



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

CORPORATE GOVERNMENT AUDIT SECTOR
CLUSTER 4 - INDUSTRIAL AND AREA DEVELOPMENT

June 27, 2024

THE BOARD OF DIRECTORS

Bases Conversion and Development Authority
2nd Floor Bonifacio Technology Center
31st St. corner 2nd Avenue
Bonifacio Global City, Taguig City



Gentlemen:

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 the Bases Conversion and Development Authority (BCDA) for the years ended December 31, 2023, and 2022.

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

The auditor rendered an unqualified opinion on the fairness of the presentation of the financial statements of the Corporation.

The following are the significant audit observations and recommendations that need immediate action:

1. The breakdown and basis of the Approved Budget of the Contract (ABC), Terms of Reference (TOR), and manpower requirements for the Operations and Maintenance (O&M) Services for the New Clark City (NCC) Sports Complex were not adequately documented and clearly defined, which is not in compliance with the Manual of Procedures for the Procurement of Goods and Services and indicates lack of proper planning.

We reiterated our prior year's audit recommendation that Management:

- a. Submit the breakdown and basis of amounts for the Approved Budget of the Contract for the O&M; and
- b. Perform proper planning and improve the TOR for subsequent biddings for the Operations and Maintenance of the NCC Sports Complex to adequately substantiate the ABC; provide the appropriate manpower requirements for the contract; and

distinguish other services that would be outsourced or performed by contractual employees.

Further, we recommended that Management explain why the Athletes' Village was not yet turned over to Philjaya despite its inclusion in the contract for the O&M Services for the NCC Sports Complex.

2. 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, series of 1993, which could result in conflicts on the obligations, roles, and functions of 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 reiterated our prior year's audit recommendation that Management execute Performance Agreements with CDC and CIAC and its Financial Policy; and provide the Audit Team with copies upon execution.

Further, we recommended that Management provide the Audit Team:

- a. Written management plans on the revision of the BCDA Charter; and
 - b. Regular updates on any action taken by Management to comply with the audit recommendations.
3. BCDA did not strictly observe the submission of the memorandum of agreement (MOA) with auditability clause, Management Representation Letter (MRL), and required reports relative to Electronic Collection (e-Collection) and Electronic Payment (e-Payment) for government transactions prescribed under COA Circular No. 2021-014 dated December 22, 2021; hence, transparency and accountability over public funds may not be promoted.

We recommended that Management:

- a. Observe the deadline for the submission of a copy of the contract relative to e-Collection or e-Payment, prescribed under Item 5.1.1 of COA Circular No. 2021-014;
- b. Prepare the MRL and ensure timely submission of the same to the Audit Team on or before March 31 of each year;
- c. Consider revising the MOA with the Land Bank of the Philippines to include the Auditability Clause and provide access to the Audit Team relative to the system used in e-Collection and e-Payment, to view, generate, download, and print any data/reports, as necessary, as required under Items 5.1.4 and 5.1.6 of COA Circular No. 2021-014; and henceforth ensure that the Auditability Clause be included in the succeeding contracts; and
- d. Require the Collecting Officer and Disbursing Officer of BCDA to prepare the Report of Daily Collection Directly Deposited to the Agency's Bank Account and Daily Report of e-Payments from the Agency Account and submit to the Audit Team in accordance with Items 5.2.3 (d) and 5.3.5 (b) COA Circular No. 2021-014, respectively.

4. Due to the incorrect information and amount per tax returns filed by BCDA before the Bureau of Internal Revenue (BIR), a Preliminary Assessment Notice (PAN) was issued by BIR for deficiency taxes assessed for the taxable year 2018 in the amount of P84.592 million, which was paid by BCDA in CY 2022. Moreover, the related interest and penalties in the total amount of P28.843 million were incurred and paid by BCDA. Hence, it was deprived of funds that could have been made available for the discharge of its functions.

We recommended that Management:

- a. Determine the persons responsible and duty-bound to deduct, withhold, and remit taxes in accordance with the National Internal Revenue Code, as amended, and other tax law rules and regulations, relative to the payment of deficiency taxes including the related interests and penalties; and institute appropriate legal action if warranted;
 - b. Submit a justification why the payment of interest and penalties for the assessed deficiency taxes amounting to P28.843 million should not be disallowed in audit; and
 - c. Henceforth, ensure that the Chief Accountant and other responsible personnel to withhold, deduct and remit on time the exact and accurate amount of taxes due to the BIR to avoid any interest and penalty.
5. One hundred thirty-eight (138) parcels of land with an aggregate area of 126,696,822.26 sqm per Land and Assets Development Department (LADD) records acquired by BCDA through purchase/transfer remained untitled in the name of BCDA. Thus, ownership over these properties was not safeguarded against possible adverse third-party claims, unlawful occupants, or the like, exposed the cost of improvements to high-risk, and government properties are at stake.

We recommended that Management:

- a. Submit status or updates on actions taken for all the land assets that are still not covered by Transfer Certificates of Title under the name of BCDA; and
 - b. Expedite the titling thereof in BCDA's name to establish rights and ownership over these properties.
6. The copies of contracts and supporting documents for three infrastructure projects of BCDA for CY 2023 with total contract cost of P1.477 billion were not yet submitted to the Office of the Auditor, and three contracts amounting to P2.029 billion were submitted beyond the required five working days from its execution or a delay of 17 to 155 days, which are not in compliance with COA Circular No. 2009-001, resulting in delayed auditorial and legal review of the contracts.

We reiterated our prior year's recommendation that Management submit the certified true copies of the contracts and other documentary requirements and, henceforth, ensure compliance with the timely submission thereof in accordance with COA Circular No. 2009-001.

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 7, 2024, are presented in detail in Part II of the report.

In a letter of even date, we requested the President and CEO of the BCDA to take appropriate action on the recommendations contained in Part II of this report and inform this Office of the actions taken thereon by submitting the Agency Action Plan and Status of Implementation (AAPSI) within 60 days from the date of receipt.

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

Very truly yours,

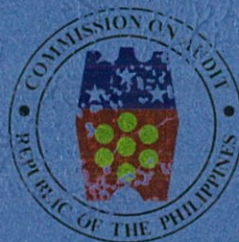
COMMISSION ON AUDIT

By:


EMMA V. MOISES
Director IV
Cluster Director

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, 2023 and 2022

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

	2023	2022 (As restated)	Increase (Decrease)
Assets	205,068,013,047	204,625,457,052	442,555,995
Liabilities	34,851,025,615	37,339,982,760	(2,488,957,145)
Equity	170,216,987,432	167,285,474,292	2,931,513,140

Comparative Results of Operations

	2023	2022 (As restated)	Increase (Decrease)
Operating Income	7,404,342,525	6,509,831,735	894,510,790
Operating Expenses	3,310,862,399	3,115,334,933	195,527,466
Income from Operations	4,093,480,126	3,394,496,802	698,983,324
Income Tax Expense	393,894,818	326,951,315	66,943,503
Net Subsidy Income/(Financial Assistance/Subsidy/Contribution)	400,298,830	4,050,746,802	(4,451,045,632)
Net Income	3,299,286,478	7,118,292,289	(3,819,005,811)

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, 2023, 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, 2023, and 2022. 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 the presentation of BCDA's financial statements for the years 2023 and 2022.

SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

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

1. The breakdown and basis of the Approved Budget of the Contract (ABC), Terms of Reference (TOR), and manpower requirements for the Operations and Maintenance (O&M) Services for the New Clark City (NCC) Sports Complex were not adequately documented and clearly defined, which is not in compliance with the Manual of Procedures for the Procurement of Goods and Services and indicates lack of proper planning.

We reiterated our prior year's audit recommendation that Management:

- a. Submit the breakdown and basis of amounts for the Approved Budget of the Contract for the O&M; and
- b. Perform proper planning and improve the TOR for subsequent biddings for the Operations and Maintenance of the NCC Sports Complex to adequately substantiate the ABC; provide the appropriate manpower requirements for the contract; and distinguish other services that would be outsourced or performed by contractual employees.

Further, we recommended that Management explain why the Athletes' Village was not yet turned over to Philjaya despite its inclusion in the contract for the O&M Services for the NCC Sports Complex.

2. 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, series of 1993, which could result in conflicts on the obligations, roles, and functions of 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 reiterated our prior year's audit recommendation that Management execute Performance Agreements with CDC and CIAC and its Financial Policy; and provide the Audit Team with copies upon execution.

Further, we recommended that Management provide the Audit Team:

- a. Written management plans on the revision of the BCDA Charter; and
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 - c. Consider revising the MOA with the Land Bank of the Philippines to include the Auditability Clause and provide access to the Audit Team relative to the system used in e-Collection and e-Payment, to view, generate, download, and print any data/reports, as necessary, as required under Items 5.1.4 and 5.1.6 of COA Circular No. 2021-014; and henceforth ensure that the Auditability Clause be included in the succeeding contracts; and
 - d. Require the Collecting Officer and Disbursing Officer of BCDA to prepare the Report of Daily Collection Directly Deposited to the Agency's Bank Account and Daily Report of e-Payments from the Agency Account and submit to the Audit Team in accordance with Items 5.2.3 (d) and 5.3.5 (b) COA Circular No. 2021-014, respectively.
4. Due to the incorrect information and amount per tax returns filed by BCDA before the Bureau of Internal Revenue (BIR), a Preliminary Assessment Notice (PAN) was issued by BIR for deficiency taxes assessed for the taxable year 2018 in the amount of P84.592 million, which was paid by BCDA in CY 2022. Moreover, the related interest and penalties in the total amount of P28.843 million were incurred and paid by BCDA. Hence, it was deprived of funds that could have been made available for the discharge of its functions.

We recommended that Management:

- a. Determine the persons responsible and duty-bound to deduct, withhold, and remit taxes in accordance with the National Internal Revenue Code, as amended, and other tax law rules and regulations, relative to the payment of deficiency taxes including the related interests and penalties; and institute appropriate legal action if warranted;
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We recommended that Management:

- a. Submit status or updates on actions taken for all the land assets that are still not covered by Transfer Certificates of Title under the name of BCDA; and
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We reiterated our prior year's recommendation that Management submit the certified true copies of the contracts and other documentary requirements and, henceforth, ensure compliance with the timely submission thereof in accordance with COA Circular No. 2009-001.

AUDIT SUSPENSIONS, DISALLOWANCES, AND CHARGES

As of December 31, 2023, the unsettled balance of audit suspensions/disallowances and charges amounted to P3.108 million. No notices of suspensions, disallowances, or charges were issued during the year.

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the 70 audit recommendations embodied in the prior year's Annual Audit Report, 59 were implemented/reconsidered, and the remaining 11 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	90
PART III STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS	201

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

Unqualified 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, 2023, and 2022, 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, 2023, and 2022, 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 the BCDA in accordance with the Revised Code of Conduct and Ethical Standards for Commission on Audit Officials and Employees (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 39 to the financial statements, which describes the contingent liabilities for lawsuits or claims filed by third parties against BCDA that 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 that 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 with respect to 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 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 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 to 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear in our independence and, where applicable, related safeguards.

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 required under Revenue Regulation No. 15-2010 in Note 46 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


Atty. CHERRY D. COLLADO-TABAG
OIC-Supervising Auditor

June 19, 2024

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, 2023 and 2022, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material 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.


HEDDAY Y. RULONA

Senior Vice President - IFMG

19 June 2024
Date Signed


ATTY. GISELA Z. KALALO
Officer-in-Charge, OPCEO

19 June 2024
Date Signed


DELFIN N. LORENZANA
Chairman

19 June 2024
Date Signed

BCDA
Bases Conversion and
Development Authority

In reply, please refer to this number

CD2024-0924

BASES CONVERSION AND DEVELOPMENT AUTHORITY
STATEMENTS OF FINANCIAL POSITION
December 31, 2023 and 2022
(in Philippine Peso)

	Note	2023	2022 (As restated)	January 1, 2022 (As restated)
ASSETS				
Current Assets				
Cash and Cash Equivalents	6	6,859,648,090	9,249,750,228	15,193,830,288
Financial Assets	7	1,425,185,020	2,488,877,452	1,251,810,157
Other Investments	8	11,499,781,429	3,172,250,000	3,215,007,181
Receivables, net	9	6,090,126,379	6,062,636,785	8,131,309,848
Inventories	10	4,436,463,496	4,601,285,727	4,601,748,488
Other Current Assets	11	5,538,572,466	6,334,327,443	3,964,884,422
		35,849,776,880	31,909,127,635	36,358,590,384
Non-Current Assets				
Financial Assets	7	0	0	500,000,000
Investment in Joint Venture	12	469,199,932	469,199,932	469,061,462
Investment in Associates/Affiliates	13	13,447,028,748	13,447,028,748	13,364,926,540
Investment in Subsidiaries	14	3,462,838,438	3,462,838,438	3,508,156,008
Other Investments	8	103,024,319	103,024,319	103,024,319
Receivables, net	9	6,244,548,049	9,698,984,813	11,323,386,953
Investment Properties, net	15	79,193,124,668	79,407,268,178	79,328,527,674
Property and Equipment, net	16	16,462,169,416	15,189,676,137	9,789,915,031
Service Concession Assets, net	17	43,821,468,128	44,584,374,043	42,721,005,093
Intangible Assets, net	18	6,344,089	6,345,038	11,740,381
Deferred Tax Assets	34	4,453,851,814	4,792,373,134	5,094,424,915
Other Non-Current Assets	19	1,554,638,566	1,555,216,637	1,550,319,401
		169,218,236,167	172,716,329,417	167,764,487,777
TOTAL ASSETS		205,068,013,047	204,625,457,052	204,123,078,161
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities				
Financial Liabilities	20	1,607,988,151	2,275,355,200	1,947,539,370
Inter-Agency Payables	21	4,609,908,514	5,068,575,352	9,191,747,820
Trust Liabilities	22	1,776,998,434	1,295,077,172	1,137,965,429
Provisions	23	62,736,354	61,421,442	41,616,068
Other Payables	24	217,494,631	222,494,631	223,494,631
		8,275,126,084	8,922,923,797	12,542,363,318
Non-Current Liabilities				
Financial Liabilities	25	12,735,148,494	14,321,466,497	15,982,697,138
Deferred Credits/Unearned Income	26	12,419,654,985	12,674,496,414	13,489,110,883
Other Payables	24	1,421,096,052	1,421,096,052	1,421,096,052
		26,575,899,531	28,417,058,963	30,892,904,073
Equity		170,216,987,432	167,285,474,292	160,687,810,770
TOTAL LIABILITIES AND EQUITY		205,068,013,047	204,625,457,052	204,123,078,161

The notes on pages 9 to 89 form part of these financial statements.

BASES CONVERSION AND DEVELOPMENT AUTHORITY
STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2023 and 2022
(in Philippine Peso)

	Note	2023	2022 (As restated)
REVENUE			
Service and Business Income	27	6,528,001,432	5,587,638,871
Gains	27	876,341,093	922,192,864
		7,404,342,525	6,509,831,735
EXPENSES			
Personnel Services	29	364,145,480	314,711,639
Maintenance and Other Operating Expenses	30	749,136,410	788,296,358
Financial Expenses	31	276,062,682	312,616,482
Direct Costs	32	176,662,987	0
Non-Cash Expenses	33	1,744,854,840	1,699,710,454
		3,310,862,399	3,115,334,933
PROFIT BEFORE TAX		4,093,480,126	3,394,496,802
INCOME TAX EXPENSE	34	(393,894,818)	(326,951,315)
PROFIT AFTER TAX		3,699,585,308	3,067,545,487
NET SUBSIDY INCOME/(FINANCIAL ASSISTANCE/ SUBSIDY/CONTRIBUTION)	35	(400,298,830)	4,050,746,802
NET INCOME		3,299,286,478	7,118,292,289
OTHER COMPREHENSIVE INCOME		0	0
TOTAL COMPREHENSIVE INCOME		3,299,286,478	7,118,292,289

The notes on pages 9 to 89 form part of these financial statements.

BASES CONVERSION AND DEVELOPMENT AUTHORITY

STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2023 and 2022

(In Philippine Peso)

	Note	Government Equity (Note 36)	Contributed Capital (Note 36)	Unappropriated Retained Earnings	Appropriated Retained Earnings	Total Equity
Balance, December 31, 2021		100,000,000,000	12,739,601,197	45,967,003,811	6,000,000,000	164,706,605,008
Correction of Prior Years' Error/Estimates	37			(752,826,772)		(752,826,772)
Conveyance of land thru sale and joint venture agreement			(5,747,820,734)			(5,747,820,734)
Adjustment in value of land located at Wallace, Poro Point			2,619,884,111			2,619,884,111
Adjustment of land in Fort Bonifacio, John Hay and Clark			(211,526,996)			(211,526,996)
Adjustment on share on asset disposition proceeds of BCDA			73,496,153			73,496,153
Restated Balance, January 1, 2022		100,000,000,000	9,473,633,731	45,214,177,039	6,000,000,000	160,687,810,770
Equity from National Government (NG) for the implementation of various projects			313,352,353			313,352,353
Net income for the year				7,118,292,289		7,118,292,289
Dividend remittance to NG				(885,393,091)		(885,393,091)
Adjustment on share on asset disposition proceeds of BCDA			51,411,971			51,411,971
Balance, December 31, 2022, as restated		100,000,000,000	9,838,398,055	51,447,076,237	6,000,000,000	167,285,474,292
Changes in equity for 2023						
Equity from NG for the implementation of various projects			36,990,932			36,990,932
Net income for the year				3,299,286,478		3,299,286,478
Share on asset disposition proceeds thru sale of various properties			122,638,082			122,638,082
Dividend remittance to National Government				(527,402,352)		(527,402,352)
Balance, December 31, 2023		100,000,000,000	9,998,027,069	54,218,960,363	6,000,000,000	170,216,987,432

The notes on pages 9 to 89 form part of these financial statements.

BASES CONVERSION AND DEVELOPMENT AUTHORITY
STATEMENTS OF CASH FLOWS

For the years ended December 31, 2023 and 2022
(In Philippine Peso)

	Note	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash inflows			
Proceeds from joint venture projects		3,776,041,757	4,031,623,499
Proceeds from concession fee		2,308,078,715	1,838,267,174
Cash receipts from lessees		2,145,933,694	937,295,822
Fund transfer from escrow account		896,726,083	0
Collection of guarantee deposit/development control fees		484,990,404	1,412,532
Proceeds from the disposition of transferred properties		361,686,818	463,905,204
Collection of receivables		63,963,115	64,580,196
Receipt of funds from the Department of Public Works and Highways for the implementation of its projects		45,724,322	0
Miscellaneous receipts		14,751,645	16,307,365
Collection of bid bonds/performance bonds		9,743,186	0
Receipts from BCDA housing projects		627,876	5,450,137
Proceeds from disposition of Heritage Park Investment Certificates (HPICs)		0	1,631,857
Total cash inflows		10,108,267,615	7,360,473,786
Cash Outflows			
Remittance of beneficiaries' share to the Bureau of the Treasury (BTr)		3,551,400,663	6,375,522,741
Payment to suppliers/creditors/employees		637,713,548	674,807,079
Payment/remittance of taxes, duties and fees		362,214,822	2,084,759,684
Personnel Services		307,581,780	256,801,954
Estate Management Fees		174,462,712	157,849,479
Payment of expenses for the implementation of projects of Department of Transportation, and Department of Information and Communications Technology		130,005,012	496,197,778
Payment of financial assistance to Project Affected People in New Clark City		35,348,511	177,291,972
Refund of funds from the sale of disposition of HPICs		116,776	0
Fund transfer to escrow account		0	388,858,617
Refund of bid bonds/performance bonds		0	276,805,058
Total cash outflows		5,198,843,824	10,888,894,362
Net cash provided by/(used in) operating activities		4,909,423,791	(3,528,420,576)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash inflows			
Proceeds from maturity of time deposits, treasury bills and bonds		82,439,461,662	78,350,938,589
Dividends received		705,000,000	589,665,595
Interest income from cash equivalents and short/long term investments		548,454,880	192,273,616
Total cash inflows		83,692,916,542	79,132,877,800
Cash outflows			
Purchase of treasury bills and placements of funds in time deposits		89,703,325,711	79,036,658,827
Acquisition of property and equipment, and payment for various infrastructure projects		4,259,731,485	5,372,264,903
Road-Right-of-Way acquisition		50,178,744	106,523,351
Total cash outflows		94,013,235,940	84,515,447,081
Net cash used in investing activities		(10,320,319,398)	(5,382,569,281)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash inflows			
Subsidy income		4,411,240,674	4,581,736,393
27.50 per cent share of BCDA from asset disposition		137,191,552	175,964,043
Equity from National Government		36,990,932	313,352,353
Total cash inflows		4,585,423,158	5,071,052,789
Cash outflows			
Partial settlement of loan from Japan International Cooperation Agency		756,853,058	801,630,992
Dividends paid to the BTr		527,402,352	885,393,091
Payment of guarantee fees to the BTr		146,724,970	268,676,528
Payment of financing charges		133,638,853	148,657,529
Total cash outflows		1,564,619,233	2,104,358,140
Net cash provided by financing activities		3,020,803,925	2,966,694,649
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		(10,456)	215,148
NET DECREASE IN CASH AND CASH EQUIVALENTS		(2,390,102,138)	(5,944,080,060)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		9,249,750,228	15,193,830,288
CASH AND CASH EQUIVALENTS AT END OF YEAR	6	6,859,648,090	9,249,750,228

The notes on pages 9 to 89 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.

BCDA is a Value Added Tax-registered entity. Its registered office and principal place of business is 2nd Floor, Bonifacio Technology Center, 31st Street, Crescent Parkwest, Bonifacio Global City, Taguig City.

The Board of Directors authorized the issue of BCDA's financial statements as of December 31, 2023, and 2022 on June 19, 2024.

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

Unless otherwise indicated, the financial statements were prepared using historical cost. 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, the most advantageous market for 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 prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

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 in valuing significant assets, such as investment property. The 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 that must be remeasured or reassessed according to accounting policies.

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.

- 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.

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 2023 but not relevant to BCDA

- Amendments to PAS 12, *Income Taxes - International Tax Reform - Pillar Two Model Rules* – The amendments provide a mandatory temporary exemption for the accounting of the deferred taxes arising from the implementation of the Organization for Economic Co-operation and Development (OECD)/G20 Inclusive Framework on Base Erosion and Profit Shifting Pillar Two model rules (Pillar Two income taxes). The amendments also introduce the disclosure requirements for the affected entities to enable users of the financial statements to understand the extent to which an entity will be affected by the Pillar Two income taxes, particularly before its effectivity date.
- Amendment to PFRS 17, *Insurance Contracts - Initial Application of PFRS 17 and PFRS 9, Financial Statements - 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.

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, 2023, and have not been applied in preparing the financial statements are summarized below:

Effective for annual periods beginning on or after January 1, 2024:

- Amendments to PAS 1, *Presentation of Financial Statements* - Classification of Liabilities as Current or Noncurrent – 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.
- Amendments to PAS 1, *Noncurrent Liabilities with Covenants* - The amendments clarified that covenants to be complied with after the reporting date do not affect the classification of debt as current or noncurrent at the reporting date. Instead, the amendments require the entity to disclose information about these covenants in the notes to the financial statements. The amendments must be applied retrospectively. Earlier application is permitted. If applied in the earlier period, BCDA shall also apply Amendments to PAS 1, *Presentation of Financial Statements* - Classification of Liabilities as Current or Noncurrent for that period.
- Amendments to PFRS 16, *Leases* - Lease Liability in a Sale and Leaseback – The amendments clarify that the liability that arises from a sale and leaseback transaction that satisfies the requirements in PFRS 15, *Revenue from Contracts with Customers*, to be accounted for as a sale, is a lease liability to which PFRS 16 applies and gives rise to a right-of-use asset. For the subsequent measurement, the seller-lessee shall determine "lease payments" or "revised lease payments" in a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right of use retained by the seller-lessee. Applying this subsequent measurement does not prevent the seller-lessee from recognizing any gain or loss relating to the partial or full termination of a lease. Any gain or loss relating to the partial or full termination of the lease does not relate to the right-of-use retained but to the right-of-use terminated. The amendments must be applied retrospectively. Earlier application is permitted.
- Amendments to PAS 7, *Statement of Cash Flows*, and PFRS 7, *Financial Instrument: Disclosures* - Supplier Finance Arrangements – The amendments introduced new disclosure requirements to enable users of the financial statements to assess the effects of supplier finance arrangements on liabilities, cash flows, and exposure to liquidity risk. The amendments also provide transitional relief on certain aspects, particularly on the disclosures of comparative information. Earlier application is permitted.

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

- Amendments to PAS 21, *The Effects of Changes in Foreign Exchange Rates* - Lack of Exchangeability – The amendments clarify when a currency is considered exchangeable into another currency and how an entity determines the exchange rate for currencies that lack exchangeability. The amendments

also introduce new disclosure requirements to help users of financial statements assess the impact when a currency is not exchangeable. An entity does not apply the amendments retrospectively. Instead, an entity recognizes any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings when the entity reports foreign currency transactions. When an entity uses a presentation currency other than its functional currency, it recognizes the cumulative amount of translation differences in equity. Earlier application is permitted.

- 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 the costs of transition by simplifying some requirements of the standard, (ii) make financial performance easier to explain, and (iii) ease the 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 1, *Implementation*, which provides a two-year deferral on the implementation of the standard from the 2023 effectivity date. Therefore, all life and non-life insurance companies in the Philippines shall adopt PFRS 17 for annual periods beginning on or after January 1, 2025.

Deferred effectivity:

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in preparing these financial statements are summarized below. Unless otherwise stated, these policies have been constantly applied to all the years presented.

Current and Non-current classification

BCDA presents assets and liabilities in the statements of financial position based on current or 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 12 months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 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 12 months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least 12 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 that do not fall under 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 up to three months or less from the 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 marketplace 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 FVPL 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 the 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 in some other type of asset. In cases where data used as inputs in a valuation model are not observable, BCDA deems 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 are derecognized. For each transaction, BCDA determines the appropriate method of recognizing the "Day 1" difference.

Classification. BCDA classifies its financial assets 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 bids 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, their fair value are 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 exist, options pricing models, and other relevant valuation models.

Financial Assets at FVPL. Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, 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 FVPL, 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 did not have financial assets classified as FVPL as of December 31, 2023, and 2022.

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 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 did not have financial assets classified as FVOCI (debt instruments) as of December 31, 2023, and 2022.

Financial assets designated at FVOCI (equity instruments). Upon initial recognition, BCDA can elect to classify its equity investments irrevocably 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 FVOCI are not subject to impairment assessment.

BCDA did not have financial assets classified as FVOCI (equity instruments) as of December 31, 2023, and 2022.

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 bonds and treasury bills, and receivables as at December 31, 2023 and 2022.

Financial Liabilities at fair value through profit or loss (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 did not have financial liabilities classified as FVPL as of December 31, 2023, and 2022.

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 of December 31, 2023, and 2022.

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 by BCDA when:

- the rights to receive cash flows from the asset expired;
- it 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
- it 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 all the risks and rewards of the asset substantially, 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 it. 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, canceled, 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 to 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 a significant increase in credit risk. However, in some instances, 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 are 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 inventories held for sale, inventories held for consumption, and semi-expendable office equipment. Inventories held for sale are initially measured at cost. Costs 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. The net realizable value represents the estimated selling price minus 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, their carrying amount 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 and any impairment losses.

Prepayments and Other Current Assets

Prepayments represent expenses not yet incurred but already paid in cash. They are initially recorded as assets and measured at the amount paid. Subsequently, they 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 that are expected to be realized or consumed within one year or within its normal operating cycle, whichever is longer. They 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 that are restricted to use and earn interest at prevailing bank deposit rates. The interest earned from these deposits benefits BCDA. It also includes unserviceable property and equipment that are subject to 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, 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 (NCGCC)	10
Shin Clark Power Corporation (SCPC)	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 expenses 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 safeguarding 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, 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 if there is 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 they have been disposed of or when they are permanently withdrawn from use, and no future economic benefit is expected from their 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 parcels of land that were turned over and titled in the name of BCDA pursuant to RA No. 7227 and those that were acquired through transfer or donation but not yet transferred in the name of BCDA. It also includes the following:

- Buildings and structures such as the ASEAN Villas and Civil Aviation Complex Buildings in Clark, Pampanga, and NGAC Sports Facilities in Capas, Tarlac;
- Log Homes and Manor Suites in Camp John Hay, Baguio City;
- Serendra condominium units in Taguig 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, administrative, or other 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.

BCDA retains fully depreciated assets as part of property and equipment until their disposal. No 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 the 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 their useful life of 10 to 30 years or, when shorter, the term of the relevant lease.

BCDA records assets with an acquisition value, net of value-added tax (VAT), of less than P50,000 and 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 expenses when issued to the end-users.

Service Concession Assets and Deferred Service Concession Revenue

Recognition and Measurement of Service Concession Revenue

BCDA, as the 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 the 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 grantor's asset 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 Service Concession Revenue)

BCDA also recognizes a deferred concession revenue as a liability when it recognizes a service concession asset if 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.

Notes 17 and 26 present BCDA's service concession assets and deferred service concession revenue, respectively.

Intangible Assets

Intangible assets are identifiable non-monetary assets 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 a 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 an estimated useful life of five years using the straight-line method. If there is an indication that there has been a significant change in the 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 (i) its purchase price, including import duties and non-refundable purchase taxes, after deducting trade

discounts and rebates, and (ii) 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 their 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 a deposit arising from the lease contract that will be refunded at the end of the contract. The 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 flow CGUs.

