCS. The Audit Team will be apprised on the response of the GCG once received by Management.

17.8. During the exit conference on June 6, 2023, Management commited that they will make one time recovery/refund from or to BCDA incumbents once they received the reply from GCG on their clarifications on the CPCS Implementation.

18. The unclaimed reimbursable Optical/Dental Benefits of 83 BCDA incumbents for CYs 2020 and 2021 totaling P0.577 million were included in the three-year PV of discontinued ABIs and the same were released to them

as part of the 1st annual payout, which is not in accordance with Item No. 6 of CPCS Circular No. 2021-009.

18.1. Pursuant to Chapter VI(B)(5) of the CPCS under EO No. 150, the authorized ABIs currently being received by incumbents of GOCCs that are implementing their own compensation framework shall be paid the three-year PV of the authorized ABIs that will be removed under the CPCS.

18.2. Upon application of the CPCS, all the ABIs of GOCC officers and employees, whether they are incumbents or new hires, shall be limited to those provided under the CPCS.

18.3. Our audit disclosed that the following authorized ABIs were discontinued by BCDA starting June 1, 2022, for being outside the CPCS, upon its receipt of authority to implement the same from the GCG on May 10, 2022:

Table 21. Details of Discounted ABIs

Discontinued ABIs	Amount/Conditions/Ceiling
Meal Allowance	P500/month
Additional Compensation Allowance (ACA)	P1,000/month
Hospitalization/HMO Coverage	P380,000/illness/year
Group Term Insurance Coverage	Level 1 (SG 29 and above) – P2,000,000 Level 2 (SG 25-28) – P1,000,000 Level 3 (SG 24 and below) – P500,000
Medical Reimbursement Plan	P20,000 per year for those with chronic diseases and P10,000 for those without any chronic illnesses; for those holding SG 25-27, they shall be included among those allowed to reimburse 50% beyond these amounts. For SG 30 and above, they will continue to have full reimbursement of medical expenses.
Dental/Optical Benefits	Maximum of P6,000 per annum, for Optical or Dental or both (depending upon a person's need) up to an accumulated amount of P18,000 over three years.
Rice Subsidy	Prevailing market price of rice
Annual Gift Check	P50,000 or one-month basic salary (net of tax), whichever is higher
Educational Subsidy	One-month basic salary, subject to the submission of appropriate receipts for the expenses allowed under coverage.
Mid-Year Economic Improvement Allowance (MYEIA)	One-month basic salary
Maternity Benefit	P15,000 Normal Delivery and P30,000 Caesarian, both up to the 4th child
Annual Executive Check-up	All employees can benefit from the annual check-up of the HMO. For executives (SG 28 up), hospital-based Executive Check-up will continue to be allowed. Full reimbursement of expenses for hospital-based check-up shall be provided.

Table 21. Details of Discounted ABIs

Discontinued ABIs	Amount/Conditions/Ceiling
Employer's Share in the BCDA Housing Fund	15 per cent for employees with SG 20 and above, and 17.5 per cent for SG 19 and below.
Car Plan Subsidy	Interest-free car loan payable within ten years granted to officials with SG 25 and above including members of the Board. 50 per cent of insurance and registration is shouldered by the applicant.

18.4. The BCDA Board of Directors approved Resolution No. 2010-12-252 to amend Resolution No. 2008-05-094 on the Medical Benefits of BCDA employees. The approval includes Optical/Dental Benefits for a maximum of P6,000 per annum, for Optical or Dental or both (depending upon a person's need) up to an accumulated amount of P18,000 over three years.

18.5. Audit disclosed that the unclaimed reimbursable optical/dental benefits of 83 employees for CYs 2020 and 2021 totaling P0.577 million were included in the computation of the three-year PV of discontinued ABIs and the same were released to them under the 2nd batch of the 1st annual payout, which is contrary to Item No. 6 of CPCS Circular No. 2021-009 as these pertain to the period prior to the receipt by BCDA of its authorization from GCG to adopt the CPCS, to wit:

> *Type of Allowances, Benefits and Incentives – Only allowances, benefits, and incentives duly authorized by the President of the Philippines and/or by law that were discontinued by the GOCCs upon the receipt of their authorization to adopt the CPCS shall be included in the computation of the 3-year present value of discontinued ABIs.* (Underscoring ours)

18.6. The aforementioned benefits could have been claimed by the 83 BCDA incumbents, as a reimbursement, at a maximum amount of P6,000 per annum. While the optical/dental benefits can accrue up to P18,000 over three years or the applicable period – 2020 to 2022, the computation and payment of the three-year PV of discontinued ABIs do not include the benefits that already accrued for the past years prior to CPCS, but only those ABIs that the employees could have been entitled to in the next three years, after the receipt of authorization from GCG pursuant to the above pertinent provision.

18.7. Including the unclaimed optical/dental benefits for CYs 2020 and 2021 for the remaining balance of accumulated P12,000 over two years and computing the total three-year PV of the said benefits starting 2022 up to 2024 is already equivalent to five years optical/dental benefit at P6,000 per annum or a total of almost P30,000, which is contrary to Item No. 6 of CPCS Circular No. 2021-009 which may be construed as an excessive expenditure.

18.8. **We recommended and Management agreed to cause the recovery/refund of the reimbursable Optical/Dental Benefits of 83 BCDA incumbents for CYs 2020 and 2021 totaling P576,539.69 which were included in the three-year PV of discontinued ABIs, if warranted.**

18.9. Management submitted a copy of their letter to GCG dated May 10, 2023, which was duly received by GCG on May 22, 2022, re: request for clarification on the various components of the compensation system under the CPCS of EO No. 150. However, we noted that no clarification was raised in the said letter relative to the observation.

18.10. During the exit conference, we recommended, and Management agreed to immediately seek clarification from the GCG in writing on the unclaimed reimbursable Optical/Dental Benefits for CYs 2020 and 2021 which were included in the three-year PV of discontinued ABIs; and submit copy of reply thereof by GCG to the Audit Team.

19. Only two female employees who had history of pregnancy were considered by BCDA as entitled to the discontinued maternity benefit instead of uniformly treating all female BCDA incumbents who are still biologically/medically able to conceive, within the next three years.

19.1. Based on the computation of BCDA on the three-year PV of discontinued ABIs, only two incumbent female employees have been given maternity benefit, at a rate for caesarean delivery amounting to P30,000, pursuant to BCDA Board Resolution No. 2010-12-252, and the same were paid to them on the 2nd batch/release of the 1st annual payout on November 14, 2022.

19.2. However, we observed that there is no document showing the basis of Management in choosing who will be entitled to the said discontinued benefit. The discontinuance of maternity benefit affected all female employees that can still conceive within the coming three years and not only those who only got pregnant in the past years.

19.3. Moreover, the grant of the maternity benefit was based on the rate of a caesarian delivery amounting to P30,000 whereas the BCDA policy provides that the pregnant employee is entitled to receive P15,000 for normal delivery or P30,000 for caesarian delivery. Additionally, the policy of BCDA that the maternity benefit has a limit of up to the 4th child should be considered in the computation and granting of the three-year PV maternity benefit.

19.4. The BCDA Legal Services Department, in its Opinion No. 2022-017 dated July 19, 2022, states that:

> *With regard to maternity benefit, it is noted that it is not granted per annum but is a contingent benefit. The existing BCDA policy made this conditional to delivery and the amount would vary depending on the type of delivery, with a higher ceiling for c-section compared to normal delivery. Nevertheless, we stand by our position that the discontinued ABIs should be paid to the employees entitled thereto. In this case, it shall be included in the computation if the value can be determined."*
> (Underscoring ours)

19.5. The Audit Team also sought clarification from GCG, thru email, whether or not maternity benefits, that are conditional to delivery and which amount varies depending on the type of delivery, are included in the computation of the 3-year PV of discontinued ABIs. In its email-reply on April 24, 2023, the concerned GCG personnel responded that:

> *With regard to your second query, Chapter VI.B.5 of the E.O. No. 150, s. 2021 provides that: "the **authorized Allowances, Benefits and Incentives (ABIs)** currently being received by incumbents of GOCCs that are implementing their own compensation framework shall be paid the three (3) year present value of the authorized ABIs that will be removed under the CPCS xxx." Further, "only ABIs that are **duly authorized by the President of the Philippines and/or by law** shall be included in the computation of the ABIs to be paid out to each incumbent, subject to the availability of the corporate funds and financial viability of the GOCC.* (Emphasis supplied)
>
> *Hence, if the aforestated BCDA benefits are among the ABIs that were previously authorized by the President and/or by law, they are included in the computation of the three-year present value of authorized ABIs that shall be discontinued under the CPCS.* (Underscoring ours)

19.6. Based on the foregoing, we believe that BCDA should have conservatively used the rate of P15,000 for normal delivery in the grant of three-year PV discontinued maternity benefit to all entitled female incumbents and consider the limit set of up to the 4th child.

19.7. **We recommended that Management ensure that the new CPCS under EO No. 150, s. 2021 shall be implemented properly to all qualified BCDA incumbents after the receipt of the clarification from the GCG.**

19.8. Management submitted a copy of their letter to GCG dated May 10, 2023, which was duly received by GCG on May 22, 2022 re: request for clarification on the various components of the compensation system under the CPCS of EO No. 150.

19.9. However, we noted that no clarification was raised in the said letter relative to the observation.

19.10. During the exit conference, we recommended and Management agreed to immediately seek clarification from the GCG in writing on the unclaimed reimbursable Optical/Dental Benefits for CYs 2020 and 2021 which were included in the three-year PV of discontinued ABIs; and submit copy of reply thereof by GCG.

20. The propriety of the granting and payment of the discontinued medical benefits in excess of the P10,000 and P20,000 ceiling for non-chronic and chronic diseases in the total amount of P0.698 million to 19 BCDA incumbents, respectively, the full reimbursement of medical expenses for

SG-30 and above, and the annual executive check-up, could not be ascertained due to the absence of approval from the BCDA Board of Directors and supporting documents showing the actual receipts of the said expenses.

20.1. We noted that the following discontinued ABIs were paid to 19 BCDA incumbents:

Table 22. Summary of Paid Medical-Related ABIs

Discontinued Benefit	Particulars	Rate	1st Annual Payout*
Medical (50% in excess of 10k/20k)	Paid to 18 employees with SG 25-29	5,000.00	P 88,034.08
Medical (full reimbursement)	Paid to one employee with SG 30	92,000.00	89,990.40
Annual Executive Check-up	Paid to 14 employees with SG 28-31	38,000.00	520,379.27
			P 698,403.75

*Computed by BCDA based on the 3-year PV of discontinued ABIs to be paid in three equal tranches

20.2. On April 27, 2023, BCDA submitted to the Audit Team a copy of Board Resolution No. 2010-12-252 approving the implementation of the Medical Benefits, including the above, with details as follows:

- Medical Reimbursement Plan – P20,000 per year for those with chronic diseases, and P10,000 for those without any chronic illnesses, for those holding SG 25-27, they shall be included among those allowed to reimburse 50 per cent beyond these amounts. For SG 30 and above, they will continue to have full reimbursement of medical expenses.

- Annual Executive Check-up – All employees can benefit from the check-up of the HMO. For executives (SG 28 up), hospital-based executive check-up will continue to be allowed. Full reimbursement of expenses for hospital-based check-up shall be provided.

20.3. The payments made to the 19 incumbents totaling P0.698 million pertain to the additional 50 per cent and full reimbursement of the expenses beyond the limit described in the medical reimbursement plan above and the annual executive check-up which is based on the actual expenses.

20.4. However, post-audit of the said payment disclosed that there were no documents showing the approval from the proper authority on the rates provided for each of the aforementioned discontinued ABIs as well as the supporting documents on the actual receipts of the medical expenses, hence, precluded the Audit Team to determine the propriety of the said payments and casts doubt on its legality.

20.5. It is worthy to mention that although the additional reimbursements for medical benefit and annual executive check-up were both approved by the former President, the amount to be used as basis of the three-year PV, in the absence

of actual receipts, shall be duly approved by BCDA Board of Directors to ensure that no irregular payments are made out of government funds.

20.6. **We recommended that Management immediately seek clarification from the GCG, in writing, on Medical benefits in excess of the ceiling for non-chronic and chronic diseases, reimbursement of Medical Expenses for SG-30 and above, Annual Executive Check-up; and submit approval from the BCDA Board of Directors and the supporting documents showing the actual receipts of the said expenses.**

20.7. Management submitted a copy of their letter to GCG dated May 10, 2023, which was duly received by GCG on May 22, 2022 re: request for clarification on the various components of the compensation system under the CPCS of EO No. 150. However, we noted that no clarification was raised in the said letter relative to the observation.

20.8. During the exit conference, Management commited to seek clarification from the GCG.

21. The payment of the differentials for Personnel Economic Relief Allowance (PERA) to 145 BCDA officials and employees for the period October 5, 2021 to May 31, 2022, in view of the retrospective application and implementation of the Compensation and Position Classification System (CPCS) under Executive Order (EO) No. 150, is contrary to the rate prescribed in CPCS Circular No. 2021-003 dated January 12, 2022, resulting in overpayment totaling P0.540 million.

21.1. The Governance Commission for Government-Owned and Controlled Corporations (GCG) was created under Republic Act (RA) No. 10149, otherwise known as the "GOCC Governance Act of 2011", as the central advisory, monitoring, and oversight body with authority to formulate, implement and coordinate policies to govern GOCCs. One of its mandates is to develop a CPCS which shall apply to all officers and employees of GOCCs whether under the Salary Standardization Law or exempt therefrom and shall consist of classes of positions grouped into such categories as the GCG may determine, subject to approval of the President.

21.2. On October 1, 2021, then President Rodrigo Duterte issued EO No. 150 re: Approving the CPCS and Index of Occupational Services, Position Titles, and Job Grades for GOCCs (IOS-G) Framework, repealing EO No. 203 (s.2016), and for other purposes. The said EO became effective on October 5, 2021, upon its publication in a newspaper of general circulation.

21.3. On May 10, 2022, BCDA received from GCG its authorization to implement the CPCS under the said EO, with an option to retroactively apply the appropriate salary structure, and the allowances, benefits, and incentives (ABIs) under the CPCS effective October 5, 2021, considering that BCDA has fully complied with the CPCS requirements upon approval of the EO.

21.4. Review of records disclosed that differential in PERA were paid to 145 BCDA employees totaling P2.280 million under check no. 19812 dated June 15, 2022, for the period October 5, 2021 to May 31, 2022.

21.5. Item 4.2 of CPCS Circular No. 2021-003 dated January 12, 2022, re: Grant of PERA, provides that:

> *The PERA at **P2,000 per month** shall be paid to officers and employees of GOCCs, provided they render full-time services for eight (8) hours per working day, twenty-two (22) working days per month (or the number of assigned working days in any given month), inclusive of leaves of absences with pay.* (Emphasis supplied)

21.6. On January 11, 2023, the Human Resource Management Department (HRMD) submitted to the Audit Team a copy of old compensation package for BCDA officials and employees for the period January 1 to October 4, 2021, before the new CPCS under EO No. 150. Moreover, the list of ABIs approved by the then President of the Philippines in 1997 was submitted to the Audit Team and upon verification, it includes PERA in the amount of P500/month.

21.7. However, our audit of PERA-expense account of BCDA for CY 2022 disclosed that the whole amount of P2,000/month were paid to 145 officials and employees as differential PERA for the period October 5, 2021 to May 31, 2022, despite that the PERA of P500/month were already given to them for those period, contrary to CPCS Circular No. 2021-003 dated January 12, 2022, resulting in overpayment of P0.540 million, computed as follows:

Table 23. Computation of Overpayment

Particulars		Amount
PERA differential under CPCS of E.O No. 150 and existing PERA at P500/month as per 1997 approved ABIs.	Oct. 5, 2021 to May 31, 2022	P 2,860,454.15
PERA at P2,000/month	Oct. 1, 2021 to May 31, 2022	2,320,000.00
		P 540,454.15

21.8. The above payment of PERA more than the prescribed rate under CPCS Circular No. 2021-003 is considered irregular expenditures under COA Circular No. 2012-003 dated October 29, 2012, to wit:

> *The term "irregular expenditure" signifies an expenditure incurred without adhering to established rules, regulations, procedural guidelines, policies, principles or practices that have gained recognition in laws. Irregular expenditures are incurred if funds are disbursed conforming with prescribed usages and rules of discipline. There is no observance of an established pattern, course, mode of action, behavior, or conduct in the incurrence of an irregular expenditure. A transaction conducted in a manner that deviates or departs from, or which does not comply with standards set is deemed irregular. A transaction which fails to follow or violates appropriate rules of procedure is, likewise, irregular.*

21.9. **We recommended and Management agreed to cause the recovery/refund from BCDA officials and employees on the payment of PERA in excess of the rate provided under CPCS Circular No. 2021-003 dated January 12, 2022, otherwise, we are constrained to issue a Notice of Disallowance.**

21.10. Out of the P0.540 million overpaid differential PERA, Management already recovered, thru salary deduction, a total of P414,909 from the 133 BCDA employees for the months of April and May 2023 leaving a balance of P125,545.13. Copies of the Authority to Deduct from the concerned employees were submitted to the Audit Team.