If there was a subsequent reversion of impairment loss, 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 is 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 the Government Service Insurance System, Social Security System, Home Development Mutual Fund,

and Philippine Health Insurance Corporation. 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

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

Related Parties

Related party relationships exist 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 that are under common control with the reporting enterprise or between and/or among the reporting enterprise and its key management personnel, directors, or shareholders.

When considering each possible related party relationship, attention is directed to its substance, not merely its legal form.

Revenue Recognition

Revenue from contracts 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: (i) the customer simultaneously receives and consumes the benefits as BCDA performs its obligations; (ii) the performance of BCDA creates or enhances an asset that the customer controls as the asset is created or enhanced; or (iii) 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 the 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 BCDA's rights to receive payment have been established, provided that it is probable that economic benefits will flow to BCDA and the amount of income can be measured reliably.

Lease Revenue

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

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: (i) on the basis of a direct association between the costs incurred and the earning of specific items of income; (ii) 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 (iii) 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 BCDA's administrative, marketing, selling, and other business activities.

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 expenses 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 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.

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.

BCDA as Lessee

Leases, 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 charged to the statements of comprehensive income on a straight-line basis over the period of the lease.

Leases that 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 the 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.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction, or production of qualifying assets are added to the cost of the assets until they are substantially ready for their intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to prepare 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 salaries and wages, including the non-monetary benefits and accumulating sick and vacation leaves 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's 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 risks are born by the employees.

Retirement Fund

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

Income Tax

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

Current Tax

The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. BCDA's current tax liability is calculated using the 25 percent regular corporate income tax rate or the 1.5 percent 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

BCDA's accounting records are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates that 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 the 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 percent 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 percent share of the net proceeds is recorded as equity from NG, while the shares of beneficiaries other than BCDA are booked as liabilities. Direct expenses related to the disposition are treated as expenses or assets, as the case may be.

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 BCDA's equity holders after the dividends are deducted. Retained Earnings may also include the effect of changes in accounting policy as 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 assumptions 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, or 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 of December 31, 2023, and 2022 are P16.462 billion and P15.190 billion, respectively. The depreciation cost charged to operation amounted to P552.944 million and P379.800 million in CYs 2023 and 2022, respectively (see Note 16).

Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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. An 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, paragraph 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 arrangements 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 the 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:

	2023	2022
Cash equivalents	3,930,946,045	7,285,940,000
Cash in banks	2,928,603,854	1,963,158,312
Cash on hand	98,191	651,916
	6,859,648,090	9,249,750,228

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 were classified by BCDA as cash equivalent if they had an original maturity of three months or less from the date of acquisition. Interest earned from cash equivalents amounted to P159.053 million and P80.833 million in CYs 2023 and 2022, respectively (see Note 27).

Cash in banks are deposits maintained with the 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 P1.378 million and P5.990 million in CYs 2023 and 2022, 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:

	2023	2022
Treasury bills	1,425,185,020	1,988,877,453
Investment in bonds	0	499,999,999
	1,425,185,020	2,488,877,452

Interest earned from government securities amounted to P45.533 million and P76.581 million in CYs 2023 and 2022, respectively (see Note 27).

8. OTHER INVESTMENTS

The current portion of this account pertains to the investments in time deposits maintained by BCDA with LBP and DBP in the total amount of P11.500 billion and P3.172 billion as of December 31, 2023, and 2022, respectively, earning interest at a pre-determined competitive rate and have maturities of 91 days or more. The significant increase was due to the placement of larger funds because of the collection of Minimum Annual Secured Revenue Shares (MASRS) for the Bonifacio South Pointe Project amounting to P5.400 billion, the increase in collection from leases and concession fees, and the consideration of higher interest rates and better cash management for disbursements. Interest earned from time deposits amounted to P461.062 million and P40.268 million in CYs 2023 and 2022, respectively (see Note 27).

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

	2023	2022
Cost of 10 percent investment in Bonifacio Water Corporation	70,051,870	70,051,870
Cost of 15 percent investment in Poro Point Industrial Communication	15,000,000	15,000,000
Value of 30 golf and country shares received by BCDA from Camp John Hay Development Corporation (CJHDevCo) as partial payment of the latter's outstanding obligations	12,000,000	12,000,000
Cost of 10 percent Cumulative Preferred shares of BCDA paid to MERALCO in connection with the application for the installation of electric facilities at Serendra Project, Districts 1 and 2 properties pursuant to the Subscription Agreement entered into by and between BCDA and MERALCO	5,947,649	5,947,649
Cost of stocks/securities of PLDT in connection with the installation of various lines at BCDA and miscellaneous investments	24,800	24,800
	103,024,319	103,024,319

9. RECEIVABLES

This account consists of the following:

	2023	2022 (As restated)
Loans and receivables	6,574,427,808	9,626,225,701
Inter-agency receivables	3,943,612,919	4,357,809,398
Lease receivables	3,746,497,180	3,697,443,473
Other receivables	167,013,672	172,993,996
	14,431,551,579	17,854,472,568
Allowance for impairment	(2,096,877,151)	(2,092,850,970)
	12,334,674,428	15,761,621,598
Current portion	6,090,126,379	6,062,636,785
Non-current portion	6,244,548,049	9,698,984,813

Loans and receivables consists of the following:

	2023	2022 (As restated)
Business projects		
Bonifacio South Pointe Project	5,327,335,198	7,932,094,125
JUSMAG Project	495,305,802	1,244,290,879
Newport Project	131,128,131	128,809,322
Serendra Project	584,555	2,093,590
Concession fees	333,084,182	239,068,019
Interest receivable	221,740,432	39,157,239
Sale of Inventories	34,241,464	9,425,706
Housing projects		
Rodriguez, Rizal Relocation	17,630,433	17,631,239
Pabahay 2000 in General Trias, Cavite	8,237,194	8,458,331
Pamayanang Diego Silang (PDS)	4,915,271	4,972,104
Dividends receivable	183,844	183,844
Others	41,302	41,303
	6,574,427,808	9,626,225,701

Receivables from business projects refer to the remaining net cash flows of the MASRS arising from BCDA's Joint Venture Agreements (JVAs) with various joint venture partners. The decrease in receivables mainly pertains to the collection of MASRS from the Bonifacio South Pointe and Joint US Military Advisory Group (JUSMAG) projects in the amounts of P2.605 billion and P748.985 million, respectively.

Receivables from concession fees refer to the BCDA's 50 percent share of the gross toll revenues of Subic-Clark-Tarlac Expressway (SCTEx), amounting to P231.941 million and P201.342 million for CYs 2023 and 2022, respectively. They also include the 18.25 percent share of BCDA in the gross revenue from the operation of Clark International Airport, amounting to P101.143 million and P37.726 million for the 4th quarter of CY 2023 and CY 2022, respectively.

Interest receivable refers to the accrual of interest income from fund placements on cash equivalents, time deposits, and treasury bills.

Receivables from the sale of inventories refer to the Gross Floor Area totaling 6,198 square meters of the Institutional Area property of BCDA in Bonifacio Global City, which was sold during CY 2023 for P34.213 million. This also includes the receivables from the sale of Heritage Park Investment Certificates at Angel's Touch Columbarium, amounting to P28,504.

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

BCDA. In CY 2012, 93 families were relocated to NHA's housing units at Kasiglahan Village, located in Rodriguez, Rizal and a total of P18.600 million was paid by BCDA to NHA.

Dividends receivable pertains to the remaining balance of 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 or -Controlled Corporations (GOCCs) of BCDA.

	2023	2022 (As restated)
Subsidiaries/Affiliates	3,507,324,699	3,680,863,437
NGAs	435,087,971	671,964,009
LGUs	202,568	3,950,173
GOCCs	997,681	1,031,779
	3,943,612,919	4,357,809,398

Receivables from subsidiaries/affiliates are as follows:

	2023	2022 (As restated)
Clark International Airport Corporation (CIAC)	1,750,870,980	1,918,374,985
North Luzon Railways Corporation (NORTHRAIL)	1,661,831,254	1,661,831,254
Poro Point Management Corporation (PPMC)	67,511,935	72,537,236
John Hay Management Corporation (JHMC)	19,363,989	19,363,989
New Clark Government Center Corporation (NCGCC)	5,994,818	7,131,452
Bonifacio Estate Services Corporation (BESC)	1,500,000	1,500,000
Fort Bonifacio Development Corporation (FBDC)	223,100	95,898
Clark Development Corporation (CDC)	28,623	28,623
	3,507,324,699	3,680,863,437

Receivable from CIAC represents (a) the 15 percent importation cost of radar spare parts for the Terminal Radar Approach Control Project of P94.970 million, (b) result of the inter-company settlement of CDC-CIAC loans of P196.861 million pursuant to Executive Order No. 716 dated April 3, 2008, (c) progress billings for various infrastructure projects of P425.030 million, (d) deposit for future stock subscription of P832.248 million which pertains to the book value of the CIAC fixed assets transferred from the BCDA to CDC upon the merger of the CDC and CIAC in CY 2002 pursuant to the Implementing Plan of Executive Order No. 716, 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. NORTHRAIL was already deactivated pursuant to GCG Memorandum Order No. 2019-05 dated August 20, 2019. Subsequently, the Office of the President through its Memorandum Order No. 17 dated October 19, 2023, directed the abolition of NORTHRAIL and has designated BCDA as the administrator and liquidator.

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.

The P17.346 million *receivable from JHMC* represents funds released for the construction of access roads and other CAPEX projects. These funds will be liquidated upon completion and the project's turnover to BCDA. The receivable also includes advances of P2.014 million, subject to reimbursement.

Receivable from NCGCC, formerly NGAC Phase 1 Joint Venture, pertains to the power consumption in the Athletes' Village, Aquatic Center, Athletic Stadium, and Polyclinic in the National Government Administrative Center advanced by BCDA.

Receivable from FBDC represents the salaries of security guards deployed in the Fort Bonifacio Summit Housing Project, amounting to P223,100 and P95,898 in CYs 2023 and 2022, respectively.

Receivables from NGAs, LGUs, and GOCCs consist of receivables from the following:

	2023	2022
Senate of the Philippines	419,520,000	629,280,000
Department of Public Work and Highways (DPWH)	11,484,286	27,466,791
Department of Health (DOH)	2,268,193	13,618,193
Philippine Information Agency (PIA)	900,000	900,000
National Anti-Poverty Commission (NAPC)	593,626	593,626
Municipality of Capas	200,000	200,000
National Housing Authority (NHA)	97,354	0
Office of Civil Defense (OCD)	33,480	33,480
Municipality of Taguig	2,568	3,750,173
Various Agencies	1,188,713	1,103,698
	436,288,220	676,945,961

The *receivable from the 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. BCDA collected a total of P11.350 million in CY 2023.

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

Receivable from NAPC pertains to the remaining balance of funds transferred to NAPC for its undertaking of census, mapping, and tagging of structures and informal settler families residing at the 24.6-hectare portion of the Bonifacio Housing and Information Technology Park in Fort Bonifacio, Taguig City.

The *Municipality of Capas' receivables* include utilities and maintenance personnel charges for using the Athletic Stadium and Aquatic Center during the State Colleges and Universities Athletic Association-Region III (SCUAA-III) Annual Sports Olympic from February 2 to 5, 2020.

Receivable from NHA refers to amortization amounts owed for housing units resulting from the relocation of eligible informal settler families affected by the development of the 34.5-hectare JUSMAG property. This is in accordance with the MOA signed between the BCDA and NHA on November 10, 2011, designating the latter as the BCDA's collecting agent.

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

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

Receivables from various agencies pertain to the share of the Board of Investments, Subic Bay Metropolitan Authority, Zamboanga City Special Economic Zone, Philippine Economic Zone Authority, Philippine Retirement Authority, and Cagayan Economic Zone Authority, among others, on various promotional activities of the Philippine Investment Promotions Plan.

Lease receivables consists of the following:

	2023	2022 (As restated)
Operating lease receivables	3,506,136,506	3,434,575,284
Finance lease receivables	240,360,674	262,868,189
	3,746,497,180	3,697,443,473

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 Philippine Financial Reporting Standard 16. It also includes receivables 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:

	2023	2022 (As restated)
Due from Non-Government Organizations (NGOs)	9,097,040	9,752,880
Receivables- Disallowances	2,845,000	2,845,000
Due from other individuals	1,776,504	1,976,970
Due from officers and employees	727,951	1,794,643
Others	152,567,177	156,624,503
	167,013,672	172,993,996

Due from NGOs consists of receivables from (a) Lakas Ilaw Association, Inc. for the bridge loan financing of P1.569 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. 09-001-01111 (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. On January 5, 2015, a COA Order of Execution was issued to enforce the settlement of the ND.

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 property and equipment and reclassified to receivable pursuant to an FDC letter dated March 31, 2017, because FDC will reimburse BCDA the amount paid for the improvement of FCC.

10. INVENTORIES

This account consists of the following:

	2023	2022 (As restated)
Inventories held for sale	4,421,733,669	4,598,396,656
Inventories held for consumption	14,719,136	2,881,655
Semi-expendable office equipment	10,691	7,416
	4,436,463,496	4,601,285,727

Inventories held for sale pertains to the following:

- Unutilized Gross Floor Area (GFA) of 383,089 square meters (sqm) costing P3.833 billion which refers to the Serendra Project by BCDA pursuant to the Close-Out Agreement with Serendra Inc. 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 P5.926 billion, less the present value of cash received by BCDA, amounting to P2.093 billion.
- 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. A total of 269 HPICs were reverted back to BCDA's inventories due to the cancellation of installment sales contracts, which resulted in an increase of HPICs to 5,191, costing P311.989 million as of December 31, 2023.
- Condominium units that were allocated to BCDA in New Port City. As of December 31, 2023, a total of 65 condominium units costing P244.286 million remain unsold.
- Parking spaces owned by BCDA at the Pacific Plaza Towers Condominium at Newport City. As of December 31, 2023, 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, 2023, 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, as well as linens, hardware and accessories for the improvement, and operation and maintenance of the NGAC Sports Facilities - Athlete's Village.

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 expenses upon their issuance to the end-user through an Inventory Custodian Slip.

11. OTHER CURRENT ASSETS

This account consists of the following:

	2023	2022 (As restated)
Withholding tax at source	2,213,008,886	1,912,550,309
Input Tax	1,910,375,180	1,868,304,777
Advances to contractors	743,483,289	1,093,221,631
Restricted Funds	651,633,383	1,455,471,575
Other prepayments	15,391,937	257,637
Prepaid insurance	2,894,737	2,843,840
Others	1,785,054	1,677,674
	5,538,572,466	6,334,327,443

Withholding tax at source pertains to 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.

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

Restricted funds pertains to the following:

- Proceeds from the sale of Serendra condominium units and the Serendra Retail area are maintained in escrow and trust accounts with the DBP. Interest income earned amounted to P29.948 million and P9.157 million in CYs 2023 and 2022, respectively (see Note 27).
- Director's and Officer's Liability Fund (DOLF) which is 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, 2023, amounted to P70.228 million. Interest income earned amounted to P3.538 million and P393,192 in CYs 2023 and 2022, respectively (see Note 27).

Other Prepayments pertains to advance payment of real property tax for certain properties in Pamayanang Diego Silang and Market Market, including the Iconic Lot located in Bonifacio Global City. It also includes preloaded Radio Frequency

Identification credits for BCDA vehicles and unexpired portions of annual subscriptions for various software-as-a-service solutions.

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

Others pertains to account held in trust amounting to P1.231 million where all refunds to buyers of HPICs shall be charged, advances to officers and employees amounting to P0.551 million 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 for both CYs 2023 and 2022. 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 the 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 application for the extension of the corporate life of PJIC is being validated by the Securities and Exchange Commission (SEC).

13. INVESTMENTS IN ASSOCIATES/AFFILIATES

	2023	2022 (As restated)
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	74,976,529
New Clark Government Center Corporation	52,200,000	52,200,000
Bonifacio Communication Corporation	27,500,000	27,500,000
Bonifacio Estate Services Corporation	4,333,333	4,333,333
	13,447,028,748	13,447,028,748

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's primary purpose is developing, constructing, operating, and maintaining electric power distribution systems in New Clark City. BCDA contributed its Development and Usufructuary Rights (DUR) in CY 2022, worth P74.977 million or 10 percent of the corporation's authorized capital stock.

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 percent of the total project cost amounting to P4.650 billion. In CY 2022, BCDA recognized a 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.

Dividends earned from investment in affiliates amounted to P705 million in CY 2023 and P589.583 million in CY 2022 (see Note 27).

14. INVESTMENTS IN SUBSIDIARIES

	2023	2022 (As restated)
Clark Development Corporation	2,813,507,300	2,813,507,300
John Hay Management Corporation	323,248,643	323,248,643

	2023	2022 (As restated)
BCDA Management Holdings, Inc.	256,688,775	256,688,775
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
	3,562,838,438	3,562,838,438
Allowance for impairment loss	(100,000,000)	(100,000,000)
	3,462,838,438	3,462,838,438

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 Government-Owned or Controlled Corporations (GCG) issued Memorandum Order No. 2015-06 to deactivate BMHI.

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

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

On September 13, 2023, the BCDA Board, under Resolution No. 2023-09-141, approved and authorized the Management Team to proceed with the implementation of the said dissolution and winding down of BMHI's activities.

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 of 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 with assisting the Board of Directors in winding down NORTHRAIL's activities. All officers and employees not part of the team were separated on December 31, 2021. On October 19, 2023, the Office of the President, through Memorandum Order No. 17, directed the abolition of NORTHRAIL and designated BCDA as the administrator and liquidator.

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 Executive Order (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 an attached agency of DOTr to 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 BCDA's investment properties as of October 26, 2021. Based on the reports, some of the properties located in Clark, NCC, Bataan Technology Park, Taguig, and Pasay, with an approximate total area of 14,803 hectares, had a total fair market value of P148.015 billion as of 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 that have been sold recently, plus 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 to the actual sale prices of properties to account for differences 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 is as follows:

	2023	2022 (As restated)
Land	68,171,297,684	68,156,966,925
Building	11,021,826,984	11,250,301,253
	79,193,124,668	79,407,268,178

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

	2023	2022 (As restated)
COST		
Balance, January 1	12,206,434,447	12,184,428,102
Additions	5,240,696	22,006,345
Balance, December 31	12,211,675,143	12,206,434,447
ACCUMULATED DEPRECIATION		
Balance, January 1	956,133,194	722,913,371
Depreciation	233,714,965	233,219,823
Balance, December 31	1,189,848,159	956,133,194
Carrying Amount, December 31	11,021,826,984	11,250,301,253

Lease revenue earned from investment properties amounted to P1.624 billion and P1.788 billion in CYs 2023 and 2022, respectively (see Note 27). Expenses incurred arising from investment properties are as follows:

	2023	2022
Estate management fee	174,126,948	162,625,223
Zone maintenance	119,759,526	126,346,897
Security services	94,213,325	120,982,762
	388,099,799	409,954,882

BCDA entered into Deeds of Usufruct and/or Memoranda of Agreement for the use of its various 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 (BTP) for the relocation and replication of the PN facilities;
- Department of Environment and Natural Resources (DENR) for the use of a 33.74-hectare portion of Lot 15 of BCDA land located in Camp John Hay Air Station, presently occupied by the DENR-CAR's Ecosystems Research and Development Service (ERDS), for the actual, sole, and exclusive use of the ERDS in support of its mission to provide and generate technologies and scientific assistance in the research and development of technologies relevant to the sustainable use of Philippine ecosystems and natural resources;
- Department of Education-CAR Division of Baguio City for the use of a 1,529-square meter property within Barangay Country Club in Baguio City for establishing a school building;
- Reserve Officers Legion of the Philippines (RLOP) for a 500-square meter area under TCT 28674 within the Community Center Area of the Housing Site II located at C-5 Road, Fort Bonifacio as the National Headquarters of the RLOP;
- 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 have 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 New Clark City involving a 9,450-hectare of land within the Clark Special Economic Zone located 100 kilometers north of Manila.

In 2018, the 40-hectare National Government Center Phase 1 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.

On June 9, 2020, Republic Act No. 11470 was enacted creating and establishing the National Academy of Sports and providing funds therefor which mandates 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 & Others	Total
2023								
COST								
Balance, January 1, 2023	7,119,194,310	4,321,945,827	92,412,811	32,378,733	182,543,515	6,431,838,035	107,814,128	18,288,127,359
Additions	1,061,321,777	2,676,621,419	18,055,270	1,383,561	1,705,728	4,421,300,895	6,055,460	8,186,444,110
Reclassifications	0	0	166,498	3,211,560	0	(6,350,201,362)	(9,345,022)	(6,356,168,326)
Disposal	0	0	(2,085,597)	(3,248,600)	(13,185,376)	0	0	(18,519,573)
Balance, December 31, 2023	8,180,516,087	6,998,567,246	108,548,982	33,725,254	171,063,867	4,502,937,568	104,524,566	20,099,883,570
ACCUMULATED DEPRECIATION								
Balance, January 1, 2023	2,270,589,735	604,040,495	58,557,639	17,642,905	111,353,330	0	36,267,118	3,098,451,222
Depreciation	272,670,970	219,623,918	11,617,019	2,468,851	12,697,071	0	33,866,629	552,944,458
Adjustments	0	0	0	3,211,560	0	0	(1,336,943)	1,874,617
Disposal	0	0	(1,679,836)	(2,923,740)	(10,952,567)	0	0	(15,556,143)
Balance, December 31, 2023	2,543,260,705	823,664,413	68,494,822	20,399,576	113,097,834	0	68,796,804	3,637,714,154
Carrying Amount, December 31, 2023	5,637,255,382	6,174,902,833	40,054,160	13,325,678	57,966,033	4,502,937,568	35,727,762	16,462,169,416

	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 & Others	Total
2022								
COST								
Balance, January 1, 2022	2,798,681,044	1,536,912,418	89,391,973	25,395,555	192,522,887	7,823,651,805	106,133,497	12,572,689,179
Additions	4,320,513,266	2,786,189,166	7,801,555	8,641,319	6,484,607	5,527,796,143	46,873,212	12,704,299,268
Transfer	0	(217,873)	(103,933)	0	0	(4,335,050,279)	0	(4,335,372,085)
Reclassifications	0	(937,884)	(4,676,784)	(1,658,141)	(16,463,979)	(2,584,559,634)	(45,192,581)	(2,653,489,003)
Balance, December 31, 2022								
As restated	7,119,194,310	4,321,945,827	92,412,811	32,378,733	182,543,515	6,431,838,035	107,814,128	18,288,127,359
ACCUMULATED DEPRECIATION								
Balance, January 1, 2022	2,100,423,155	454,274,309	49,459,305	17,581,780	113,449,292	0	47,586,307	2,782,774,148
Depreciation	170,166,580	148,638,750	12,890,055	1,593,627	12,637,803	0	33,873,390	379,800,205
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	(45,192,579)	(63,512,544)
Balance, December 31, 2022								
As restated	2,270,589,735	604,040,495	58,557,639	17,642,905	111,353,330	0	36,267,118	3,098,451,222
Carrying Amount, December 31, 2022								
As restated	4,848,604,575	3,717,905,332	33,855,172	14,735,828	71,190,185	6,431,838,035	71,547,010	15,189,676,137

Details of the Construction in Progress account are as follows:

Project	2023	2022 (As restated)
Various Structures and Facilities in Bataan Technology Park, Phase 1 – Package 2	1,186,278,996	0
Airport to New Clark City (NCC) Access Road Project - Phase 3	807,972,864	275,204,017
Various Structures and Facilities Bataan Technology, Phase 1 - Package 3	658,338,312	444,340,555
Underground Corridor Connecting Road Package 1	563,405,425	287,203,315
Terminal Radar System at Clark International Airport	207,607,580	0
Special and Technical Staff Building for SCC/DACC	193,027,009	144,669,729
Air Control Tower at Clark International Airport	146,658,064	0
Detailed Engineering Design for the BCDA Iconic Building	125,460,552	125,460,552
Connector Road from MacArthur Highway to NCC Airport Road	108,179,102	0
Detailed Architectural and Engineering Design for Replication of the Philippine Navy Facilities	96,031,777	96,031,777
Sewage Treatment Plant, Access Road and Freedom Park	94,910,081	71,182,561
Access Roads, Drainage and Earthworks at Morong Discovery Park (Contiguous Contract)	65,988,453	0
Design and Construction of the Bonifacio South Main Boulevard Project	41,807,111	0
Lawton Avenue Widening	34,381,261	34,381,261
John Hay Management Corporation Office Building	33,942,256	28,425,493
Consulting Services for Advance Preliminary Works for SCRP	29,446,427	23,731,228
Relocation of Powerhouse and Electrical Utilities at Fort Bonifacio, Taguig City	23,646,271	0
Replication of ASCOM/SSC/DACC Facilities	15,744,901	15,744,901
Detailed Eng'g Design of CGC Mixed Income	13,453,000	13,453,000
NCC Non-Motorized Transport System to Clark Freeport Zone	12,160,300	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
San Fernando Airport Drainage System	6,090,570	4,869,941

Project	2023	2022 (As restated)
South Luna Ramps - Project Design	5,356,955	5,356,955
San Fernando Airport Runway Slope Protection	4,646,942	4,646,942
Improvement of Guardhouse and Parking Area at JHMC Office Building	3,258,322	0
Renovation of BCDA Cottage 663 and 664	2,629,024	0
Construction Management and Supervision (CMS) for the Construction of Roads, Utilities, and Preparatory Works at Morong Discovery Park	2,099,828	0
Detailed Engineering Design Streetlighting System and Pavement Markings Along McKinley Parkways	678,400	0
Enhancement of Historal Core Phase 1 - Liberty Park	386,680	0
Airport to NCC Access Road Project (Phase 2)	0	2,312,062,396
ASCOM Facilities at Camp Aquino Tarlac	0	1,406,777,280
New Clark City Connecting Road Package 1	0	805,320,405
Design and Build of the New Academy of Sports (NAS) Phase 1	0	176,145,469
Construction Management Supervision (CMS) of the Airport (CIA) to NCC Access Road - Phase 1	0	74,503,675
Replication of Philippine Air Force (PAF) Parking Area and Relocation of Oil Circuit Breaker, High Tension Wire and Electrical System	0	49,384,994
Deep Well at Wallace Air Station	0	11,684,049
Utilities-Luzon Bypass Infrastructure Project	0	1,736,835
Streetlighting System and Pavement Markings Along McKinley Parkways	0	169,600
	4,502,937,568	6,431,838,035

17. SERVICE CONCESSION ASSETS

This account consists of the following:

	Subic-Clark-Tarlac Expressway (SCTEx)	Clark International Airport (CIA)	Total
2023			
COST			
Balance, January 1, 2023	34,210,489,084	17,252,819,497	51,463,308,581
Additions	175,600,044	7,966,446	183,566,490
Balance, December 31, 2023	34,386,089,128	17,260,785,943	51,646,875,071
ACCUMULATED DEPRECIATION			
Balance, January 1, 2023	6,286,734,979	592,199,559	6,878,934,538
Depreciation	541,668,550	404,803,855	946,472,405
Balance, December 31, 2023	6,828,403,529	997,003,414	7,825,406,943
Carrying Amount, December 31, 2023	27,557,685,599	16,263,782,529	43,821,468,128
2022			
COST			
Balance, January 1, 2022	33,864,093,345	14,808,719,344	48,672,812,689
Additions	346,395,739	3,047,743,808	3,394,139,547
Reclassifications	0	(603,643,655)	(603,643,655)
Balance, December 31, 2022	34,210,489,084	17,252,819,497	51,463,308,581

	Subic-Clark-Tarlac Expressway (SCTEx)	Clark International Airport (CIA)	Total
ACCUMULATED DEPRECIATION			
Balance, January 1, 2022	5,759,433,734	192,373,862	5,951,807,596
Depreciation	527,301,245	400,489,278	927,790,523
Reclassifications		(663,581)	(663,581)
Balance, December 31, 2022	6,286,734,979	592,199,559	6,878,934,538
Carrying Amount, December 31, 2022, As restated	27,923,754,105	16,660,619,938	44,584,374,043

Subic-Clark-Tarlac Expressway (SCTEx)

On February 26, 2015, BCDA and Manila North Tollways Corporation (MNTC), now North Luzon Expressway (NLEX) Corporation, 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, NLEX Corporation, 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 NLEX Corporation on October 22, 2015, and NLEX Corporation 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 NLEX Corporation. Hence, from the effective date up to October 30, 2043, NLEX Corporation 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, the relevant laws, rules, regulations, and required governmental approvals.

In consideration of the assignment, the following shall be paid by NLEX Corporation 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 percent 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 percent per month of delay or a fraction thereof.

NLEX Corporation shall perform maintenance works/special/major emergency works, other additional works, enhancement, and/or improvement works (Maintenance Works) at its own cost. NLEX Corporation shall comply with the agreed Service Quality Levels (SQL) for the maintenance of SCTEx. NLEX Corporation 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.

A performance security posted by NLEX Corporation in favor of BCDA covers the obligation to pay concession fees and perform maintenance works.