21.11. The Audit Team will monitor the recovery of the remaining balance by Management.

22. The Status Report submitted by Manila North Tollways Corporation (MNTC) was not timely validated by BCDA contrary to the Business Agreement (BA), and the Annual Performance Review criteria was not used in reviewing the said Report, which could result in non-assurance that all operation and maintenance requirements for Subic-Clark-Tarlac Expressway (SCTEX) were undertaken and complied by the Concessionaire.

22.1. Section 7.2 of the BA provides for the rights and responsibilities of BCDA which include, among others, the overall monitoring, review, and performance evaluation of compliance of MNTC with standards, response time, toll collection procedures and schedule of management, operations and maintenance activities.

22.2. Section 9.3.1 requires that not later than twenty business days before the end of the year, MNTC shall submit to BCDA a status report on the maintenance works undertaken and completed for the relevant year. The review of the status report shall be based on the Service Quality Levels (SQL) as provided in the Terms of Reference (TOR) and in accordance with the Maintenance Plans and the approved plans, specifications, and methodologies for the SCTEX.

22.3. Moreover, Section 9.3.2 provides that BCDA may declare a failure in the performance by MNTC of the Maintenance Works if MNTC fails to meet any of the items specified in the Annual Performance Review Criteria (APRC) which shall be based on the SQL as provided in the TOR, as they relate to the Maintenance Plans.

22.4. Furthermore, Section 9.3.3 states that:

> *If, after review of the Status Report, BCDA finds that MNTC has failed to perform the Maintenance Works for a given year in accordance with Section 9.2.2, then:*
>
> *a. BCDA shall, within thirty (30) Business Days from receipt of the Status Report, inform MNTC in writing of its findings and provide*

MNTC an opportunity to: (i) contest such findings; or (ii) undertake measures to address such findings, within thirty (30) Business Days from receipt of the notice from BCDA. Xxx

b. *In case BCDA does not serve any notice of its findings to MNTC within thirty (30)-day period set out in Section 9.3.3 (a), then BCDA shall be deemed to be satisfied that MNTC has performed its committed Maintenance Works for the relevant year.*

22.5. The Audit Team issued Audit Observation Memorandum No. 2023-23 (2022) dated May 17, 2023, since Management has not yet submitted the results of their review of the Status Report submitted by MNTC for CY 2022. We requested from the concerned personnel from SAPMD to submit the results of their review of the Status Report submitted by MNTC for the operation and maintenance of SCTEX for CY 2022. We were informed that the review of the said report was not yet conducted since it was agreed by them that the said responsibility was already delegated to the Strategic Projects Management Department (SPMD). However, the results of review were still not submitted to the Audit Team as of this date.

22.6. It bears stressing that if MNTC does not received a feedback or response from BCDA as to the results on the review of Status Report within 30 days from receipt thereof, it may be construed that BCDA was satisfied that MNTC has performed its committed Maintenance Works for CY 2022.

22.7. Control measures should be established to ensure that maintenance works undertaken and completed by MNTC for CY 2022 were based on the Service Quality Levels and in accordance with the Maintenance Plans and the approved plans, specifications and methodologies for SCTEX. The Status Report should be reviewed in accordance with APRC and in a timely manner.

22.8. **We recommended and Management agreed to consider the Annual Performance Review Criteria, as provided in the BA, in conducting the review of Status Report to ensure that all operation and maintenance requirements for the year were undertaken by NLEX; and make sure that the said review is conducted on time pursuant to Section 9.3 of the BA.**

22.9. Management commented that similar to previous years, the Strategic Projects Management Department (SPMD) conducted a review and validation of the Annual Status Report submitted by NLEX Corp. For the 2022 Status Report, SAPMD endorsed to SPMD last January 4, 2023, the Status Report and requested that the review be completed by January 20, 2023. SPMD noted deficiencies in the said Report and called the attention of the technical team of NLEX Corp. to correct them. However, NLEX Corp. did not immediately corrected the report. When the report was returned to SPMD, that was the only time that the joint inspections were conducted. SPMD transmitted the signed report to SAPMD last March 31, 2023.

22.10. The Audit Team will monitor the compliance of Management with our recommendation.

23. The VAT applied by BCDA on the ABC was 12 per cent instead of five per cent as required under Department Order (DO) No. 197, series of 2016 issued by the Department of Public Works and Highways (DPWH), hence, ABC for 23 projects was overstated totaling P1.359 billion and consequently, the contract cost awarded for six projects exceeded the correct ABC totaling P137.234 million.

23.1. Republic Act (RA) No. 9184 or the Government Procurement Reform Act defines ABC as the budget for the contract duly approved by the Head of the Procuring Entity, as provided for in the General Appropriations Act and/or continuing appropriations, in the National Government Agencies; the Corporate Budget for the contract approved by the governing Boards, pursuant to E.O.No.518, series of 1979, in the case of Government Financial Institutions and State Universities and Colleges; and the Budget for the contract approved by the respective Sanggunian, in the case of Local Government Units.

23.2. Annex A of the revised Implementing Rules and Regulations (IRR) of RA No. 9184 or the Detailed Engineering for the Procurement of Infrastructure Projects, requires that the ABC to be bid shall be prepared by official(s) duly designated by the Head of the Procuring Entity concerned or by his duly authorized official. It shall be approved by the Head of the Procuring Entity or his duly designated official.

23.3. Relative to the preparation and computation of the ABC for infrastructure projects, the DPWH issued DO No. 197, series of 2016 dated October 7, 2016, re: Revised Guidelines in the Preparation of ABC. The said DO was also adopted in the Manual of Procedures for the Procurement of Infrastructure Projects issued by the Government Procurement Policy Board.

23.4. Sections B.5 and C.1.6 of the DO require that the VAT Component of the ABC shall be five per cent of the sum of Estimated Direct Cost, Overhead, Contingencies and Miscellaneous, and Profit.

23.5. However, review of the ABC and related Detailed Cost Estimate or Detailed Unit Price Analysis (DUPA) for various BCDA infrastructure projects from CYs 2017 to 2022 disclosed that for 22 projects/contracts, the VAT used in the computation of ABC was 12 per cent instead of five per cent, which is not compliant with the above requirement of DPWH DO No. 197, resulting in overstatement of the ABC totaling P1.281 billion.

23.6. Consequently, the submitted bids of the contractors on the computation of detailed cost estimates were also overstated due to non-compliance with the required five per cent VAT component on ABC. As a result, the contract cost awarded for six projects exceeded the should be ABC pursuant to DPWH DO No. 197 totaling P137.235 million.

23.7. Section 31.1 of the IRR of RA No. 9184 states that:

> *The ABC shall be the upper limit or ceiling for acceptable bid prices. If a bid price, as evaluated and calculated in accordance with this IRR, is higher than the ABC, the bidder submitting the same shall be automatically disqualified. There shall be no lower limit or floor on the amount of the award.* (Emphasis ours)

23.8. It is worthy to mention that that the non-compliance with the VAT requirement of DPWH DO No. 197 in the preparation of ABC was already noted in the CY 2017 audit. It was recommended and Management agreed to observe the applicable DPWH DO in the formulation of the ABC.

23.9. Furthermore, the same observation was also noted by COA-Technical Services Office in their technical review/evaluation on the contract for the Construction of 21-Units ASEAN Summit Villas – the ABC bearing the items of work are properly reflected in the submitted plans and specifications and supporting documents and appears to be consistent with the DO No. 197, except in the application of VAT wherein the BCDA used 12 per cent instead of five per cent in their estimates.

23.10. **We recommended that Management:**

a. Consider revising the Contract Cost applying VAT of five per cent and/or deduct the excess VAT from the progress billings/retention money of the Contractors. If the contract cost was already paid in full and the retention money was already released to the Contractor, cause the recovery or refund of the excess VAT paid to them; and

b. Henceforth, ensure compliance with the pertinent provisions of DPWH DO No. 197 in the preparation of ABC for infrastructure projects of BCDA.

23.11. Management commented that they applied 12 per cent VAT in the computation of ABC for infrastructure projects pursuant to the Bureau of Internal Revenue (BIR) Memorandum Circular (MC) No 85-2017, instead of five per cent.

23.12. Also, the BIR Ruling No. 356-2017 dated August 8, 2017, further emphasized that the appropriate VAT rate to be used by the DPWH in the preparation of the ABC and Plan of Work is 12 per cent.

23.13. Due to these references, Management is firm that there was no overstatement of ABC for the 23 projects and that the contract cost awarded for the six projects did not exceed the ABC. Therefore, Management believes that it is no longer necessary to revise the contract cost of the six projects and deduct the alleged excess VAT from the progress billings/retention money of the Contractors or cause the recovery or refund of the same paid to the concerned Contractors.

23.14. Accordingly, BCDA will continue to comply with the BIR VAT provisions as stated in the Ruling 356-2017 and RMC No. 85-2017 issued by BIR, being the authorized agency mandated to establish and enforce the tax laws and issuances in the Philippines for the computation of VAT in the preparation of ABC. Also, BCDA will continue to comply with the provisions of RA No. 9184 and its IRR in the preparation of ABC for infrastructure projects and implementation thereof.

23.15. The Audit Team mentioned that generally, the 12 per cent VAT is imposed on every sale and/or services, including the sale of goods and/or services to the government unless the sale transaction is specifically VAT-exempt or zero-rated VAT under the provisions of the NIRC or other special laws in accordance with Section 108 of the NIRC.

23.16. However, for sales to the government or any of its political subdivisions, instrumentalities or agencies, including government-owned or -controlled corporations (GOCCs), the procuring government entity is only required to deduct and withhold a final value-added tax at the rate of five per cent of the gross payment thereof, in accordance with the Section 114 (c) of the NIRC, which provides:

> *SEC. 114. Return and Payment of Value-Added Tax. –*
> *xxx*
>
> *(C) Withholding of Creditable Value-added Tax. -* ***The Government or any of its political subdivisions, instrumentalities or agencies, including government-owned or controlled corporations (GOCCs) shall,*** *before making payment on account of each purchase of goods and services which are subject to the value-added tax imposed in Sections 106 and 108 of this Code, deduct and withhold the value-added tax imposed in Sections 106 and 108 of this Code,* ***deduct and withhold a final value-added tax at the rate of five percent (5%) of the gross payment thereof*** *xxx* (Emphasis supplied)

23.17. Moreover, Section 4.112(2)(a) of BIR Revenue Regulation (RR) No. 16-2005 or the Consolidated Value Added Tax Regulation of 2005, as amended by the RR No. 4-2007, which implements Section 114 (c) of the NIRC, reiterates the five per cent final VAT rate and it also prescribes the rule on how to treat the remaining seven per cent, to wit:

> *SEC 4.114-2. Withholding of VAT on Government Money Payments*
> *xxx*
>
> ***The five percent (5%) final VAT withholding rate shall represent the net VAT payable of the seller.*** *The remaining seven percent (7%) effectively accounts for the standard input VAT for sales of goods or services to government or any of its political subdivisions, instrumentalities or agencies including GOCCs in lieu of the actual input VAT directly attributable or ratable apportioned to such sales. Should*

actual input VAT attributable to sale to government exceed seven (7%) percent of gross payments, the excess may form part of the sellers' expense as cost. ***On the other hand, if actual input VAT attributable to sale to government is less than seven (7%) of gross payment, the difference must be closed to expense or cost.*** (Emphasis supplied)

23.18. Based on the aforementioned provisions, it is clear that 1) the contractor's net VAT payment remains at five per cent, and 2) the difference between seven per cent and the actual input tax incurred by the contractor may either form part of the seller's expense/cost or will be closed to expense/cost as the case may be.

23.19. Meanwhile, the contention of Management in using the BIR Ruling No. 356-2017 dated August 8, 2017, as basis in applying the 12 per cent VAT in the preparation of their ABC is not well taken.

23.20. At the outset, Section 3, Paragraph 2, Chapter I, Title V of the Revised Administrative Code of 1987 provides that among the powers and functions of DPWH is to develop and implement effective codes, standards, and reasonable guidelines to ensure the safety of all public and private structure in the country and assure efficiency and proper quality in the construction of public works. Thus, DPWH DO No. 197, s. 2016 should govern the preparation of the budget for government infrastructure projects.

23.21. The said DO was validly issued by the DPWH Secretary pursuant to his statutorily vested rule-making power under the doctrine of subordinate legislation or the rule-making power of agencies tasked with the administration of government. The regulations issued by DPWH, such as D.O. 197, s. 2016, have the force and effect of law, unless such regulations are invalidated by the court or are superseded by another regulation of similar character.

23.22. Both the RMC No. 85-2017 and the August 8, 2017, BIR ruling cannot be considered valid and binding as the same are contrary to Section 114(c) of the NIRC, as implemented by Section 4.114(2)(a) of RR No. 16-2005, as amended. Parenthetically, RR No. 16-2005, as amended, is the set of implementing rules for the VAT provisions of the NIRC.

23.23. Additionally, BIR issued RR Ruling No. 741-18 dated April 19, 2018, to provide illustration on the application of 12 and five per cent VAT in a sample Program of Works, with the following opinion:

Xxx If the concerned government agency, as in the case of the DPWH, allows that the cost of contracts will include the amount of VAT to be passed on by the contractors, then, only 5% final VAT is the appropriate percentage to be applied to the ABC of its projects. Notably, and as represented, DPWH allows the contractors to include the VAT when they submit their bids as long as they do not exceed the ABC for the projects. DO 197, s. 2016, does not prohibit the contractors from including the VAT in their bids.

Based thereon, we hereby opine that DO 197, s. 2016 is compliant with the 12% VAT requirement and that the 5% final VAT rate stated therein is sufficient compliance with the RMC No. 85-2017 and related BIR rulings.

23.24. Furthermore, the comment of Management that BCDA will continue to comply with the BIR VAT provisions as stated in the Ruling 356-2017 and RMC No. 85-2017 issued by BIR for the computation of VAT in the preparation of ABC is inconsistent.

23.25. The Audit Team noted for the three projects in CY 2022 with total contract cost amounting to P4.972 billion, the VAT applied by BCDA in the preparation of ABC is five per cent.

23.26. The Audit Team maintained its recommendations that Management:

a. Consider revising the Contract Cost applying the VAT of five per cent and/or deduct the excess VAT from the progress billings/retention money of the Contractors. If the contract cost was already paid in full and the retention money was already released to the Contractor, cause the recovery or refund of the excess VAT paid to them, otherwise, we are constrained to issue a Notice of Disallowance; and

b. Henceforth, ensure compliance with the pertinent provisions of DPWH DO No. 197 in the preparation of ABC for infrastructure projects of BCDA.

23.27. Management further commented that pursuant to the National Internal Revenue Code (Tax Code) and RA No. 9184 or the Government Procurement Reform Act, and their respective implementing rules and regulations, the appropriate VAT rate to be used in the preparation of the ABC for Infrastructure Projects procured by the BCDA shall be 12 per cent.

I. The Tax Code, though its implementing rules and regulations, which provides for the VAT rate of 12% to government projects, is clear and unambiguous.

23.28. It is BCDA's position that under the clear provisions of the Tax Code, including its implementing rules and regulations, the VAT to be imputed to government projects, which includes BCDA's infrastructure projects, shall be 12 per cent on the bases of the following:

a. Section 4.114-2 of Revenue Regulations No. 16-05 or the Consolidated VAT Regulations of 2005 provides that the government, or any of its instrumentalities' purchase of goods and/or of services shall be taxed at 12 per cent VAT pursuant to Sections 106 and 108 of the Tax Code.

b. The above rule is reiterated in a clarificatory revenue memorandum, which further provides that the appropriate VAT rate to be used in the preparation

of the ABC is 12 per cent. Thus, Revenue Memorandum Circular No. 085-17 provides, to wit:

Sales to the government or any of its political subdivisions, instrumentalities or agencies including Government-Owned or Controlled Corporations (GOCCs), of goods and/or services are generally subject to the 12 per cent VAT under Sections 106 and 108 of the NIRC, unless the sale transaction is specifically VAT-exempt or VAT zero-rated under the provisions of the NIRC or other special laws.

The rules on the collection and remittance of VAT on government purchases that are subject to VAT are prescribed under Section 4.114 (2) (a) of Revenue Regulations (RR) No. 16-2005, implementing Section 114 (C) of the NIRC.

While government purchases are subject to the 12 per cent VAT, the procuring government entity is only required to deduct and withhold a five per cent final VAT based on the gross payment thereof. The 5 per cent final VAT represents the net VAT that is payable by the seller of goods or services. The remaining seven per cent would effectively account for the standard input VAT for the sale of goods/services to the government entity, in lieu of the actual input VAT directly attributable or ratably apportioned to such sale. The difference between the seven per cent VAT and the actual input tax incurred may form part of the sellers' expense or cost or will be closed to expense or cost, as the case may be.

c. The five per cent final VAT rate, the withholding VAT rate which represents the net VAT that is payable by the seller of goods or services, is not the proper VAT rate to be used in the computation of the ABC since under the Tax Code and its implementing rules and regulations, the VAT rates applicable are only 12 per cent and zero per cent.

II. Under RA 9184, through its implementing manuals, the application of DPWH Department Order No. 197, s. 2016 to procuring entities other than DPWH is merely as guide and is not mandatory.

23.29. Under the DPWH DO No. 197, s. 2016, the VAT component of the ABC shall be five per cent of the sum of Estimated Direct Cost (DC), Overhead, Contingencies and Miscellaneous (OCM) and Profit.

23.30. The GPPB Manual of Procedures for the Procurement of Infrastructure Projects, on the other hand, provides that DPWH DO No. 197 may be adopted, to the extent possible, by other Procuring Entities (such as BCDA) only as guide in their preparation of the ABC.

23.31. The said DPWH Department Order No. 197 series of 2016, may likewise be adopted, to the extent possible, by other Procuring Entities as guide in their preparation of the ABC.

23.32. While under the Revised Administrative Code of 1987, DPWH is mandated to "develop and implement effective codes, standards, and reasonable guidelines to ensure the safety of all public and private structure in the country and assure efficiency and proper quality in the construction of public works," such mandate does not cover imposing guidelines to other agencies on the usage of the proper VAT rate in computing for the ABC.

III. Unlike BCDA, DPWH is not a VAT-registered entity and therefore cannot claim input tax credits or refunds.

23.33. BCDA is government instrumentality vested with corporate powers and is registered for VAT purposes, being a seller of goods (i.e., sale transactions) and services (i.e., lease transactions). DPWH, on the other hand, is a department which is neither a seller of goods nor a seller of services.

23.34. The difference between a VAT entity such as BCDA and a non-VAT entity such as the DPWH with respect to input tax lies in their ability to claim refunds or credits for the VAT they have paid on their purchases or expenses.

23.35. BCDA, as a VAT entity, must maintain proper VAT records, submit regular VAT returns, and comply with the specific regulations and obligations set by the BIR.

23.36. Meanwhile, Management wrote letters to DPWH, BIR and GPPB, all dated May 16, 2023, to clarify on their position that the VAT to be used in the preparation of ABC for its infrastructure projects is 12 per cent instead of five per cent and that the DPWHO DO No. 197 is not mandatory but discretionary on the part of Management.

23.37. As an audit rejoinder, the Audit Team maintains that Management should submit the responses on the clarification from DPWH, BIR and GPPB, once available.

24. The propriety and/or reasonableness of the monthly fees granted to individual Consultants could not be ascertained due to insufficient and reliable market research on the prevailing market rates of the Consultants, which is contrary to the Joint Circular No. 2, s. 2020 dated October 20, 2020, issued by COA and the Department of Budget and Management (DBM). Moreover, BCDA has no established procedures on the factors to be considered in conducting the market research and how to determine the consultant's fee.

24.1. Government agencies are authorized to enter into service contracts with other government agencies, private firms, non-government agencies or individuals for services related or incidental to their respective functions and operations, whether on a part-time or full-time basis.

24.2. The COA and DBM issued Joint Circular No. 2, s. 2020 dated October 20, 2020, to prescribe the updated rules and regulations governing Contract of Service (COS) and Job Order (JO) workers in the government.

24.3. Section 8 of the Joint Circular on the payment of services under individual COS provides that:

> *Individuals hired through COS shall be paid the prevailing market rates, subject to the provisions of Republic Act (RA) No. 9184 and its revised Implementing Rules and Regulations (IRR). xxx* (Emphasis supplied)

24.4. Moreover, Section 1.0 of DBM Circular Letter No. 2017-09 dated May 16, 2017, re: Clarification on the Guidelines on the Procurement of Consulting Services states that the procurement of consulting services, either through an Individual Consultant or a Consultancy Firm, is covered by the provisions of RA No. 9184 and its IRR; and the Manual of Procedures for the Procurement of Consulting Services, issued by the Government Procurement Policy Board (GPPB).

24.5. The said Manual issued by GPPB states that the cost of consultancy shall be computed on the basis of cost to the consultant of actual services to be rendered by the consultant plus a reasonable level of management fee. The amount of management fee depends on the complexity and magnitude of the project, and other direct expenses associated to the undertakings. The cost of actual services shall be commensurate to the work to be performed by the consultant taking into consideration the prevailing industry rates for the specific field of specialization of the consultant.

24.6. Review of records disclosed that BCDA hired consultants and executed 16 contracts to various individuals from July 2021 to December 2022, with monthly fees ranging from P28,000 to P279,000. The Consultants were hired and procured thru Negotiated Procurement since their work requires either highly technical or primarily confidential; or policy, determining where trust and confidence is primary consideration.

24.7. On February 8, 2023, we issued Audit Query Memorandum (AQM) No. 2023-01 (2022) to apprise the Audit Team on some queries in the conduct of audit such as the basis/reference of Management in deriving the monthly fees of the consultants.

24.8. On February 23, 2023, Management submitted their response to the AQM on their basis in the computation of consultancy fee, as follows:

- Salary from previous employer/s in other government agencies and private companies.
- Standard industry rates and consultation with some Local Government Units as to the amount of compensation given by them when engaging the services of Technical Consultants.
- Current market survey done by the end-user unit to other government agencies that is similar with the scope of services of the Consultant.
- Combination of compensation from previous engagement and market research conducted as to the current rates accorded to individual consultants by other government agencies and private companies that have similar scope of services.

- Fee at par with rate paid to other consultants of similar function.
- Length of service in BCDA as Consultant, nature of work, pivotal role and other key responsibilities during the pandemic.

24.9. To validate their response that the fees were based on the surveys and market research were conducted, we requested from the Bids and Awards Committee – Consultancy (BACC) Secretariat thru electronic mail (e-mail) on March 1, 2023, to submit documents showing the results of the market study.

24.10. However, only one out of the 16 consultancy contracts was provided by BACC Secretariat with market study documentation, thru a canvass form, for CY 2022. Accordingly, the documented market studies were only implemented around October 2022 for the procurement/renewal of the contract of one Consultant. Before that, market studies performed were allegedly done verbally and not documented.

24.11. Verification of the canvass forms provided to the Audit Team disclosed that the necessary information such as the names of the companies, the person interviewed and its position to the said company, were not indicated in the said forms. We inquired the reason why it was indicated as confidential, thru email, but BACC did not directly respond and requested for a meeting instead with the Audit Team on March 6, 2023.

24.12. During the meeting with BACC on March 6, 2023, the Vice Chairperson said that they could not share such information because they are bounded by the Data Privacy Act (DPA). He further shared that this information was mostly gathered by BCDA employees thru their connection with the private companies such as their friends, with a condition that their names will not appear to any documents which includes the canvass form.

24.13. We emphasized that the absence of such information precluded the Audit Team to conduct further audit procedures to establish the propriety and validity of information in the canvass forms.

24.14. Moreover, we also inquired during the meeting with BACC the procedures undertaken, and factors considered in conducting their market research – why they chose that certain company, person and position to be interviewed; and after getting responses, how they come up with or computed the consultant's fee. However, no direct answer was provided by BACC to the Audit Team.

24.15. We observed that the positions/details in the canvass form were not at par with each other, creating huge gaps/differences on compensation being compared (e.g. expat position vs. non-expat position, junior level vs. senior level, five years vs. 20 years of experience). Hence, the results of market study may not be reliable, especially if the basis in determining the rate of the Consultant is by getting the average of the canvassed amount, as mentioned by BACC.

24.16. The hiring of consultants in government is expected to adhere with the provisions of RA No. 9184. Optimizing the value of documented market research and

established procedures in determining the consultancy fee, are mechanisms to ensure that BCDA will be able to get the most advantageous terms to the government. Disregarding such would certainly diminish efficiency, economy, and transparency in the said procurement.

24.17. **We recommended that Management:**

a. Ensure that sufficient and reliable market research was conducted and documented by BCDA to determine the consultant's fee before engaging their services pursuant to COA-DBM Joint Circular No. 2, s. 2020 dated October 20, 2020; and

b. Consider formulating a policy setting out the guidelines and procedures to be undertaken in hiring individual consultants and in determining the consultant's fee.

24.18. Management commented that instead of market research which involves obtaining price canvass from other organizations, the consultant's fee determination was based on their employment record and previous and/or current engagement as a consultant with another organization taking consideration of the similarity of their scope of services with the BCDA's Terms of Reference (TOR).

24.19. The monthly fee of the Consultants were derived from a market research by soliciting a canvass from a different organization. After obtaining an averaged amount of the monthly rate from canvass, fees were compared and determined on the basis of cost to the consultant of actual services to be rendered plus a reasonable management fee. In consonance with the Government Procurement Manual of Procedures for the Procurement of Consulting Services for the determination of reasonable rates for Consultancy, the end-user estimated the cost of consulting services through cost research in the local market. It ought to focus on the monthly salaries paid to the consultant's staff, per diems for hotel and living expenses for staff away from normal duty station, air or land transportation, and other out-of-pocket expenses, to obtain a good basis for the budget. For contract duration of more than one year, a reasonable percentage to cover inflation may be added to the estimate.

24.20. Management submitted additional documents relative to the results of the market research for two Consultants, from two government agencies - Anti-money Laundering Council (AMLC) and Bangko Sentral ng Pilipinas. Accordingly, the market research was done to supplement the results of market research previously submitted. It is worthy to stress that the market research was done mostly with the private companies because despite that BCDA is a GOCC, its operations are so varied, diverse, and are similar to the operations of private sector as BCDA engages in public-private partnerships to push forward vital public infrastructure such as toll ways, airports, seaports and also major real estate developments. BCDA operates in partnership with the private sector companies to fulfill its mandate in transforming former military bases and properties into premier centers of economic growth. Thus, BCDA hires

consultants from private sector because of their expertise, experience and capability which are not available in the current organization of BCDA. It is thus only right and fair that comparable market rates are sourced from those of private sector companies.

24.21. Notwithstanding that cost is not the primary factor in the selection of consultants based on Section 41 under Annex B of the revised IRR of RA 9184, the Management stated that they will include the conduct of market research in BCDA's procurement process for consulting services.

24.22. The Audit Team emplasized that the market research is an indispensable procedure to be undertaken by the Procuring Entity (PE), to gather and analyze information that will be of help in determining the cost of consultancy services for hiring highly technical individuals, to obtain reasonable rates which are not disadvantageous to the government.

24.23. Only one consultant was provided with documents relative to the market research and appears to be insufficient and cannot be relied upon in view that only one company was interviewed by the PE. Hence, the data gathered in which the consultancy fee was based, does not represent the whole industry/market since no comparison were made across different companies.

24.24. We noted further that the submitted documents on the additional market research for the aforementioned consultants were done only this 2023, after the issuance of the AOM, which is not in compliance with the procurement law the valid and reliable market research should have been done by Management before engaging their services this 2022, to support the consultant's rate.

24.25. The Audit Team clarified that we do not question the qualifications of the consultants hired per se, but rather on the proprietary and reasonableness of the monthly rate/fee granted to them.

24.26. As an audit rejoinder, we maintain that Management ensure prudence in hiring consultants and the rates that will be given to them by complying with the conduct of documented sufficient and reliable market to determine the reasonable rates for individual highly technical consultants.

24.27. Management committed that the BAC Secretariat Division will devise policy guidelines in accordance with the IRR of RA No. 9184 on the detailed procedures of the procurement process of the highly technical individual consultants including the determination of the consultant contract price.

24.28. The drafting of the Policy Guidelines for the procurement process for the hiring of individual consultants is ongoing. Management will furnish the Audit Team upon the approval of the same.

24.29. The Audit Team will monitor the commitment of the Management to devise policy guidelines on the procurement process of highly technical individual consultants.

25. The monthly rate/fee granted to two Consultants was equivalent to or more than the salary of Group Heads of BCDA, which appears to be excessive pursuant to COA Circular No. 2012-003.

25.1. COA Circular No. 2012-003 dated October 29, 2012, defines excessive expenditures as unreasonable expense or expenses incurred at an immoderate quantity and exorbitant price. It also includes expenses which exceed what is usual or proper, as well as expenses which are unreasonably high and beyond just measure or amount. They also include expenses more than reasonable limits.

25.2. Review of the consultancy contracts revealed that two Consultants were paid with a very high monthly fee/rate ranging from P114,000 to P279,000, which is at most and/or equivalent to the salary of a Senior/(Assistant) Vice President (SVP/AVP/VP) of BCDA and its President and Chief Executive Officer (PCEO), as follows:

Table 24. Comparison of Consultancy Fee vis-a-vis BCDA Employee Salary

Consultant	Period	Rate/ month	Equivalent Monthly Salary of BCDA Personnel	
			Before October 5, 2021	On and after October 5, 2021
Consultant A	Apr. 1 to Sept. 30, 2022	114,943	108,236 (SG 28-VP) 131,561 (SG 29-SVP)	106,948 (JG 13-AVP) 135,616 (JG 14-VP)
	Oct. 26, 2022 to Apr. 25, 2023	279,000	214,299 (SG 28 Step 7-SVP – IFMG) 293,250 (SG30 Step 6-PCEO)	279,783 (JG 17-SVP)
Consultant B	Jan. 1 to June 30, 2022 Jul. 1 to Dec. 31, 2022	114,943	108,236 (SG 28-VP) 131,561 (SG 29-SVP)	106,948 (JG 13-AVP) 135,616 (JG 14-VP)

25.3. It is worthy to be emphasized that two consultants were only given specific scope of work or activities to do but their monthly rates are at most or the same with the salary of Group Heads of BCDA such as VP, AVP and SVP, wherein these BCDA personnel have broader roles and responsibilities in the management of day-to-day operations of their respective group and personnel/staff.

25.4. It bears stressing that the Consultants were only temporary in nature, and they could be terminated/separated from the agency within a given period of time or upon evaluation of Management. Unlike the organic personnel of BCDA such as the VP/AVP/SVP, they could not be held primarily liable or held accountable for errors, mistakes and negligence committed by them, if any.

25.5. The monthly fee/rate of the two Consultants is considered as excessive in accordance with COA Circular No. 2012-003 dated October 29, 2012, since it is in our view that this exceeds what is usual or proper, unreasonably high and beyond just measure or amount.

25.6. **We recommended that Management evaluate the monthly rates of consultants which exceed what is usual or proper and/or unreasonably high and beyond just measure or amount. Disbursement of government funds in violation of laws, rules and regulations may warrant the issuance of Notice of Disallowance.**

25.7. Management commented that the monthly rates of BCDA consultants cannot be equated to the salary of BCDA executives. These two variables are unparalleled since the duties of the Group Heads of BCDA are broader in range which covers various functions of their respective departments and the entity as a whole. On the other hand, the duties of consultants are more concentrated as it focuses on a certain project. Since BCDA is under Government-Owned and Controlled Corporations (GOCC), the compensation of its employees is based on the Compensation and Position Classification System (CPCS).

25.8. Further, Management argued that there is no case on the hiring or rate of consultants included in Annex D of the said COA Circular, thus, no specific reference whether or not the monthly rates of the two consultants can be considered as "excessive" expenditures of Government Funds.

25.9. Moreover, these consultants may have a specific scope of work only, but they have greatly contributed to the smooth operation and success of BCDA projects through their valuable insights and recommendations which guided the BCDA Department/Group Heads concerned in their day-to-day operational decisions. These consultants are experts in their field and have the professional experiences that are right for projects/scope of work provided in their contracts.

25.10. The two Consultants were hired as BCDA consultants primarily based on their proven extensive expertise, experience, and capability, which are not available in the present organization of BCDA. The results of the market research, however, were also considered in the determination of the monthly rates of these consultants which are far lower than the prevailing rates in private sector.

25.11. The salary in previous employment was also considered in the determination of consultancy fee as they deem fair that their fee is commensurate with professional expertise, experience, capability as well as the complexity of her scope of services in BCDA.

25.12. COA is endowed with enough latitude to determine, prevent, and disallow irregular, unnecessary, excessive, extravagant, or unconscionable expenditures of government funds. It is tasked to be vigilant and conscientious in safeguarding the proper use of the governments, and ultimately the people's, property. The exercise of its general audit power is among the constitutional mechanisms that gives life to the check and balance system inherent in our form of government (Delos Santos v. Commission on Audit)

25.13. Audit Team clarified that Annex D of COA Circular No. 2012-003 is not an exhaustive/complete list of "excessive" expenditures. There are other cases,

which are not yet in the list, but may fall under the definition of IUEEU expenditures.

25.14. Though consultancy fees were not explicitly mentioned in the said Circular, it can still be classified as excessive if it falls under the definition of excessive expenditure – which exceeds what is usual or proper, as well as expenses which are unreasonably high and beyond just measure or amount.