At the end of the Contract Term or upon the 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, NLEX Corporation 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. NLEX Corporation shall retain the right to operate, 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 NLEX Corporation's default, BCDA has the right to automatically take over the SCTEx. BCDA may call on the Performance Security to the extent of NLEX Corporation's actual obligation falling due, provided, if the actual obligation is more than the face value of the security, NLEX Corporation will pay the difference. In addition, NLEX Corporation shall indemnify BCDA for actual damages including financial losses incurred by BCDA arising from the NLEX Corporation 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 NLEX Corporation under the BA shall be terminated. The banking arrangements of BCDA and NLEX Corporation 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 NLEX Corporation	Total
2023			
COST			
Balance, January 1, 2023	31,687,778,944	2,522,710,140	34,210,489,084
Additions	11,843,776	163,756,268	175,600,044
Balance, December 31, 2023	31,699,622,720	2,686,466,408	34,386,089,128
ACCUMULATED DEPRECIATION			
Balance, January 1, 2023	5,849,368,634	437,366,345	6,286,734,979
Depreciation	428,055,374	113,613,176	541,668,550
Balance, December 31, 2023	6,277,424,008	550,979,521	6,828,403,529
Carrying Amount, December 31, 2023	25,422,198,712	2,135,486,887	27,557,685,599
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

The *assets provided by BCDA* for SCTEx pertain to land owned by the BCDA and infrastructure constructed for its operation.

Assets introduced by NLEX Corporation pertain to assets constructed/provided by the NLEX Corporation, such as toll fare structures at toll plazas, NLEX-SCTEx integration civil works/fixed operating equipment, pavement rehabilitation, rest stops, the 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 effective July 31, 2023. In addition, the parties shall likewise share in the airport's gross revenues with 81.75 percent for LIPAD and 18.25 percent for the BCDA. The ownership of the 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
2023				
COST				
Balance, January 1, 2023	3,066,121,256	3,304,301,560	10,882,396,681	17,252,819,497
Additions	0	7,966,446	0	7,966,446
Balance, December 31, 2023	3,066,121,256	3,312,268,006	10,882,396,681	17,260,785,943
ACCUMULATED DEPRECIATION				
Balance, January 1, 2023	256,211,455	123,209,107	212,778,997	592,199,559
Depreciation	98,906,842	130,753,627	175,143,386	404,803,855
Balance, December 31, 2023	355,118,297	253,962,734	387,922,383	997,003,414
Carrying Amount, December 31, 2023	2,711,002,959	3,058,305,272	10,494,474,298	16,263,782,529
2022				
COST				
Balance, January 1, 2022	531,560,588	3,907,281,634	10,369,877,122	14,808,719,344
Additions	2,535,224,249	0	512,519,559	3,047,743,808
Reclassifications	(663,581)	(602,980,074)	0	(603,643,655)
Balance, December 31, 2022, as restated	3,066,121,256	3,304,301,560	10,882,396,681	17,252,819,497
ACCUMULATED DEPRECIATION				
Balance, January 1, 2022	192,373,862	0	0	192,373,862
Depreciation	64,501,174	123,209,107	212,778,997	400,489,278
Reclassifications	(663,581)	0	0	(663,581)
Balance, December 31, 2022, as restated	256,211,455	123,209,107	212,778,997	592,199,559
Carrying Amount, December 31, 2022, as restated	2,809,909,801	3,181,092,453	10,669,617,684	16,660,619,938

Assets turned-over by CIAC pertain 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 NLAC upon rectification of the noted defects and issuance of Certificate of Completion by CIAC to the contractor.

Assets introduced by LIPAD refer 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 refer to the construction of the new passenger terminal building at the CIA.

18. INTANGIBLE ASSETS

Intangible assets pertains to computer software licenses recognized based on acquisition cost and any related costs in bringing up the software to use, which is being amortized over the expected useful life of five years. Costs associated with maintaining the said software are recognized as expenses when incurred. Amortization of intangible assets amounted to P4.133 million and P5.472 million in CYs 2023 and 2022, respectively (see Note 33).

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

	2023	2022 (As restated)
COST		
Balance at the beginning of the year	48,020,932	36,070,441
Additions	6,352,415	76,440
Reclassifications	(2,218,240)	(9,526)
Adjustments	0	11,883,577
Disposals/Write-off	(4,380,018)	0
Balance at the end of the year	47,775,089	48,020,932
ACCUMULATED AMORTIZATION		
Balance at the beginning of the year	41,675,894	24,330,060
Amortization	4,132,782	5,471,781
Adjustments	0	11,227,756
Reclassifications	0	646,297
Disposals/Write-off	(4,377,676)	0
Balance at the end of the year	41,431,000	41,675,894
Carrying Amount at the end of the year	6,344,089	6,345,038

19. OTHER NON-CURRENT ASSETS

This account comprises the following:

	2023	2022 (As restated)
Restricted Fund	1,426,480,428	1,427,778,367
Prepayments	65,408,569	71,866,453
Deposits	14,338,874	7,161,122
Other Assets	48,410,695	48,410,695
	1,554,638,566	1,555,216,637

Restricted Fund pertains to the Camp John Hay Development Corporation (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 P56.717 million and P18.638 million for CYs 2023 and 2022, respectively (see Note 27).

Prepayments refers to cash deposited with the Clerk of Courts in relation to land expropriation cases for SCTEx. This also includes the Heritage Park Perpetual Care Fund (PCF), equivalent to 12 percent advanced to the Heritage Park Management Corporation, which will be decreased upon the sale of Heritage Park Investment Certificates.

Other Assets pertains to the remittance made to the AFP for its share in the proceeds from the advance rental of Altus San Nicolas for the 5,000-square-meter lot along Lawton Avenue from CYs 2015 to 2027.

20. CURRENT FINANCIAL LIABILITIES

This account consists of the following:

	2023	2022 (As restated)
Payables	858,861,769	1,479,718,172
Bills/Bonds/Loans Payable	749,126,382	795,637,028
	1,607,988,151	2,275,355,200

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 the JICA loan related to the construction of the SCTEx Project.

21. INTER-AGENCY PAYABLES

This account consists of the following:

	2023	2022 (As restated)
Due to Bureau of the Treasury (BTr)	3,217,224,341	3,680,748,031
Due to National Government Agencies (NGAs)	913,361,161	1,018,594,550
Due to Subsidiaries/Affiliates	250,716,116	239,786,746
Value Added Tax Payable	95,925,496	21,803,643
Due to Bureau of Internal Revenue (BIR)	63,817,683	78,702,036

	2023	2022 (As restated)
Income Tax Payable	55,373,498	24,899,534
Due to Local Government Unit (LGU)	8,300,473	31,145
Due to Government Corporations	5,065,281	2,638,353
Others	124,465	1,371,314
	4,609,908,514	5,068,575,352

Due to BTr refers to the 72.50 percent 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 percent share of the net proceeds from non-sale transactions, such as BCDA's share in joint venture projects, lease income, and the disposition of Heritage Park Investment Certificates. This also includes the balance of guarantee fees incurred in relation to the Japan International Cooperation Agency 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:

	2023	2022 (As restated)
Department of Information and Communications		
Technology (DICT)	789,883,439	916,259,435
Department of Transportation (DOTr)	62,655,210	78,849,090
Department of Public Works and Highways (DPWH)	45,724,321	0
Department of Energy (DOE)	15,098,191	20,498,805
Philippine Veterans Affairs Office (PVAO)	0	2,987,220
	913,361,161	1,018,594,550

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 DPWH for the construction of Bonifacio Global City to Ortigas Center Road Link (Sta. Monica – Lawton Bridge Project).

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

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

Due to Subsidiaries/Affiliates is composed of the following:

	2023	2022 (As restated)
Clark Development Corporation (CDC)	203,914,626	203,867,423
John Hay Management Corporation (JHMC)	27,586,983	22,202,904
Poro Point Management Corporation (PPMC)	16,975,320	4,147,062
Clark International Airport Corporation (CIAC)	2,239,187	2,262,906
Fort Bonifacio Development Corporation (FBDC)	0	7,306,451
	250,716,116	239,786,746

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 2023 and land-related costs in the John Hay Special Economic Zone advanced by JHMC.

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

Due to CIAC mainly refers to the property and equipment assigned, transferred and conveyed by CIAC to BCDA for the operations and maintenance of the Clark International Airport pursuant to the Operations and Maintenance Concession Agreement between BCDA and Luzon International Premier Airport Development Corporation. This account was reduced significantly when the Deed of Assignment between CIAC and BCDA was executed and signed in CY 2021.

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

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

Due to Government Corporations, this mainly consists of unremitted mandatory deductions from the salaries of employees payable to GSIS, Pag-IBIG, and PhilHealth.

22. TRUST LIABILITIES

This account consists mainly of the following:

	2023	2022 (As restated)
Contractor's security deposits	874,918,260	890,541,760
Customer's deposit	902,080,174	404,535,412
	1,776,998,434	1,295,077,172

Contractor's security deposits represents bid bonds, performance and warranty security received from contractors and suppliers. This also includes the 10 percent 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 to pay 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:

	2023	2022
Beginning	61,421,442	41,616,068
Additions	16,627,566	26,237,502
Payments	(15,312,654)	(6,432,128)
	62,736,354	61,421,442

24. OTHER PAYABLES

The current portion of this account pertains to the construction guarantee deposit for construction projects in Bonifacio Global City amounting to P217.495 million and P222.495 million as of December 31, 2023 and 2022, respectively.

The non-current portion pertains to the amount 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. NON-CURRENT FINANCIAL LIABILITIES

This account consists of the non-current portion of the JICA loan amounting to P12.735 billion and P14.321 billion for CYs 2023 and 2022, 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 2023 and 2022, payments were made amounting to P0.757 billion (¥1.906 billion) and P0.802 billion (¥1.906 billion), respectively. As of the reporting date, the unpaid balance amounted to ¥34.311 billion. This balance is translated based on the BSP foreign exchange rate of P0.3930 and P0.4174 for CYs 2023 and 2022, 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) to enhance the region's synergistic integrated development and alleviate the worsening traffic

situation along the North-South axes. 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:

	2023	2022 (As restated)
Deferred Credits	10,169,036,685	10,270,794,158
Unearned Revenue/Income	2,250,618,300	2,403,702,256
	12,419,654,985	12,674,496,414

Deferred credits consists of the following:

	2023	2022 (As restated)
Deferred Service Concession Revenue	7,513,647,099	7,683,360,174
Deferred Finance Lease Revenue	1,757,452,796	1,240,268,009
Other Deferred Credits	897,936,790	1,347,165,975
	10,169,036,685	10,270,794,158

Deferred service concession revenue pertains to the upfront cash from Manila North Tollways Corporation (MNTC), now North Luzon Expressway (NLEX) Corporation, amounting to P2.214 billion, and assets constructed by NLEX Corporation for SCTEx amounting to P2.282 billion. It also includes assets constructed, developed, and provided by LIPAD for the Clark International Airport Project amounting to P3.018 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 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 sale of the 18,320-square meter portion of Navy Village Fort Bonifacio to the Senate of the Philippines in 2018, amounting to P629.280 million. This account will be reclassified to Capital and Due to the Bureau of the Treasury upon collection to recognize the 27.5 percent and 72.5 percent BCDA and beneficiaries' share, respectively.

Unearned Revenue/Income consists of the following:

	2023	2022 (As restated)
Unearned Tax Subsidy	2,006,027,539	2,143,583,713
Other Unearned Revenue/Income	185,383,195	200,930,648
Commitment Contribution	55,000,000	55,000,000
Unearned Revenue/Income-Investment Property	4,207,566	4,187,895
	2,250,618,300	2,403,702,256

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 stating 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 2023 was due to the amortization of deferred income on tax subsidy as a subsidy from the National Government.

27. INCOME

This consists of the following:

	2023	2022 (As restated)
Service Income		
Fees and commission income	10,578,245	8,410,241
Permit fees	864,523	6,816,523
Fines and Penalties – Service Income	18,194	125,894
Other Service Income	908,408	2,688,482
Business income		
Service Concession Revenue	2,557,019,126	2,079,236,216
Rent/Lease Income	1,624,489,691	1,788,290,887
Interest Income	1,287,687,540	979,423,379
Dividend Income	705,000,000	589,583,333
Sales Revenue	285,164,438	0
Landing and Parking Fees	5,415,801	4,660,235
Fines and Penalties-Business Income	4,452,631	2,343,211
Income from Hostels/Dormitories and Other Like Facilities	122,489	118,550
Other Business Income	46,280,346	125,941,920
	6,528,001,432	5,587,638,871
Gains	876,341,093	922,192,864
	7,404,342,525	6,509,831,735

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 percent share of BCDA from the audited gross toll revenue of SCTEx amounting to P1.946 billion and P1.629 billion in CYs 2023 and 2022, respectively, the amortized portion of NLEX Corporation's upfront cash payment both amounting to P111.607 million for CYs 2023 and in 2022, and the amortization of concession assets introduced by NLEX Corporation in the amount of P79.453 million and P70.139 million in CYs 2023 and 2022, respectively. It also includes the gross revenue share from the operation of the Clark International Airport, amounting to P269.557 million and P124.613 million in CYs 2023 and 2022, respectively, and the amortization of concession assets introduced by LIPAD in the amount of P150.375 million and P143.665 million for CYs 2023 and 2022, respectively.

Rent/Lease income pertains to revenue arising from various lease agreements wherein parcels of land and structures/buildings 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 pertains to the P675 million dividends received from Fort Bonifacio Development Corporation (FBDC), P25 million from Bonifacio Communication Corporation (BCC), and P5 million from Bonifacio Estate Services Corporation (BESC), all in CY 2023.

Sales revenue mainly consists of the sale of unused Gross Floor Area (GFA) of 6,198 square meters in the Institutional Area property of BCDA in Bonifacio Global City to provide additional Floor Area Ratio to the development of Eastgate property.

Other business income mainly consists of the variable revenue from the Serendra Project. It also includes other income such as Pamayanang Diego Silang administration fee, Bonifacio Technology Park museum and shrine tour fee, electricity consumption fee 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 leases and leases of low-value assets, BCDA applies a single recognition and measurement approach for all leases. BCDA recognizes 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 Bonifacio Global City (BGC) under a renewal lease agreement with Fort Bonifacio Development Corporation (FBDC). The lease has a term of three years, commencing on November 1, 2021, and ending on October 31, 2024, with renewal options, and includes an annual escalation rate of five percent 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. Parking lot leases are low-value items; no right-of-use assets and lease liabilities are recognized for this lease.

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:

	2023	2022 (As restated)
Salaries and wages	155,284,228	137,391,480
Other compensation	125,079,511	98,320,344
Personnel benefit contributions	64,908,700	49,266,449
Other personnel benefits	18,873,041	29,733,366
	364,145,480	314,711,639

30. MAINTENANCE AND OTHER OPERATING EXPENSES

This consists of the following:

	2023	2022 (As restated)
General services	301,677,416	290,877,187
Professional services	213,127,306	247,496,552
Utilities	48,720,220	47,730,668
Supplies and materials	24,023,270	20,567,363
Printing, advertising and promotion	23,710,053	3,933,062
Repairs and maintenance	18,127,751	48,980,540
Traveling expenses	17,277,877	13,105,926
Rent expense	13,564,623	12,440,449
Training and scholarship expenses	11,548,543	2,938,627
Taxes, insurance premiums and other fees	7,516,557	40,240,111
Representation expenses	8,358,670	5,304,075
Communication	8,061,047	9,270,848
Survey expenses	531,467	779,018
Other maintenance and operating expenses	52,891,610	44,631,932
	749,136,410	788,296,358

The increase in printing, advertising, and promotion was primarily attributable to the services rendered by a media planning and placement agency, which used television and digital media to promote the newly opened Clark International Airport to global audiences in Asia Pacific, the United States, and other regions.

The increase in training expenses mostly pertains to conducting the CY 2023 corporate team-building event, strategic planning workshops for top management, and the

expansion of training programs for employees to adapt to digitization and digitalization transformation, as well as training on gender sensitivity and communication skills.

31. FINANCIAL EXPENSES

This consists of the following:

	2023	2022
Guarantee fees	138,990,415	156,716,422
Interest expenses	136,103,914	154,405,312
Management/Supervision/Trusteeship Fees	946,078	1,474,755
Bank charges	22,275	19,993
	276,062,682	312,616,482

32. DIRECT COSTS

This pertains to the cost of sale of the Gross Floor Area totaling 6,198 square meters in the Institutional Area property of BCDA in Bonifacio Global City to provide an additional Floor Area Ratio to the development of Eastgate property in CY 2023 (see Note 27).

33. NON-CASH EXPENSES

This consists of the following:

	2023	2022 (As restated)
Depreciation	1,733,131,828	1,540,810,551
Impairment loss	7,168,172	152,114,846
Amortization	4,132,782	5,471,781
Losses	422,058	1,313,276
	1,744,854,840	1,699,710,454

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

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

34. INCOME TAX EXPENSE

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 percent to 25 percent starting July 1, 2020;
- Reduction of the Minimum Corporate Income Tax (MCIT) from two percent to one percent starting July 1, 2020, until June 30, 2023;
- Reduction of the non-deductible interest expense from 33 percent to 20 percent of the gross interest income; and
- Imposition of the Improperly Accumulated Earning Tax has been repealed.

The Bureau of Internal Revenue issued Revenue Memorandum Circular No. 69-2023, dated June 20, 2023, regarding the reversion of the minimum corporate income tax rate to two percent effective July 1, 2023.

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

	2023	2022
Current tax	(103,743,870)	117,705,310
Deferred tax	(290,150,948)	(444,656,625)
	(393,894,818)	(326,951,315)

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

	2023	2022
Statutory Income Tax	(923,295,324)	(1,750,670,293)
Income tax effects of:		
Non-taxable income (subsidy income and subsidy expense)	1,138,470,977	1,813,629,204
Income already subjected to final tax (interest income and dividend revenue)	365,557,215	205,935,368
Expiration of Net operating loss carry over (NOLCO)	(857,547,092)	(633,544,715)
Expiration of MCIT	(39,796,047)	(56,030,606)
Non-deductible expenses (interest expense, financial assistance representation, and taxes)	(176,094,815)	(35,988,019)
Non-taxable sale (Asset Disposition Program)	98,810,268	129,717,746
	(393,894,818)	(326,951,315)

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

	2023	2022
Deferred tax assets		
NOLCO	2,676,628,934	2,740,576,757
Unearned service concession revenue	1,898,633,900	1,976,978,490
Accounts receivable from business agreements	1,226,700,247	1,227,661,982

	2023	2022
Unearned lease revenue	453,113,199	309,601,819
Excess MCIT	139,745,051	124,167,600
Allowance for impairment	39,126,033	37,333,989
Accrued expenses	26,492,731	34,272,826
	6,460,440,095	6,450,593,463
Deferred tax liabilities		
Unrealized forex loss	(223,371,225)	(14,076,650)
Unbilled accounts receivable	(484,769,016)	(296,732,340)
Service concession asset	(1,298,448,040)	(1,347,411,339)
	(2,006,588,281)	(1,658,220,329)
	4,453,851,814	4,792,373,134

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
2023	793,599,269	0	793,599,269	2026
2022	807,280,631	0	807,280,631	2025
2021	1,075,749,034	0	1,075,749,034	2024
2020	857,547,092	857,547,092	0	2023
	3,534,176,026	857,547,092	2,676,628,934	

For the years ended December 31, 2023 and 2022, BCDA used 1.5 percent and one percent MCIT, respectively, pursuant to the tax regulations.

Year Incurred	Amount Incurred	Amount Expired	Remaining Balance	Year of Expiration
2023	55,373,498	0	55,373,498	2026
2022	24,899,534	0	24,899,534	2025
2021	59,472,019	0	59,472,019	2024
2020	39,796,047	39,796,047	0	2023
	179,541,098	39,796,047	139,745,051	

35. FINANCIAL ASSISTANCE/SUBSIDY/CONTRIBUTION

This consists of the following:

	2023	2022 (As restated)
Subsidy from the National Government	4,548,796,848	7,254,516,816
Financial assistance to National Government Agencies (NGAs)	(567,828,730)	0
Contributions to AFP Modernization	(4,347,024,537)	(3,074,110,084)
Financial assistance/subsidy/contributions-others	(34,242,411)	(129,659,930)
	(400,298,830)	4,050,746,802

The *subsidy from the National Government* mainly consists of amortizing 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.

Financial assistance to NGAs pertains to the turnover of completed structures/facilities for the design and build of the National Academy of Sports (NAS), Phase 1, pursuant to the deed of usufruct between BCDA and NAS.

Contributions to AFP Modernization pertains to the 50 percent share of the Armed Forces of the Philippines on the proceeds of leases, joint ventures, and all transactions other than sales 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 the people affected by various developments in New Clark City and the Subic-Clark Railway Project.

36. CAPITAL STOCK AND CONTRIBUTED CAPITAL

BCDA has an authorized capital stock of P100 billion, as provided for in Section 6 of RA No. 7227. The Republic of the Philippines may fully subscribe to this, which 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:

	2023	2022 (As restated)
Value of the following transferred properties:		
Clark Main Zone	31,367,452,182	31,367,452,182
Villamor Air Base	23,642,492,701	23,642,492,701
Various Metro Manila Camps	11,840,729,683	11,840,729,683
Camp John Hay	9,289,153,806	9,289,153,806
San Fernando Airport	2,625,143,749	2,625,143,749
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	14,875,042	14,875,042
	79,540,271,030	79,540,271,030
Value of the capitalized portion of Fort Bonifacio which is equivalent to the 45 percent share in FBDC	19,769,006,975	19,769,006,975
Equity from National Government (NG) for the implementation of various infrastructure projects	5,735,490,956	5,698,500,021
Net of proceeds from the disposition of transferred properties as provided under RA No. 7227, as amended	4,763,729,350	4,641,091,271

	2023	2022 (As restated)
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
	109,995,096,211	109,835,467,197
Fund from Legislative-Executive Council	2,930,858	2,930,858
	109,998,027,069	109,838,398,055

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 P36.991 million and P313.352 million for the implementation of the Access Road Projects in NCC in CYs 2023 and 2022, respectively.

Land used to securitize the Heritage Park was transferred by the NG as the 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, the Philippine Reclamation Authority, and the Philippine National Bank. The transfer of land from NG to BCDA was recorded at P1.00 per square meter (sqm) and revalued based on the assessed value of the property in 1994 at P400/sqm.

37. RETAINED EARNINGS

Retained Earnings at January 1, 2022 was restated for the following adjustments:

Derecognition of lots contributed to the joint venture project	(1,376,678,000)
Value of unutilized of Gross Floor Area at Fort Bonifacio, Taguig	176,643,000
Adjustment on long outstanding payables	206,825,526
Adjustment on depreciation	(7,184,226)
Adjustment on prior receivables	(48,237,288)
Adjustment on booking of assets at JHMC	(24,098,375)
Adjustment on leases	513,889,064
Correction of prior year income/expenses	(193,986,473)
	(752,826,772)

38. RELATED PARTY TRANSACTIONS

The summary of BCDA's related party transactions as of December 31, 2023, and 2022 are as follows:

Category	Note	Amount of Transactions/Outstanding Balances	
		2023	2022
Due from subsidiaries/affiliates	9	3,507,161,460	3,680,863,437
Investments in subsidiaries	14	3,462,848,438	3,462,838,438
Due to subsidiaries/affiliates	21	250,716,116	239,786,746
Fund releases for project implementation	35	211,068,044	275,222,598
Estate management fees	15	174,126,948	162,625,223
Zone maintenance	15	90,039,020	82,714,646
Security services	15	46,099,874	41,479,028
Key management personnel compensation	29	42,496,084	35,905,019

- 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 (PA) 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 amended agreement, 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 percent of revenues to be generated from the property, whichever is higher. PPMC is likewise entitled to an additional incentive equivalent to 10 percent 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 PA 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 amended agreement, 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 percent of revenues to be generated from the property, whichever is higher. JHMC is likewise entitled to an additional incentive equivalent to 10 percent 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.

39. CONTINGENCIES

BCDA is contingently liable for lawsuits or claims filed by third parties that are either pending in the courts or are under negotiation. These cases involve, among others, civil actions for the 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 decisions in their respective courts. In addition, various cases were filed by BCDA for the cancellation of the 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 Developer's, 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. DMCI filed a Petition for Money Claim before the Commission on Audit (COA). BCDA and NORTHRAIL also filed their respective appeals with the Court of Appeals (CA) which likewise remains pending. BCDA, NORTHRAIL, and DMCI PDI are currently negotiating for the possible amicable settlement of the case. 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 of ASEAN Summit Villas. BCDA filed its answer on December 20, 2022. E.M. Cuerpo, Inc. filed a petition for a money claim with the Commission on Audit on March 7, 2023. No provision has been recognized on the claim since the outcome of the case is not presently determinable.

40. 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 percent per annum for civil works and 0.75 percent 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 P0.757 billion (¥1.906 billion) in CY 2023 and P0.802 billion (¥1.906 billion) in CY 2022, while interest payments totaled P0.133 billion (¥0.335 billion) in CY 2023 and P0.149 billion (¥0.353 billion) in CY 2022.

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.

41. 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, 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.

The Joint Venture Company (JVC) was incorporated on February 24, 2022. The capital structure of the JVC is composed of 90 percent of equity ownership to the Meralco Marubeni Consortium and 10 percent of equity to BCDA.

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 percent escalation rate every five years after the first payment date. The PSP shall also pay BCDA and NHA a three percent annual variable fee on the gross revenue of the JV, as well as an additional 0.5 percent on gross revenue for every accumulated 10 percent tax incentive secured for the JV.

The PSP shall be responsible for all aspects of marketing and disposition of the improvements and buildings comprising the Project and shall, on its own or through a contractor, be responsible for the operations and maintenance of all buildings, structures, 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, now North Luzon Expressway (NLEX) Corporation, signed the NLEX-SCTEx Integration Agreement on February 5, 2015. Under the Agreement, NLEX Corporation shall undertake Integration Works which consist 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 NLEX Corporation is BCDA's Private Sector Partner (PSP) in SCTEx, they shall assume all the project costs pertaining to SCTEx and will be responsible for maintaining 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 percent 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.

BCDA and MEGAWORLD signed a Dispute Resolution Agreement on August 5, 2021, whereby the parties agreed that the date of completion of BCDA's clearing obligation and actual turnover of vacant possession of the Property to MEGAWORLD shall be on December 31, 2012, which is one year and eight months from BCDA's original commitment date. From the cashflow perspective under the JVA, the payments remitted by MEGAWORLD prior to the Clearing Completion Date shall be credited in full and shall not be discounted at 10 percent. As a result, BCDA shall only receive yearly guaranteed revenues until April 2024.

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 and undertake the planning, construction, and development of the project. In return for their contributions, BCDA will receive 10 percent of units in the project, while MEGAWORLD will receive 90 percent.

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

In addition to the minimum investment, MEGAWORLD has also committed to providing the property with transportation facilities (Transportation Project) that require an investment of at least P500 million. The Transportation Project is expected to enhance the property's accessibility to Bonifacio Global City and other major points in Metro Manila.

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

On October 10, 2003, BCDA entered into a JVA with Megaworld Corporation (MEGAWORLD) for the development of the remaining lots at the Villamor Gateway Center, to be known as the New Port City Project. Pursuant to the JVA, BCDA shall contribute lots with an aggregate land area of 174,841 square meters, while

MEGAWORLD shall provide financing for the implementation of the project. The parties will receive their allocated units and/or net proceeds from sales in return for their contributions to the project.

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

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, the 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.

AGGI has committed to investing a minimum of P2.060 billion and remitting 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 a 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 investing sufficient capital, estimated to be P12.419 billion, and remitting 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 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 and advance Minimum Annual Secured Revenue Share (MASRS) of P2 billion each, the minimum revenue share of P3 billion for the first two years of the Project, P8 billion on the third year and P3 billion in the fourth and fifth years of the Project, and the remaining P6 billion for the last two years will be remitted upon the physical turnover of the area of the Philippine Marine Corporation by 2024 (P3 billion) and the area occupied by the Philippine Navy by 2027 (P3 billion).

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.

The BCDA Board, through Resolution No. 2023-03-033, approved the mutual termination of the JVA. As of December 31, 2023, the transition and termination framework agreement is for finalization between the parties. To ensure continued services, BCDA will engage Maynilad Water Services Inc. as its Interim Operator for the water service in 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 ten percent for BCDA and ninety percent 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 ninety percent 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 acquires ownership of the sports facilities upon payment to MTD Capital Berhad five years from completion, with BCDA having the option to shorten the repayment period. 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.

42. 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 President Rodrigo R. Duterte administration's Build Build Infrastructure Program.

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 developing 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 sports facilities consisting of an athletic stadium (20,000-seat capacity), an Aquatic Center (2,000-seat 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.

Under Phase 1A, the development of the river park, government center, and government housing were also integrated. This includes structures that will house the future Integrated Operations Center, where the satellite offices 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 Land Inc. 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 and surrounding cities by rail.

In August 2018, the BCDA Board also approved Filinvest's conceptual development plan for a 288-hectare mixed-use industrial area. Filinvest will feature green components that will 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 to finance, design, engineer, establish, construct, develop, operate, and maintain NCC's electric power distribution system.

43. 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.

44. EVENTS AFTER THE REPORTING PERIOD

- a. On January 4 and February 2, 2024, BCDA remitted a total of P42.273 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 of November 1 to December 31, 2023.
- b. On January 4, 2024, BCDA remitted a total of P900 million to the BTr, representing AFP's share in the disposition proceeds received in CY 2021.
- c. On March 24 and May 31, 2024, BCDA remitted a total of P1.296 billion to the BTr representing dividends to the National Government based on the CY 2023 Unaudited Financial Statements as approved by the BCDA Board through Resolution Nos. 2024-03-030 and 2024-05-065 dated March 22 and May 23, 2024, respectively.
- d. On April 3, 2024, the Supreme Court, in its Decision under G.R. Nos. 219421 and 241772 affirmed the arbitral ruling ordering Camp John Hay Development Corporation to vacate the leased portion of the John Hay Special Economic Zone from BCDA. This enabled BCDA to reclaim 247 hectares of land within the ecozone, allowing its utilization for the complete interest and advantage of the government and the Filipino people. BCDA was also ordered to return to CJHDevco the total amount of rentals totaling P1.421 billion.

45. 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, restate 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 the 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 2022 financial statements were restated as follows:

	Dec. 31, 2022 (As previously reported)	Adjustments/ Restatements	Dec.31, 2022 (As restated)
STATEMENT OF FINANCIAL POSITION			
Current Receivables, net	6,136,153,089	(73,516,304)	6,062,636,785
Adjustments on Due from Subsidiaries/Joint Ventures/Associates/Affiliates		(63,778,457)	
Adjustments on Other Receivables		(7,102,817)	
To adjust Operating Lease Receivable on the reimbursement of lease rental due to overpayment		(2,552,561)	
Adjustments on Due from Officers and Employees in relation to difference in billed amount vs deducted amount		(62,550)	
Refund due to cancellation of installment sale of Heritage Park Lots		(19,919)	
Inventories	4,420,978,224	180,307,503	4,601,285,727
Adjustments on Merchandise Inventory due to cancellation of sale of Heritage Park Lots, and recording of unutilized Gross Floor Area at East Gate Property Lot		180,307,503	
Other Current Assets	6,364,508,936	(30,181,493)	6,334,327,443
Adjustments on Advances to Contractors in relation to construction of NCC to SCTEx Access Road		(69,048,220)	
Adjustments on Creditable Input Tax in relation to construction of NCC to SCTEx Access Road		46,952,790	
Adjustments on Other Prepayments relative to the payment of 2018 real property tax		(7,875,538)	
Reclassification of Other Assets to Other Property and Equipment		(568,873)	
Adjustment to record depreciation expense for construction of troop hunters for CY 2019 - 2022		358,390	
Adjustment on Advances to Operating Expenses due to double recording		(42)	
Investments in Associates/Affiliates	13,447,508,160	(479,412)	13,447,028,748
Derecognition of the remaining balance of Investment in Subic-Clark Alliance for Development (SCAD)		(479,412)	

	Dec. 31, 2022 (As previously reported)	Adjustments/ Restatements	Dec.31, 2022 (As restated)
Investment in Subsidiaries	3,500,344,783	(37,506,345)	3,462,838,438
Recognition of asset due to transfer of ownership of the mini hydro-electric power plant and old JHMC building from JHMC to BCDA		(22,006,345)	
Adjustments on Investments in Subsidiaries-John Hay Management Corporation to recognize asset in the books due to transfer of ownership		(15,500,000)	
Non-current Receivables, net	8,717,526,601	981,458,212	9,698,984,813
Adjustments on Accounts Receivable-Unbilled relative to the lease income recognition		981,458,212	
Investment Properties, net	84,150,654,979	(4,743,386,801)	79,407,268,178
Derecognition of lots contributed to the joint venture project		(1,376,678,000)	
Conveyance of land thru sale and joint venture agreement; and adjustments in value of land located at Wallace, Poro Point; Fort Bonifacio; John Hay; and Clark		(3,339,463,618)	
Adjustments on Accumulated Depreciation-Investment Property, Buildings		(53,641,528)	
Recognition of asset due to transfer of ownership of the mini hydro-electric power plant and old JHMC building from JHMC to BCDA		26,396,345	
Property and Equipment, net	14,792,620,612	397,055,525	15,189,676,137
Adjustments on Road Networks to record the completed projects relative to the construction of NCC-SCTEX Access Road		2,761,383,910	
Adjustments on Construction in Progress-Infrastructure Assets		(2,239,296,852)	
Adjustments on Depreciation		(126,488,452)	
Adjustments on Leased Assets Improvements, Buildings to record the completed project relative to fit-out requirements for BCDA extension office in Clark One West		19,400,549	
Adjustments on Construction in Progress-Buildings and Other Structures to record the completed project		(17,765,885)	
Adjustments on Repairs and Maintenance Expense - Building relative to quarantine and medical treatment facilities at NGAC		9,836,708	

	Dec. 31, 2022 (As previously reported)	Adjustments/ Restatements	Dec.31, 2022 (As restated)
Adjustments to record the expenses of renovation of Clark International Airport Corporation (CIAC)		(4,490,372)	
Derecognition of the expenses in relation to the construction of the new Tarlac Toll Plaza, now assumed by the Manila North Tollways Corporation		(6,092,954)	
Reclassification of Other Assets to Other Property Plant and Equipment		568,873	
Service Concession Assets, net	44,664,744,350	(80,370,307)	44,584,374,043
Accumulated Depreciation-Service Concession-Airport Systems		(80,370,307)	
Intangible Assets	11,246,103	(4,901,065)	6,345,038
Reclassification of Other Intangible Assets to Subscription Expenses		(7,322,522)	
Adjustments on Development in Progress-Computer Software		(2,379,107)	
Adjustments on Amortization		4,800,564	
Other Non-Current Assets	1,555,191,860	24,777	1,555,216,637
Adjustments on Security Deposits and Other Deposits		66,777	
Recognition of Rent/Lease Expenses		(42,000)	
Total Restatement on Assets		(3,411,495,710)	
Financial Liabilities	1,886,308,042	389,047,158	2,275,355,200
Adjustments on Accounts Payable		389,204,788	
Adjustments on Due to Officers and Employees		(157,630)	
Inter-Agency Payables	4,901,080,574	167,494,778	5,068,575,352
Adjustments on Due to Treasurer of the Philippines to record the share of BCDA from the proceeds on sale transactions, and interest income earned from the share of the beneficiary agencies		135,958,260	
Adjustments on Due to BIR		27,389,127	
Adjustments on Due to NGAs in relation to interest income earned from the placement of DICT funds		2,297,076	
Adjustments on Due to Subsidiaries/Joint Venture/Associates/Affiliates		1,149,747	
Adjustments on VAT Payable		673,120	
Adjustments on contributions to GSIS		26,910	
Adjustment on Due to Pag-IBIG and PhilHealth		538	
Trust Liabilities	1,422,871,598	(127,794,426)	1,295,077,172
Guaranty/Security Deposits Payable		(124,485,515)	
Customers' Deposits Payable		(3,308,911)	

	Dec. 31, 2022 (As previously reported)	Adjustments/ Restatements	Dec.31, 2022 (As restated)
Other Payables	222,494,531	100	222,494,631
Other Payables		100	
Deferred Credits/Unearned Income	12,989,919,629	(315,423,215)	12,674,496,414
Adjustments on Other Deferred Credits to record the share of BCDA from the proceeds on sale transactions		(228,646,654)	
Adjustments on Deferred Service Concession Revenue to record the amortization of service concession asset		(143,665,285)	
Adjustments on Deferred Finance Lease Revenue relative to the lease income recognition		56,860,734	
Adjustments on Deferred Interest Income - Heritage Park due to cancellation of sale of Heritage Park Lots		27,990	
Total Restatement on Liabilities		113,324,395	

STATEMENT OF CHANGES IN EQUITY

Contributed Capital, beginning balance	12,739,601,197	(3,265,967,466)	9,473,633,731
Equity from NG for the implementation of various projects	313,352,353	0	313,352,353
Adjustment on share on asset disposition proceeds of BCDA	0	51,411,971	51,411,971
Contributed Capital, ending balance	13,052,953,550	(3,214,555,495)	9,838,398,055
Unappropriated Retained Earnings, beginning balance	45,967,003,811	(752,826,772)	45,214,177,039
Changes in the Statement of Comprehensive Income			
Revenues	5,995,805,129	514,026,606	6,509,831,735
Operating Expenses	(3,025,856,752)	(89,478,181)	(3,115,334,933)
Net Subsidy Income	4,032,733,065	18,013,737	4,050,746,802
Income Tax Benefit/(Expense)	(326,951,315)	0	(326,951,315)
Dividends	(885,393,091)	0	(885,393,091)
Unappropriated Retained Earnings, ending balance	51,757,340,847	(310,264,610)	51,447,076,237

STATEMENT OF COMPREHENSIVE INCOME

Revenues	5,995,805,129	514,026,606	6,509,831,735
Adjustments on Rent/Lease Income relative to the lease income recognition		393,306,071	
Adjustments on amortization of Service Concession Asset		143,665,285	
Adjustments on Other Business Income		(17,049,448)	
Adjustments on Interest Income earned from the share of the beneficiary agencies and placement of DICT funds		(6,272,460)	
Adjustments on Management Fees		348,800	

	Dec. 31, 2022 (As previously reported)	Adjustments/ Restatements	Dec.31, 2022 (As restated)
Adjustments on the lease rental of Baguio Staff house		28,400	
Realized gain on foreign exchange		(42)	
Operating Expense	(3,025,856,752)	(89,478,181)	(3,115,334,933)
Adjustments on Depreciation		(214,865,877)	
Correction entry on Taxes, Duties and Licenses		121,975,679	
Adjustments on the salaries of security guards deployed at FBDC open area		2,078,419	
Adjustments on Traveling Expenses- Foreign due to erroneous recording		1,019,893	
Adjustments on the refund of Personnel Economic Relief Allowance (PERA)		492,545	
Adjustments on Amortization		(244,369)	
Adjustments on Electricity Expenses		108,158	
Adjustments on the recording of Rent/Lease Expenses		(63,000)	
Adjustment on Medical, Dental and Laboratory Supplies Expenses		20,446	
Adjustments on the erroneous recording of Representation Expenses		(75)	
Net Subsidy Income	4,032,733,065	18,013,737	4,050,746,802
Adjustments on Contribution to AFP Modernization to record the share of BCDA from the proceeds on sale transactions		18,013,737	

46. SUPPLEMENTARY INFORMATION ON TAXES

In compliance with the requirements of the BIR, hereunder is the information on taxes, duties, and license fees paid or accrued during the taxable year:

BCDA is a VAT-registered company with a VAT output tax declaration of P558.729 million based on the amount of sales receipts subject to VAT of P4.656 billion. The amount of input VAT is broken down as follows:

Beginning of the year	1,821,351,986
Goods other than for resale or manufacturing	5,140,332
Services lodged under other accounts	432,790,872
	2,259,283,190
Creditable VAT withheld	(46,498,974)
Input tax claimed	(437,931,203)
End of the year	1,774,853,013

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

Withholding taxes:	
Withholding tax on compensation	56,083,431
Expanded withholding tax	103,543,137
Withholding VAT	258,787,103
	418,413,671
Other taxes	
BIR Annual Registration	500
Taxes related to the transfer of properties	8,477,821
	8,478,321
	426,891,992

PART II

OBSERVATIONS AND RECOMMENDATIONS

OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL AUDIT

1. **The faithful representation of the balance of various Receivables accounts amounting to P14.432 billion as of December 31, 2023, was not established due to variances in the total amount of P57.766 million between the balance per books of accounts and the confirmed balances from various government agencies and private customers/clients of BCDA.**
 - 1.1. The Conceptual Framework for the Preparation and Presentation of Financial Statements provides that financial information 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.
 - 1.2. 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 a consensus, although not necessarily in complete agreement, that a particular depiction is a faithful representation.
 - 1.3. Comparability is the qualitative characteristic that enables 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.
 - 1.4. As of December 31, 2023, the total current and non-current receivables amounted to P14.432 billion. Of this amount, P13.802 billion underwent audit through 67 confirmation letters (CLs) sent to several government and private customers/clients of BCDA. This was done to determine, on a test basis, the existence and completeness of the balances in the books of accounts.
 - 1.5. In preparing the CL and selecting customers/clients for confirmation, the Audit Team prioritized receivables with significant balances, addresses provided by BCDA, and those previously audited in the last calendar year.
 - 1.6. Of the 67 CLs sent, only 16 government and private customers/clients, or 23.88 percent, have responded, and 14 CLs, representing 20.89 percent, were returned to the Audit Team by the mail courier due to reasons such as the addressee having moved, insufficient or unknown address, or absence of a recipient. As for the remaining 37 CLs, no response has been received as of this writing.
 - 1.7. Out of the 16 responses received, one reported a balance matching BCDA's accounting records. Ten confirmed that the receivables of BCDA in their records show zero or no remaining balance. Additionally, two customers/clients confirmed balances lower than those recorded in BCDA's books, while three responded balances higher than those recorded in the books of accounts. Details are as follows:

Table 1. Variance on Receivables Confirmation

Name of Customer	Balances		Variance (Absolute amount)
	Per books of accounts	Per confirmation	
Confirmed balance matched with balance per books			
1. Clark International Airport Corporation	P 1,750,870,980	P 1,750,870,980	P 0
Confirmed balance is none or less than the balance per books			
2. Fort Bonifacio Development Corporation (FBDC)	406,944	0	406,944
3. Department of Information and Communications Technology (DICT)-North Luzon Data Center Facility	11,559,082	0	11,559,082
4. Taipeifoods, Inc. (Shi Lin)	1,829,370	0	1,829,370
5. Toyota Pasong Tamo, Inc.	326,555	0	326,555
6. Subic Bay Metropolitan Authority (SBMA)	405,421	0	405,421
7. Philippine Reclamation Authority (PRecA)	229,600	0	229,600
8. Zamboanga City Special Economic Zone Authority (ZCSEZA)	117,432	0	117,432
9. Philippine Retirement Authority (PRA)	34,099	0	34,099
10. PHIVIDEC Industrial Authority (PIA)	34,099	0	34,099
11. Social Security System	24,000	0	24,000
12. John Hay Management Corporation (JHMC)	19,363,989	192,794	19,171,195
13. Est. Burgerbar, Inc. (8 Cuts Burger Blends)	1,887,032	77,667	1,809,365
Confirmed balance is more than the balance per books			
14. Poro Point Management Corporation (PPMC)	67,511,936	78,007,316	10,495,380
15. Bonifacio Estate Services Corporation (BESC)	1,500,000	2,426,266	926,266
16. Government Service Insurance System (GSIS)	4,900	10,402,317	10,397,417
			P 57,766,225

- 1.8. Further review of records disclosed the nature of the above receivables:
- a. Receivable from FBDC – lease of land located at the Pamayanang Diego Silang, dividends receivable, and salary adjustment of four security guards deployed at Fort Bonifacio Summit Housing Project for CY 2023.
 - b. Receivable from DICT-North Luzon Data Center Facility – advance lease rental and security deposit for the use of BCDA property located at Camp John Hay, Baguio City.
 - c. Receivable from Taipeifoods, Inc. – lease rental (Serendra Retail) and other charges from September 2021 to December 2023.
 - d. Receivable from Toyota Pasong Tamo, Inc. – lease rental balance in CY 2017.
 - e. Receivable from SBMA, ZCSEZA, PRA, PHIVIDEC Industrial Authority – share on various expenses incurred and paid for the promotional activities of the Philippine Investment Promotions Plan.
 - f. Receivable from JHMC – mainly represents the funds released for the construction of access roads and other capital expenditures (CAPEX) projects which will be liquidated upon completion and turnover of the project to BCDA.
 - g. Receivable from Est. Burgerbar, Inc. – lease rental (Serendra Retail) and other charges from December 2019 to December 2023.
 - h. Receivable from PPMC – funds released for CAPEX and the acquisition of all validated claims within the Wallace area.

- i. Receivable from BESC – represents drainage and sewer connection works at the Department of Energy in May 2021.
 - j. Receivable from GSIS – pertains to the over-remittance of a BCDA employee's policy loan and reimbursement for the repair of a service vehicle. However, the amount confirmed by GSIS refers to claims payables for the provision of filed claims subject to adjustment and other payables (return premiums).
- 1.9. It bears stressing that the periodic reconciliation of records between BCDA's accounting and its various government and private customers/clients involving verification of records/documents should be conducted regularly to facilitate accurate determination of the correctness and propriety of BCDA's claim.
- 1.10. **We recommended that Management require the Accounting and Comptrollership Department (ACD) to reconcile records with various government and private customers/clients of BCDA, ensure that all variances are promptly investigated, cleared, and reconciled, and prepare necessary adjusting journal entries if warranted.**
- 1.11. Management commented that the ACD immediately coordinated with the concerned government agencies and private entities to identify the details of the discrepancies.
- 1.12. Based on the statement of reconciliation with GSIS submitted by the ACD, the amount confirmed pertains mainly to the Directors' and Officers' Liability Fund maintained by BCDA with GSIS and motor vehicle claims liability, thus, not a reconciling item in the books of accounts of BCDA and no adjusting journal entries will be prepared.
- 1.13. Moreover, the reconciliation statements with SBMA, ZCSEZA, PRA, and PIA have already been submitted to the Audit Team. The ACD identified the reconciling items, but the adjusting entries were reflected in the 2024 books of accounts.
- 1.14. During the exit conference, the ACD committed to fast-tracking the remaining items for reconciliation, and the results will be submitted to the Audit Team.
- 1.15. The Audit Team will continuously monitor Management's compliance with the audit recommendations.
- 2. **The lack of monitoring and proper maintenance of the Guaranty/Security Deposits Payable account resulted in outstanding balances remaining dormant or non-moving for five to 14 years, totaling P19.195 million; thereby, its validity could not be ascertained.**
- 2.1. The Guaranty/Security Deposit Payable account of BCDA is composed of the following:
 - a. *Performance security* pertains to the amount posted by the winning bidder prior to the signing of the contract to guarantee the faithful performance of its obligations under the contract in accordance with the bidding documents,

covering the period from project construction until completion up to the time the procuring entity issues the Certificate of Final Acceptance (CFA).

- b. *Security Deposits* is the amount paid by the tenant/lessee, based on the lease agreement, for the use of BCDA properties, which can be refunded when the lease period expires.
- c. *Guarantee Deposit Payable* pertains to the amount paid by locators, as required by BCDA, in addition to the performance security, to guarantee the performance of obligations under the agreement.
- d. *Contractor's Security Deposit* represents the warranty covered by either retention money equivalent to at least one percent of every payment or a special bank guarantee equivalent to at least one percent of the total contract price. The said amount shall only be released after the warranty period has lapsed.

- 2.2. The Audit Team requested a monitoring report/subsidiary ledger (SL) for each of the aforementioned accounts from the Subsidiaries, Affiliates, and Projects Monitoring Department (SAPMD) and ACD. We provided a template for the requested report detailing information/data such as payment amounts, purposes, corresponding projects/procurements, contract periods, and statuses as of December 31, 2023, to assist in the audit. Accordingly, the requested document was submitted to the Audit Team via email on April 16, 2024.
- 2.3. A review of the submitted report disclosed outstanding balances totaling P19.195 million, which had remained non-moving/dormant for five to 14 years. These balances represent retention money withheld by BCDA for contractor billings for projects that have already been completed/finished.
- 2.4. We emphasized that in cases where the contractor defaults on any obligations under the contract, the bond/retention money posted/withheld will be forfeited in favor of BCDA. Similarly, if the contractor has fulfilled its obligations, BCDA may release the bond/retention money and return it to the contractor after the issuance of the CFA.
- 2.5. Further verification of the submitted report revealed negative or abnormal balances due to misposting of transactions in another subsidiary ledger. Employees from other BCDA departments, such as the Treasury and Project Finance Department (TPFD) and SAPMD, besides ACD, had the capability to post transactions in their accounting system (ACUMATICA), which affected the aforementioned accounts. However, the ACD did not effectively monitor and analyze all transactions posted/recorded in the books of accounts.
- 2.6. While the noted negative or abnormal balances have been adjusted in the books of accounts, it is important to emphasize the necessity of segregating duties/responsibilities, which is fundamental for sustainable risk management and internal controls within a business. Key duties and functions should be assigned to different individuals to ensure that adequate checks and balances exist and to eliminate opportunities to conceal errors and irregularities. This standard of internal control dictates that no single person or department should have complete control over a transaction.

- 2.7. The above-noted observations on the existence of negative balances and dormant accounts due to the lack of proper monitoring and maintenance of records, as well as the absence of controls in the posting or recording of transactions in the books of accounts/accounting system, are manifestations of weaknesses in internal control affecting the validity of the recorded liabilities in the books of accounts.
- 2.8. **We recommended that Management:**
- a. **Instruct the ACD and SAPMD or other concerned departments to determine the validity of the dormant accounts relative to the retention money and facilitate its prompt release to the contractors or derecognize the same in the books if already forfeited in favor of BCDA, whichever is applicable; and**
 - b. **Henceforth, require the ACD to ensure the proper monitoring and maintenance of the Guaranty/Security Deposit Payable account and establish compensating or additional control in the recording/posting of transactions in the accounting system/books of accounts.**
- 2.9. Management commented that the ACD will verify the non-moving balances and committed to submitting the documents relative thereto after verification.
- 2.10. Further, they informed the Audit Team that the Enterprise Resource Planning (ERP) system used by BCDA is designed to streamline and automate their various financial processes according to the duties and responsibilities assigned to the concerned departments within the Investment and Financial Management Group (IFMG). To mitigate the occurrence of negative balances, ACD will perform a quarterly reconciliation, in coordination with TPF and SAPMD, to identify any incorrect entries in the books and make the necessary adjustments or reclassifications of accounts.
- 2.11. During the exit conference, Management committed to deducting the retention money from its payment to contractors or requiring special bank guarantees for future procurements.
- 2.12. The Audit Team will continuously monitor Management's commitment to comply with the recommendations.
3. **The verifiability of the balance of Due to Subsidiaries/Joint Ventures/ Associates/Affiliates account amounting to P250.716 million was not established due to variances amounting to P18.784 million between the balance per books and the amount confirmed by creditors.**
- 3.1. This is a reiteration of the prior year's observation with updated information.
- 3.2. The Conceptual Framework for the Preparation and Presentation of Financial Statements provides that financial information 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.

- 3.3. 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 a consensus, although not necessarily in complete agreement, that a particular depiction is a faithful representation.
- 3.4. Comparability is a qualitative characteristic that enables users to identify and understand similarities and differences among items. Unlike the other qualitative characteristics, comparability does not relate to a single item; a comparison requires at least two items.
- 3.5. In the CY 2022 audit, we observed that there were variances in the total amount of P14.932 million between the balance per books of accounts and the amount confirmed by the subsidiaries/affiliates relative to the liabilities of BCDA as of December 31, 2022.
- 3.6. We then recommended that Management require the ACD to reconcile records with its subsidiaries and affiliates, and consider integrating record reconciliation into its policy on a periodic basis.
- 3.7. Accordingly, the ACD reconciled their records to determine the cause/s of variances and prepared the necessary journal entries to arrive at the adjusted and reconciled balances.
- 3.8. In the CY 2023 audit, the Audit Team sent confirmation letters to five subsidiaries/affiliates of BCDA to verify the completeness and existence of the P250.716 million balance of the Due to Subsidiaries/Joint Ventures/Associates/Affiliates account as of December 31, 2023. Results of the confirmation revealed that there were still variances amounting to P18.784 million between the balance per books and the amount confirmed by the subsidiaries and affiliates of BCDA, computed as follows:

Table 2. Results of Confirmation with Subsidiaries/Affiliates as of December 31, 2023

Particulars	Balance		Variance (absolute value)
	Per Books	Per confirmation	
John Hay Management Corporation (JHMC)	27,586,983	42,986,305	15,399,322
Poro Point Management Corporation (PPMC)	16,975,320	17,945,411	970,091
Fort Bonifacio Development Corporation (FBDC)	0	2,414,741	2,414,741
			18,784,154

- 3.9. The Audit Team tried to determine the cause/s of the above-noted variances by comparing the SL for each of the subsidiaries/affiliates generated from the BCDA accounting system (ACUMATICA) vis-à-vis the SL attached by the subsidiaries/affiliates in their responses to the confirmation letters. However, we could not identify the reasons thereof because of the limited information in the description of the transactions as provided in the SLs maintained by both BCDA and the subsidiaries/affiliates, and even after a thorough review of the supporting documents attached to the disbursement vouchers of BCDA.
- 3.10. While we commend ACD for reconciling the records and identifying the causes of variances in CY 2022 balances, consistent quarterly reconciliation could have expedited the investigation and identification of variances in CY 2023. This could have enabled prompt issuance of necessary journal entries, resulting in adjusted

and reconciled balances. Regular periodic reconciliation of records serves as a control mechanism to ensure balance accuracy and validate the propriety of BCDA's outstanding obligations.

- 3.11. **We reiterated our recommendation from last year that Management require the ACD to reconcile records with its subsidiaries and affiliates to ensure that all variances are promptly investigated and cleared and prepare necessary adjusting journal entries if warranted.**
- 3.12. **Further, we recommended that Management instruct the ACD to fulfill its commitment on the quarterly reconciliation of accounts and records.**
- 3.13. Management commented that the ACD already identified and reconciled the variances with PPMC and FBDC, and the corresponding signed schedules of reconciliation were submitted to the Audit Team. The ACD is working closely with its subsidiaries to reconcile the current variances to create a clean baseline for a quarterly reconciliation.
- 3.14. The Audit Team noted that although the reconciling items had been identified based on the submitted Schedule of Reconciliation for PPMC and FBDC, verification disclosed that these adjustments had not yet been reflected in the books of accounts.
- 3.15. During the exit conference, the ACD commented that the variance in the balance with FBDC could not be recorded in the books of accounts because of the absence of a notarization contract. The variance for PPMC has been reconciled but will be recorded next year. As for JHMC, the variance is yet to be reconciled.
- 3.16. Management committed to submitting the remaining reconciliation of variances with its subsidiaries and affiliates to the Audit Team after verification. Additionally, Management committed to conducting quarterly reconciliation with subsidiaries and affiliates to promptly identify and address any issues that may arise.
- 3.17. The Audit Team will monitor Management's compliance with the recommendations.
- 4. **The non-reversal of the Output Value-Added Tax (VAT) from the monthly collections on the lease of ASEAN Villas for the CYs 2021 to 2023 resulted in the overstatement of the Other Deferred Credits-Deferred Output Tax-ASEAN Villas account by P23.584 million.**
- 4.1. The National Internal Revenue Code (NIRC) or Tax Code defines output tax as the value-added tax due on the sale or lease of taxable goods or properties or services by any person registered or required to register under Section 236 of the Code.
- 4.2. Section 108 of the Tax Code provides that:

SEC. 108. Value-added Tax on Sale of Services and Use or Lease of Properties. –

(A) Rate and Base of Tax. - There shall be levied, assessed and collected, a value-added tax equivalent to twelve percent (12%) of the gross sales

derived from the sale or exchange of services, including the use or lease of properties.

- 4.3. Paragraph 15 of PAS 1 on Presentation of Financial Statements provides the following:

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 expense set out in the Framework. Xxx

- 4.4. For purposes of taxation, the cash basis accounting method is used, whereby income is reported when it is actually received, and expenses are reported when they are paid.
- 4.5. Inquiry with the Accounting personnel revealed that the account, Other Deferred Credits-Deferred Output Tax-ASEAN Villas, was set up to record and monitor the Output VAT on the lease of ASEAN Villas. As such, this account is reversed to record the corresponding Output VAT upon collection of cash from lessees.
- 4.6. Verification of records disclosed that some journal entries were recorded in the *Other Deferred Credits-Deferred Output Tax (2050104000)* instead of *Other Deferred Credits-Deferred Output Tax-ASEAN Villas (2050104010)*.
- 4.7. In CY 2023, the *Other Deferred Credits-Deferred Output Tax (2050104000)* account contained the journal entries for the annual set-up of output tax on the operating lease of land portion for CY 2023 for ASEAN Villa Nos. 2, 5, 6, 9, 13 and 15, but still no reversal of output taxes was found, as evident from the following entries:

- a) Entries made upon invoicing of monthly lease receivables:

Accounts Receivable / Operating Lease Receivable	xxx	
Rent/Lease Income		xxx
Other Deferred Credits – Deferred Output Tax		xxx

- b) Entries made upon collection of monthly rent:

Cash Collecting Officer-BCDA-PHP	xxx	
Accounts Receivable / Operating Lease Receivable		xxx

- 4.8. From the above entries, it is notable that the collection did not include the tax component as it lacks the entry to reverse the Other Deferred Credits-Deferred Output Tax and recognize Output Tax.
- 4.9. Due to the non-reversal of Output taxes, the Other Deferred Credits-Deferred Output Tax-ASEAN Villas account is overstated by P23.584 million, as presented in Table No. 3.