25.15. It is worthy to mention that in the related jurisprudence, the Supreme Court (SC) ruled under A.M. No. 17-12-02-SC, July 16, 2019 re: Consultancy Services of Helen P. Macasaet, the SC declared the eight contracts of Contracts of Services with Ms. Macasaet as VOID ab initio and she was directed to reimburse all the amounts received as consultancy fees from the subject eight Contracts of Services with the SC, in view that there was no proper market research conducted to determine the prevailing market rates as of 2017, which prevailing market rates should be the applicable amount of compensation payable to an individual professional consultant.

25.16. Furthermore, based on the comparison of the current rate of the Consultant vis-à-vis the compensation of the SVP/Group Head made by the Management, it is worthy to mention that the other benefits, bonuses, and allowances of the SVP/Group Head were included.

25.17. Section 7.5 of COA and DBM Joint Circular No. 2, s. 2020 states that the services of the COS and JO workers are not covered by Civil Service laws, rules, and regulations, thus, not creditable as government service. They do not enjoy the benefits being received by government employees, such as leave, Personnel Economic Relief Allowance, Representation and Transportation Allowances, and other bonuses and incentives.

25.18. Inclusion of the other benefits, bonuses and allowances being received by regular employee would distort the result of comparison of rates, hence, would naturally appear to have a lower consultancy fee than the compensation of SVP/Group Head.

25.19. As an audit rejoinder, we maintain that Management ensure that Consultant's fees are just and reasonable. Otherwise, excessive fees may warrant the issuance of a Notice of Disallowance (ND).

26. The obligations of consultants were not in accordance with Section 7.1 and 7.3 of COA-DBM Joint Circular No. 2, s. 2020 and Section 2 of Annex B of the IRR of RA No. 9184, as these are redundant/duplication of jobs and functions of employees and different departments in BCDA.

26.1. Sections 7.1 and 7.3 of the COA-DBM Joint Circular No. 2, s. 2020 dated October 20, 2020, provides that:

> *7.1 Hiring under COS shall be limited to consultants, learning service providers, and/or other technical experts to undertake special project*

or job within a specific period. The project or job is not part of the regular functions of the agency, or the expertise is not available in the agency, or it is impractical or more expensive for the government agency to directly undertake the service provided by the individual or institutional contractor. Xxx

7.3 COS and JO workers should not, in any case, be made to perform functions which are part of the job description of the agency's existing regular employees. (Underscoring supplied)

26.2. Meanwhile, Section 2 of Annex B of the IRR of RA No. 9184 states that the services of consultants may be engaged by any procuring entity for government projects or related activities of such magnitude and/or scope as would require a level of expertise or attention beyond the optimum in-house capability of the procuring entity concerned and consistent with the Government's policy not to compete with the private sector.

26.3. Review of the contracts, accomplishment reports, personal description form (PDF) of BCDA employees and updated functional and organizational chart, disclosed that the hiring of some consultants are unnecessary and there is redundancy or duplication of functions/obligations to the existing BCDA employees/department or to another consultant hired by BCDA.

26.4. For CY 2022, the payments to the above five consultants, in which their responsibilities were deemed duplication of jobs and functions of BCDA employees and its different departments, totaled P2.240 million. The incurrence of these expenditures is considered not essential and can be dispensed with without loss or damage to property of BCDA. This may have been avoided had the Management properly analyzed/assessed whether the hiring of consultants was essential and advantageous to the mandate and operations of the Agency.

26.5. **We recommended that Management consider discontinuing the contract of consultants whose work and services can be performed by a regular plantilla personnel of BCDA.**

26.6. Management commented that there were no redundancy/duplication of obligations with officials/employees of BCDA based on the verification of obligations of Consultants per TOR.

26.7. We noted that most of the contracts were already terminated/not renewed by Management, we would like to emphasize that the consultants should not, in any case, be made to perform functions which are part of the job description of the agency's existing regular employees.

26.8. We believe that there are existing organic employees of BCDA, equally capable and competent as with the Consultants, who can also deliver and do her responsibilities/obligations.

26.9. Meanwhile, the Consultant is really a good help in the realization of the mandate of BCDA, Management may consider to hire them as an organic employee of BCDA, since there are many available plantilla positions that is suitable with qualifications, subject to the rules and regulations promulgated by the Civil Service Commission

26.10. As an audit rejoinder, we maintain that Management review all individual consultancy contracts and evaluate the need for their renewal in accordance with COA-DBM Joint Circular No. 2, s. 2020 and Annex B of IRR of RA No. 9184; and ensure no redundancy/duplication of jobs and functions from the organic employees of BCDA.

27. Accomplishments of Consultants were not aligned to their obligations under the contract.

27.1. We compared the accomplishments of the consultant vis-à-vis the obligations stipulated in the contract and noted that consultants were not able to significantly accomplish their obligations under the contract; or the obligations stated therein were already done/implemented by Management before they were hired/renewed.

27.2. Consultants are paid in the performance of the services required from them as stipulated in the contract. Therefore, BCDA must ensure that the Accomplishment Reports submitted by consultants reflect what they have actually done and ensure that their obligations, the reason why they were hired, will be fulfilled and timely implemented/done.

27.3. **We recommended and Management agreed to ensure that the hiring of consultants is justified by determining whether the obligations, responsibilities and outputs of the consultant are met and fulfilled in a timely manner. Otherwise, consider discontinuing their contracts.**

27.4. Management commented that most of the contracts were not renewed and committed to comply with the recommendation.

28. Subcontracted portions of the Operations and Maintenance (O&M) Services for the New Clark City Sports Complex exceed the threshold of 20 per cent of the total project cost as provided in the Manual of Procedures for the Procurement of Goods and Services.

28.1. To support the vision of the NCC as the main hub of Philippine Sports, there is a need to engage the services of a reputable property management firm that will operate and maintain the existing sports facilities.

28.2. For this purpose, BCDA has conducted a competitive bidding to procure the services of the Operations and Maintenance Provider in accordance with Republic Act No. 9184 and its Revised Implementing Rules and Regulations.

28.3. Philjaya Property Management Corporation (Philjaya) has been determined to have complied with the eligibility requirements and is responsive to all the requirements of the Project, as well as the conditions specified in the bidding documents. And on December 27, 2021, BCDA and Philjaya executed the Contract for the Operations and Maintenance of the New Clark City Sports Hub.

28.4. The contract amount was P98.732 million for the period of January 2022 to June 2023 for a period of 18 months or P65.821 million for one year and was applied to the following components:

Table 25. Summary of Bid Amounts

PART		DESCRIPTION	BID AMOUNT	Percentage
I		PERSONNEL SALARIES		
	A	Staff/Manpower Salaries	P 28,561,591.61	28.93
	B	Housekeeping Services Salaries	20,752,676.00	21.02
			49,314,267.61	**49.95**
II		MAINTENANCE SERVICES		
	A	Maintenance Services/Contracts	39,193,914.82	39.70
	B	Maintenance Supplies	8743632.16	8.86
	C	Taxes, Permits and Fees	1,479,912.00	1.50
			49,417,458.98	**50.05**
			P 98,731,726.59	100

28.5. The Audit Team requested the detailed breakdown of the contract cost showing in sufficient detail the direct and indirect costs to support the Approved Budget for the Contract (ABC). However, Management have not yet submitted the document as of date.

28.6. The Manual of Procedures for the Procurement of Goods and Services provides that:

> *"Generally, a supplier may be allowed to subcontract a portion of the contract or project. However, the supplier should not be allowed to subcontract a material or significant portion of the contract or project, which portion must not exceed twenty percent (20%) of the total project cost. The bidding documents must specify what are considered as significant/material component(s) of the project."* (emphasis ours)

28.7. Upon request, Management submitted a summary of Maintenance Services outsourced by Philjaya as follows:

Table 26. Summary of Maintenance Services

SERVICES	SERVICE PROVIDER
Housekeeping	Primestar Combined Services
Pool Maintenance	Alpha Pools/NSF3 Builder Corp.
Elevator Preventive Maintenance	Asia PTS Elevator, Inc.
LED Scoreboard	Amigo Entertainment Technologies Corp.
Waste Collection Disposal	J.M. Santos Hauling Services
Pest and Termite Control	Zeal Pro Solutions, Inc.

28.8. The total contract amount for the services mentioned excluding housekeeping services is P1.244 million, computed as follows:

Table 27. Contract Amount of Services

Service	Amount
Athletic Stadium	
Elevator Maintenance	P 21,947.59
Scoreboard Operations and Maintenance	101,708.35
Pest/Termite Control	47,795.28
Garbage Collection and Disposal	5,616.26
Aquatic Center	
Elevator Maintenance	13,382.68
Scoreboard Operations and Maintenance	101,708.35
Pest/Termite Control	29,872.05
Garbage Collection and Disposal	8,424.40
Cleaning and maintenance of swimming pools	657,496.78
Athletes Village	
Elevator maintenance	93,678.74
Pest/Termite Control	35,846.46
Garbage Collection and Disposal	11,232.53
Cleaning and maintenance of swimming pools	43,763.38
River Parks and Site Development	
Garbage disposal and collection	71,692.92
Total Outsourced Services	**P 1,244,165.77**

28.9. The outsourced services accounts for 22.68 per cent of the total contract cost, computed as follows:

Table 28. Computation of Percentage of Outsource Services

Outsourced Services (P1,244,165.77x18 Months)	P 22,394,983.86
Contract Cost	P 98,731,720.59
	22.68 per cent

28.10. Review of the terms of agreements entered into by Philjaya with various subcontractors disclosed that the basic O&M rate includes markups ranging from eight per cent up to 182 per cent, as follows,

Table 29. Summary if Basic O&M rate

	Company	Service	Amount per Philjaya Contract	Basic O&M Rate	Markup
1.	NSF/Alpha Pools	Pools at Aquatics Center	535,000.00	604,897.04	13
2.	Asia PTS Elevator	**PMS for Elevators (Aquatics Center)**			
		One unit MRL Passenger Elevator	4,500.00		
		Two units PWD Stair Lift	5,600.00		
			11,100.00	12,312.07	11
		PMS for Elevators (Athletics Stadium)			

Table 29. Summary if Basic O&M rate

	Company	Service	Amount per Philjaya Contract	Basic O&M Rate	Markup
		Two units MRL Passenger Elevator	6,800.00		
		Four units PWD Lift	14,000.00		
			20,800.00	20,191.78	-3
		PMS for Elevators (Athletics Village)			
		Three units MRL Passenger Elevator (Building A)	15,300.00		
		Three units MRL Passenger Elevator (Building B)	15,300.00		
			30,600.00	86,184.44	182
3.	J.M. Santos Hauling Services	Waste Disposal	15,000.00 /20 cubic meter		
4.	ZealPro Solutions	Pest Control	80,000.00	113,513.79	
5.	Amigo Entertainment	LED-Scoreboard (Aquatics Stadium)	86,360.00	104,432.69	31
		LED-Scoreboard (Athletics Stadium)	86,360.00	101,708.35	8

28.11. Subcontracts exceeding the threshold provided under the Manuals of Procedures may lead to higher contract cost and therefor disadvantageous to the government.

28.12. **We recommended that Management:**

a. Submit the breakdown and basis of amounts for the Approved Budget of the Contract for the O&M;

b. Adhere to the 20 per cent of the total project cost threshold as provided in the Manual of Procedures for the Procurement of Goods and Services for subcontracts; and

c. Improve the Terms of Reference for subsequent biddings for the Operations and Maintenance of the New Clark City Sports Complex.

28.13. Management submitted a document indicating the Approved Budget for the Contract of P98.900 million (or P1.267 million per week ABC), DTRs of Maintenance Personnel for the period of January to September 2022, Summary of Maintenance Services Outsourced by Philjaya and list of Maintenance Services/Contracts.

28.14. Furthermore, Management commented that they will ensure compliance with the implementation of the contract for New Clark City Sports Complex O&M services, including the 20 per cent threshold of the total project cost allowed for the subcontract portions of the contract as provided in the Manual of Procedures for the Procurement of Goods and Services of RA No. 9184.

28.15. The Audit Team verified the submitted documents and noted that:

a. The form is not compliant with our recommendation because the breakdown and basis for the amount were not presented;

b. DTRs for Housekeeping and Janitorial Services personnel were not submitted; and

c. The total contract amount for the services mentioned excluding housekeeping services is P1.244 million. The components of Maintenance Services/Contracts that are not outsourced by Philjaya amounted to P0.960 million per month. These services are still billed to BCDA despite them being performed by Philjaya personnel. It is worth mentioning that Staff/Manpower Salaries and Maintenance Supplies needed to perform these services are billed separately from the Maintenance Services/Contracts.

28.16. We observed that the contract amount per month of outsourced services of P1.244 million is 22.69 per cent of the total monthly cost of P5.485 million which exceeded the allowable threshold of 20 per cent as provided by the Manual of Procedures.

28.17. It was further recommended that Management explain why services that are not outsourced by Philjaya are still paid by BCDA separately from the Staff/Manpower Salaries and Maintenance Supplies.

29. Payments for Maintenance Services not outsourced by Philjaya were not properly substantiated and may result to overpayments by the government.

29.1. The components of Maintenance Services/Contracts that are not outsourced by Philjaya which amounted to P0.960 million per month, as follows:

Table 30. Component of Maintenance Services/Contracts

Service	Amount
Athletic Stadium	
Generator Maintenance	P 85,240.81
Electrical System/Panel Boards	13,566.17
Fire Alarm System	12,802.09
Electronic System	6,306.61
Security System Maintenance (CCTV and access control)	10,248.24
Fans, blowers, and pumps (mechanical)	4,949.86
Air conditioning units	85,956.92
Gym Equipment	9,913.75
Cleaning of sanitary and drainage lines	5,616.26
Garden and landscaping	11,232.53
Glass and roof framing cleaning	8,640.41
Grass maintenance	44,930.11
	299,403.76

Table 30. Component of Maintenance Services/Contracts

Service	Amount
Aquatic Center	
Generator Maintenance	46,879.63
Electrical System/Panel Boards	13,566.17
Fire Alarm System	11,103.86
Electronic System	6,306.61
Security System Maintenance (CCTV and access control)	10,248.24
Fans, blowers, and pumps (mechanical)	4,949.86
Air conditioning units	95,101.27
Gym Equipment	5,217.76
Cleaning of sanitary and drainage lines	5,616.26
Gardens and landscaping	5,616.26
Glass and roof framing cleaning	10,368.49
	214,974.41
Athletes Village	
Generator Maintenance	62,074.44
Electrical system/panel boards	13,566.17
Fire Alarm System	22,207.71
Electronic system	6,306.61
Security system maintenance (CCTV and access control)	10,248.24
Ventilation, fans, blowers, and pumps (mechanical)	4,949.83
Air conditioning units	149,314.22
Gym Equipment	5,217.76
Cleaning of sanitary and drainage lines	5,616.26
Gardens and landscaping	5,616.26
Cleaning of glass and windows	10,368.49
	295,485.99
River Parks and Site Development	
Electrical System	6,783.09
Sanitary and drainage lines (including CRs)	2,592.12
Landscape and streetlights	140,701.61
	221,769.74
	P 959,940.98

29.2. The list of the required Maintenance Personnel is as follows:

1	Facility Manager	10	Track & Field Maintenance Personnel
2	Deputy Facility Manager	11	Pool Maintenance Personnel
3	Administrative Assistant Facility Engineer	12	Painter
		13	Mechanical/AC Technician
4	Mechanical Engineer	14	Plumber
5	Electrical Engineer	15	Welder
6	Electronics and Communications Engineer	16	Carpenter/Mason
7	Senior Technician	17	Landscape Gardener 1
8	Electrician 1	18	Landscape Gardener 2
9	Electrician 2	19	Receptionist (Athletes Village)

29.3. The duties and responsibilities of the Maintenance Personnel as indicated in the Technical Specifications/Scope of Work encompasses the task included in the Maintenance Services/Contracts. However, we observed that these were billed separately from the Staff/Manpower Salaries and Maintenance Supplies.

29.4. Upon inquiry, Management mentioned that to cover the regular preventive maintenance activities of the entire sports facilities as well as the conduct of corrective maintenance and major repairs, the service provider is required to augment personnel and provide technical services (on an on-call basis) in addition to the listed key personnel without any additional cost to BCDA.

29.5. Upon review, we noted that the services not outsourced by Philjaya are included in the schedule of requirements under Section VI of the bidding documents and therefore cannot be considered additional services. We also noted that these items are included in the billings under Maintenance Services/Contracts which are paid by BCDA.

29.6. In our audit of Disbursement Vouchers for the payment to Philjaya, the attached review of the billing for the O&M of the NGAC Sports Facilities performed by the Management never mentioned that the service provider was required to augment personnel to provide technical services in addition to the listed key personnel other than additional housekeepers required during the time the Athlete's Village was used as a quarantine facility. The DTRs provided did not include personnel other than those required under Section VI of the bidding documents.

29.7. Insufficient documents and validation of work performed, and personnel involved may lead to over payments by the government.

29.8. **We recommended and Management agreed to:**

a. Review previous billings paid by BCDA and require Philjaya to provide additional supporting documents to justify the cost of Maintenance Services/Contracts that were not outsourced; and

b. Improve validation procedures for the billing of the Operations and Maintenance of the NCC Sports Complex.

30. BCDA spent maintenance costs for the NCC Sports Facilities more than the total revenue derived therefrom.

30.1. The Sports Complex is recorded in BCDA's books of accounts under Investment Property with a total cost of P10.340 billion, including interest and the cost of variation orders.

30.2. For CY 2022 BCDA recorded in its books of accounts under Other General Services the NCC Operations and Maintenance in the total amount of P51.194 million and Rent Income in the amount of P48.757 million.

30.3. As we analyze the revenue recorded for the lease of the facilities and the cost of operations and maintenance of the facilities for CY 2022, we noted that BCDA incurred losses in the amount of P11.387 million, as shown below:

Rent Income	P	48,757,123
Less: OCD Food Expenses		8,949,375
Adjusted Rent Income		**39,807,748**
Operations and Maintenance		(51,194,981)
Loss from Operations of the Sports Complex	**P**	**(11,387,233)**

30.4. Hence, revenue from the current operations of the facilities is not sufficient to cover the cost to preserve the Sports Complex, let alone the recovery of the construction cost of the project. If this continues, the government is burdened to shoulder the cost of maintenance of the facilities which could have been used for other programs and projects of the government.

30.5. **We recommended that Management:**

a. Prepare/submit a Marketing Plan and Budget for the Sports Complex; and

b. Conduct a study to determine the expected recoupment period of the Investment Property.

30.6. Management noted COA's comment that the revenue recorded for the lease of the NCC sports facilities is not sufficient to cover the costs required to sustain its regular operations and maintenance.

30.7. Management informed the Audit Team of what BCDA has embarked on to actively market and promote the NCC sports facilities to a diverse range of clients apart from the sporting community to ensure that the former Southeast Asia Games (SEA Games) venue remains sustainable and utilized for its purpose, to wit:

- When the pandemic restrictions eased up during the 1st quarter of 2022, BCDA officially re-opened the NCC sports complex to the general public to signal that we are ready to host activities and events in the area. To attract potential clients, "early bird discounts" were offered to those interested parties who have expressed strong interest in using the facilities for their activities and events. As a marketing strategy, we have seen the demand for sports-related activities slowly but significantly increasing, resulting in higher foot traffic, greater awareness from sports organizers and clubs, and higher media value. The benefits of a growing network are exponential and not easily quantifiable. Hosting numerous events in 2022 is a game-changer for NCC, as it proves that the facility is thriving and counters the perception that it's a "white elephant", as was suggested after the hosting 2019 SEA Games.

- Other possible revenue streams that BCDA has accepted include conduct of photo and video shoots for TV and online commercials as well as for personal use and hosting of team building activities, company events, training and workshops. Though income generated from these activities are minimal, we see the value of "word-of-mouth" marketing as companies and government agencies have started to share NCC sports facilities as an ideal venue for such activities.

- BCDA has also aggressively included the NCC sports facilities in its investment pitches locally and abroad to inform our business audience that BCDA is actively looking for private partner to take on the operations and maintenance of this world-class sports complex with the end-goal of lifting the burden of its O&M costs from the government and eventually, the recoupment of this investment property.

- Lastly, BCDA also has conducted various investment promotions and marketing activities to complement the on ground events happening in NCC. With these, several foreign delegations from both the business and sports communities have been to the NCC sports facilities to see the "proof of concept" of what the city of the future looks like—center to NCC's design aspirations of an active and healthy community lies the NCC sports complex. As a result, several intents have been received by BCDA to either locate and expand their businesses in the area and one promising lead from these efforts is a proposal from Pico Play–an Australia-based company which is part of Pico Group specializing in end-to-end delivery of tourist attractions including waterparks, theme parks, nature parks, surf parks and family entertainment centers.

- Pico Group and Pico Play have demonstrable success across venue management (operation and maintenance), aquatic recreational facility development and event creation and management and the proponent have strongly expressed its interest in the following areas with regard to the NCC sports facilities:

  - Operations and Maintenance of the Sports and Associated Facilities
  - Operations and Maintenance of River Park
  - Expansion of the Sports Facilities and Aquatic Facilities within the Sports Precinct
  - Development of commercial and residential projects to allow for the viability of the Sports Precinct

  BCDA has signed a Non-Disclosure Agreement with Pico Play to move forward this potential partnership for NCC sports facilities.

30.8. It has also been a realization that operating and maintaining a sports complex entails significant expense as it involves facility and equipment upkeep, manpower salaries, utilities, and insurances, among others. However, as the owner of these sports facilities, it is also the sole responsibility of BCDA to ensure that these are really well-maintained and most importantly, utilized.

30.9. As part of BCDA's continuous efforts to understand how to market the NCC sports facilities, BCDA officers and staff have participated in benchmarking activities which include its recent attendance at the SportNXT event in Melbourne, Australia. Similarly, a visit to the Queen Elizabeth Olympic Park in London last November 2022 was also participated in by BCDA officers to get a deeper understanding on how these foreign governments sustain their sports facilities after being constructed and utilized for hosting of international sporting events such as the Olympics. The management of both facilities revealed that the sports complexes are not self-sustaining properties. Rather, the hosting of other types of activities and events such as concerts, conferences, workshops, among others as well as development of other support facilities within the area such as residential houses, commercial and mixed-use buildings are the keys to help in the upkeep expenses. This has been a marketing strategy of BCDA since it opened its doors to hosting public events in 2022.

30.10. Since BCDA is now running, marketing, operating and maintaining the sports facilities, it has also accepted letters of intentions from small clubs and groups who are investing in and promoting grassroots sports. Accepting grassroots sports in NCC, though not income generating, have given us the wide opportunity to meet new people, be known more by the sports community locally, and have more clients for both sporting and non-sporting events. These events have helped NCC in an unquantifiable way as it has directly benefited members of project affected communities within and around the NCC through sports. This is also true in case of government agencies who have come to BCDA for their venue requirements for team building, events, workshops, among others.

30.11. BCDA also have seen the benefits of hosting events and various activities in NCC which are as follows:

- Continuous promotion of NCC world-class sports facilities as a venue of choice for sports tourism in the country;
- Spurring of the local economic activity in the area by creating more jobs during event hostings;
- Benefits to the local communities especially to the NCC's project affected people through allocation of free slots to join sporting events hosted in NCC which most of the time is also costly;
- Increase network in both the sporting and business sectors; and
- Providing a testament that the NCC sports facilities is not a white elephant

30.12. Rest assured that BCDA is unceasingly working on a Marketing Plan and Budget for the NCC sports complex and that the study to determine the expected recoupment period of the Investment Property is already underway per the COA's recommendation.

30.13. Among the areas BCDA are exploring as part of its marketing plan include:

- Advertising placements within the NCC sports complex (e.g. installation of lamp posts to be leased out to interested parties, placements of banners at

the bleachers and high-traffic locations within the Athletics Stadium and Aquatics Center and installation of ad structures at the Athletes' Village);
- Membership for exclusive use the sports facilities for training;
- Brand partnerships; and
- Long term naming rights for the Athletic Stadium, Aquatics Center and Athletes' Village (e.g. Smart Araneta Coliseum, Schaefer Stadium, among others)

30.14. The Audit Team will monitor Management's submission of the Marketing Plan and Budget and the study on the expected recoupment period of the Investment Property for further evaluation.

31. The selling prices of Heritage Park Investment Certificates (HPICs) and the procedure for their disposition are not updated with the current market values despite the availability of appraisal report for the year 2021 which deprived the government of additional funds and may result to losses of up to P1.293 billion.

31.1. 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 a world-class memorial park to generate funds for the Authority in pursuance of its mandate under Republic Act (RA) No. 7227. Upon sale of memorial products, HPICs are issued to buyers as proof of the certificate holder's right to the perpetual use and care of interment plots.

31.2. During the 371st Regular BCDA Board Meeting on April 25, 2012, the Board resolved the following under Resolution No. 2012-04-082:

> *"Resolve further, as it is hereby resolved, that the disposition of the new products at the Angel's Touch Columbarium, the Pavilion Terraces, and the Church Terraces, which shall be open to all license brokers, under the terms and conditions similar to our disposition of the Area 2 certificates, be, as it is hereby APPROVED, xxx...*
>
> *Resolve further, as it is hereby further resolves, that the Certificates to be offered under cash and installment sale and for installment sales, higher-valued products such as garden lots and estate lots may have a term of up to five years, and lower-valued product, such as the lawn lots and the niches shall have installment terms of not more than 12 months , and where buyers shall be required to pay at least 20% downpayment for the HPIC upon signing of the purchase agreement, the balance to be subject to 12% interest per annum be, as it is hereby APPROVED."*

31.3. BCDA Business Development Department (BDD) incorporated these Board approvals in the revised Procedure for Disposition of Heritage Park Investment Certificates in CY 2012, including the offering prices of the 9,380 memorial products which were approved by the BCDA Board under Resolution No. 2006-

08-099 on August 1, 2006 and the prices for the 1,041 new memorial products under Resolution No. 2008-06-130 on June 17, 2008.

31.4. During the same year, the BCDA Board granted its subsidiary, BCDA Management and Holdings, Inc. (BMHI) authority to sell the memorial products with recommended price adjustments for all unsold memorial products. The price adjustments were approved during the 407th Regular Board Meeting on November 6, 2013 under Resolution No. 2013-11-176.

31.5. BCDA sold the memorial products to the public thru accredited licensed brokers and BMHI, until its deactivation in CY 2015. Afterwards, BCDA directly offered and sold its memorials products to the public.

31.6. On February 5, 2021, Management submitted the existing pricelist of memorial products approved by the BCDA Board under Resolution No. 2008-06-130.

31.7. BCDA recognized in its books of accounts the value of the 4,923 memorial products based on the approved appraisal conducted by Colliers International Philippines, Inc. The sale and lease of BCDA's assets are anchored on the approved disposition plan. The BCDA-owned memorial products were not included in BCDA's 2021 annual disposition plan and that the valuation of these assets was initiated by the latter part of 2021, the results of which will be used as a basis for its disposition.

31.8. Attendant to the ongoing finalization of the valuation of memorial products, BCDA has included the disposition of these assets in its 2022 annual disposition plan. These assets will be disposed of via the execution of a non-exclusive marketing agreement with the Rosehills Memorial Management, Inc. (RMMI), the Estate Manager and Major shareholder of HPICs in the Heritage Park.

31.9. On February 7, 2023, we requested an update on the current pricelist and status of the disposition plan for the memorial products. In its letter-reply dated February 10, 2023, Management informed us the following:

- Updated selling price of HPICs – There is an ongoing appraisal for these assets. Once finalized and approved by BCDA, the results of the appraisal will be used to determine the new selling prices for the BCDA-owned HPICs.

- Marketing Agreement – This agreement with RMMI will be executed once the appraisal report for the HPICs has been approved by BCDA. The draft Marketing Agreement has already been reviewed and confirmed by the Office of the Government Corporate Center.

31.10. BCDA contracted Santos Knight Frank, Inc. (SKF) through a public bidding in CY 2021 to provide an opinion of value for the 4,925 unsold memorial products on the basis of "Market Value (MV)". MV is defined under 2019 International Valuation Standard as the "estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing

seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

31.11. On February 21, 2023, the Accounting and Comptrollership Department submitted a copy of the report on the appraisal of 4,925 HPICs which was conducted by SKF in September and October 2021.

31.12. Despite the availability of MVs for the year 2021, we noted that the pricelist for the unsold memorial products are still not updated up to this date. Management could have used the appraisal as a basis for updating the pricelist.

31.13. Review of records revealed that BCDA sold two memorial products in 2019 and 2023 at the 2008 pricelist which resulted in lower revenues of P9,152 and P10,562, respectively. Management did not consider the latest appraised value of the 4-plot family garden of P0.750 million in 2018 which was sold at P0.741 million and companion niche appraised at P64,000 in 2021 which was sold at P53,438, thus, depriving the government of additional revenue.

31.14. Sound business judgment dictates that memorial products that appreciate in value should regularly undergo appraisals to ensure that they are being sold at their current MVs. Not capitalizing on the increase in MV of the memorial products may deprive the government additional revenue of up to P1.293 billion, computed as follows:

Table 31. Computation of Possible Additional Revenue Forgone

Particulars	Amount
Total MVs of 4,923 unsold memorial products based on 2021 appraisal	P 1,886,952,000
Total MVs of 4,923 unsold memorial products based on the 2008 approved pricelist	594,063,656
	P 1,292,888,344

31.15. **We recommended that Management:**

a. Expedite the updating of pricelist for the remaining 4,923 unsold memorial products and incorporate it in the Procedure for the Disposition of HPICs;

b. Provide the Audit Team copies of the approved pricelist, revised procedure for the disposition of HPICs, 2022 Appraisal Report for HPICs, and other pertinent documents; and

c. Refrain from selling memorial products until the new pricelist based on the latest appraisal is approved by the Board of Directors.

31.16. Management commented that they have already engaged three appraisal companies to undertake an updated valuation of the remaining 4,923 BCDA-owned HPICs. The reports are currently being finalized and is expected to be submitted within April 2023.

31.17. Once approved by Management, the results of the appraisals will be used to update the pricelist for the BCDA-owned HPICs, when approved by BCDA Management. Accordingly, the pricelist, along with the Revised Procedure for the disposition of HPICs and Appraisal Reports, will be submitted to the Audit Team.

31.18. The disposition of the HPICs will proceed after the pricelist have been updated and approved by the BCDA and the Marketing Agreement with RMMI has been signed.

31.19. The Audit Team will monitor Management's submission of the pricelist based on the most recent appraisals of the remaining 4,923 unsold HPICs and the revised Procedure for the disposition of HPICs.

32. The Bids and Awards Committee (BAC) and the Head of the Procuring Entity (HoPE) did not issue a Resolution to delegate specific officials, personnel, committee or office in BCDA that will conduct the procurement of petroleum, oil, and lubricant products through Direct Retail Purchase, which is contrary to Part IV (J) of Annex H of the IRR of RA No. 9184; hence, the propriety and regularity of the procurement of petroleum fuel, oil and lubricants could not be ascertained.

32.1. As a general rule, all procurement shall be done through competitive bidding. However, alternative methods of procurement are allowed under RA No. 9184 in order to promote economy and efficiency, but only in highly exceptional cases and under the conditions set forth in Rule XVI thereof.

32.2. Section 53.14 of the IRR of RA No. 9184 provides:

> *Direct Retail Purchase of Petroleum Fuel, Oil and Lubricant (POL) Products, Airline Tickets and Online Subscriptions. Where Goods and Services are required by a Procuring Entity for the efficient discharge of its principal mandate, governmental functions, or day-today operations, direct retail purchase of (i) petroleum fuel, oil and lubricant (POL) products; (ii) airline tickets; and (iii) online subscriptions may be made by end-users delegated to procure the same from identified direct suppliers or service providers. Xxx*

32.3. Part IV (J) of Annex H of the IRR, as amended by GPPB Resolution No. 24-2019 dated October 30, 2019, requires that:

> *Delegation of Authority. xxx For Negotiated Procurement under Section 53.14, the* ***BAC and the HoPE through a Resolution and issuance for the purpose, respectively, shall delegate to specific officials, personnel, committee or office in the Procuring Entity*** *the conduct of Direct Retail Purchase to efficiently and expeditiously deal with the pressing need sought to be addressed. Xxx*

For record and monitoring purposes, ***all awards shall be immediately reported with all supporting documents to the HoPE, through the BAC****, to ensure compliance with all the conditions and requirements provided for under R.A. 9184, its IRR and related guidelines.* (Emphasis supplied)

32.4. Item 10, Part V (D), new provision, states that:

Direct Retail Purchase of POL Products xxx

a. Policy Considerations. All procurement of POL products xxx shall be done through competitive bidding, except when the Procuring Entity has determined that Direct Retail Purchase is the best modality for the procurement of (i) non-bulk POL products xxx

b. Xxx

c. Xxx

d. Procedure.

i. The end-user delegated to directly purchase POL products, airline tickets, and online subscriptions in accordance with Part IV (J) of this Guidelines shall determine the supplier or service provider capable of delivering the required POL products xxx the required POL products, airline tickets, and online subscriptions at retail pump price or at the most reasonable retail price, as the case may be.

ii. Xxx direct retail purchase of the required POL products xxx shall be carried out in accordance with pertinent accounting principles and practices as well as of sound management and fiscal administration provided that they do not contravene existing laws and regulations applicable to financial transactions.

32.5. For CY 2022, BCDA reported fuel, oil and lubricants expenses totaling P15.610 million. Our audit disclosed that out of this amount, 98.57 per cent or P15.387 million pertains to the procurement of petroleum, oil and lubricant products, specifically for automotive vehicles of BCDA, from only one supplier – Pilipinas Shell Petroleum Corporation (Shell).