**Table 3. Overstatement in Other Deferred Credits-
Deferred Output Tax-ASEAN Villas (2050104010)**

Particulars		Amount	
Operating Lease	Down payment CY 2018-2019		P 3,906,925
Finance Lease:	Down payment and monthly lease payments CY 2018-2020	P 9,885,388	
	VAT on 2021-2023 gross receipts		
	Villa 2	P 1,830,465	
	5	1,283,572	
	6	1,298,507	
	9	1,279,079	
	13	1,269,575	
	15	1,270,581	
	21	1,560,164	
Total Overstatement		9,791,943	19,677,331
			P 23,584,256

- 4.10. Meanwhile, the Output Tax-ASEAN Villas (2050103010) account was used to record the Output Tax from ASEAN Villas for CY 2020 and prior until it was closed to the generic Output Tax (2050103000) account. Since then, the Output Tax was used to record output taxes from all sources of income by BCDA. As of December 31, 2023, the Audit Team identified output taxes in the total amount of P17.700 million arising from the lease of ASEAN Villas for the period 2021 to 2023. Management submitted additional supporting documents showing that the amount of P17.700 million was accordingly remitted to the Bureau of Internal Revenue using the monitoring report maintained by the Treasury and Project Finance Department. The ACD also provided documents showing that of this amount, P17.024 was recorded in the books of accounts using the entries below, leaving an unrecorded balance of P0.676 million as of year-end:

Other Deferred Credits – Deferred Output Tax	17,024,403	
Output Tax		17,024,403

- 4.11. Journal Voucher No. 016045, dated May 31, 2024, was issued to record the remaining balance of P0.676 million.

- 4.12. **We recommended that Management require the ACD to:**

- Properly and timely recognize in the books of accounts the output taxes from monthly lease payments on the lease of ASEAN Villas upon receipt of cash from lessees;**
- Submit the documents showing the correct filing of Output VAT from the lease of ASEAN Villas in the VAT Returns from CY 2018 to 2020;**
- Prepare the necessary adjusting journal entries to bring the following accounts to their correct balances as of December 31, 2023:**
 - Other Deferred Credits - Deferred Output Tax (2050104000)**
 - Other Deferred Credits - Deferred Output Tax - ASEAN Villas (2050104010)**
 - Output Tax (2050103000)**

- d. **Use the appropriate accounts to record the transactions as a sound internal control.**
- 4.13. Management acknowledged the observation related to the non-recognition of output taxes from the monthly lease rentals of ASEAN Villas for the years 2021 to 2023. They had already started gathering the relevant documents and reconciling the VAT returns filed from 2018 to 2023.
- 4.14. Moreover, they committed to provide the journal vouchers and reconciliation of the following balances as of December 31, 2023:
- a. VAT Returns filed from 2018-2020 to be submitted on July 15, 2024; and
 - b. Correct balances of the following accounts to be submitted in the 3rd Quarter of CY 2024:
 - Other Deferred Credits - Deferred Output Tax (2050104000)
 - Other Deferred Credits - Deferred Output Tax - ASEAN Villas (205010410)
 - Output Tax (2050103000)
- 4.15. Management also committed to using the appropriate accounts and implementing measures to enhance their internal control systems.
- 4.16. The Audit Team will monitor Management's compliance with the recommendations.
5. **The faithful representation of the balance of the Investment Properties account could not be ascertained due to the following:**
- a. **unreconciled records between ACD and Land and Assets Development Department (LADD) where the three parcels of lots amounting to P6.624 million per ACD records were not found in LADD record; and**
 - b. **one lot amounting to P1.022 million per ACD records lacks the corresponding Transfer Certificate of Title (TCT) number or any relevant information, precluding the Audit Team from establishing the ownership and validity of these lots.**
- 5.1. The Conceptual Framework states that for information to be useful, it must be relevant and faithfully represent what it purports to represent. Comparability and verifiability, among others, are the qualitative characteristics that enhance the usefulness of information that is both relevant and provides a faithful representation of what it purports to represent.
- 5.2. Internal Control, as defined by the International Organization of Supreme Audit Institutions Guidelines for Internal Control Standards for Public Sector (INTOSAI GOV 9100), is an integral process that is effected by an entity's management and personnel and is designed to address risks and to provide reasonable assurance that in pursuit of the entity's mission achieve the following general objectives: 1) execution of an orderly, ethical, economical, efficient and effective operations; 2) fulfilling accountability obligations; 3) complying with applicable laws and regulations; and 4) safeguarding resources against loss, misuse, and damage.

- 5.3. 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.
- 5.4. Based on Notes 4 and 15 of the Financial Statements, the Investment Properties-Land account pertains to the parcels of land that were turned over and titled in the name of BCDA pursuant to Republic Act (RA) No. 7227, located at Fort Bonifacio, Taguig City, Villamor Air Base, Poro Point in La Union, Clark Economic Zone (CEZ), Morong Bataan, and Camp John Hay in Baguio City.
- 5.5. Among the responsibilities of the ACD are to analyze, reconcile financial transactions and prepare financial statements periodically, and develop and implement internal control/s on accounting/financial transactions. Meanwhile, the LADD is responsible, among others, for determining the best strategic use of all BCDA land assets, undertaking the survey and titling of all BCDA lands, and generating all documentary requirements to establish ownership rights of BCDA over its properties.
- 5.6. In the CY 2023 audit, we requested the ACD to submit a schedule of investment properties for land detailing the list of land, acquisition dates, locations, corresponding TCT numbers, amounts/valuations, and other relevant information. Likewise, we asked LADD to provide their monitoring report on land assets owned by BCDA as of December 31, 2023. Accordingly, these documents were submitted to the Audit Team on February 13, 2024, and February 8, 2024.
- 5.7. The Audit Team compared the records by cross-referencing TCT numbers between ACD and LADD records. Initially, the audit disclosed that 375 lots valued at P11.549 billion were missing from BCDA's land assets according to LADD records. Moreover, 152 lots valued at P13.420 billion in ACD records lacked TCT numbers or relevant information. Hence, the Audit Team could not verify ownership or resolve titling issues with these lots against the LADD records. These findings were communicated to Management through the issuance of an Audit Observation Memorandum (AOM).
- 5.8. Inquiry with the concerned ACD personnel disclosed that they reconciled their records with LADD. However, the foregoing observations made by the Audit Team indicated otherwise. If the reconciliation had indeed been conducted, the ACD records should have included complete information, such as the corresponding TCT numbers for each lot or any necessary remarks detailing the pending issues of the property. Additionally, the lots listed in the ACD records that were not found in the LADD records should have been immediately identified and investigated.
- 5.9. Upon receipt of the AOM, the ACD and LADD reconciled their records and identified the observations noted by the Audit Team. Accordingly, various adjusting journal entries were prepared by the ACD for the recognition and derecognition of various land assets of BCDA. Out of the 375 lots amounting to P11.549 billion which were initially not found in the land assets owned by BCDA per LADD records, there were only three remaining lots not yet verified by ACD amounting to P6.624 million, with details as follows:

Table 4. Land Assets per ACD Records but Not Found in LADD Records

Location	TCT No.	Amount
Clark	TCT-7963	1,329,619
Fort Bonifacio	227-P	1,742,418
Fort Bonifacio	228-P	3,489,363
		6,624,400

- 5.10. Moreover, out of the 152 lots amounting to P13.420 billion, which lack corresponding TCT numbers or any remarks/necessary details per ACD records, only one lot located at Heritage Park Area Two amounting to P1.022 million, which was acquired on December 31, 2010 per ACD records, was still not yet verified and identified.
- 5.11. Maintaining and reconciling proper records are essential internal controls that can mitigate errors and ensure the accuracy and completeness of financial information. Management must establish adequate controls to ensure that assets are secured and safeguarded and that pertinent records relative to land assets are reconciled.
- 5.12. **We recommended that Management require the ACD and LADD to continuously reconcile their records to identify any inconsistencies, to ensure that all land assets of BCDA are correctly accounted for, and to prepare the necessary adjusting journal entries if warranted.**
- 5.13. Management has committed to continuously reconciling records and identifying any remaining variances. Upon completion of the reconciliation, the results will be submitted to the Audit Team.
- 5.14. The Audit Team will continuously monitor the compliance of Management with the recommendation.

B. OTHER OBSERVATIONS

6. **The breakdown and basis of the Approved Budget of the Contract (ABC), Terms of Reference (TOR), and manpower requirements for the Operations and Maintenance (O&M) Services for the New Clark City (NCC) Sports Complex were not adequately documented and clearly defined, which is not in compliance with the Manual of Procedures for the Procurement of Goods and Services and indicates lack of proper planning.**
- 6.1. This is a reiteration of the prior year's observation with updated information.
- 6.2. The NCC was envisioned as the main hub of Philippine Sports. To support this, the BCDA engaged the services of a reputable property management firm to operate and maintain the existing sports facilities.
- 6.3. BCDA 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.

- 6.4. Philjaya Property Management Corporation (Philjaya) was found to be compliant and responsive with the eligibility, technical, and financial requirements of the project and declared to have the Lowest Calculated and Responsive Bid. On December 27, 2021, BCDA and Philjaya executed the Contract for the Operations and Maintenance of the New Clark City Sports Hub.
- 6.5. The contract amount was P98.732 million for the period of January 2022 to June 2023 or for a period of 18 months, and was applied to the following components:

Table 5. Summary of Bid Amounts			
PART	DESCRIPTION	BID AMOUNT	Percentage
I	PERSONNEL SALARIES		
A	Staff/Manpower Salaries	P 28,561,592	29
B	Housekeeping Services Salaries	20,752,676	21
		49,314,268	50
II	MAINTENANCE SERVICES		
A	Maintenance Services/Contracts	39,193,915	40
B	Maintenance Supplies	8743632	9
C	Taxes, Permits and Fees	1,479,912	1
		49,417,459	50
		P 98,731,727	100

- 6.6. The Audit Team requested a detailed breakdown of the contract cost, showing the direct and indirect costs in sufficient detail to support the Approved Budget for the Contract (ABC). Management submitted a document indicating the ABC of P98.900 million, but upon evaluation by the Audit Team, we noted that it was not compliant with our recommendation because the breakdown and basis for the amount were not presented.

- 6.7. The Manual of Procedures for the Procurement of Goods and Services provides that:

In determining the ABC, the PMO or end-user unit, with the assistance of the TWG (when necessary), must consider the different cost components, namely:

- 1. The cost or market price of the product or service itself;*
- 2. Incidental expenses like freight, insurance, taxes, installation costs, training costs, if necessary, and cost of inspection;*
- 3. The cost of money, to account for government agencies usually buying on credit terms;*
- 4. Inflationary factor, since the planning phase is usually done one year ahead of the actual procurement date;*
- 5. Quantities, considering that buying in bulk usually means lower unit prices; and*
- 6. The supply of spare parts and/or maintenance services, if these are part of the contract package.*

- 6.8. We noted that the amounts provided were only a breakdown of the different cost components but did not indicate the basis of the amounts provided and how the unit prices were determined.

- 6.9. On April 12, 2024, Management re-submitted the detailed breakdown of the ABC. However, we noted that the submitted document is the same as the one they initially provided, so it is still not compliant with our recommendation.
- 6.10. Moreover, 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)*

- 6.11. Upon request, Management submitted a summary of Maintenance Services outsourced by Philjaya as follows:

Table 6. 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.

- 6.12. The total contract amount for the services mentioned excluding housekeeping services is P1.244 million, computed as follows:

Table 7. Contract Amount of Services	
Service	Amount
Athletic Stadium	
Elevator Maintenance	P 21,948
Scoreboard Operations and Maintenance	101,708
Pest/Termite Control	47,795
Garbage Collection and Disposal	5,616
Aquatic Center	
Elevator Maintenance	13,383
Scoreboard Operations and Maintenance	101,708
Pest/Termite Control	29,872
Garbage Collection and Disposal	8,424
Cleaning and maintenance of swimming pools	657,497
Athletes' Village	
Elevator maintenance	93,679
Pest/Termite Control	35,846
Garbage Collection and Disposal	11,233
Cleaning and maintenance of swimming pools	43,763
River Parks and Site Development	
Garbage disposal and collection	71,693
Total Outsourced Services	P 1,244,165

- 6.13. We previously noted in CY 2022 that the outsourced services accounted for 22.68 percent of the total contract cost, computed as follows:

Table 8. Computation of Percentage of Outsourced Services

Outsourced Services (P1,244,165.77x18 Months)	P 22,394,984
Contract Cost	98,731,721
	22.68 percent

- 6.14. A 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 percent up to 182 percent, as follows:

Table 9. Summary of Basic O&M rate

	Company	Service	Amount per Philjaya Contract	Basic O&M Rate	Mark up
1.	NSF/Alpha Pools	Pools at Aquatics Center	535,000	604,897	13
2.	Asia PTS Elevator	PMS for Elevators (Aquatics Center)			
		One unit MRL Passenger Elevator	4,500		
		Two units of PWD Stair Lift	5,600		
			11,100	12,312	11
		PMS for Elevators (Athletics Stadium)			
		Two units of MRL Passenger Elevator	6,800		
		Four units of PWD Lift	14,000		
			20,800	20,192	-3
		PMS for Elevators (Athletics Village)			
		Three units MRL Passenger Elevator (Building A)	15,300		
		Three units MRL Passenger Elevator (Building B)	15,300		
			30,600	86,184	182
3.	J.M. Santos Hauling Services	Waste Disposal	15,000 /20 cubic meter		
4.	ZealPro Solutions	Pest Control	80,000	113,514	
	Amigo Entertainment	LED-Scoreboard (Aquatics Stadium)	86,360	104,433	31
		LED-Scoreboard (Athletics Stadium)	86,360	101,708	8

- 6.15. 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 percent 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.

- 6.16. On April 18, 2024, Management submitted the Affidavit of Undertaking signed by the Facilities Manager of Philjaya, stating that:

In compliance with the BCDA's directive and the recommendation of the Commission on Audit to ensure that the sub-contracted services will not exceed 20% of the total project cost, we hereby undertake to strictly conform with the 20% threshold for subcontracts. Hence, the totality of the O & M contract will show adherence to the 20% threshold for subcontracts

based on the whole duration of the contract even if there may have been prior months which slightly exceeded the 20% limit.

- 6.17. CY 2023 audit disclosed that BCDA incurred a total amount of P16.826 million as actual expenditures for the period January 2022 to June 2023, which is 17.04 percent of the total contract cost, as presented below:

Table 10. Computation of Percentage of Outsourced Services

Actual payments for outsourced services	P 16,825,610
Contract Cost	98,731,721
	17.04 percent

- 6.18. Based on the foregoing, the actual expenses were within the 20 percent threshold. However, we noticed during the vouching of Disbursement Vouchers (DVs) for payments to Philjaya that the O&M for the Athletes' Village was excluded from the payments. We examined the Terms of Reference and found the following under Exclusions:

Athletes' Village. Operations and Maintenance Expenses relating to the Athletes' Village shall be excluded / subtracted from the monthly Operations and Maintenance Fee for the period of 01 December 2021 - 31 December 2021 as the facility is currently being utilized as a COVID-19 Quarantine Facility by the Provincial Governments of Tarlac and Pampanga.

- 6.19. The Contract with Philjaya already excluded the month of December 2021 when the Athletes' Village was utilized as a COVID-19 Quarantine Facility by the Provincial Governments of Tarlac and Pampanga. Verification of the DVs showed that aside from the months of January, February, and October 2022, no amounts were charged for the O&M of the Athletes' Village, as presented below:

Table 11. O&M of the Athletes' Village

Particulars	Elevator maintenance	Pest/ Termite Control	Garbage Collection and Disposal	Cleaning and maintenance of swimming pools	Total
Contract amount per month	93,679	35,846.46	11,232.53	43,763.38	184,521.11
Actual Expenses:					
Jan 2022	54,394	0	6,522	25,411	86,327
Feb 2022	93,679	0	11,233	43,763	148,675
Mar 2022	0	0	0	0	0
Apr 2022	0	0	0	0	0
Jun 2022	0	0	0	0	0
Jul 2022	0	0	0	0	0
Aug 2022	0	0	0	0	0
Sep 2022	0	0	0	0	0
Oct 2022	26,460	0	0	0	26,460
Nov 2022	0	0	0	0	0
Dec 2022	0	0	0	0	0
Jan 2023	0	0	0	0	0
Feb 2023	0	0	0	0	0
Mar 2023	0	0	0	0	0
Apr 2023	0	0	0	0	0
May 2023	0	0	0	0	0
Jun 2023	0	0	0	0	0
	174,533	0	17,755	69,174	261,462

- 6.20. According to ACD personnel, BCDA did not charge the O&M for the Athletes' Village because it was not yet turned-over to Philjaya.
- 6.21. Additionally, inquiry disclosed that the contract with Philjaya was extended for the period July to December 2023 through monthly contract extensions. The subsequent bidding for the O&M of the New Clark City Sports Complex is still ongoing. On May 3, 2024, Management submitted the approved Terms of Reference for the bidding with improvements in the following:
- a. Scope of Service/Deliverables (General Management, Building Operations, Administrative Services, and Emergency Support Services)
 - b. Submission of Property Management Reports and Operation and Maintenance Deliverables
 - c. Manner of Payment
 - d. Minimum Qualifications
 - e. Penalties
- 6.22. However, the new TOR did not include provisions about services to be outsourced or performed by contractual employees, nor the process of personnel augmentation by the service provider.
- 6.23. **We reiterated our prior year's audit recommendation that Management:**
- a. **Submit the breakdown and basis of amounts for the Approved Budget of the Contract for the O&M; and**
 - b. **Perform proper planning and improve the Terms of Reference for subsequent biddings for the Operations and Maintenance of the New Clark City Sports Complex to adequately substantiate the ABC; provide the appropriate manpower requirements for the contract; and distinguish other services that would be outsourced or performed by contractual employees.**
- 6.24. **Further, we recommended that Management explain why the Athletes' Village was not yet turned over to Philjaya despite its inclusion in the contract for the O&M Services for the NCC Sports Complex.**
- 6.25. Management commented that the breakdown and basis of amounts of the ABC for the Procurement of O&M of the New Clark City Sports Complex for January 2022 to June 2023, which was provided to COA on June 2, 2023, is based on the best available documents as per records for the said procurement.
- 6.26. Accordingly, the bidding for the Procurement of Operations and Maintenance of the NCC Sports Complex for CY 2024 is ongoing. Prior to the commencement of the bidding, the end-user Property and Procurement Management Department (PPMD) and BAC for Goods Technical Working Group (TWG) conducted a market sounding to properly establish the appropriate Terms of Reference (TOR)/Technical Specifications. Management submitted the TOR used for the bidding.

- 6.27. Hence, the PPMD and BAC-G TWG determined the breakdown and basis of the ABC for the Operations and Maintenance of the NCC Sports Complex, including the manpower requirements needed to undertake the contract. For other services to be outsourced or performed by contractual employees, the bidding documents included a provision to ensure that the total project cost does not exceed 20 percent.
- 6.28. Management further stated that the turnover of the Athletes' Village was part of the completion of the construction implementation handled by the Strategic Project Management Department (SPMD). The Project Monitoring Team (PMT) for the NCC Sports Facilities has requested SPMD to provide an official document stating the status of the completion of the turnover of the Athletes' Village. The PMT shall also give its preferential attention to this document as this will be the basis of compliance with the audit recommendation on the turnover of the Athletes' Village.
- 6.29. Management explained further that the Athletes' Village has not been turned over because it was used as a quarantine and isolation facility by the Local Government Units of Tarlac and Pampanga. Having been used as such, the Athletes' Village incurred damages due to wear and tear.
- 6.30. During the exit conference, Management stated that for subsequent procurement of O&M, market sounding for the detailed actual amount of the ABC will be conducted. Moreover, Management provided justification for not turning over the Athletes' Village to Philjaya. Accordingly, the punch listing is not yet completed as per the Engineering and Social Support Department, which is related to the wastewater facility. The documentation of the remaining works, including the Commissioning and Acceptance Test Certificate of the Sewerage Treatment Plant will be submitted by September 2024.
- 6.31. The Audit Team will monitor Management's compliance with the recommendations.
- 7. Payments amounting to P12.831 million for Maintenance Services not outsourced by Philjaya were not adequately substantiated and may result in overpayments by the government.**
- 7.1. This is a reiteration of the prior year's observation with updated information.
- 7.2. Table 12 shows the components of Maintenance Services/Contracts that Philjaya did not outsource, which amounted to P0.960 million per month.

Table 12. Monthly Rate of Maintenance Services/Contract Component	
Service	Amount
Athletic Stadium	
Generator Maintenance	P 85,241
Electrical System/Panel Boards	13,566
Fire Alarm System	12,802
Electronic System	6,307
Security System Maintenance (CCTV and access control)	10,248
Fans, blowers, and pumps (mechanical)	4,950
Air conditioning units	85,957
Gym Equipment	9,914
Cleaning of sanitary and drainage lines	5,616
Garden and landscaping	11,233
Glass and roof framing cleaning	8,640
Grass maintenance	44,930
	299,404

Table 12. Monthly Rate of Maintenance Services/Contract Component

Service	Amount
Aquatic Center	
Generator Maintenance	46,880
Electrical System/Panel Boards	13,566
Fire Alarm System	11,104
Electronic System	6,307
Security System Maintenance (CCTV and access control)	10,248
Fans, blowers, and pumps (mechanical)	4,950
Air conditioning units	95,101
Gym Equipment	5,218
Cleaning of sanitary and drainage lines	5,616
Gardens and landscaping	5,616
Glass and roof framing cleaning	10,368
	214,974
Athletes' Village	
Generator Maintenance	62,074
Electrical system/panel boards	13,566
Fire Alarm System	22,208
Electronic system	6,307
Security system maintenance (CCTV and access control)	10,248
Ventilation, fans, blowers, and pumps (mechanical)	4,950
Air conditioning units	149,314
Gym Equipment	5,218
Cleaning of sanitary and drainage lines	5,616
Gardens and landscaping	5,616
Cleaning of glass and windows	10,368
	295,486
River Parks and Site Development	
Electrical System	6,783
Sanitary and drainage lines (including comfort rooms)	2,592
Landscape and streetlights	140,702
	221,770
	P 959,941

- 7.3. The list of the required Maintenance Personnel under the Personnel Salaries component as indicated in the ABC is as follows:

Table 13. Component of Personnel Salaries

1 Facility Manager	11 Track & Field Maintenance Personnel
2 Deputy Facility Manager	12 Pool Maintenance Personnel
3 Administrative Assistant	13 Painter
4 Facility Engineer	14 Mechanical/AC Technician
5 Mechanical Engineer	15 Plumber
6 Electrical Engineer	16 Welder
7 Electronics and Communications Engineer	17 Carpenter/Mason
8 Senior Technician	18 Landscape Gardener 1
9 Electrician 1	19 Landscape Gardener 2
10 Electrician 2	20 Receptionist (Athletes' Village)

- 7.4. The actual Maintenance Services/Contracts outsourced to Philjaya amounted to P12.831 million, as follows:

Table 14. Actual Outsourced Maintenance Service/Contract

Month	Amount	Month	Amount
January 2022	959,209	October 2022	810,512
February 2022	1,173,263	November 2022	704,106
March 2022	695,065	December 2022	687,540
April 2022	659,432	January 2023	688,859
May 2022	898,884	February 2023	659,447
June 2022	699,318	March 2023	675,839
July 2022	696,217	April 2023	489,366
August 2022	703,531	May 2023	398,492
September 2022	688,439	June 2023	543,209
			12,830,728

- 7.5. The duties and responsibilities of the Maintenance Personnel under the Personnel Salaries component, as indicated in the Technical Specifications/Scope of Work, encompass the tasks included in the Maintenance Services/Contracts component of the ABC. However, we observed that these were billed separately from the Staff/Manpower Salaries and Maintenance Supplies.
- 7.6. Upon inquiry, Management mentioned that in order 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.
- 7.7. In last year's audit, we noted that the services not outsourced by Philjaya are included in the schedule of requirements under Section VI-Schedule of Requirements 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.
- 7.8. We also noted that for the payment to Philjaya, the attached review of the billing for the O&M of the National Government Administrative Center (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 Athletes' Village was used as a quarantine facility. The Daily Time Records (DTRs) provided did not include personnel other than those required under Section VI of the bidding documents.
- 7.9. In CY 2023 audit, the same condition was noted, and the DTRs attached to the DVs pertained only to the personnel under Section VI of the bidding documents.
- 7.10. Inquiry with the personnel from Property and Procurement Management Department disclosed that the PMT consistently monitors the compliance of the Service Provider with the TOR and the Minimum Performance Standards and Specifications (MPSS) of the Service Contract through the issuance of Bi-weekly Inspection Reports and the conduct of coordination meetings. However, no such reports were found in the Billing Review attached to the DVs. This precluded the Audit Team from conducting a thorough validation of whether the validation procedures had been adequately enhanced.
- 7.11. Insufficient documentation and validation of the actual work performed, and verification of actual personnel involved will result in government overpayments.
- 7.12. **We reiterated our prior year's audit recommendation that Management:**
- 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, such as the submission of proof that Philjaya actually augmented their personnel or incurred expenses for supplies other than those listed in the Maintenance Supplies component of the ABC; and**

- b. **Improve validation procedures for the billing of the Operations and Maintenance of the NCC Sports Complex, and submit the validation documents such as Inspection Reports and worksheets, to the Audit Team for evaluation and verification.**
- 7.13. **Further, we recommended that Management consider formulating a policy regarding validation procedures for reviewing outputs and billings provided by service providers like Philjaya. If this policy already exists, submit it to the Audit Team for review.**
- 7.14. Management commented that pursuant to the BCDA payment procedures, completeness of supporting documents were reviewed, validated, and verified in relation to the Statement of Account, prior to the processing of payment.
- 7.15. To facilitate the review of the billings of Philjaya, the PMT validates the supporting documents of the request to process billing through grounds inspection and verification. The submitted DTRs, which are supporting documents for the attendance of the Key Personnel and Housekeeping Personnel are randomly validated through the Guard's daily in and out logbook. Adjustments on computation are applied accordingly once there are inconsistencies between ground verification and the supporting documents. The same applies to housekeeping personnel augmentation. On the other hand, the incurred expenses for the augmentation of supplies, as approved by BCDA, are supported by an Official Receipt of the procured item not listed in the Maintenance Supplies pay item.
- 7.16. Accordingly, in compliance with the audit recommendation, for additional validation in the succeeding review of the billings, the PMT shall require the Service Provider to submit additional documents, such as accomplishment reports of the Key Personnel, to further support the performance of their assigned duties and responsibilities.
- 7.17. Management committed to formulating a policy manual through PPMD regarding the validation procedures for reviewing output and billings submitted by the Service Provider for the Operations and Maintenance of the New Clark City Sports Complex and submitting it to the Audit Team once it is approved.
- 7.18. The Audit Team will monitor Management's compliance with the recommendations.
8. **The total revenue earned from the NCC Sports Facilities in the amount of P28.695 million was less than the costs incurred for its Operations and Maintenance amounting to P34.462 million, resulting in a loss of P5.767 million.**
- 8.1. This is a reiteration of the prior year's observation with updated information.
- 8.2. The Sports Complex is recorded in BCDA's books of accounts under Investment Property. Its total cost, including interest and the cost of variation orders, is P10.340 billion. As of December 31, 2023, it had a carrying amount of P9.596 billion.

- 8.3. For CY 2023, BCDA recorded in its books of accounts under Other General Services the NCC Operations and Maintenance in the total amount of P34.462 million and Rent Income in the amount of P28.695 million.
- 8.4. We analyzed the revenue recorded for the lease of the facilities and the cost of operations and maintenance of the facilities for CY 2022-2023, and we noted that BCDA incurred total losses in the amount of P15.580 million, as shown below:

Table 15. Loss from Operations of the Sports Complex

	2022	2023	Total
Rent Income	P 48,757,123	28,695,095	77,452,218
Less: OCD Food Expenses not considered O&M	8,949,375	0	8,949,375
Adjusted Rent Income	39,807,748	28,695,095	68,502,843
Operations and Maintenance	*(49,620,558)	(34,462,029)	(84,082,587)
Loss from Operations of the Sports Complex	P (9,812,810)	(5,766,934)	(15,579,744)

**previously P51,194,981 in CY 2022 AOM, but was corrected due to inclusion of 2023 transactions*

- 8.5. As can be observed from the preceding table, revenue generated from the current operations of the facilities is inadequate to cover the costs of maintaining the Sports Complex, let alone the recovery of the construction cost of the project. This marks the second consecutive year of financial losses for the project.
- 8.6. Continued financial losses will require the government to fund maintenance of facilities that could otherwise be used for other government programs and projects.
- 8.7. In CY 2022, 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. They 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 Asian 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 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.
 - Other possible revenue streams that BCDA has accepted include the 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 is 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 a private partner to take on the operations and maintenance of this world-class sports complex. The end goal is to lift the burden of its O&M costs from the government and eventually recoup this investment property.

- Lastly, BCDA has also 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 that 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 has 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
- 8.8. BCDA has signed a Non-Disclosure Agreement with Pico Play to move forward this potential partnership for NCC sports facilities.
- 8.9. Management also expressed their 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.
- 8.10. 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, including its 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 of how these foreign governments sustain their sports facilities after being constructed and utilized for hosting 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, and workshops, among others, as well as the development of other support facilities within the area, such as residential houses and 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.
- 8.11. Since BCDA is now running, marketing, operating, and maintaining the sports facilities, it has also accepted letters of intention from small clubs and groups who

are investing in and promoting grassroots sports. Accepting grassroots sports in NCC, though not income generating, has 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 the NCC in an unquantifiable way as they have directly benefited members of project-affected communities within and around the NCC through sports. This is also true in the case of government agencies who have come to BCDA for their venue requirements for team building, events, and workshops, among others.