32.6. It has been the practice of BCDA to avail of the services of Shell for the past years for their fuel requirements using fleet cards, wherein payment is made after the receipt of billing/statement of account from the latter. We gathered from inquiry with the concerned personnel from Procurement Division (PD) and General Services Division (GSD) that the fuels/gasolines were procured under Section 53.14 of the IRR or the Direct Retail Purchase of POL Products, since it is most advantageous to BCDA.

32.7. Review of records disclosed that GSD is the office directly involved in the said procurement of automotive fuels/gasolines, as indicated in the various documents supporting the transactions such as Fuel/Lube/Oil Request Slips, Summary of Fuel Incurred for a Month, and Certifications of Expenses Incurred.

32.8. However, we noted that no Resolution was issued by the BAC and HoPE to delegate and designate GSD as the appropriate office in BCDA to conduct and handle the said procurement, which is contrary to Part IV (J) of Annex H of the IRR of RA No. 9184.

32.9. Absence of such document authorizing and delegating the GSD may render the procurement of petroleum, oil, lubricant products from Shell thru Direct Retail Purchase as invalid and may be construed as illegal as this deviate from the requirement of the procurement law.

32.10. **We recommended and Management agreed to require the BAC to adhere with the requirements, conditions and procedures set forth under Section 53.14 and Annex H of the IRR of RA No. 9184 by issuing a Resolution, as approved by the HoPE, to properly delegate and authorize the specific officials, personnel, committee, or office to conduct the procurement of petroleum, oil and lubricant products through Direct Retail Purchase.**

32.11. BCDA committed that the BAC for Goods (BAC-G) will issue a resolution for the delegation of authority to the Procurement and Property Management Department (PPMD) - GSD.

32.12. On May 24, 2023, Management submitted the approved BAC-G Resolution No. BG2023-008 delagating GSD to directly purchase POL products pursuant to Annex H of RIRR of RA No. 9184.

33. Fuels/gasolines for automotive vehicles of BCDA purchased through Direct Retail Purchase under Section 53.14 of the IRR of RA No. 9184 were procured without a valid contract, depriving the government of the most competitive and advantageous price/terms.

33.1. A contract is a meeting of minds between two persons whereby one binds himself, with respect to the other, to give something or to render some service.

33.2. As discussed in the preceding observation, the purchase of non-bulk POL products of BCDA for its automotive vehicles were procured from Shell thru Direct Retail Purchase under Section 53.14 of the IRR of RA No. 9184. The Audit Team requested from the concerned GSD personnel a copy of contract, or any agreement entered into by BCDA with Shell, being its sole supplier for the said purchases/procurement, but to no avail as of this date.

33.3. Audit disclosed that for the period January to December 2022, fuels/gasolines totalling P15.387 million were purchased from Shell, covered by various Disbursement Vouchers and supported by billings/Statements of Account, fuel/lube/oil request slips, receipts and driver's trip tickets.

33.4. However, the said purchases were not supported by a valid contract or agreement to document the award of the procurement to the selected supplier or service/gasoline station which is contrary with the requirement to immediately report all awards supported by documents to the HoPE, through the BAC, to ensure compliance with all the conditions and requirements provided under RA No. 9184, its IRR and related guidelines.

33.5. The best interest of the government in general, and BCDA in specific, is not protected in the absence of a valid contract that supposedly described the terms and conditions of the agreement; and BCDA could have negotiated for a better price of POL products that is advantageous to them.

33.6. Moreover, there is a need for the Accounting and Comptrollership Department to review and improve their procedures since a valid contract and Annual Procurement Plan are both basic requisites for payment, which in case of BCDA's non-bulk POL products, have been paid without requiring such.

33.7. **We recommended and Management agreed to immediately execute a contract or agreement with selected gasoline or service station for the procurement of POL products and assert feasible terms and conditions that is most advantageous to BCDA.**

34. Private individuals were allowed to occupy ASEAN Villa No. 14 without a perfected lease agreement and no rental payments resulting in loss of income for the government.

34.1. The construction of the 21-Unit ASEAN villas located in Clark Freeport Zone was funded and implemented by BCDA and was intended for use during the 2017 ASEAN Leaders' Summit. Eventually, BCDA announced that the ASEAN Villas will be privatized through long-term leases after their intended use.

34.2. Section 4 of Presidential Decree (PD) No. 1445 provides the fundamental principles that shall govern the financial transactions and operation of any government agency:

> *(2) Government funds or property shall be spent or used solely for public purposes. xxx*
>
> *(5) Disbursements or disposition of government funds or property shall invariably bear the approval of the proper officials.*

34.3. Lease agreements guarantee lessees the right to the use of property, and it serves as the authority of the lessor to assess and collect the regular payments from the lessees for a specific period. It protects both parties and the leased property should any problem arise and demonstrates compliance with the fundamental principles as stated in PD No. 1445.

34.4. Management executed 17 Contracts of Lease for various units of the ASEAN Villas with lease terms of 25 to 50 years and transmitted the copies to the Audit Team.

34.5. During our site visit and ocular inspection of BCDA projects and properties in Angeles, Pampanga on July 28, 2022, one the priorities was the inspection of the remaining villas with no existing contracts based on our monitoring, namely, ASEAN Villa Nos. 8, 12, 14, and 20.

34.6. BCDA personnel present during the site visit guided the Audit Team to the units that were not occupied. We were able to verify that three out of the four villas were vacant. However, Villa No. 14 was reported to be occupied, hence, we were precluded from entering and inspecting the said unit. The BCDA personnel were not able to disclose the identity of the tenant or how long the unit has been occupied.

34.7. Inquiry with the concerned Treasury and Project Finance Department (TPFD) personnel assigned to monitor the Contracts of Lease for the ASEAN villas revealed that there is no Contract of Lease executed for Villa No. 14. Moreover, review of BCDA's Cash Receipts Book also showed that no collection was made related to the lease of the said villa for CY 2022.

34.8. The average lease rate of the ASEAN Villas for 25 years is P30.309 million or P1.212 million annually.

34.9. Due to the absence of the contract of lease, the rights of both parties are not protected in case of disputes and litigation. It also results to loss of income for the government.

34.10. **We recommended that Management:**

a. Discontinue the practice of allowing private individuals to occupy government properties without executed contracts;

b. Collect rental payments from the tenant starting from the date the unit was turned over/occupied by the private individual, otherwise, a Notice of Charge will be issued; and

c. Execute a contract of lease for the ASEAN Villa No. 14 and provide the Audit Team a copy of the same within five working days from the execution, for auditorial and legal review.

34.11. BCDA commented that the Business Development Department (BDD), as part of its operations manual, requires a clearance prior to any disposition of any assets. Stricter guidelines for the implementation of the disposition of its assets shall be enforced by BCDA to ensure that unauthorized use or occupancy is avoided, by integrating a requirement for a signed contract and an authority to occupy prior to the delivery of the assets for occupancy and possession.

34.12. The TPFD, shall enforce the collection of rental payments from the occupant of ASEAN Villa No. 14 upon the execution of the Contract of Lease (COL) or demand letter, whichever is applicable.

34.13. BDD started its undertaking towards the execution of the contract of lease with the present occupant and performed the following activities:

- October 21, 2022 - Consultation with the Office of the Government Corporate Counsel (OGCC) to secure guidance on the issuance of a Demand to Vacate and to collect fees for the use of the villa;
- Coordination with CDC on the following matters:
  - Communication with the occupants of the Villa for BCDA to offer the signing of a Contract; and
  - Identification of the actual period of use of the property based on utility consumption monitoring and bills
- October 28, 2022 - Meeting with the occupant to offer finalization of the Contract of Lease and to complete the payment of the down payment and security deposit;
- November 24, 2022 - Coordination among the Legal Services Department (LSD), TPFD, Property and Procurement Management Department (PPMD), and BDD on the finalization of the Demand and Notice of Termination with Order to Vacate and computation of arrearages;
- In coordination with the concerned Units, BDD finalized the Demand and Notice of Termination with an Order to Vacate for the approval of the President and CEO and issue the same to the occupant of ASEAN Villa No. 14. The Demand and Notice of Termination with Order to Vacate provides for the conditions set forth by BCDA as follows:
  - Termination of use and demand to vacate the Villa;
  - Any and all payments previously made to the BCDA relevant to the occupancy of ASEAN Villa 14 shall be deemed forfeited in favor of BCDA; and
  - Charging of rent in arrears for the relevant period of occupancy.
- On the other hand, should the Occupant resolve to still sign the contract and comply with the required down payment, BCDA shall provide the Audit Team with a copy of the COL within five working days of its execution.

34.14. The Accounting and Comptrollership Department (ACD) shall record the transactions accordingly once the COL is executed and/or upon the issuance of a demand letter to the occupant of ASEAN Villa No. 14, whichever is applicable.

34.15. The Audit Team will monitor Management's actions on the recommendation.

35. Accounts Receivables totaling P13.006 million remained dormant or non-moving in the books of accounts for 10 years or more as of December 31, 2022, and the same were not yet requested for write-off contrary to COA Circular No. 2016-005.

35.1. Dormant receivable accounts as defined under COA Circular No. 2016-005 dated December 19, 2016, are accounts which remained inactive or non-moving in the books of accounts for 10 years or more and where settlement/collectability could no longer be ascertained.

35.2. Item Nos. 8.2 and 8.3 of the Circular provides the procedures in the write-off of dormant accounts, to wit:

> *8.2 The Head of the government entity shall file the request for the authority to write-off dormant receivable accounts, unliquidated cash advances, and fund transfers to the COA Audit Team Leader (ATL) and/or Supervising Auditor (SA). No filing fee is required;*
>
> *8.3 The request shall be supported by the following documents:*
>
> *a. Schedule of dormant accounts by accountable officer/debtor/ government entity and by account, certified by the accountant and approved by the Head of the government entity;*
> *b. Certified relevant documents validating the existence of the conditions, as applicable, such as:*
> *b.1 Death certificate issued by Philippine Statistics Authority (formerly National Statistics Office)*
> *b.2 Proof of insolvency*
> *b.3 Certification from the Department of Trade and Industry that the debtor has no registered business*
> *b.4 Certification from the Securities and Exchange Commission that the Corporation is no longer active*
> *b.5 Certificate of no residence in the barangay of the municipality/city of last known address*
> *b.6 Proof of exhaustion of all remedies to collect the receivables and demand to liquidate the cash advances and fund transfers, such as but not limited to copies of served or returned demand letters*
> *b.7 Certification by Legal Officer of the entity of no pending case relative to the account*
> *b.8 Certification by the responsible officials of the entity to the effect that there are no records/documents available to validate claim*
> *b.9 Other justifications, like in the case of request for write-off due to loss of documents, the circumstances of the loss should be stated in the letter-request*
> *b.10 In case of fund transfer, the unliquidated amount after reconciliation shall be supported by certification by the Chief Accountants and approved by the Heads of the source and*

implementing entities that the fund was utilized for the purpose, and certification from the recipient that the project was partially or fully implemented, supported by picture of the implemented projects.

35.3. On January 12, 2023, Management submitted the Schedule of Dormant Receivable Accounts for the quarter ending December 31, 2022 totaling P13.590 million.

35.4. Out of the said dormant accounts, P13.006 million pertains to the receivables from various debtors which do not exceed P100,000/accountable officer/debtor/government entity and by account.

35.5. The possibility of collection of the noted dormant receivables is doubtful, yet, no request for write-off was filed by BCDA, which is contrary to COA Circular No. 2016-005 dated December 19, 2016.

35.6. Meanwhile, BCDA requested the authority to write-off dormant receivables below P100,000 per accountable officer/debtor/government entity and by account, which is under the jurisdiction of the Audit Team totaling P0.584 million due to the following reasons:

- The documents related to the receivables were lost during the transfer of locations of BCDA office in 1993, 1997 and 2004;
- BCDA cannot issue the Statement of Account to the concerned payers due to absence of records and supporting documents as basis for collection; and
- BCDA has disposed the relevant documents in 2013 per BCDA records policy as approved by the National Archive of the Philippines. Hence, the balances of the claims could no longer be validated.

35.7. The said request was still under verification of the Audit Team as of this date and the results thereof will be communicated accordingly to Management.

35.8. **We recommended that Management exhaust all possible actions/remedies to collect the dormant receivables, otherwise, facilitate the request for write-off, if warranted, pursuant to Circular No. 2016-005 dated December 19, 2016.**

35.9. Management commented that they had collected P3.748 million from the City Government of Taguig representing the unliquidated account from the Housing and Relocation Fund. This resulted in the reduction of the dormant/non-moving accounts from P13.590 million to P9.259 million.

35.10. Management added that they shall adhere with the recommendation of the Audit Team by employing all available measures to collect the receivables. They shall also seek the approval of BCDA Board to request for authority to write-off the

remaining dormant or non-moving receivables in the books of accounts pursuant to COA Circular No. 2016-005.

35.11. While we commend Management for the collection of P3.748 million from the City Government of Taguig under OR No. 5483668 dated May 23, 2023, we maintain our recommendation and Management agree to exhaust all possible actions/remedies to collect the dormant receivables, otherwise, expedite the filing of the request for write-off, if warranted, in accordance with Circular No. 2016-005

36. The copies of contracts and complete supporting documents for 20 infrastructure projects of BCDA from CYs 2018 to 2022 with total contract cost amounting to P21.953 billion were not yet submitted to the office of the Auditor, which is not in accordance with COA Circular No. 2009-001 dated February 12, 2009, resulting in delayed auditorial and legal review of the contracts.

36.1. 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)

36.2. Section 3.1.2 further provides that 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.

36.3. On July 27 to 29, 2022, the Audit Team conducted a site visit and ocular inspection of various infrastructure projects of BCDA in Pampanga, Tarlac and Bataan, such as the New Clark International Airport (CIA), Subic-Clark-Tarlac Expressway (SCTEx), National Academy of Sports, National Government Administrative Center in the New Clark City (NCC), Bataan Technology Park and access roads to and from CIA, SCTEx and NCC.

36.4. However, we noted that the contracts and its complete supporting documents relative to the projects, including other projects in La Union, Pasay and Taguig, were still not submitted to the Office of the Auditor, which is not in compliance with the above provisions of COA Circular No. 2009-001.

36.5. As a result, the non-submission deterred the Audit Team to conduct timely auditorial and legal review of the contracts to determine if the processes and

activities performed by BCDA for the procurement of the aforementioned projects are in compliance with the relevant provisions of Republic Act No. 9184 and its Revised Implementing Rules and Regulations and other applicable government procurement rules and regulations; and the conduct of appropriate procedures as necessary to establish the propriety and validity of transactions.

36.6. **We recommended that Management submit the certified true copies of the documentary requirements and henceforth, ensure compliance with the timely submission of contracts and supporting documents in accordance with COA Circular No. 2009-001.**

36.7. Management submitted various documents on February 9, 2023, and March 1, 2023. However, review disclosed that there were still various documents which were not yet submitted.

36.8. During the exit conference, Management commited to comply with the submission of the remaining documentary requirements. Management added that they will device a checklist based on the said Circular and implement an automation for the central repository of documents.

36.9. The Audit Team will monitor the commitment of Management to comply with the recommendation.

37. The Applications for Leave of personnel were filed and approved only through the enterprise resource planning system (ACUMATICA) instead of using the form prescribed by the Civil Service Commission (CSC), thereby violating the Omnibus Rules on Leave (ORL) issued by CSC. Consequently, the Audit Team was precluded to verify the propriety of the leaves availed by employees due to non-submission of supporting documents.

37.1. This is a reiteration of prior year's audit observation.

37.2. 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 (EO) No. 292.

37.3. The CSC issued Memorandum Circular (MC) No. 5, s. 2021 dated April 28, 2021, to amend certain provisions in the ORL. The MC states:

> *Pursuant to CSC Resolution No. 2100020 promulgated on January 7, 2021, the Commission amended Items (p), 8 to 10 and 15 to 25, Rule I and Sections 11 to 20, Rule XVI of the Omnibus Rules Implementing Book V of EO No. 292, also known as the ORL, which cover the provisions of the civil service rules on maternity leave, paternity leave and adoption leave and the prescribed the use of the revised Application for Leave (CS Form No. 6, Revised 2022) and the Notice of*

Allocation of Maternity Leave xxx (Emphasis and underscoring supplies)

37.4. The prescribed revised Application for Leave Form per Civil Service Form No. 6, Revised 2020 provides the instructions in the application for any type of leave, which shall be accomplished at least in duplicate together with the requirements and supporting documents and to be submitted by the employees.

37.5. In our CY 2021 audit, we observed that BCDA did not use and implement the form prescribed by CSC in availing their leaves, instead, these were filed and approved through the enterprise resource planning system (ACUMATICA), which is contrary to the ORL and MC No. 5, s. 2021.

37.6. 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. BCDA adopted the use of Human Resource Information System (HRIS) system, a module of the ACUMATICA, which handles human resource functions such as personnel information management, timekeeping, and payroll, among others.

37.7. We recommended that Management properly file and approve the leaves availed/taken by employees using the Application for Leave Form prescribed by the CSC. 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.

37.8. For CY 2022, a total of 2,961 days were availed by BCDA employees as leave of absence, as follows:

Table 32. Days Available per Leave Type

Type of Leave	No. of Days Availed
Vacation Leave	786
Sick Leave	677
Privilege Leave	489
Study Leave	415
Quarantine Leave	347
Maternity Leave	159
Magna Carta on Women Leave	41
Solo Parent Welfare Act Leave	40
Excused Absence	4
Paternity Leave	3
	2,961

37.9. However, our audit disclosed that the form prescribed by CSC was still not prepared and accomplished by BCDA personnel in availing the above-mentioned leaves, which is not in accordance with the ORL and MC No. 5, s. 2021.

37.10. Based on the submitted Agency Action Plan and Status of Implementation (AAPSI) of BCDA as of November 2022, Management made a query to CSC-HRPSO dated May 2, 2022, through electronic mail (email) on May 4, 2022, with follow ups made on May 18, July 29 and August 31, 2022, respectively. CSC has advised that the reply is awaiting clearance from the Director IV of HRPSO.

37.11. Inquiry with the concerned Human Resource Management Department (HRMD) personnel disclosed that CSC still has no update on their query on the acceptability of using electronic forms or system-generated reports for filing and approval of leave applications and daily time records.

37.12. Moreover, we also requested the submission of the supporting documents, thru email on February 15, 2023, for the different types of leaves availed by the employees, but the same were also not submitted which precluded the Audit Team to verify the propriety of the leaves availed and if these employees were entitled and eligible to avail such.

37.13. It bears stressing that in the absence of CSC ruling which authorizes government agencies to use electronic leave application forms in lieu of the prescribed CSC form, BCDA is still required to use the Application for Leave Form per Civil Service Form No. 6, Revised 2020 prescribed by CSC.

37.14. It is worthy to mention that pursuant to Section 67 of the ORL, as amended, any violation of the leave laws, rules or regulations, or misrepresentation or deception in connection with an application for leave, shall be a ground for disciplinary action.

37.15. **We reiterated our recommendation that Management instruct the HRMD to require the BCDA officers and employees to properly file leave of absence using the Application for Leave Form prescribed by CSC under the ORL and MC No. 5, s. 2021 dated April 28, 2021.**

37.16. Management commented that all the necessary and important details of CSC Form No. 6, the leave application form prescribed by the CSC such as date of filing, number of days, type of leave applied for, among others, are embedded in the online leave form utilized by the HRIS.

37.17. As correctly noted by the Audit Team, the CSC HRPSO has yet to formally reply to the BCDA query as to the acceptability of using electronic forms/action documents and system-generated reports in the filing and approval of leave applications and daily time records (DTRs), in relation to existing CSC directives and issuances.

37.18. However, to show good faith, BCDA reverted to practice of manually filling up paper-based application forms for vacation leaves and physically coursing the same through proper signatures.

37.19. BCDA employees shall still be required to re-file their applications for VL in the HRIS because it is the only way to account for such leaves in the payroll through the ERP system.

38. The required period in filing the vacation leave (VL) pursuant to the ORL was not strictly implemented.

38.1. This is a reiteration of prior year's observation.

38.2. The ORL, as amended, requires that applications for vacation leave shall be filed within five days in advance, whenever possible, of the effective date of such leave.

38.3. Review of Leave Request Summary Report submitted by HRMD, which was generated thru ACUMATICA, disclosed that the prescribed period in filing the Applications for Leave of BCDA employees was still not strictly observed contrary to the ORL, as amended, despite the commitment of Management to comply with the prior year's recommendation of the Audit Team to strictly adhere with the required period in filing the Applications for Leave.

38.4. Based on the AAPSI, appropriate internal policies are updated to ensure stricter compliance with the existing CSC rules. Office Order No. 003, s. 2022 was issued to all employees for guidance on the Reiteration of Policy on Government Office Hours and Updated Work Schedule in the BCDA.

38.5. However, the CY 2021 audit observation still exists. Some of the applications for VL were filed on the day of leave or less than the required five days before the effective date of such leave; and/or filed ranging 1 to 40 days after their VL, which is not in compliance with the ORL, as amended.

38.6. **We reiterated our recommendation that Management strictly adhere with the required period in filing VL in accordance with the ORL, as amended.**

38.7. Management commented that the welfare legislation is normally interpreted in favor of labor to achieve what is believed to be its humanitarian purpose. Clearly, the wording of the rule on application for vacation leaves connotes a relaxation of the five-day requirement, and thus may be construed to mean that the filing of VL applications may be allowed even with fewer than five days remaining before the date of the leave.

38.8. Out of the 186 total number of applications for VL noted by the Audit Team, there were only 51 instances of late filing that went beyond the effective date of such leave.

38.9. Henceforth, the management committed to shall conduct closer monitoring of applications for VL to ensure that these are filed within five days in advance, whenever possible, of the effective date of such leave. Unjustified late filing of leaves shall be dealt with accordingly.

38.10. Management also commited to continue to adhere to CSC rules on leaves, as well as the appropriate internal policies such as BCDA Office Order No. 003, Series of 2022 (Reiteration of Policy on Government Office Hours and Updated Work Schedule in the BCDA).

39. Some of the details/information in the Property Inventory Form is not consistent with the Report on the Physical Count of Property, Plant and Equipment (RCPPPE), which may result in incorrect assessment of general insurance coverage for the properties of BCDA by the Government Service Insurance System (GSIS).

39.1. COA Circular No. 2018-002 dated May 31, 2018, prescribes the guidelines on the submission of the PIF as basis for the assessment of general insurance coverage over all insurable assets, properties and interests of the government with the General Insurance Fund (GIF) of the GSIS.

39.2. The said Circular cover all insurable government assets and other assets such as contracts, right of action, and other insurable risks of government agencies, departments, bureaus, boards, commissions, state universities and colleges, local government units, government-owned or controlled corporations and other subsidiaries/affiliates, including all others in which these agencies or offices have an insurable risk or an insurable interest, such as but not limited to, loss or damage of the government assets.

39.3. Section 5.1 of the Circular requires that:

> *5.1 Heads of government agencies shall direct the pertinent official under his/her supervision to:*
>
> *a. Extract from the RPCPPE, as well as from the Report on the Physical Count of Inventories, prepared in accordance with the provisions of the Government Accounting Manual, the data for the PIF pertaining to the insurable assets and interest of the government (excluding impaired properties for disposal).*

39.4. The PIF provides the list of all insurable properties and other assets, showing their latest appraised values/valuation, appraisal date, location, and other information. The report shall be submitted to the Audit Team and GSIS, not later than April 30 of each year, using the format prescribed under COA Circular No. 2018-002.

39.5. Meanwhile, the RPCPPE is the form used to report the results of physical count of PPE owned by the agency. Accordingly, the original copy of the said report was submitted by the BCDA Inventory Committee to the Audit Team on January 31, 2023.

39.6. We compared the details/information in the PIF vis-à-vis RPCPPE and noted the following deficiencies:

39.7. **Properties totaling P24.991 million which were included in the RPCPPE but not found in the Property Inventory Form (PIF), as follows:**

Table 33. Properties in RPCPPE not in PIF

Name	Amount
Lighting at Industrial Area and along the Road Leading to Poro Point Lighthouse	P 2,959,962.96
Installation of Underground Fiber Optic Network and Outdoor Cabinets at Clark Civil Aviation Complex, Pampanga	19,163,072.93
Improvement Main Gate in Poro Point Special Economic Zone, San Fernando, La Union	2,867,481.58
	P 24,990,517.47

39.8. **Various PE which were recently reclassified under semi-expendable assets totaling P32.246 million and Donated Office Equipment amounting to P111,291.07 were still included in PIF despite exclusion in the RPCPPE.**

39.8.1. The capitalization threshold to be recognized in the books of accounts as PE was increased from P15,000 to P50,000 pursuant to COA Circular No. 2022-004 dated May 31, 2022. Accordingly, the carrying amount of PEs below the new threshold were reclassified by BCDA to Retained Earnings account

39.8.2. Section 4 of COA Circular No. 2018-002 provides the scope of GIF as the property which includes vessels and craft, motor vehicles, machineries, permanent buildings, properties stored therein (i.e. furniture, fixtures, equipment, supplies and materials, etc.) or in buildings rented by the government or properties in transit, the ownership of which had already passed to the government.

39.8.3. Audit disclosed that 1,293 properties, which were previously reclassified to RE account being below the new capitalization of PE amounting to P50,000, were still included in the PIF, as follows:

Table 34. Properties below P50,000 Threshold

PPE Classification before Adjustment	No. of Items	Cost
Furniture and Fixture	340	P 5,704,061.61
Office Equipment	567	16,344,547.51
ICT Equipment	209	7,839,889.70
Machinery and Equipment	74	1,957,039.17
Other PPE	103	400,681.38
	1,293	**P 32,246,219.37**

39.8.4. The above properties may be assessed by GSIS of insurance coverage and BCDA may be charged with the payment of its premium.

39.8.5. Meanwhile, the following unserviceable equipment were donated by BCDA to the Department of Environment and Natural (DENR) on April 12, 2022, but still included in the PIF:

Table 35 . Donated Properties included in PIF

Name	Amount
Laptop, Notebook Lenovo X250 Ultrabook	P 57,423.21
Laptop, HP Elitebook 820 G3	53,867.86
	P 111,291.07

39.8.6. Inclusion of these properties in the PIF may result in unnecessary expenses brought by the payment of the insurance premiums by BCDA, if assessed by GSIS.

39.9. **Properties totaling P45,707.23 which were included in the PIF but not found in RPCPPE, as follows:**

Table 36. Properties in PIF not in RPCPPE

Name	Amount
Grass/Brusher Cutter, Honda 2.7hp Gx35 4 Stroke Gasoline	P 13,214.29
Grass/Brusher Cutter, Honda 2.7hp Gx35 4 Stroke Gasoline	13,214.29
Grass/Brusher Cutter, Honda 2.7hp Gx35 4 Stroke Gasoline	13,214.29
BTPI - Motorcycle, Honda TMX 155 Plate no. FP 3119	6,064.36
	P 45,707.23

39.10. **We recommended and Management agreed to require the BCDA Inventory Committee to:**

a. Reconcile the information/data in the PIF vis-à-vis RPCPPE and verify/identify the properties that should be insured with GSIS in accordance with COA Circular No. 2018-002; and

b. Resubmit the revised PIF to GSIS with covering letter on the reasons for revision, if warranted.

39.11. Management commented that they will submit the pertinent documents on their compliance with the above recommendations by the end of 3rd quarter of 2023.

40. Some practices and procedures prescribed under COA Circular No. 2020-006 dated January 31, 2020, were not strictly observed by the BCDA Inventory Committee in the conduct of Annual Physical Count of PE.

40.1. The BCDA Inventory Committee conducted the annual physical inventory taking of properties on various dates from October to November 2022 pursuant to BCDA Special Order No. 244 dated September 2, 2022, as amended by Special Order No. 255 dated September 21, 2022.

40.2. The Audit Team was not able to attend and observe the conduct of inventory taking to other BCDA offices due to safety reasons caused by the COVID-19

pandemic. However, we were able to observe the said activity in the COA-BCDA Office on November 4, 2022, and noted the following procedural lapses:

40.3. **There were items found at the station untagged, however, no property stickers were attached during the count, which is contrary to Section 6.2.7 of COA Circular 2020-006 dated January 31, 2020, which states that:**

> *Properties, Plants and Equipment (PPEs) found at the station or items not included in the inventory working papers, but there is reasonable basis to consider the same as owned by the Agency, shall likewise be included in the physical count and tagged with property stickers. Xxx*

40.4. Furthermore, the BCDA Administrative Services Department Policy Manual, under the Inventory of Assets section, provides that all items accounted for shall be marked.

40.5. **There were items with property stickers not included in the listing of the BCDA Inventory Committee.**

40.5.1. Section 5.12 of COA Circular 2020-006 states that property records shall be updated based on the results of the physical inventory and reconciled with accounting records to come up with the reconciled balances of PPE accounts to be considered as the correct balance of the agency's PPEs.

40.5.2. Properties with taggings or markings construed to be accounted for in the previous inventory count, therefore, these properties should have been already included in the list of property of the BCDA Inventory Committee.

40.6. **Properties with duplicate property stickers were noted during the count.**

40.7. **Properties counted were not tagged with new identification stickers containing the vital information of the items.**

40.7.1. Section 6.2.5 of COA Circular 2020-006 dated January 31, 2020 states that:

> *All PPE items counted shall be tagged with new property stickers containing the information provided under Paragraph 5.7 of this Circular.*

40.7.2. Information that should be added to the PE, as mentioned in Paragraph 5.7 of the Circular, includes description of the property, model number, serial number, acquisition date/cost, person accountable and space for the validation/signature of the Inventory Committee.

40.7.3. It was observed during the count that the new identification stickers, as prescribed by the Circular were not tagged to all the properties counted. Absence of such may preclude the easy identification of properties during the succeeding inventory count.

40.8. **We recommended and Management agreed to require the BCDA Inventory Committee to update the list of properties for all BCDA Office, if applicable, and henceforth, ensure compliance with the procedures set forth under COA Circular No. 2020-006 in the conduct of annual inventory count of properties.**

40.9. Management commented that they will observe the recommendation in the conduct of annual inventory count of properties starting CY 2023.

41. The BCDA GAD Focal Point System (GFPS) was not able to formulate/prepare the CY 2022 GAD Plans and Budgets (GPB) to be submitted to the Philippine Commission on Women (PCW), which is not in compliance with PCW Memorandum Circular No. 2021-04, hence, the gender mainstreaming was not achieved contrary to Republic Act (RA) No. 9710, resulting in non-assurance that women empowerment and gender equality were attained.

41.1. Section 2 of RA No. 9710 otherwise known as the Magna Carta for Women (MCW) states that:

> *Recognizing that the economic, political, and sociocultural realities affect women's current condition, the State affirms the role of women in nation building and ensures the substantive equality of women and men. It shall promote empowerment of women and pursue equal opportunities for women and men and ensure equal access to resources and to development results and outcome. Further, the State realizes that equality of men and women entails the abolition of the unequal structures and practices that perpetuate discrimination and inequality. To realize this, the State shall endeavor to develop plans, policies, programs, measures, and mechanisms to address discrimination and inequality in the economic, political, social, and cultural life of women and men.*

41.2. Section 4(i) of the MCW defines Gender Mainstreaming as the strategy for making women's as well as men's concerns and experiences an integral dimension of the design, implementation, monitoring, and evaluation of policies and programs in all political, economic, and societal spheres so that women and men benefit equally, and inequality is not perpetuated. It is the process of assessing the implications for women and men of any planned action, including legislation, policies, or programs in all areas and at all levels.

41.3. Gender mainstreaming is the main strategy to implement the law. 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. It is also mandatory in all government agencies.

41.4. Section 36 of the MCW further requires 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)

41.5. To clarify the instructions on the formulation of GAD plans and budgets according to the provisions of the MCW, the PCW, in partnership with the National Economic and Development Authority (NEDA) and the Department of Budget and Management (DBM) issued PCW-NEDA-DBM Joint Circular (JC) No. 2012-01 or Guidelines in the Preparation of the Annual GAD Plan and Budget and GAD Accomplishment Report to Implement the MCW.

41.6. The JC requires GFPS to lead the formulation of a GAD Agenda and to review the GPB of its agency to ensure their alignment with the agenda or with relevant GAD mandates. The GFPS is an interacting and interdependent group of people in all government agencies tasked to catalyze and accelerate gender mainstreaming within the agency. The GFPS is expected to advocate, guide, coordinate, and monitor the development, implementation, review and updating of their GAD plans and GAD-related PAPs.

41.7. BCDA issued Special Order No. 066 dated March 14, 2022, on the reconstitution of its GFPS pursuant to PCW Memorandum Circular Nos. 2011-01 and 2016-04. The GFPS consists of GFPS Executive Committee and Technical Working Group, with corresponding responsibilities such as:

GFPS Executive Committee

- *Provide direction and give policy advice to the President and CEO to support and strengthen the GFPS and BCDA's GAD mainstreaming activities;*
- *Direct the identification of GAD strategies, programs, activities and projects based on the results of gender audit and gender analysis, according to the identified priorities of BCDA in response to gender issues faced by its clients and employees; and*
- *Ensure the timely submission of the GAD Plan and Budget, Accomplishment Report and other GAD-related reports to PCW.*

Technical Working Group

- *Facilitate the implementation of the gender mainstreaming efforts through GAD planning and budgeting process;*
- *Formulate GAD Plans, Programs and Budget in response to the gender gaps and issues faced by BCDA stakeholders, women and men employees, following the conduct of gender audit, gender analysis, and/or review of sex disaggregated data; and*

- *Coordinate with the GFPS of BCDA subsidiaries especially on the preparation, consolidation and submission of GAD Plans and Budgets.*

41.8. PCW issued Memorandum Circular No. 2021-04 dated August 24, 2021, re: Preparation and Online Submission of Fiscal Year 2022 GPB. Line departments, constitutional bodies, judicial and legislative bodies, attached agencies/bureaus, other executive offices, and GOCCs, with the exemption of local water districts, shall submit their agency consolidated GPB directly to PCW, for review and endorsement. The deadline of encoding and submission to PCW of FY 2022 GPBs of GOCCs through the Gender Mainstreaming Monitoring System (GMMS) is on November 15, 2021.