- 8.12. We previously recommended that Management prepare/submit a Marketing Plan and Budget for the Sports Complex and conduct a study to determine the expected recoupment period of the Investment Property.
- 8.13. On December 21, 2023, the Audit Team received the BCDA Management-approved Marketing Plan for the NCC Sports Complex, prepared by the Investment Promotions and Marketing Department and Business Development Department. The marketing plan stated the following BCDA-specific objectives:
 - a. Establish the NCC Sports Complex as a premier, modern, world-class, accessible, and internationally recognized sports facility and events venue in the Philippines and in Southeast Asia.
 - b. Contribute to the overall development of Sports in the Philippines by providing specialized packages and benefits for national athletes and homegrown talents, venue support or access to high-quality training facilities, and promotion of grassroots sports development.
 - c. Champion and lead the advocacy of the government and national sports agencies in delivering a wide range of benefits, from improved health and physical and mental well-being to better social integration.
 - d. Create and develop a diverse mix of commercial opportunities, tournaments, and activities in sports, tourism, and entertainment in partnership with government agencies, academic institutions, private organizations, civic and religious groups, sports clubs, and other health and wellness associations.
- 8.14. The marketing plan further specified BCDA's marketing strategies in their Short, Medium, and Long-Term Plans. Also outlined is BCDA's marketing approach to show how they plan to leverage their world-class sports facilities using online and offline channels, promote special events and promotions, and optimize customer experience, thus:
 - Integrated Marketing and Communications Plan
 - Intensified digital marketing
 - Events and partnerships
 - Leverage Athletes' Village as the main revenue generation anchor of the Sports Complex

8.15. Short-term Plans

- Continuous hosting of:
 - Sporting events and training camps
 - Non-sporting events and activities such as concerts, conferences, workshops
 - Photo and video shoots
- Regular revisiting and updating, if necessary, of the sports facilities' rental rates

8.16. Medium-term Plans

- Engagement of Transaction Advisory Services for the Long-term O&M of the NCC Sports Facilities
- Other revenue-generating activities will also be explored as an additional source of income for BCDA such as Academic Tour Guides and Partnerships with the CDC Tourism Promotions Department, Provincial Government of Tarlac and Capas Tarlac Tourism Offices, as well as the National Association of Independent Travel Agencies (NAITAS)
- Public access to sports facilities may be considered with entrance fee and ticketing provided that there is a collection officer stationed at the area
- Annual Subscription for the Sports Facilities (similar to a club membership) – The “NCC Sports Pass” will be a one-stop pass all-year membership card for all access to the Sports Training Facilities for just a one-time payment, including the sports facilities, gym, Athletes' Village and open areas
- DOT Central Luzon – participation in the Regional Marketing Campaign with emphasis on Sports and Eco-Tourism
- Increase Customer/Guest Retention by enriching the visitor experience through additional leisure activities and entertainment in the facilities, such as seasonal or themed events-Holy Week Activities, Summer Swimming Camps, Christmas Village/Lighting Ceremony, Glamping/Picnic, etc.
- Website optimization for booking events, as well as reservations at the Athletes' Village
- Maximizing space in NCC through hosting more sporting events that have not been held in the vicinity of the NCC such as Trail Running, Mountain Biking, Frisbee, Rugby, etc.

8.17. Long-term Plans

- Privatization through the engagement of a long-term O&M partner who will facilitate the general management, marketing, and day-to-day operations and maintenance of the sports facilities.

profitability is quite challenging. In 2023, BCDA representatives attended the SportNXT event held in Melbourne, Australia. The manager of Victoria Park, a sports complex located in Victoria, Australia, mentioned that they are also not earning when hosting sporting events. Instead, they earn from other activities such as concerts, conferences, and workshops. This is the reason why BCDA has not limited the use of these facilities to just accepting clients for sporting events but also clients for non-sporting activities such as concerts, worship or religious rallies, and conferences, among others.

- 8.26. Moreover, Management has now promoted the sports facilities as multi-sports complexes. This means that over time, BCDA learned and realized that it can be flexible in terms of the type of sports or activities it hosts instead of focusing only on its primary function.
- 8.27. In 2023, BCDA revisited the rental rates for the use of the NCC sports facilities and one of the considerations in coming up with the approved rates is marketability vis-a-vis convenience and accessibility. It must be taken into consideration that there are other competition venues similar to BCDA, although theirs is not internationally certified, and they may already meet the requirements of the organizers. Hence, clients may choose to hold/conduct their events/training in a venue that is more accessible with the option to commute/use public transport and with options on where to buy food.
- 8.28. BCDA also receives a steady stream of revenue from the National Academy of Sports, as BCDA entered into a Facility Use Agreement with them to use at least 100 rooms in the Athletes' Village starting January 2024. This arrangement is projected to continue until their dormitory on the campus is constructed by 2026 to 2027.
- 8.29. BCDA is in the process of coming up with the New Clark video, which forms part of the campaign for New Clark City to reach further brand awareness and drive, which leads to the use of the NCC sports facilities for their various activities. Additionally, BCDA is also in the process of requesting Malacañang for the issuance of a Memorandum Circular directing government departments, bureaus, offices, agencies, state universities and colleges, and instrumentalities to give preference to the NCC sports facilities as a venue for their official events.
- 8.30. In 2023, BCDA was able to increase its revenue for rental of the NCC sports facilities by 273.4 percent, i.e., from P8.168 million in 2022 to P30.500 million in 2023.
- 8.31. Non-quantifiable benefits of hosting events and various activities in NCC should also be taken into consideration as follows:
 - a. Position the NCC world-class sports facilities to be one of the top events tourism destinations in the country;
 - b. Stimulate the local economic fabric by creating more jobs;
 - c. Benefits to the local communities;
 - d. Growing network;
 - e. Leisure, recreation, and social welfare; and
 - f. Promoting health and wellness (sports events and training camps) which includes BCDA employees who participate in various sports activities.

- 8.32. To date, BCDA is already exploring other ways to earn money, such as advertising placement, brand partnerships, naming rights, charging for educational tours, and opening the facility for walk-in clients for training.
- 8.33. BCDA intends to sign a Transaction Advisory Services Agreement (TASA) with the International Financial Corporation (IFC) and has identified Long-Term Operations and Maintenance of the NCC Sports Facilities as one of the Projects to be undertaken under a Public Private Partnership (PPP) arrangement as relevant. As part of the current TASA draft submitted to the Office of the Government Corporate Counsel for clearance, IFC will be conducting a scoping study that aims to identify the works to be undertaken by the Private Sector Partner as an initial output. A Business Case will follow and shall be contained in a separate Agreement once the PPP scope is identified. The scoping study will be conducted up to eleven weeks upon signing of the TASA.
- 8.34. The Audit Team will monitor Management's compliance with the recommendations.
9. **Private individuals were allowed to occupy ASEAN Villa Nos. 14 and 20 without a perfected lease agreement and no rental payments, resulting in a loss of income for the government of P16.875 million.**
- 9.1. This is a reiteration of the prior year's observation with updated information.
- 9.2. BCDA funded and implemented the construction of the 21-unit ASEAN villas located in Clark Freeport Zone, which were intended for use during the 2017 ASEAN Leaders' Summit. Eventually, BCDA announced that the ASEAN Villas would be privatized through long-term leases after their intended use.
- 9.3. Section 4 of 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.*
- 9.4. Lease agreements provide lessees with the right to use property and authorize the lessors to assess and collect regular payments over a specific period. They protect both parties and the leased property in the event of any issues, demonstrating adherence to fundamental principles stated in PD No. 1445.
- 9.5. During the site visit and ocular inspection of BCDA projects and properties in Angeles, Pampanga, on July 28, 2022, the Audit Team noted that four villas, namely ASEAN Villa Nos. 8, 12, 14, and 20, have no existing contracts. Three villas were found vacant, while Villa No. 14 was occupied, preventing the team from entering and inspecting the unit.
- 9.6. In the CY 2022 audit, an inquiry with the concerned TPDF personnel assigned to monitor the Contracts of Lease for the ASEAN villas revealed that no Contract of Lease was executed for Villa No. 14. Moreover, a 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.

- 9.7. As of December 31, 2023, Management has executed 18 Contracts of Lease for the 21 units of the ASEAN Villas with lease terms of 25 to 50 years and copies of which were transmitted to the Audit Team. From the Matrix of Lease Agreements for the ASEAN Villas, submitted by Management on February 8, 2024, the Audit Team noted that contracts of the lease had been executed for Villa Nos. 12 and 8 effective August 1, 2021, and December 22, 2023, respectively. Management provided copies of the Contract of Lease for Villa No. 8 and Villa No. 12 signed on December 22, 2023, and July 7, 2021, respectively.
- 9.8. Moreover, Villa Nos. 14 and 20 still have no existing contracts, and the revenues from private individuals who occupied Villa. No. 14 remained uncollected.
- 9.9. On October 21, 2022, Management consulted 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. They also communicated with the occupants to identify the actual period of use of the property based on utility consumption monitoring and bills and offered the signing of a contract. When the execution and signing of the contract did not materialize, Management issued on August 24, 2023, the Demand Letter and Notice to Vacate on the payment of outstanding arrearages and return of the subject property to BCDA in good and tenable condition within 15 days from the receipt of the Notice.
- 9.10. Management informed the Audit Team through their letter dated October 24, 2023, that upon inspection of the BCDA Property Management Department, Villa No. 14 has been vacated and returned to BCDA.
- 9.11. It is noteworthy to mention that in a meeting with Management on April 1, 2024, the Audit Team learned that prior to inhabiting Villa No. 14, the occupant initially stayed in Villa No. 20. The occupant still has the key to Villa No. 20.
- 9.12. Verification of the Rent Income account did not show any invoices and revenue collections from Villa No. 14. A partial down payment of P100,000 was paid upon the tenant's submission of the Application Form on December 20, 2018. This barred the BCDA from offering the unit to other interested lessees.
- 9.13. The total outstanding balance as of August 24, 2023, determined by BCDA is as follows:

Table 16. Total Outstanding Balance for Villa No. 14

Monthly Amortization Rate	P 202,567
No. of Months Used/Reserved	46
	(November 2019 to August 2023)
Total Computed Arrears	9,318,082
Less: Payments Made	(100,000)
Total Outstanding Balance	P 9,218,082

- 9.14. Meanwhile, the following were collected from the tenant during her stay in Villa No. 20:

Table 17. Payment Details for Villa No. 20

Particulars	Date of Payment	OR Number	Amount Paid
1st Down payment	01-Feb-19	869621	P 409,872
2nd Down payment	28-Feb-19	4155403	500,000
3rd Down payment	01-Apr-19	4155423	500,000
4th Down payment	02-May-19	4155427	500,000
5th Down payment	30-May-19	4155428	500,000
6th Down payment	04-Jul-19	4155430	500,000
Total			P 2,909,872

- 9.15. We also learned during the meeting that BCDA asked for payments of P7.6 million for Villa No. 20 and P9.2 million for Villa No. 14. The tenant disagreed through a text message and insisted that she had previously informed BCDA of her stay in Villa No. 20 for a few months. When the conditions in the unit became unlivable, she transferred to Villa No. 14, all the while waiting for BCDA to repair Villa No. 20.
- 9.16. The tenant further stated that during her stay in Villa No. 14, she encountered water leaks on the walls and kitchen tops, which eventually caused damage to the unit. This caused her not to sign the Contract of Lease. She then requested that her initial payments for Villa No. 20 be used as payment for the short period that she occupied Villa No. 14. Management has yet to furnish the Audit Team a copy of their response to the tenant's requests, including the Final Demand Letter they intended to issue.
- 9.17. Neither the settling in Villa No. 20 nor the subsequent transfer of the tenant to Villa No. 14 was supported by any lease agreement. Due to the absence of the contract of lease, the rights of both parties are not protected in case of disputes and litigation. Further, the subsisting uncollected rent income and forgone revenue had the units been offered to other interested lessees, which resulted in a loss of income for the government.
- 9.18. **We reiterated our prior year's audit recommendation that Management 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.**
- 9.19. **Further, we recommended that Management provide the Audit Team:**
- Inspection Report by the BCDA Property Management Department on the vacancy of Villa No. 14 and proof of turnover thereof by the tenant/s to BCDA; and**
 - Updates/actions taken by Management to resolve the issues on Villa Nos. 14 and 20.**
- 9.20. As of the document date, the Inspection Report remained unsubmitted, but a Certification signed by the PPMD was provided stating that the ASEAN Villa 14 has been inspected on the following dates:

- a. October 10, 2023 - inspected by the General Services Division
 - b. November 10, 2023 - inspected by Property Management Division
- 9.21. It further stated that during the inspection, the following were observed:
- a. The unit is unoccupied and confirmed to be vacant.
 - b. The unit is free of personal belongings.
 - c. The unit is not clean and has minor damages.
- 9.22. Based on the above findings, they confirmed that the unit was vacant on the day of site visits.
- 9.23. Management submitted a Copy of BCDA's response/s to the tenant/s requests and the Final Demand Letter. For reference, BCDA attached the following letters:
- a. Letter to Ms. Irene Ann P. Cui dated August 24, 2023
 - b. Letter to Ms. Melody Pimentel dated August 24, 2023
 - c. Letter to Ms. Melody Pimentel dated April 5, 2024
- 9.24. Management also provided the following updates/actions taken to resolve the issues on Villa Nos. 14 and 20, as follows:
- a. Issued notice to vacate and demand to pay arrearages in August 2023 and Final Demand Letter in April 2024;
 - b. Coordinated with Ms. Pimentel on the payment of the arrearages; and
 - c. Ongoing negotiation with the proponents for the Lease of Villas 20 and 14 with target signing by the third quarter of 2024.
- 9.25. Management assured the Audit Team that they would continue to work on the final resolution of the matter.
- 9.26. During the exit conference, Management shared that they have sent a final demand letter to the tenant and are seeking the guidance of the Office of the Government Corporate Counsel for a possible collection case.
- 9.27. They also commented that BCDA will be re-evaluating its previous computation for the payment of arrearages based on actual occupancy of the ASEAN Villa units in consideration of the request by the occupants for a reasonable rate following their claim that Villa No. 20 was uninhabitable, resulting in their transfer to Villa No. 14. They added that Villa No. 20 was recently leased out to a new lessee, and a certified true copy of the executed Certificate of Lease was submitted to the Audit Team on June 7, 2024. Similarly, BCDA is currently negotiating with potential lessees for the dispositions of the remaining villas to ensure revenue generation from all units.
- 9.28. The Audit Team acknowledged and reviewed the documents and found them in order. The Audit Team will also monitor Management's compliance with the recommendations.

10. The dividend declared by BCDA for CY 2023 was erroneously computed based on the Net Earnings per unaudited financial statements instead of the amount per annual income tax return, which is not in compliance with Section 3.i of the 2016 Revised Implementing Rules and Regulations of Republic Act (RA) No. 7656, resulting in under declaration and under-remittance of dividend to the Bureau of the Treasury (BTr) amounting to P647.831 million.
- 10.1. RA No. 7656, also known as the Dividend Law, was approved by then President Fidel V. Ramos on November 9, 1993, requiring Government-Owned or -Controlled Corporations (GOCCs) to declare dividends under certain conditions to the National Government (NG), and for other purposes. Section 1 thereof provides that it is the declared policy of the State that in order for the NG to realize additional revenues, GOCCs, without impairing their viability and the purposes for which they have been established, shall share a substantial amount of their net earnings to the NG.
- 10.2. Pursuant to Section 7 of the said Act, the Department of Finance (DOF) formulated the 1998 Revised Implementing Rules and Regulations (RIRR) which was later amended by the 2016 RIRR, to promote fiscal discipline among GOCCs and improve NG cash management.
- 10.3. Section 5.a of the 2016 RIRR of RA No. 7656 provides that GOCCs, regardless of shareholdings, shall annually declare and remit dividends directly to the NG in the name of the Treasury of the Philippines on or before May 15 of each year, at least 50 percent of their Net Earnings as Cash, Stock and/or Property Dividends.
- 10.4. Based on Section 3.i of the RIRR, Net Earnings is defined as:
- i. "Net Earnings" refers to income derived from whatever source, whether exempt or subject to tax, net of deductions allowed under Section 29 of the National Internal Revenue Code, as amended, and income tax and other taxes paid thereon, but in no case shall any reserve for whatever purpose be allowed as deduction from Net Earnings. For the avoidance of doubt, "Net Earnings" shall include:*
- i. Income subject to income tax, as provided in the Annual Income Tax Return, net of tax;*
- ii. Income subject to final tax, as provided in the Annual Income Tax Return Schedule on Supplemental Information, net of tax;*
- iii. Income exempt from tax, as provided in the Annual Income Tax Return Schedule on Gross Income/Receipts Exempt from Income Tax, net of tax;*
- Xxx (Underscoring ours)
- 10.5. Furthermore, in the interest of promoting fiscal discipline and improving revenue generation efforts, the DOF, upon consultation with the DBM and the Governance Commission for GOCCs, may request the GOCC to remit above the 50 percent minimum dividend rate in the event that the GOCC has excess cash or windfall

earnings; provided that the viability and purposes for which the GOCC has been established are not impaired.

- 10.6. On February 23, 2024, the DOF Secretary wrote a letter to BCDA requesting the declaration and remittance of up to 75 percent of the Authority's Net Earnings for CY 2023 on or before March 27, 2024.
- 10.7. Accordingly, on March 26, 2024, BCDA declared and remitted a total amount of P1.102 billion in cash dividends covered by Check Nos. 76301 and 57443522. The remitted cash dividend was computed as follows:

Table 18. Net Earnings computed based on Unaudited Financial Statements

Particulars	Amount
Net Income (after tax)	5,111,175,390
Add/(Deduct):	
Income Tax Expense	828,572,634
Proceeds of Minimum Annual Secured Revenue Share (MASRS) from the Bonifacio South Pointe (BSP) Project, net of 6 percent Capital Gains Tax (CGT)	2,621,203,560
Non-Deductible Expenses	(16,779,665)
Subsidy Income	(4,548,796,848)
Other Non-Taxable Income	(1,631,472,514)
Unrealized Forex Gain	(837,178,301)
Taxes paid	(58,028,287)
Adjusted Net Earnings/Dividend Base	1,468,695,969
Dividend Rate	75%
Cash Dividend	1,101,521,977

- 10.8. However, audit disclosed that the Net Earnings used by BCDA in computing the dividend was based on the figures per 1st preliminary unaudited financial statements (FS) as of December 31, 2023, instead of the Annual Income Tax Return (AITR) filed by BCDA before the Bureau of Internal Revenue on April 9, 2024, which is not in compliance with the aforesaid pertinent provisions of the RIRR of RA No. 7656. The Net Earnings based on AITR should be P2.591 billion, computed as follows:

Table 19. Net Earnings computed based on AITR

Particulars	Amount
Income/(Loss) subject to Income Tax	(1,434,436,120)
Less: Income tax/Other taxes paid	(55,373,498)
Income/(Loss) subject to Income Tax, net of tax	(1,489,809,618)
Income subject to Final Tax, net of tax	754,931,786
Income exempt from tax, net of tax	705,000,000
Add: Proceeds from the MASRS from the BSP project, net of 6 percent Capital Gains Tax (CGT)	2,820,000,000
Less: Cost of Sales: Pro-rated Value of Land	(198,796,440)
Income exempt from tax, net of tax	3,326,203,560
Adjusted Net Earnings/Dividend Base - AITR	2,591,325,728

- 10.9. In accordance with the said RIRR, the minimum dividend that should have been declared and remitted by BCDA is P1.296 billion, computed based on 50 percent of the AITR Net Earnings of P2.591 billion. However, the dividend computed by BCDA from the rate of 75 percent of the Net Earnings based on the unaudited FS was lower than the 50 percent of the Net Earnings based on AITR as required by law. Consequently, there was an understatement of Net Earnings by P1.123 billion, which

resulted in the under-remittance of dividends to the BTr amounting to P194.140 million.

- 10.10. Moreover, the amount of P1.102 billion initially remitted by BCDA still fell short by P841.972 million of the total dividends of P1.943 billion computed in accordance with the DOF's request for BCDA to declare and remit up to 75 percent of its Net Earnings, as shown in Table 20.

**Table 20. Under remittance of cash dividend for Dividend Year (DY) 2023
based on DOF Secretary's request**

Particulars	Net Earnings	Dividend Rate	Cash Dividend
Unaudited FS (from Table 18)	P 1,468,695,969	75%	P1,101,521,977
AITR (from Table 19)	2,591,325,728	75%	1,943,494,296
Under-remittance to the BTr	P(1,122,629,759)		P (841,972,319)

- 10.11. Further verification showed the following reasons for the variance noted between the AITR and unaudited FS:

Table 21. Detailed computation of understatement of Net Earnings

Particulars	Per Unaudited FS (a)	*Per AITR (b)	Variance (Under)/ Overstatement (c)
Net Income (after tax)	P 5,111,175,390	P5,111,175,390	0
Add/(Deduct):			
Income Tax Expense	828,572,634	828,572,634	0
Proceeds of Minimum Annual Secured Revenue Share (MASRS) from the Bonifacio South Pointe (BSP) Project, net of 6 percent capital gains tax (CGT)	2,621,203,560	2,621,203,560	0
Non-Deductible Expenses	(16,779,665)	534,013,061	(550,792,726)
Subsidy Income	(4,548,796,848)	(4,548,796,848)	0
Other Non-Taxable Income	(1,631,472,514)	(1,062,290,270)	(569,182,244)
Unrealized Forex Gain	(837,178,301)	(837,178,301)	0
Taxes paid	(58,028,287)	(55,373,498)	(2,654,789)
Adjusted Net Earnings/Dividend Base	P 1,468,695,969	P2,591,325,728	P(1,122,629,759)

**Reconciled with AITR filed on April 9, 2024 (from Table 19)*

- 10.12. The Audit Team noted that the following non-deductible expenses amounting to P550.793 million were not added back to the unaudited FS to arrive at the taxable income for the current year while these were reflected as reconciling items under the AITR:
- Depreciation of concession assets amounting to P367.576 million;
 - Non-deductible interest expense amounting to P136.104 million;
 - Financial-related expenses amounting to P44.554 million; and
 - Impairment loss amounting to P2.559 million.
- 10.13. On the other hand, the variance amounting to P569.182 million pertains to the difference between the non-taxable lease income of P747.283 million per books and the P178.101 million reflected in the AITR. This refers to proceeds from leases accordingly filed in the AITR, but they were deducted as non-taxable income in the computation of Net Earnings using the unaudited FS.

- 10.14. After the issuance of the AOM, Management remitted and declared an additional cash dividend amounting to P194.141 million to the BTr on May 31, 2024, and provided the Audit Team a copy of the BTr Official Receipt as proof of remittance. To date, the total cash dividend declared and remitted by BCDA for DY 2023 amounted to P1.296 billion with the remaining unremitted amount of P647.831 million, computed as follows:

**Table 22. Under remittance of cash dividend for DY 2023
based on DOF Secretary's request**

	Net Earnings	Dividend Rate	Cash Dividend
Net Earnings (from Table 19)	P 2,591,325,728	75%	P1,943,494,296
Actual Remittances	1,101,521,977		
	194,140,887		1,295,662,864
Under-remittance to the BTr			647,831,432

- 10.15. While we commend that Management was able to declare and remit a cash dividend of P1.296 billion, due diligence in the computation of Net Earnings could have been observed by revisiting the pertinent provisions of the 2016 Revised IRR of RA No. 7656. We are also cognizant of the fact that Management was not able to use the AITR as it was filed on April 9, 2024, which is 13 days later than the date required by the DOF for the remittance of dividends. However, the necessary information for the computation of Net Earnings/Dividend Base can also be gathered/derived from the FS, whether audited or not. This could be done by determining the reconciling items between the accounting income and taxable income for the year.
- 10.16. Reconciling items pertain to permanent differences or those arising from income or expense, which are considered under accounting income but would never be considered under taxable income, and vice versa; and temporary differences or those arising from income or expense on which the period or timing of recognition under accounting income is different from that of taxable income.
- 10.17. As such, it is important that GOCCs, like BCDA, remit the correct amount to the NG to help the economy shift to a higher growth path through fiscal consolidation efforts and prioritizing expenditures aligned with the administration's 8-point Socioeconomic Agenda, as emphasized by the Secretary of Finance in its letter dated February 23, 2024.
- 10.18. **We recommended that Management:**
- If there is an increase in Net Earnings based on the audited FS, file an amended AITR and recompute the dividend due to the NG based on the AITR and remit deficiency, if any; and**
 - Submit the final computation and supporting documents for the dividend due for DY 2023 to the Audit Team.**
- 10.19. Management committed to adhering to the audit recommendations.
- 10.20. The Audit Team will monitor Management's compliance with the recommendations.

11. The retrospective application of the Compensation and Position Classification System (CPCS) under Executive Order (EO) No. 150, s. 2021, effective October 5, 2021, was not considered and observed in determining the appropriate salary rates of 13 incumbents of BCDA upon earning their step increment, which is not in accordance with Section 3 of the said EO and the Rules on Salary Adjustment prescribed under CPCS Implementing Guidelines No. 2021-01 issued by the Governance Commission for Government-Owned and Controlled Corporations (GCG), resulting in an overpayment of salaries amounting to P1.052 million which might be considered possible irregular expenditure.

11.1. 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 Framework, repealing EO No. 203, s. 2016, and for other purposes, effective October 5, 2021, upon its publication in a newspaper of general circulation.

11.2. Section 3 of EO No. 150 provides the effective date of the CPCS as follows:

*The monthly basic salary structure of a GOCC and its allowances, benefits and incentives (ABIs) shall be effective upon issuance of the corresponding authorization from the GCG. The GCG En Banc may likewise set a uniform **date of effectivity across GOCCs, which shall in no case be earlier than the date of effectivity of the EO.***
(Emphasis supplied)

11.3. Moreover, the GCG issued Implementing Guidelines No. 2021-01, dated January 12, 2022, prescribing the implementing guidelines of EO No. 150. Under the Compensation System, Section I. Basic Salaries, including Item Increments, Items 1 and 3.1 to 3.4 of the said Guidelines provide:

1. *Retroactive Application. – Upon receipt of their respective authorization to adopt the CPCS, GOCCs with substantial compliance to the CPCS requirements upon the approval of the EO No. 150 shall retroactively apply the appropriate salary structures, and the allowances, benefits and incentives under the CPCS effective 05 October 2021, in accordance with GCG En Banc Resolution No.2021-02.*

Xxx

3. *Rules for Salary Adjustment. – The adjustments in the salaries of GOCC personnel shall only be in accordance with the CPCS salary structure.*

3.1. *The salaries of incumbent personnel shall be adjusted to the rates in the salary schedule corresponding to the designated job grade allocations of their positions as of the time of receipt of authorization to implement the CPCS from GCG.*

3.2. *If the actual monthly basic salary of an incumbent officer or employee as of 05 October 2021 falls between steps of the job*

grade allocation of the position, the salary shall be adjusted to the rate for the higher step in the applicable salary schedule.

3.3. If the actual monthly basic salary of an incumbent officer or employee as of 05 October 2021 exceeds that of Step 8, there shall be no increase in monthly basic salary and no diminution in the salary currently being received.