41.9. Meanwhile, COA Circular No, 2014-001 dated March 18, 2014, mandated government agencies to submit a copy of the annual GPB to the COA Audit Team within five working days from the receipt of the approved plan from the PCW or their mother or central offices, as the case maybe.

41.10. In our letter dated August 22, 2022, we requested from Management to submit on or before February 14, 2023, a copy of CY 2022 BCDA GPB which was submitted to PCW. However, such document was not submitted to our Office.

41.11. Inquiry with the GFPS Executive Committee revealed that they were not able to formulate/prepare their CY 2022 GPB for BCDA, as a whole. The GFPS did not submit the said GPB because they already knew that PCW would also not endorse it since the GFPS did not use the template prescribed by PCW.

41.12. We noted that each Group/Department in BCDA prepared their respective GAD Plans and Programs for CY 2022 for the BCDA's Operational Planning 2022. However, it can be surmised that these were not considered by GFPS since the GPB was not prepared, whereas these could be used in the formulation and preparation of the CY 2022 GPB.

41.13. It is worthy to mention that 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.

41.14. The first step in formulating the GAD plan is to set the GAD Agenda, the development of which shall be guided by the desired Gender Equality and Women's Empowerment (GEWE) outcomes and goals embodied in the MCW and other women or gender-related laws relevant to the agency's mandates; the Philippine Plan for Gender-Responsive Development 1995-2025 and term plans on GEWE; and various international GAD-related commitments. The GAD Agenda has a term of six years.

41.15. The next step is the development of the GPB. Pursuant to PCW MC No. 2012-01, the GPB shall be conducted annually as part of all programming and budgeting exercises of agencies. The annual GPB shall be guided by the desired

outcomes and goals embodied in the GAD Agenda. The GPB shall be submitted to the PCW for review and endorsement.

41.16. The BCDA GFPS crafted a GAD Manual as their GAD Agenda, which 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, whole defining roles and responsibilities of both men and women.

41.17. In CY 2021 audit, we already noted that the gender mainstreaming in BCDA was still not accelerated due to lack of implementation of its GAD Manual and the non-compliance of GFPS 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, thus, the GPB of BCDA was not endorsed by PCW.

41.18. It bears stressing that the aforementioned observations still exist – the gender mainstreaming in BCDA was still not achieved contrary to RA No. 9710, resulting in non-assurance that women empowerment and gender equality in BCDA were attained.

41.19. Series of trainings and workshops were already conducted by BCDA in 2021 such as:

- Using Harmonized GAD Guidelines (HGDG) in BCDA Projects;
- Building Activities for BCDA GFPS and Project Teams;
- Understanding Gender Inequalities at the time of COVID-19 Pandemic;
- Juana Laban sa Pandemya: Kaya!; and
- Various in-house activities in observance of National Women's Month.

41.20. The non-formulation of CY 2022 GPB by GFPS can be attributed to their non-compliance with their commitment on the recommendations of the Audit Team. This a manifestation of GFPS's poor implementation of its function in spearheading the preparation of the agency annual performance-based GAD plans, programs and budget in response to gender issues of their constituencies and clients and in the context of their agency mandate.

41.21. Moreover, we noted that BCDA was also not able to provide the Audit Team the following documents that could determine whether gender analysis was conducted by the BCDA GFPS which is one of the steps in formulating GAD Agenda as provided under Item No. 5.2 of the PCW Memorandum Circular No. 2018-04 dated May 4, 2018:

- *Results of the application of gender analysis tools such as the Gender Mainstreaming Evaluation Framework, HGDG, Participatory Gender Audit and other gender analysis tools;*
- *Analysis of sex-disaggregated data and/or relevant information;*
- *Review of GAD-related mandates and policies (international and local);*
- *Review of sectorial and GEWE plans and GAD-related indicators; and*

- *Issues and recommendations gathered from consultations with women's groups/organizations working on the sector and other concerned stakeholders.*

41.22. Nevertheless, the BCDA GFPS was still able to prepare and submit its GAD Accomplishment Report for CY 2022 on February 14, 2023 even without the formulation of CY 2022 GPB. Costs incurred for GAD related activities totaled P1.162 million or 0.005216 per cent of the total corporate operating budget of P22.278 billion. This pertains to the six GAD activities to address eight organization-focused gender issues, one of which was the conduct of training workshop on the preparation of GPB.

41.23. **We reiterated our prior year's recommendations, with modification, that Management:**

a. Strengthen gender mainstreaming in BCDA by requiring the GFPS to comply with the applicable GAD laws, rules and regulations such as the formulation/preparation and submission of GAD Plans and Budget, and Accomplishment Report to the PCW;

b. Integrate 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; and

c. Consider adding more GAD programs/projects/activities or apply the HGDG tool for budget attribution to be compliant with the five per cent statutory requirement on the GAD budget to ensure the endorsement of annual GPB by the PCW.

41.24. The Management shared that the limited understanding on how to correctly apply the HGDG tools in GAD budget attribution, coupled with the fact that most personnel involved in these efforts were on Work-from-Home status due to pandemic, prevented the proper preparation of a GPB for the previous years.

41.25. Health and work conditions were improved in the 2nd semester of 2022 allowing the GFPS to conduct face-to-face capacity-building activities among its members, as well as to coordinate the formulation of the GPB more closely with the concerned project implementing units, coinciding with the preparation of the 2023 GPB. As a result of these developments, the GFPS was able to successfully prepare and submit the 2023 GAD GPB to the PCW.

41.26. BCDA committed to abide on the recommendation of the Audit Team to continually strengthen gender mainstreaming in the organization by requiring the GFPS to comply with the applicable GAD laws, rules and regulations.

41.27. Likewise, Management will integrate more GAD Programs, Activities and Projects (PAPs) in the annual GPB and implement or revisit the existing BCDA GAD Manual to incorporate the gender issues identified therein in the GPB.

41.28. Finally, Management will strive to add more PAPs and continue to build on newly acquired knowledge in using the HGDG tool for budget attribution to comply with the requirement on the GAD budget and ensure PCW-endorsement of the BCDA annual GPB.

41.29. During the exit conference, Management shared that the 2023 GPB has already undergone three PCW technical reviews. Management is hopeful that the 2023 GPB will soon be formally endorsed by the PCW, given that they already exceeded the five per cent staturory requirement on the GAD budget.

42. Compliance with Tax Laws

42.1. For CY 2022, BCDA has remitted the taxes withheld totaling P1.117 billion, while leaving an outstanding withholding tax payable of P51.299 million to be remitted in CY 2023.

43. Compliance with Rules on Government Mandatory Deductions and Remittances

43.1. For CY 2022, 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.

43.2. The remittances for CY 2022 are as follows:

Table 37. Remittances of Government Mandatory Deductions

Particulars	Amount
GSIS contribution	P 35,781,597.78
HDMF contribution	690,200.00
PHIC contribution	4,187,065.69
HDMF loan amortization	711,360.92
	P 41,370,224.39

44. Status of Notice of Suspensions, Disallowances and Charges

44.1. As of year-end, the status of audit suspensions, disallowances and charges issued is as follows:

Table 38. Audit suspensions, disallowances and charges

Audit Action	Beginning Balance January 1, 2022	Issued	Settled	Ending Balance December 31, 2022
Suspensions	P 0	P 0	P 0	P 0
Disallowances	3,108,000	0	0	3,108,000
Charges	0	0	0	0
	P 3,108,000	**P 0**	**P 0**	**P 3,108,000**

44.2. The disallowance of P3.108 million as of December 31, 2022, 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 55 audit recommendations embodied in prior years' Annual Audit Reports (AARs), 48 were implemented and the remaining seven which were not implemented by BCDA are reiterated in Part II of this Report. Details are presented below:

Reference	Audit Observations	Recommendations	Status of Implementation
AAR 2021 Observation No. 1, p. 84	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.	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 Audit Query Memorandum 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 Heritage Park Investment Certificates.	Both recommendations were implemented.
AAR 2021 Observation No. 2, p. 87	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	Expedite the reconciliation of the balances of Input tax between BIR VAT Returns and accounting records; and prepare the necessary adjusting entries, if warranted.	Implemented

Reference	Audit Observations	Recommendations	Status of Implementation
	(VAT) Return (BIR Form 2550Q) and the balance per books of accounts.		
AAR 2021 Observation No. 3, p. 88	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.	Require the Procurement and Property Management Department and Accounting and Comptrollership Department (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.	Implemented
AAR 2021 Observation No. 4, p. 89	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.	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.	Both recommendations were implemented.

Reference	Audit Observations	Recommendations	Status of Implementation
AAR 2021 Observation No. 5, p. 90	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.	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.	Both recommendations were implemented.
AAR 2021 Observation No. 6, p. 91	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 VAT Returns.	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.	Implemented
AAR 2021 Observation No. 7, p. 93	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.	Require the 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.	Not implemented The observation is reiterated with update in Part II, No. 5 of this report.

Reference	Audit Observations	Recommendations	Status of Implementation
AAR 2021 Observation No. 8, p. 94	The year-end balances of Due to Government Service Insurance System, Home Development Insurance Fund and Philippine Health Insurance Corporation 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.	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.	Both recommendations were implemented.
AAR 2021 Observation No. 9, p. 96	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.	Require ACD to verify and determine the validity of the dormant advances to contractors and prepare adjustments in the books of accounts, if warranted.	Implemented
AAR 2021 Observation No. 10, p. 98	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	a. Refrain from submitting inventory report to the Audit Team without the actual physical count of inventory conducted and henceforth, require the Property Management Division or Inventory	All the four recommendations were implemented.

Reference	Audit Observations	Recommendations	Status of Implementation
	count of inventories and consequently, non-reconciliation of supposedly inventory results with accounting and property records. • The Accounting and Property records were not reconciled. • 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. • The Requisition and Issue Slip (RIS) and Inventory Custodian Slip (ICS) were not properly accomplished. • Incompatible duties and functions in the monitoring and custody of inventories were not segregated.	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.	

Reference	Audit Observations	Recommendations	Status of Implementation
AAR 2021 Observation No. 11, p. 103	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.	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.	Implemented
AAR 2021 Observation No. 12, p. 104	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. • The computation of the AFP and Annual Variable Payment was not based on the appraised value of the Development and Usufructuary Rights (DUR) for the 59.62-hectare property in the	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 Joint Venture projects, whether solicited or unsolicited, which includes the establishment of the Implementing Rules and Regulation to be used in the project evaluation, taking into account not only the appraised value of BCDA's investment but also the Private Sector Partner's Minimum Investment Commitment and the	Both recommendations were implemented.

Reference	Audit Observations	Recommendations	Status of Implementation
	amount of P25.636 billion, as authorized under BCDA Board Resolution No. 2018-08-115. • The Economic Internal Rate of Return (EIRR) of six per cent used by BCDA to determine the Net Present Value of the project cash flow is significantly lower than what is prescribed by the National Economic and Development Authority (NEDA)-Investment Coordination Committee (ICC). • 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.	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.	

Reference	Audit Observations	Recommendations	Status of Implementation
AAR 2021 Observation No. 13, p. 113	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.	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.	Implemented
AAR 2021 Observation No. 14, p. 120	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.	a. Justify the delay of 167 calendar days 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	Both recommendations were implemented.

Reference	Audit Observations	Recommendations	Status of Implementation
		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.	
AAR 2021 Observation No. 15, p. 122	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.	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.	Implemented
AAR 2021 Observation No. 16, p. 123	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.	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	Both recommendations were implemented.

Reference	Audit Observations	Recommendations	Status of Implementation
		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.	
AAR 2021 Observation No. 17, p. 126	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.	Continuously enforce the immediate collection of receivables from DOH.	Implemented
AAR 2021 Observation No. 18, p. 127	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.	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.	Implemented
AAR 2021 Observation No. 19, p. 128	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	Submit all the relevant documents related to the transaction to establish the validity of the payment made to PIATCO.	Implemented

Reference	Audit Observations	Recommendations	Status of Implementation
	as prescribed by COA Circular No. 2012-001.		
AAR 2021 Observation No. 20, p. 132	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.	Require Human Resource Management Department (HRMD) to properly file and approve the leaves availed/taken by employees using the Application for Leave Form prescribed by the CSC.	Not implemented The observation is reiterated in Part II, No. 36 of this report.
AAR 2021 Observation No. 21, p. 135	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.	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.	Implemented
AAR 2021 Observation No. 22, p. 136	The required period in filing the Application for Leave pursuant to the ORL was not strictly implemented.	Strictly adhere with required period in filing the Applications for Leave in accordance with the ORL, as amended.	Not implemented The observation is reiterated in Part II, No. 39 of this report.
AAR 2021 Observation No. 23, p. 136	The Leave credit Cards (LCs) were forwarded to and used by the Accounting and Controllership Department (ACD) as	Establish appropriate compensating controls in monitoring the earned leave credits by ensuring that the leave cards are properly and regularly	Implemented

Reference	Audit Observations	Recommendations	Status of Implementation
	basis in recognizing accrual of money value of earned leave credits without the necessary periodic review of the person responsible for the accuracy and correctness of the leave credit balances in the HRMD.	reviewed by the immediate Supervisor/Department Head.	
AAR 2021 Observation No. 24, p. 137	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.	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. c. The proposed offsetting of liability and receivable should be approved by the BCDA Board.	All the three recommendations were implemented.
AAR 2021 Observation No. 25, p. 139	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	Submit the required reports to the Audit Team and SAs relative to the utilization of funds transferred to BCDA in accordance with Sections 4.6 and 6.5 of COA Circular 94-013.	Implemented

Reference	Audit Observations	Recommendations	Status of Implementation
	Agencies (SAs) which is not in accordance with COA Circular No. 94-013.		
AAR 2021 Observation No. 26, p. 140	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 SAs for their operation or other projects.	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.	Both recommendations were implemented.
AAR 2021 Observation No. 27, p. 142	The lack of coordination between the ACD and Procurement and 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.	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.	Implemented

Reference	Audit Observations	Recommendations	Status of Implementation
AAR 2021 Observation No. 28, p. 143	Audit of the construction of Clark International Airport Terminal Building 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.	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.	Both recommendations were implemented.
AAR 2021 Observation No. 29, p. 146	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.	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.	Both recommendations were implemented.
AAR 2021 Observation No. 30, p. 147	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	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	Not implemented The observation is reiterated with modification/update in Part II, No. 40 of this report.

Reference	Audit Observations	Recommendations	Status of Implementation
	in minimal integration of GAD Priority Projects identified by the GAD Focal Point System (GFPS) in the GAD Plans and Budgets (GPB) of BCDA.	issues therein in the GPB.	
AAR 2021 Observation No. 31, p. 151	The BCDA 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.	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.	Recommendation (c) was implemented while recommendation (a) and (b) were not implemented. The observation is reiterated with modification/update in Part II, No. 49 of this report.
AAR 2021 Observation No. 32, p. 153	The amount appropriated for GAD programs, projects and activities in CY 2021 was not fully utilized based on their GAD Accomplishment Report, leaving an	Maximize the utilization of the GAD funds through the implementation of GAD-related programs, projects and activities in order to attain the	Not implemented The observation is reiterated with modification/update in Part II, No. 49 of this report.

Reference	Audit Observations	Recommendations	Status of Implementation
	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.	objective for which funds were provided.	
AAR 2021 Observation No. 33, p. 155	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.	Strictly comply with the requirement of COA Circular No. 2021-008 dated September 6, 2021 by creating/assigning Responsibility Center for the GFPS.	Implemented
AAR 2020 Observation No. 11, p. 98	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 than one year to more than five years in the total amount of P7.094 billion.	a. Intensify the efforts in the collection of receivables by implementing strictly the billing and collection policy/procedures of the Authority; and b. Evaluate the long outstanding receivables and make necessary action in accordance with COA Circular No. 2016-005 dated December 19, 2016.	Both recommendations were implemented.
AAR 2019 Observation No. 17, p. 120	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	Ensure strict compliance in the submission of required supporting documents before making any payment as stated in the procedures adopted in ROW	Implemented

Reference	Audit Observations	Recommendations	Status of Implementation
	with Transfer Certificates of Title (TCTs) in the name of BCDA despite payments made to respective lot owners.	acquisition and as required under COA Circular 2012-001.	
AAR 2017 Observation No. 8, p. 93	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.	Implemented
AAR 2016 Observation No. 5, p. 69	Advances to BCDA Board of Directors (BOD) totaling P4.567 million remained uncollected.	Recover from the BOD the P4.567 million.	Implemented