4. If the actual monthly basic salary of an incumbent officer or employee as of 05 October 2021 falls below Step 1 of the job grade allocation of the position, the salary shall be adjusted to Step 1 in accordance with Section 7 of E.O. No. 150. Xxx (Emphasis ours)

- 11.4. Moreover, a one-step increment shall be granted to qualified personnel **for every three years of continuous satisfactory service in the present position**. Said length of service in the present position in the same agency may include the period/s rendered by the incumbent as follows:
- a. While on temporary or provisional status of appointment in the same position;
 - b. **Before his/her present position was reclassified/upgraded/reallocated;** and
 - c. Period rendered by him/her prior to re-appointment to the same or comparable position with the same salary grade in a reorganized agency staffing pattern.
- 11.5. On May 10, 2022, the authorization to implement the CPCS under EO No. 150 was received by BCDA from the GCG on an even date, with CPCS Category 2, Tier 2, Salary Structure classification. The said authorization also provides that BCDA may retroactively apply the appropriate salary structure and the ABIs under the CPCS effective October 5, 2021, in accordance with Chapter I (1) of the CPCS Implementing Guidelines, considering that BCDA has fully complied with the CPCS requirements upon the approval of EO No. 150.
- 11.6. On May 25, 2022, the BCDA Board of Directors, through Board Resolution No. 2022-05-065, approved the adoption and implementation of the authority to implement the CPCS on June 1, 2022, **with retrospective application effective October 5, 2021**.
- 11.7. A review of records disclosed that the salary rates of BCDA incumbents per CPCS were adopted and applied in their payroll beginning June 1, 2022. Additionally, due to the retrospective application of BCDA of the CPCS effective October 5, 2021, a differential on salaries and ABIs for the period October 5, 2021, to May 31, 2022, was paid and released to the incumbents amounting to P25.102 million under Check No. 19812 dated June 15, 2022.
- 11.8. We noted that from October 5, 2021 (retrospective date of application of CPCS), to May 10, 2022 (actual receipt of authority to implement CPCS), there were 13 BCDA incumbents who earned a step increment for continuous satisfactory three years of service in their present position. However, our audit disclosed that BCDA first determined the equivalent salary rates of the said employees based on the old salary structure upon earning the step increment, then converted the said rate to the equivalent CPCS rates, as follows:

Table 23. Actual conversion of salary rates made by BCDA

Employee Name	Date of Step Increment	Rate as of October 5, 2021 (old salary structure)		Rate as of date of step increment (old salary structure)		Conversion-based on CPCS as of date of step increment	
		Salary Grade-Step	Rate	Salary Grade-Step	Rate	Job Grade-Step	Rate
1 Employee A	03/01/2022	4-4	18,274	4-5	20,359	5-5	20,434
2 Employee B	03/01/2022	4-4	18,274	4-5	20,359	5-5	20,434
3 Employee C	01/01/2022	14-6	35,983	14-7	40,228	9-8	40,704
4 Employee D	01/01/2022	14-7	40,228	14-8	44,974	9-max	44,974
5 Employee E	03/15/2022	22-6	86,598	22-7	96,814	12-6	98,152
6 Employee F	02/01/2022	12-7	36,488	12-8	40,793	8-max	40,793
7 Employee G	03/01/2022	4-4	18,274	4-5	20,359	5-5	20,434
8 Employee H	02/01/2022	24-4	84,216	24-5	94,152	12-5	95,156
9 Employee I	03/01/2022	6-4	20,086	6-5	22,384	5-max	22,384
10 Employee J	02/01/2022	24-7	117,678	24-8	131,561	12-max	131,561
11 Employee K	03/10/2022	20-4	50,702	20-5	56,684	11-3	59,335
12 Employee L	03/01/2022	4-4	18,274	4-5	20,359	5-5	20,434
13 Employee M	02/01/2022	10-6	30,203	10-7	33,696	7-max	33,696

- 11.9. The above adjustment or conversion is not in accordance with Section 3 of EO No. 150 and the pertinent provisions of the GCG CPCS Implementing Guidelines No. 2021-01. As mentioned earlier, BCDA received the authorization to implement the CPCS from the GCG on May 10, 2022. The CPCS was adopted and implemented on June 1, 2022, **with retrospective application on October 5, 2021. Since there was a retrospective application of the CPCS, the equivalent salary structure (job grade and step) as of October 5, 2021,** should have been considered as if it was applied by BCDA on such date.
- 11.10. In other words, it is the current monthly basic salary of incumbent personnel as of October 5, 2021, which shall be adjusted to the rates in the salary schedule corresponding to the designated job grade allocations of their positions under the CPCS. Subsequently, if there are step increments earned by the BCDA incumbents due to length of service, the equivalent CPCS salary structure under EO No. 150 should be applied as follows:

Table 24. Should be salary rates

Employee Name	Date of Step Increment	Rate as of October 5, 2021 (old salary structure)		Rate as of October 5, 2021 based on CPCS		Rate as of date of step increment based on CPCS	
		Salary Grade-Step	Rate	Job Grade-Step	Rate	Job Grade-Step	Rate
1 Employee A	03/01/2022	4-4	18,274	5-1	18,974	5-2	19,339
2 Employee B	03/01/2022	4-4	18,274	5-1	18,974	5-2	19,339
3 Employee C	01/01/2022	14-6	35,983	9-1	36,117	9-2	36,773
4 Employee D	01/01/2022	14-7	40,228	9-8	40,704	9-8	40,704
5 Employee E	03/15/2022	22-6	86,598	12-3	89,165	12-4	92,161
6 Employee F	02/01/2022	12-7	36,488	8-max	36,488	8-max	36,488
7 Employee G	03/01/2022	4-4	18,274	5-1	18,974	5-2	19,339
8 Employee H	02/01/2022	24-4	84,216	12-2	86,169	12-3	89,165
9 Employee I	03/01/2022	6-4	20,086	5-5	20,434	5-6	20,799
10 Employee J	02/01/2022	24-7	117,678	12-max	117,678	12-max	117,678
11 Employee K	03/10/2022	20-4	50,702	11-1	50,935	11-2	55,135
12 Employee L	03/01/2022	4-4	18,274	5-1	18,974	5-2	19,339
13 Employee M	02/01/2022	10-6	30,203	7-max	30,203	7-max	30,203

- 11.11. Further review revealed that the differential in salaries was computed/paid correctly for the period October 5, 2021, up to the effectivity date of the step increment since the appropriate CPCS salary rates were applied. However, since the CPCS rates were applied based on the old salary rates upon earning the step increment as shown in Table 24, there was an overpayment of differential on salaries for the 13 aforementioned employees amounting to P148,438 million computed from the date of their step increment up to May 31, 2022, as follows:

Table 25. Computation of overpayment from the date of Step Increment to May 31, 2022

No	Employee Name	Date of Step Increment	Amount		Total Actual Amount Received	Per Audit	Over-payment
			Differential received on June 14, 2022	Payroll (March 1 to May 31, 2022)			
1	Employee A	03/01/2022	225	61,077	61,302	58,017	3,285
2	Employee B	03/01/2022	225	61,077	61,302	58,017	3,285
3	Employee C	01/01/2022	2,380	120,684	123,064	110,319	12,745
4	Employee D	01/01/2022		134,922	134,922	122,112	12,810
5	Employee E	03/15/2022	2,919	193,628	196,547	184,322	12,225
6	Employee F	02/01/2022		122,379	122,379	109,464	12,915
7	Employee G	03/01/2022	225	61,077	61,302	58,017	3,285
8	Employee H	02/01/2022	4,016	282,456	286,472	267,495	18,977
9	Employee I	03/01/2022		44,768	44,768	41,598	3,170
10	Employee J	02/01/2022		394,683	394,683	353,034	41,649
11	Employee K	03/10/2022	7,230	113,368	120,598	110,270	10,328
12	Employee L	03/01/2022	225	61,077	61,302	58,017	3,285
13	Employee M	02/01/2022		101,088	101,088	90,609	10,479
			17,445	1,752,284	1,769,729	1,621,291	148,438

- 11.12. Additionally, the said 13 employees continuously received the erroneous CPCS salary rates for the period June 1, 2022, to December 31, 2023, which resulted in an overpayment of salaries amounting to P0.903 million, computed as follows:

Table 26. Computation of overpayment for the period June 1, 2022 to December 31, 2023

No.	Employee Name	CPCS Salary Rates			No. of Months	Over-Payment
		Actual	Should Be	Excess		
1	Employee A	20,434	19,339	1,095	19	20,805
2	Employee B	20,434	19,339	1,095	19	20,805
3	Employee C	40,704	36,773	3,931	19	74,689
4	Employee D	44,974	40,704	4,270	19	81,130
5	Employee E	98,152	92,161	5,991	19	113,829
6	Employee F	40,793	36,488	4,305	19	81,795
7	Employee G	20,434	19,339	1,095	19	20,805
8	Employee H	95,156	89,165	5,991	19	113,829
9	Employee I	22,384	20,799	1,585	19	30,115
10	Employee J*	131,561	117,678	13,883	18	249,894
11	Employee K**	59,335	55,135	4,200	2	8,400
12	Employee L	20,434	19,339	1,095	19	20,805
13	Employee M	33,696	30,203	3,493	19	66,367
						903,268

*Promoted as Vice President of the Property and Procurement Management Department effective December 1, 2023 – JG 14, Step 1

**Promoted as Creative Arts Specialist IV of the Investment Promotions and Marketing Department effective August 9, 2022 – JG 12 Step 1

- 11.13. Thus, the possible overpayment of salaries for the above personnel amounted to P1.052 million which can be considered an irregular expenditure pursuant to COA Circular No. 2012-003 dated October 29, 2012.
- 11.14. Furthermore, aside from the overpayment in salary, it is worth noting that there may be also an overpayment for other allowances, bonuses, and incentives (ABIs) received by BCDA employees such as, but not limited to, mid-year and year-end bonuses, overtime pay and monetization of leave credits, in which the basis for computing the same is the salary rates. Thus, it is significant that the guidelines for adjusting the basic salary under the CPCS be applied appropriately to determine the correct amount of the ABIs to which the incumbents are entitled.

- 11.15. It bears stressing that under the General Procedural Guidelines, Item 3 of the GCG Implementing Guidelines No. 2021-01, the compensation adjustment shall be subject to the usual accounting and auditing rules and regulations and the appropriate re-adjustment if found not in order. The personnel concerned shall refund any overpayment received based on a finding thereof by the GOCC, the GCG, the COA, or any government agency sanctioned for that purpose.
- 11.16. **We recommended that Management immediately seek clarification from the GCG relative to the proper conversion of rates of employees with step increments earned from the retrospective date of application of the CPCS to the date of receipt of the authority to implement the CPCS and cause the recovery/refund from the BCDA incumbents for the overpayment of salaries and other ABIs of BCDA if warranted.**
- 11.17. Management commented that they will seek clarification from the GCG regarding the proper conversion of employees' rates with step increments earned from the retrospective date of application of the CPCS to the date of receipt of the authority to implement the CPCS, as recommended by the Audit Team.
- 11.18. Additionally, Management requested from the GCG a meeting with the BCDA CPCS Technical Team to discuss CPCS matters, including the aforesaid observations. The Audit Team will be apprised of the results of the discussions with the GCG.
- 11.19. In the meantime, BCDA is reviewing the said payments, and if warranted, they shall issue a recovery/refund from the concerned employees for any overpayments that might have been made.
- 11.20. During the Exit Conference on June 7, 2024, the HRMD shared that the request for a meeting with GCG, which was made verbally through phone calls and electronic means, was not yet granted since the GCG was also working at CPCS No. 2. Accordingly, Management will formally write a letter to them regarding their request.
- 11.21. The Audit Team will monitor Management's compliance with the recommendations.
12. **The salary rates used in the computation of the three-year present value (PV) for the 13 BCDA incumbents were not in accordance with CPCS Implementing Guidelines No. 2021-01 dated January 12, 2022, issued by the GCG, resulting in an overpayment of discontinued ABIs such as Educational Subsidy, Mid-Year Economic Improvement Allowance, Gift Check, and Housing Provident Fund in the total amount of P0.562 million for the two tranches payout, which can be considered an irregular expenditure.**
- 12.1. Item II of the CPCS Implementing Guidelines on allowances, benefits, and incentives also provides that:
- Upon receipt of the respective authorization to adopt the CPCS, all the allowances, benefits, and incentives (ABIs) of GOCC officers and employees, of GOCC officers and employees, whether they are incumbents or new hires, shall be limited to those provided under the CPCS. The***

grant of ABIs outside those provided under the CPCS shall be discontinued. (Emphasis ours)

- 12.2. Further, Item II (E) of the Guidelines states that incumbents of GOCCs whose authorized ABIs will be discontinued for being outside the CPCS shall be paid the three-year PV of the said ABIs.
- 12.3. Prior to the receipt of BCDA of its authorization to implement the CPCS, there were 15 ABIs outside the CPCS being received by the incumbent officers and employees of BCDA.
- 12.4. In relation to paragraphs 11.5 and 11.6, BCDA paid its incumbents¹ the 1st Tranche of the three-year PV of all the 15 discontinued ABIs, amounting to P35.159 million in CY 2022, was made in two batches, as follows:

Table 27. Payment of 1st Tranche

Particulars	Check No.	Date	Amount
1st Batch of 1st Tranche	CV020354	07/14/2022	P 25,195,302
2nd Batch of 1st Tranche	CV021296	11/14/2022	9,963,953
			P 35,159,255

- 12.5. In our CY 2022 audit, we noted various deficiencies in the above payments, such as the proper reckoning date in the computation of the three-year PV of discontinued ABIs, which should be from receipt of the CPCS authorization, and the deduction in the payment of the 1st Tranche of the ABIs already received by BCDA incumbents from January to May 2022.²
- 12.6. We noted that BCDA made clarifications from the GCG relative to the noted observations and based on the responses of GCG, additional payments amounting to P28.589 million were made to BCDA incumbents on August 10, 2023. On the other hand, the payout of the 2nd Tranche of the discontinued ABIs amounting to P62.862 million was made on January 19, 2023. Details are as follows:

Table 28. Payment for 1st Tranche and 2nd Tranche

Particulars	Check No.	Date	Amount
Additional payment for the 1st Tranche	CV000093	08/10/2023	P 28,588,776
2nd Tranche	CV022889	01/19/2023	62,862,136
			P 91,450,912

- 12.7. On August 3, 2023, BCDA requested clarification from the GCG on whether the three-year PV of discontinued ABIs should be computed using the salary rates prior to the implementation of the CPCS or the current CPCS rates pursuant to the applicable CPCS salary structure.
- 12.8. On October 20, 2023, the GCG, in its letter-reply dated October 19, 2023, affirmed that the **CPCS rates pursuant to the applicable CPCS salary structure shall be**

¹ Pursuant to Schedule of Payout under Item 7 of GCG CPCS Circular No. 2021-009 dated January 12, 2022 re: Grant of Three (3)-Year Present Value of Authorized Allowances, Benefits, And Incentives of GOCCs that will be Discontinued Under the CPCS.

² Observation No. 15, Part II of CY 2022 BCDA Annual Audit Report (Page 133).

used in the computation of the three-year PV of ABIs that shall be discontinued under the CPCS.

- 12.9. Thus, based on the above clarification from the GCG, a differential payment was made by BCDA to its incumbents amounting to P20.396 million under Check No. CV001278 dated November 14, 2023, after the re-computation conducted by BCDA. The said differential payment pertains to the two tranches payout of four discontinued ABIs, i.e. Educational Subsidy, Mid-Year Economic Improvement Allowance, Gift Check, and Housing Provident Fund ABIs, computed in Table 29.

Table 29. Differential on Payout of Four Discounted ABIs

Particulars	Re-computation	Original	Differential
Educational Subsidy Allowance	18,387,981	14,331,120	4,056,861
Mid-Year Economic Improvement Allowance	26,757,129	22,370,301	4,386,828
Gift Check	26,757,129	22,370,301	4,386,828
Housing Provident Fund	34,269,973	26,704,124	7,565,849
Total	106,172,212	85,775,846	20,396,366

- 12.10. Based on the old salary structure of BCDA before CPCS, the aforementioned discontinued ABIs were either equivalent to a one-month basic salary or P50,000, whichever is higher, as follows:

Table 30. Old Salary Structure Summary

Particulars	Amount
Educational Subsidy Allowance	One-month basic salary
Mid-Year Economic Improvement Allowance	P50,000 or one-month basic salary (net of tax), whichever is higher
Gift Check	P50,000 or one-month basic salary (net of tax), whichever is higher
Housing Provident Fund	Employer share: -17.5 percent of basic salary for SG 19 and below -15 percent for SG 20 and above

- 12.11. Since the one-month basic salary is one of the considerations in determining the amount of the ABIs to which the incumbents are entitled, and as a basis in the computation of the three-year PV of said ABIs, it is significant that the guidelines in adjusting the basic salary under the CPCS be applied appropriately.
- 12.12. As discussed in the preceding observation, there was an erroneous interpretation and conversion of salary from old rates to new CPCS for employees who earned step increments from October 5, 2021, to the date of receipt of authorization to implement CPCS on May 10, 2022. Consequently, there was an overpayment of the discontinued Educational Subsidy, Mid-Year Economic Improvement Allowance, Gift Check, and Housing Provident Fund to the 13 BCDA incumbents amounting to P0.562 million, since the basic salary is the basis in determining the amount of the aforesaid ABIs, which is considered an irregular expenditure³ pursuant to COA Circular No. 2012-003⁴ dated October 29, 2012, computed as follows:

³ 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 without 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.

⁴ Updated Guidelines for the Prevention and Disallowance of Irregular, Unnecessary, Excessive, Extravagant and Unconscionable Expenditures.

Table 31. Overpayment of Discontinued ABIs

Two Tranches Payout of Discontinued ABIs at Present Value										
Employee Name	Job Grade-Step	Salary Rate	Educational Subsidy Allowance	Mid-Year		Gift Check	Housing Fund	Total	Actual Payment (Two Tranches)	Over-payment
				Economic Improvement Allowance						
1 Employee A	5-2	19,339	37,833	122,270		122,270	79,450	361,822	384,765	22,943
2 Employee B	5-2	19,339	37,833	122,270		122,270	79,450	361,822	384,765	22,943
3 Employee C	9-2	36,773	71,940	130,421		130,421	151,073	483,854	507,694	23,840
4 Employee D	9-8	40,704	79,630	130,421		130,421	167,223	507,694	533,590	25,896
5 Employee E	12-4	92,161	180,296	257,565		257,565	324,532	1,019,959	1,086,262	66,303
6 Employee F	8-max	36,488	71,382	130,421		130,421	149,902	482,126	508,234	26,108
7 Employee G	5-2	19,339	37,833	122,270		122,270	79,450	361,822	384,765	22,943
8 Employee H	12-3	89,165	174,435	249,192		249,192	313,982	986,802	1,053,105	66,303
9 Employee I	5-6	20,799	40,689	122,270		122,270	85,448	370,676	396,591	25,915
10 Employee J	12-max	117,678	230,215	328,879		328,879	414,387	1,302,359	1,456,004	153,645
11 Employee K	11-2	55,135	107,861	143,815		143,815	194,150	589,642	634,559	44,917
12 Employee L	5-2	19,339	37,833	122,270		122,270	79,450	361,822	384,765	22,943
13 Employee M	7-max	30,203	59,087	122,270		122,270	124,082	427,707	465,194	37,486
Total			1,166,867	2,104,334		2,104,334	2,242,579	7,618,107	8,180,293	562,185

- 12.13. It is worth emphasizing that the CPCS under Executive Order (EO) No. 150, s. 2021, was designed and issued to provide GOCCs with adequate operational autonomy and flexibility toward ensuring efficient and effective implementation of a total compensation framework within the organization to ensure that the adoption of reasonable, justifiable, and appropriate remuneration schemes prevents or deters the granting of unconscionable and remuneration packages, hence, compliance with all the issuances relative to the said CPCS should be enforced and observed by BCDA.
- 12.14. **We recommended that Management immediately seek clarification from the GCG relative to the proper conversion of rates of employees with step increments earned from the retrospective date of application of the CPCS to the date of receipt of the authority to implement the CPCS and cause the recovery/refund from the BCDA incumbents for the overpayment of discontinued ABIs if warranted.**
- 12.15. Management commented that the observation will also be clarified with the GCG, as stated in paragraphs 11.17 to 11.20.
13. **The reckoning period used by BCDA on the service obligation required to be rendered by incumbents who received the 1st and 2nd Tranches payout of the discontinued ABIs was the date of receipt of the authority to implement the CPCS on May 10, 2022, and a year thereafter, respectively, instead of the actual date of payout, which is not in accordance with Item 9 of CPCS Circular No. 2021-009, resulting in net over-refund of payments from eight employees who resigned/retired in the total amount of P127,389.**
- 13.1. Item 9 of the GCG CPCS Circular No. 2021-009 dated January 12, 2022, provides 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)

- 13.2. Item 7 of the said Circular provides that GOCCs shall payout the three-year present value of discontinued ABIs annually in three equal tranches, following this schedule:

Table 32. Schedule of Payout of ABIs

Tranche	Schedule of Payout
Tranche 1	Not earlier than January 15, 2022
Tranche 2	Not earlier than January 15, 2023
Tranche 3	Not earlier than January 15, 2024

- 13.3. Review of records disclosed that the payout of the 1st and 2nd Tranches of the three-year PV of the discontinued ABIs was paid/released to the BCDA incumbents in CYs 2022 and 2023 amounting to P147.007 million, with details as follows:

Table 33. Payment of the Two Tranches Payout of Discontinued ABIs

Particulars	Check No.	Date	Amount
1st Batch of 1st Tranche	CV020354	07/14/2022	25,195,302
2nd Batch of 1st Tranche	CV021296	11/14/2022	9,963,953
Additional payment for the 1st Tranche*	CV000093	08/10/2023	28,588,776
			63,748,031
2nd Tranche	CV022889	01/19/2023	62,862,136
Additional payment for the 1 st and 2 nd Tranches**	CV001278	11/14/2023	20,396,366
			147,006,533

**pertains to the erroneously deducted discontinued ABIs from the 1st batch of 1st payout.*

***pertains to differential payments due to application of CPCS salary rates.*

- 13.4. Moreover, 11 employees received the above two annual payouts, except for the additional payment amounting to P20.396 million, but were already separated from BCDA in CY 2023 either by resignation or retirement. Hence, they were not able to complete the one-year service obligation requirement for the 1st and 2nd Tranche payouts.
- 13.5. Out of the 11 employees, eight have already received their final pay from BCDA, with corresponding deductions amounting to P2.833 million, as payment/refund of the prorated balance of the service obligation requirement not rendered for the 1st and 2nd payouts; while three have not yet received their final pay.
- 13.6. However, the audit disclosed that BCDA's reckoning date for determining the balance of the one-year service obligation for the 1st Tranche payout is May 10, 2022, the date the authorization to implement the CPCS under EO No.150 from the GCG was received, and May 10, 2023, for the 2nd Tranche payout, which is not in accordance with Item 9 of GCG CPCS Circular No. 2021-009.
- 13.7. The actual date of payout of the 1st and 2nd Tranches should have been used by BCDA in determining the starting date of the one-year service obligation for each payout; thus, the incorrect application thereof resulted in under-payment of refund of the discontinued ABIs from the four resigned/retired employees amounting to P480,123, while there were over deductions from the last pay of the other four employees in the amount of P0.608 million, or a net over-payment/deductions of P127,389.

- 13.8. Moreover, three of the 11 resigned/retired employees have not yet received their final pay. The amount of P0.575 million should be deducted from this as equivalent payment of the service obligation requirement not rendered.
- 13.9. **We recommended that Management:**
- a. **Cause the recovery/refund from the four retired/resigned employees the amount amounting to P480,123 representing the remaining correct prorated balance of the required service obligation, return to the four employees the over deductions made amounting to P0.608 million pertinent to the refund of discontinued ABIs, and ensure that the balance of service obligation amounting to P0.575 million will be deducted from the final pay of the remaining three retired/resigned employees before releasing the payment to them; and**
 - b. **Henceforth, use the appropriate reckoning date of the service obligation requirement, which is from the actual date of payout pursuant to Item 9 of GCG CPCS Circular No. 2021-009.**
- 13.10. Management commented that in the interest of clarifying the proper interpretation and implementation of the service obligation requirement as provided for in CPCS Circular No. 2021-09, BCDA will be seeking the opinion of the GCG being the central policy-making and regulatory body mandated to develop and implement the CPCS.
- 13.11. Given the foregoing, Management is constrained to hold in abeyance any comments pending their consultation and/or submission of a clarificatory letter to the GCG and the subsequent resolution of the attendant issues by the GCG as the rightful and proper authority on the CPCS.
- 13.12. As a rejoinder, the Audit Team maintained its position that Management cause the recovery/refund of P480,123 from the four retired/resigned employees.
14. **The monthly limit of P20,000 for the total allowable representation and transportation allowance for each of the members of the BCDA BOD set forth under Financial Policy No. 303-1 issued by BCDA to implement EO No. 24 dated February 10, 2011, and GCG Memorandum Circular (MC) No. 2012-02, was not strictly enforced resulting in excess allowance received by one Director in the total amount of P12,171 for CYs 2022 and 2023, which is deemed irregular pursuant COA Circular No. 2012-003 dated October 29, 2012.**
- 14.1. EO No. 24, dated February 10, 2011, was issued prescribing the rules to govern the compensation of members of the Board of Directors/Trustees in GOCCs, including government financial institutions. The Board of Directors/Trustees of all Chartered GOCCs, whether or not covered by the Salary Standardization Law, are directed to comply with the provisions contained in EO No. 24 to govern the compensation and reimbursable expenses of the members of the Board of Directors/Trustees in their respective corporations.
- 14.2. Meanwhile, the GCG is mandated to set the limits to the per diem, compensation, allowance, and incentive entitlements of the members of the Board of Directors/Trustees of GOCCs pursuant to RA No. 10149. Section 23 thereof

provides that the compensation, per diems, allowances, and incentives of the members of the Board of Directors/Trustees of the GOCCs shall be determined by the GCG using EO No. 24 as a reference, among others.

14.3. Accordingly, the GCG issued MC No. 2012-02 dated May 2, 2012, to provide the revised interim rules on per diems and other compensation entitlements of members of the governing boards of GOCCs covered by RA No. 10149. Item 2.4, Part III of the said GCG MC provides that Section 12 of E.O. No. 24 ensures that GOCC Directors do not abuse the structure of reimbursement of expenses as a means to gain indirect compensation **by making it a matter of policy** that expenses of members of the Governing Board to attend Board and other meetings and discharge their official duties shall be disbursed directly by the GOCC. The only time that Directors obtain reimbursement of expenses can be: 1) when due to the exigency of the service and subject to the submission of receipts; and 2) limited only to transportation expenses for attending meetings; travel expenses for official travels; communication expenses; and meals during business meetings.

14.4. To implement EO No. 24 and GCG MC No. 2012-02, BCDA issued Financial Policy No. 303-1 dated October 25, 2017, and effective November 1, 2017, to establish the policy and guidelines on reimbursable expenses of the BOD. Items 2, 3, and 4 under the Policy Statement thereof provide that:

2. *However, in the exigency of the service, the Directors concerned may advance the cost of only the following expenses necessary in the performance of their official functions, subject to reimbursement in accordance with accounting, and audit rules and regulations:*

2.1. *Transportation expenses in going to and from the place of meetings;*

2.2. *Travel expenses during official travel;*

2.3. *Communication expenses; and*

2.4. *Representation expenses during business meetings.*

3. *The aforesaid expenses when advanced by the Directors will be reimbursed subject to presentation of supporting documents. **Provided that the transportation and representation expenses together shall be subject to a total cap of P20,000 monthly.***

4. *Transportation expenses. The following documentary requirements shall be presented for reimbursement:*

- *Expense statement dully approved by the Chairman of the Board of the Corporation; and*
- *Official receipt or invoice*

Alternatively, the Directors may opt for gas card to be arranged by the Corporation, subject to the aforesaid limit. (Emphasis and underscoring supplied)

14.5. As defined in the said Policy, transportation expenses refer to the costs of traveling to attend a Board and/or business meeting in relation to the discharge of the

director's official duties when such place of meeting is within the region where the director resides or conducts an office, which include gasoline/fuel, toll fees, parking fees and similar expenses; while representation expenses pertain to the meals incurred by the Director during business meetings, conference or other, meeting in the discharge of the Director's official functions.

- 14.6. For CYs 2022 and 2023, the representation expense-BOD account amounted to P1.587 million and P1.455 million, respectively. This pertains to the representation and transportation expenses by the BCDA BOD for the payment of gasoline, toll, and meals incurred during the performance of their official duties, which were paid in advance and reimbursed to them and/or paid by BCDA to Pilipinas Shell Petroleum Corporation for their usage of the gas/fleet card provided to them by BCDA.
- 14.7. However, we noted that Management did not strictly implement the BCDA Financial Policy No. 303-1 since the limit set for the total representation and travel expenses per month amounting to P20,000 for each of the members of the BOD was not strictly enforced. The audit disclosed that the representation and travel allowance received by some Directors exceeded the P20,000 limit in the total amount of P137,943 for CYs 2022 and 2023, which was communicated to Management through the issuance of an Audit Observation Memorandum.
- 14.8. Accordingly, Management informed the said Directors of the noted observations, and a total of P125,772 was already refunded by them on May 15 and 16, 2024, except for one Director with an overpayment of P12,171; details are as follows:

Table 34. RATA Received by Director A

Reference No.	Month	Payment	Limit/ Month	Excess
CY 2022				
APV024199	July	25,948	20,000	5,948
APV024199	September	23,669	20,000	3,669
APV024199	October	20,394	20,000	394
		70,010	60,000	10,010
CY 2023				
APV000287	March	20,063	20,000	63
APV000287	April	22,098	20,000	2,098
		42,161	40,000	2,161
Total		112,171	100,000	12,171

- 14.9. The above excess payments is contrary to the policy considerations of EO No. 24 which requires that the rationalization of the compensation for members of the Board of Directors/Trustees in GOCCs shall be anchored on the considerations of the State such as to promote transparency, accountability, and prudence in government spending; and provide for the standardization and rationalization of the compensation of members of the Board of Directors/Trustees that is reasonable, justifiable and appropriate to prevent abuses in the grant of salaries, per diems, allowances, bonuses, incentives, and other benefits. Thus, allowing the payment of allowance to the BCDA BOD in excess of the limit set by Management based on

their policy to implement EO No. 2024 is deemed an irregular expenditure as defined under COA Circular No. 2012-003 dated October 29, 2012.

- 14.10. Consequently, Section 15 of EO No. 24 provides that upon the determination of COA that a member of the Board of Director/Trustees had received any amount or property beyond what is allowed in the said EO or has received anything which accrues to the GOCC represented by him/her, the member of the Board of Directors/Trustees shall immediately return the same to the GOCC concerned. Likewise, Item 1, Part I of GCG MC No. 2012-02 states that Directors and Officers shall hold in trust for the GOCC any amounts received in excess of the allowable per diem received for actual attendance in board meetings and the reimbursement for actual and reasonable expenses and incentives.
- 14.11. **We recommended that Management cause the recovery/refund from the Director who was paid in excess of the P20,000 limit per month for representation and transportation allowance and henceforth, strictly observe the pertinent provisions of the BCDA Revised Policy and Guidelines on the Reimbursable Expenses of the BOD, EO No. 24 dated February 10, 2011, and relevant issuances by the GCG.**
- 14.12. Management commented that they are still waiting for the Director to settle the excess RATA amounting to P12,171. To enforce collection, a demand letter dated May 22, 2024, was issued to the said Director.
- 14.13. During the Exit Conference, Management informed the Audit Team that they would issue another demand letter since the director had not responded yet. Management is also considering deducting the overpayment from the Performance-Based Incentive if warranted.
- 14.14. The Audit Team will monitor Management's compliance with the recommendations.
15. **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, series of 1993, which could result in conflicts on the obligations, roles, and functions of 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).**
- 15.1. This is a reiteration of the prior year's observation with updated information.
- 15.2. Section 3 of EO No. 62, series of 1993, prescribing policies and guidelines to implement Republic Act No. 7227 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.

- 15.3. 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)*

- 15.4. 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.
- 15.5. Section 3 established BCDA as the governing body of the CSEZ, which shall promulgate all necessary policies, rules, and regulations to govern and regulate the CSEZ through the operating and implementing arm it shall establish for the CSEZ.
- 15.6. Meanwhile, EO No. 80, also issued on April 3, 1993, 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.
- 15.7. On the other hand, EO No. 192, series of 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.
- 15.8. During President Gloria M. Arroyo's administration, 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 CIAC back to being a subsidiary of the CDC.
- 15.9. 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).
- 15.10. 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 DOTr over the Clark International Airport.
- 15.11. BCDA is currently developing New Clark City, which will cover an area of approximately 9,450 hectares within the CSEZ in the towns of Bamban and Capas in Tarlac Province.

- 15.12. Also, within the CSEZ is the Clark International Airport New Terminal Building, a joint project of the DOTr and BCDA, and a hybrid PPP project under the Build Build Build program, which is located within the Civil Aviation Complex of the Clark Freeport Zone.
- 15.13. BCDA, CDC, and CIAC operate within the CSEZ and CFZ. As government-owned and controlled corporations, their operations in Clark should be synergistic.
- 15.14. We requested from Management the submission of PAs entered into between BCDA and its subsidiaries, namely CDC, CIAC, JHMC, and PPMC.
- 15.15. Management was able to provide the Audit Team with copies of signed PAs for JHMC and PPMC. However, only draft PAs were submitted to the CDC and CIAC.
- 15.16. In its letter dated March 14, 2023, Management mentioned that the PAs with CDC and CIAC were not yet executed pending their comments 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 in the PA.
- 15.17. During the CY 2022 audit, Management explained that the PA with CDC was already approved by the BCDA Board and was endorsed to the CDC Board for approval. However, the CDC Board is concerned about the five percent share of BCDA from the land leases in CFZ. BCDA likewise endorsed the PA to CIAC for their comments. However, CIAC, like CDC, had concerns with the PA on the five percent share of BCDA.
- 15.18. 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.
- 15.19. As of the date of the audit, BCDA has not executed the PAs with CDC and CIAC and the corresponding Financial Policy.
- 15.20. In its letter dated October 13, 2023, Management stated that the execution of the PAs between BCDA and its two subsidiaries, CDC and CIAC, cannot push ahead because both the latter refused to sign.
- 15.21. CIAC formally expressed its objections through a letter dated March 3, 2021, on the following grounds:
- a. BCDA's entitlement to the five percent of CIAC's gross income as its share as the landowner is contrary to the Decision of the Office of the President in the case of CIAC vs BCDA, OP Case No. 15-K-312 rendered last 31 May 2016 in relation to EO No. 716, series of 2008. The Office of the President has ruled therein that CIAC has usufructuary rights over the Clark Civil Aviation Complex (CCAC) and that the proceeds from all contracts, leases, and business arrangements within the CCAC should pertain to CIAC alone.
 - b. Further, BCDA already collects revenues from the Operations and Maintenance privatization of the current Clark airport, which, in turn, deprived CIAC of 70

the support of all the BCDA subsidiaries. Until then, no PAs shall be executed between BCDA and its two subsidiaries, CIAC and CDC.

- 15.24. The lack of PAs with 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 defined explicitly in a PA.
- 15.25. **We reiterated our prior year's audit recommendation that Management execute Performance Agreements with CDC and CIAC and its Financial Policy; and provide the Audit Team with copies upon execution.**
- 15.26. **Further, we recommended that Management provide the Audit Team:**
- a. Written management plans on the revision of the BCDA Charter; and**
 - b. Regular updates on any action taken by Management to comply with the audit recommendations.**
- 15.27. Management duly noted the Audit Team's comments and recommendations, and they will endeavor to execute the PA with CIAC and CDC once the proposed amendments to RA No. 7227, the Bases Conversion and Development Act of 1992 (BCDA Charter), and its implementing rules and regulations have been promulgated.
- 15.28. Management submitted the work management plan for the revision of the BCDA Charter, and they committed to providing regular updates on any action taken by management to comply with the audit recommendations. On April 30, 2024, the Senate Committee on Government Corporations and Public Enterprises, joint with National Defense and Security, Peace, Unification and Reconciliation, filed Committee Report No. 250 and Senate Bill No. 2647. It was scheduled for sponsorship in the plenary on May 13, 2024, but was postponed to May 22, 2024. However, on May 20, 2024, the Senate carried out major leadership changes including changes in the aforementioned committee. As a consequence, the new committee chairperson will sponsor the bill instead. The Senate adjourned its sessions on May 23, 2024, and will resume after the State of the Nation Address on July 22, 2024. BCDA is in touch with the new sponsor of the bill and is set to sponsor the bill upon resumption of the sessions.
- 15.29. The Work Management Plan outlines the steps BCDA will undertake regarding the amendments to RA No. 7227, the Bases Conversion and Development Act of 1992, and addresses the concerns raised by COA regarding the non-execution of Performance Agreements with CDC and CIAC.
- 15.30. In the meantime, BCDA will resume the negotiations with CDC and CIAC by updating the draft performance agreement to address the subsidiaries' previous concerns and transmitting it for their comments and input.
- 15.31. BCDA will provide regular updates on management actions and other developments to comply with the audit recommendations.
- 15.32. The Audit Team will monitor Management's compliance with the recommendations.

16. **The General Services Division (GSD) did not regularly monitor and document the repairs and maintenance of BCDA's motor vehicles. Thus, the required report on each vehicle's history of repair was not timely prepared and submitted to the Audit Team, which is not in compliance with Item 9.1.3.4 of COA Circular No. 2012-001 dated June 14, 2012.**
- 16.1. Item 9.1.3.4 of COA Circular No. 2012-001 dated June 14, 2012, requires the submission of a copy of a document indicating the history of repair as an attachment to contracts on repairs and maintenance of properties of the agency such as equipment and motor vehicles, and to be submitted to the Auditor's Office within five days from the execution of the contract. The said document should contain the type of repair undertaken, the date when it was made, and other pertinent data, such as the amount and nature of repairs done on each piece of equipment/vehicle, for the information of the Audit Team and BCDA.
- 16.2. Based on the Functional Statement of BCDA, the GSD, under the Property and Procurement Management Department, is responsible for endorsing check-ups and repairs of vehicles and documenting the completion of work/s done.
- 16.3. For CY 2023, the total repairs and maintenance expense incurred for motor vehicles of BCDA amounted to P6.364 million. However, an examination of records, on a test basis, disclosed that the required report on the history of repair was not attached to the disbursement vouchers. The Audit Team requested the submission of the said report on January 24, 2024, but it was not immediately acted upon by GSD. After several follow-ups on our request, the GSD initially submitted the report on February 7, 2024.
- 16.4. The audit disclosed that the submitted report lacked the pertinent data required and necessary in the audits, such as the repair cost, date of request, and actual repair, as well as references, i.e., purchase order number, in which the Audit Team requested for its revision and re-submission. Accordingly, the revised and final Repair History Report was belatedly submitted to the Audit Team on April 3, 2024 and May 30, 2024.
- 16.5. The report on the history of vehicle repairs is useful in determining the necessity and extent of repairs to be undertaken on a particular vehicle, identifying if that property is already beyond repair, or helping assess and identify if a particular vehicle is still in suitable operating condition or roadworthy. As such, unnecessary repair and maintenance expenses could also be avoided. Additionally, proper scheduling of repair and maintenance and adequately monitoring and documenting the same could also be observed to avoid untimely breakdowns of vehicles.
- 16.6. The non-maintenance of the record on the history of repair for each vehicle indicates a weakness in BCDA's internal control, which resulted in delayed or non-submission of the required report. This precluded the Audit Team from conducting a timely audit and identifying the appropriate procedures necessary to establish the validity and propriety of the repairs and maintenance expenses incurred for vehicles.
- 16.7. **We recommended that Management require the GSD to regularly monitor and maintain a repair and maintenance record/history for each of the vehicles owned by BCDA by ensuring the timely preparation and submission of the**

Repair History Report and attaching the same to the Purchase Orders, in accordance with COA Circular No. 2012-001 dated June 14, 2012.

- 16.8. Management commented that in 2023, the GSD, under Transportation Services, was provided with additional manpower and started updating the Vehicle Ledger Cards (VLCs) which provide the repair history of BCDA vehicles. The updating of VLCs includes the encoding of data from manual log books to electronic files to provide real-time access and updates to GSD personnel, retrieving documents such as Purchase Requests (PRs), Sales Invoices, Vehicle Maintenance Reports, Pre-Repair and Post-Repair Inspection Reports, and documents that provide information on the date of acquisition and acquisition value of vehicles way back in 2014. Admittedly, the seven-day time frame to submit the Repair History was insufficient to retrieve documents and provide the needed information history.
- 16.9. The Repair History, as contained in the VLC, is now being attached as early as the approval of the PRs for vehicle repairs. It is then forwarded to ACD for payment processing.
- 16.10. During the exit conference, the GSD committed to adhere to the recommendations of the Audit Team to avoid the same observation in the future.
- 16.11. The Audit Team will monitor Management's compliance with the recommendations.
- 17. **The total expenses incurred for the repairs of the three old and fully depreciated vehicles for the past five years, as reported by the GSD, exceeded the 30 percent allowable cost of repair based on the Current Market Value (CMV), which is deemed excessive pursuant to COA Circular No. 2012-003.**
- 17.1. COA Circular No. 2012-003, dated October 29, 2012, prescribes the guidelines for the prevention and disallowance of irregular, unnecessary, excessive, extravagant, and unconscionable expenditures. Item 5.1 thereof defines excessive expenditures as unreasonable expenses or expenses incurred at an immoderate quantity and exorbitant price. It also includes expenses that exceed what is usual or proper, as well as expenses that are unreasonably high and beyond just measure or amount. They also include expenses in excess of reasonable limits.
- 17.2. Annex D of the said Circular provides the cases that are considered excessive expenditure of government funds. Item 2 of Annex D states that:

Payment for repair of government equipment at a cost exceeding 30 percent of the current market price of the same or similar equipment.
- 17.3. The Audit Team requested from the ACD the monitoring or report of the history of repairs and maintenance for each of the motor vehicles owned by BCDA for the past five years; however, the ACD stated that no such database was maintained since GSD is responsible for the said monitoring. Hence, GSD requested the submission of the report, which was submitted to the Audit Team on April 3, 2024.
- 17.4. Relative to the previous observation, the Audit Team was not able to determine the total cost of repairs for some BCDA vehicles since certain necessary details, such

as the cost of repairs and maintenance, date of request and repair, and other references like purchase order number, were not included in the said report. Nonetheless, the Audit Team still used the submitted report and checked the available data, including the corresponding journal entry/disbursement vouchers and supporting documents.

- 17.5. Audit disclosed that based on the report submitted by GSD, three vehicles acquired by BCDA in 2014 were already fully depreciated. Records showed that the total cost of repairs and maintenance incurred for these vehicles from CYs 2019 to 2023 is more than 30 percent of its acquisition cost, which is deemed excessive pursuant to COA Circular No. 2012-003. Details are presented below.

Table 35. Cost of Repairs over Acquisition Cost									
Vehicle	Year acquired	Acquisition Cost	Repairs and maintenance					Total	% of cost of repairs/ acquisition
			2019	2020	2021	2022	2023		
Mitsubishi Adventure (SHY 883)	2014	821,682	52,073	0	40,256	85,240	124,022	301,591	37%
Mitsubishi Adventure (SHY 886)	2014	821,682	50,364	64,709	95,648	247,115	19,616	477,452	58%
Mitsubishi Adventure (SHY 984)	2014	821,682	34,450	26,295	28,040	74,546	110,933	274,264	33%

- 17.6. The Audit Team used the acquisition cost instead of the CMV to determine whether the corresponding cost of repairs incurred exceeded the 30 percent threshold. Data is no longer available in the market because the vehicles were already outmoded.
- 17.7. It is worth mentioning that maintaining obsolete or outmoded vehicles beyond economical repair may be disadvantageous to BCDA, considering the frequent repairs to be made and the total amount to be incurred/paid. Further, the amount expended for frequent repairs may be wasted as it can be expected that the repaired obsolete vehicles would again break down, thus entailing more repairs. Hence, Management may conduct a cost-benefit analysis and consider disposing of the said properties.
- 17.8. We noted that Management started the activities for procuring new vehicles on March 23, 2024, and the contract was awarded to the winning bidder on June 10, 2024.
- 17.9. Meanwhile, the COA and Department of Budget and Management (DBM) recently issued Joint Circular (JC) No. 2024-1, dated January 30, 2024, to prescribe the revised manual on the disposal of government properties. The Manual provides that the disposal of properties could be undertaken when, among others, the properties (i) are already unserviceable; (ii) have reached their estimated useful life; (iii) can no longer provide the expected service/output due to obsolescence; or (iv) no longer needed, as enumerated in Item B of Part II of the Manual, such as properties that can no longer be repaired or reconditioned; properties which are beyond economic repair; and properties that have become obsolete or outmoded because of technological advancements.

- 17.10. **We recommended that Management:**
- a. **Instruct the GSD to determine the vehicles which exceeded already the required threshold of 30 percent for the cost of repairs and maintenance pursuant to COA Circular No. 2012-003; and**
 - b. **Conduct cost-benefit analysis for repairs and maintenance of vehicles and consider the disposal of properties in accordance with COA-DBM JC No. 2024-1 dated January 30, 2024.**
- 17.11. Management commented that the identified three old and fully depreciated vehicles for the past five years have already been turned over for disposal and are part of the disposal committee's program for CY 2024 in accordance with COA and DBM JC No. 2024-1. Unfortunately, because the procurement of the replacement vehicle is still ongoing and due to a limited number of service vehicles in the motor pool, said vehicles were used to prevent disruptions in the operation of BCDA.
- 17.12. Additionally, the three old and fully depreciated vehicles were repaired despite having reached the 30 percent allowable cost of repair based on acquisition cost since they were necessary for the agency's daily operations. In order to generate more interest in its project initiatives, BCDA organized 185 official events in CY 2023. Throughout the event, vehicles were stationed to fulfill site requirements. To serve the needs of BCDA personnel, GSD had to repair and maintain the older vehicles to augment the fleet. The activities of BCDA would have been interrupted, if not crippled, had the organization not authorized the repairs of the three cars. GSD also shared that there is an ongoing procurement for vehicles.
- 17.13. Nevertheless, Management committed that the GSD will determine all the vehicles that exceeded the required 30 percent cost of repair and prepare the necessary report and endorsement for proper disposal. Also, a cost-benefit analysis will be conducted to identify the cost of repair. The results shall be attached to the PRs for vehicle repair.
- 17.14. The Audit Team will monitor Management's compliance with the recommendations.
18. **The Fidelity Bond of several Accountable Officers (AOs) of BCDA is insufficient to cover their accountabilities due to non-observance of the revised schedule of premium rates prescribed by the Bureau of the Treasury (BTr) under Treasury Circular (TC) No. 02-2019 dated April 25, 2019, as supplemented by TC No. 01-2022 dated May 30, 2022. Thus, the amount that may be recovered due to possible theft and loss of cash and properties is not maximized.**
- 18.1. The BTr issued TC No. 02-2019 dated April 25, 2019, or the revised omnibus regulations governing the fidelity bonding of accountable public officers pursuant to Sections 313-335, Chapter 16 of the Revised Administrative Code of 1917. The Circular was issued, among others, to revise BTr TC No. 02-2009 pertaining to regulations promulgated for the effective bonding of accountable public officers pursuant to the provisions of the Public Bonding Law and to address other issues on fidelity bonding application and cancellation.

18.2. Item 4.1.1 of the BTr TC No. 02-2019 provides:

Every officer, agent, and employee of the Government of the Republic of the Philippines, its agencies and instrumentalities, GOCCs, and SUCs, regardless of the status of appointment, whenever the nature of the duties performed by such officer, agent or employee permits or requires the possession, custody or control of public funds or properties for which he/she is accountable, be deemed a bondable officer and shall be bonded or bondable and his/her fidelity insured.

18.3. Fidelity bond, as defined in the said Circular, shall refer to a bond secured by the accountable officer from the BTr in compliance with the Public Bonding Law and applicable requirements to assure the Government of the Republic of the Philippines of the faithful performance of all the duties and responsibilities imposed by law upon such accountable officer, and the faithful accounting of all the public funds and property coming into his/her possession, custody or control.

18.4. Moreover, Item 5.1 thereof states that the amount of the bond shall be based on the total accountability (cash, property, and accountable forms) of the accountable officer as determined by the Head of the Agency. Provided, the individual maximum amount of bond for each accountable officer shall not exceed P11 million. Accordingly, **the rate of bond premium to be paid based on the corresponding cash and property accountability, including the accountable forms, can be determined using the Revised Schedule of Premium Rates**, attached as an integral part of the Circular. Item 7.2 further provides that any increase in accountability resulting in an increase in the amount of bond shall be subject to an increase in premiums.

18.5. On the other hand, the BTr issued TC No. 01-2022, dated May 30, 2022, promulgating the supplemental guidelines on the revised omnibus regulations governing the fidelity bonding of accountable public officers and amending several provisions of BTr TC 02-2019. The supplemental provisions under Section 4 of the BTr TC No. 1-2022 include, among other things, the determination of accountability and the amount of bond premium for each accountability such as cash, investments, plant, property and equipment, inventories, and accountable forms.

18.6. The Supplemental Provisions of the BTr TC No. 01-2022 provide the following:

4.0 *Supplemental Provisions*

4.1 *Determination of Accountability and Amount of Bond Premium*

The amount of bond shall be based on the following accountabilities, provided, the total maximum amount of bond of each accountable officer shall not exceed Eleven Million Pesos (P11.0M):

4.1.1 *Cash. xxx.*

4.1.1.1 *National Collecting Officer (NCO). The accountability shall be based on the **highest amount collected in a given day in the preceding year**, which is the possible amount of accountability of the NCO exposed to risk.*

4.1.1.2 *Disbursing Officers. The accountability shall be based on the **highest amount held in custody and disbursed in the preceding year**, which is the possible amount of accountability of the DO exposed to risk in a given day. Only permanently appointed officials shall be designated as disbursing officers, except for officers and employees who are given cash advances for official travel. (COA Circular 97-002, Item 4.1.1-5)*

4.1.1.3 *Special Disbursing Officer (SDO). The accountability shall be based on the **amount of cash advance released for a given project or activity**, which is the possible amount of accountability of the SDO exposed to risk.*

4.1.2. *Investments. xxx*

*The accountability of the Investment Officer or any officer tasked to perform investment activities shall be based on the **amount of outstanding investments of the preceding year**.*

4.1.3 *Plant, Property and Equipment. xxx*

*The total accountability of the accountable public officer is the **net book value of such accountabilities** as of assumption of position for new applicant/s or the **current net book value for renewal applicant/s**.*

4.1.4 *Inventories. These are goods/supplies and materials classified as current assets, expendable/semi-expendable and are held for consumption, distribution and/or for sale and shall be taken up **at acquisition cost**. (Emphasis supplied)*

- 18.7. As of December 31, 2023, there were 55 accountable officers of BCDA duly bonded with the BTr. However, the audit disclosed that the revised schedule of premium rates prescribed under BTr TC No. 02-2019, dated April 25, 2019, as supplemented by TC No. 1-2022, dated May 30, 2022, was not used by BCDA upon the filing of applications for fidelity bond with the BTr. The old schedule of rates and accountabilities provided under BTr TC No. 02-2009, dated August 6, 2009, was inadvertently used by BCDA. The maximum accountability that could be covered with a fidelity bond under BTr TC No. 02-2019 is **one billion**, while only **P100 million** under BTr TC No. 02-2009.

18.8. Audit disclosed the following:

Collecting and (Special) Disbursing Officer

- 18.8.1 As of December 31, 2023, there were nine collecting officers (one main and eight alternate) and 43 disbursing officers (six signing officers and 37 special disbursing officers) of BCDA with fidelity bonds from BTr.
- 18.8.2 A review of records disclosed that the highest amount collected in CY 2022 was P2.820 billion under OR No. 5481912, dated December 27, 2022, while the highest amount disbursed was P6.376 billion under CV019032, dated April 20, 2022. However, the maximum amount of accountability covered with fidelity bond for the collecting and disbursing officer was only P100 million since BCDA still used the BTr TC No. 02-2009 in determining the accountability and bond premiums in its application with the BTr. Had Management used the BTr TC No. 02-2019, the maximum accountability that could be applied for a bond would have been one billion. Hence, the current bond between the collecting and disbursing officers of BCDA and the BTr is insufficient.
- 18.8.3 Meanwhile, we noted that an employee was designated as a special disbursing officer pursuant to BCDA Special Order No. 216 dated June 15, 2023, to defray the expenses for the conduct of the Australian Outbound Mission from June 23 to July 1, 2023. The cash advance granted to her amounted to P0.782 million under Check No. 40486 dated June 20, 2023. However, we noted that the maximum accountability for her fidelity bond with the BTr under Risk No. 13D3-2023-0232N is P80,000 only, which is insufficient and significantly lower than the cash advance granted to her. Based on the revised schedule or premium rates prescribed under BTr TC No. 02-2019, her accountability falls in the P0.750 million to one million range, with a bond of P0.500 million and a bond premium of P7,500.

Investments

- 18.8.4 As per the 2022 financial statements of BCDA, the total outstanding investment in BCDA amounted to P12.947 billion.
- 18.8.5 A review of records disclosed that the current bonds of the accountable officers for the investments of BCDA are significantly insufficient, as follows:

Table 36. Current Bond of Investment Officers

Accountable Officers	Bond Coverage		Maximum Amount of Accountability*	Amount of Bond	Bond Premium
	Start	End			
Employee A	3/4/23	3/2/24	100,000,000	5,000,000	P 75,000
Employee B	12/6/23	12/4/24	100,000,000	5,000,000	75,000

**includes accountability as Collecting Officer amounting to 10,000,000*

- 18.8.6 The appropriate bond of the investment officers of BCDA, to be applied with the BTr based on BTr TC No. 02-2019, should be as follows:

Table 37. Appropriate Bond of the Investment Officers

Accountable Officers	Maximum Amount of Accountability*	Amount of Bond	Bond Premium
Employee A	1,000,000,000	11,000,000	165,000
Employee B	1,000,000,000	11,000,000	165,000

**may include their accountability as collecting officers.*

Inventories, and Plant, Property and Equipment

18.8.7 BCDA's total net book value of PPE as of December 31, 2022, amounted to P120.968 million, excluding land, buildings, and unserviceable properties, while the total inventories amounted to P4.421 billion.

18.8.8 We noted that there were three Property Officers of BCDA with fidelity bonds; however, a review of their applications for fidelity bond with the BTr disclosed that their maximum accountability disclosed in the said applications is as follows:

Table 38. Accountability of Property Officers

Property Officer	Amount
Employee A	16,666,667
Employee B*	**14,533,333
Employee C	16,666,667
Total	47,866,667

**Also Inventory Custodian*

***Includes inventories of P3,200,000*

18.8.9 Inquiry with the concerned personnel revealed that the above amounts were based on their estimates, and the basis of such was not provided to the Audit Team. Currently, the fidelity bonds of the above personnel are as follows:

Table 39. Fidelity Bonds of Property Officers

Accountable Officers	Bond Coverage		Amount of Bond	Bond Premium
	Start	End		
Employee A	3/22/23	3/20/24	5,000,000	75,000
Employee B*	3/22/23	3/20/24	5,000,000	75,000
Employee C	6/20/23	6/18/24	5,000,000	75,000
Total			15,000,000	

18.8.10 Item 5.1 of the BTr TC No. 02-2019 and Item 4.1 of BTr TC No. 01-2022 both provide that the total individual maximum amount of bond of each accountable officer shall not exceed P11 million. Considering that the total net book value of PPE and cost of inventories exceeded the amount of accountability of one billion to be covered by the fidelity bond from the BTr, the BCDA should have applied for each of the three accountable property officer/inventory custodian the maximum individual amount of bond of P11 million. However, this was not observed by BCDA since, based on the above table, a maximum of five million only for each of the three accountable officers or an amount of P15 million were covered by fidelity bonds.

- 18.9. **We recommended that Management:**
- a. **Identify the maximum accountability of all BCDA accountable officers and increase their fidelity bond with the BTr if warranted; and**
 - b. **Henceforth, ensure that the accountable officers are properly and sufficiently bonded with the BTr in accordance with BTr TC 02-2019, as supplemented by TC No. 01-2022.**
- 18.10. Management commented that they will review and make the necessary adjustments to the amount of existing officers' accountability and submit documents to the Audit Team on or before July 15, 2024. They committed to ensuring that the accountable officers are properly bonded pursuant to BTr TC No. 02-2019, as supplemented by TC No. 01-2022, effective June 2024.
- 18.11. During the exit conference, Management shared that they are currently coordinating with BTr and are already processing the increase in bonds for the accountable officers. Management committed to complying with the fidelity bond requirements.
- 18.12. The Audit Team will monitor Management's compliance with the recommendations.
19. **BCDA did not strictly observe the submission of the memorandum of agreement with auditability clause, Management Representation Letter, and required reports relative to Electronic Collection (e-Collection) and Electronic Payment (e-Payment) for government transactions prescribed under COA Circular No. 2021-014 dated December 22, 2021; hence, transparency and accountability over public funds may not be promoted.**
- 19.1. With the advancement of technology nowadays, various payment and collection schemes are now available, such as electronic fund transfers (EFT), online or mobile banking, credit or debit cards, electronic wallets (e-Wallets), and prepaid or stored value cards. In line with the e-Commerce Act and providing public convenience and ease of doing business, many government entities have resorted to these methods for various types of collection and payment involving government transactions.
- 19.2. These technologies have changed the methods and dynamics of the standard and usual way of doing business in government. They increase efficiency in government operations without or less personal interactions with the collecting and disbursing officers and other public officials involved in processing government transactions and provide comfort and convenience to the transacting public and other stakeholders.
- 19.3. Relative thereto, COA issued Circular No. 2021-014 dated December 22, 2021, to provide clear audit policies and guidance on the use of e-Collections and e-Payments for government transactions consistent with the mission and mandate of the Commission to promote transparency, help improve government operations, and be an enabling partner of the government.

- 19.4. The said Circular defines e-Collection and e-Payment as follows:
- 19.5. Electronic Collection (e-Collection) refers to a method or manner wherein revenue, fees, assessments, or obligations due to the government entity are being collected using a mechanical device, electronic device, or computer-based system. The term refers to an alternative way of collection where no actual money, check or any physical note is handed through the hands of the government entity's collecting officer. The purpose of this Circular is to use intermediaries to perform the collection function.
- 19.6. Electronic Payment (e-Payment) refers to the disbursement of money or equivalent electronic representations of legal tender for the purposes of paying government expenditures solely through electronic means as opposed to the use of cash, check, or physical notes to accomplish the same. This includes the manner by which an obligation is extinguished by sending instructions for the debit of the government entity's account and the corresponding credit to the payee's account. For the purpose of this Circular, this includes the transfer of funds to the intermediary for the purpose of distribution.

e-Collection of BCDA

- 19.7. On July 11, 2022, BCDA entered into a Memorandum of Agreement (MOA) with the Land Bank of the Philippines (LBP), whereby the former availed the latter's Link.BizPortal is an e-Payment facility that allows clients to pay for products and services via the internet from both the government and private institutions/sectors. The MOA provides that the Link.BizPortal shall be made accessible to the clients of BCDA and LBP through the web, and it shall allow said clients to pay their transactional fees and charges assessed online/manually by BCDA. In exchange, LBP will collect reasonable transaction fees as provided in the MOA for both the existing and new payment options for the implementation of the Link.BizPortal enhancements on the use of various payment options.
- 19.8. Although the MOA with LBP LinkBiz was executed in 2022, the issuance of electronic Official Receipts (eORs) or Acknowledgement Receipts (eARs) was only implemented by BCDA on August 1, 2023, due to the delay in the approval of the Bureau of Internal Revenue (BIR) on the accounting system and the forms to be used by BCDA in the implementation of the e-Collection and issuance of the corresponding eORs or eARs. It was only on July 7, 2023, that the BIR approved BCDA's utilization of eOR/eARs under Acknowledgement Certificate No. AC_126_072023_000314.
- 19.9. The BCDA adopted the Self-Collect and Credit (SCC) scheme whereby the collections are done by the BCDA itself utilizing the LBP's technology or infrastructure – the Link.BizPortal – and the said collections will not pass through the hands of the collecting officer but are directly credited to the authorized depository bank of BCDA, which is the LBP.
- 19.10. In the LBP's Link.BizPortal, the customer pays his obligations to BCDA by filling out the required details in the Portal, and then a Payment Confirmation Slip for the successful transaction will be issued to the customer. On the next working day, after

verifying through the Linkbiz Portal Merchant Payment Inquiry that the said payment was credited to BCDA's bank account, the Collecting Officer of BCDA will issue the corresponding eOR or eAR to the customer.

e-Payment of BCDA

- 19.11. BCDA adopted a direct electronic payment scheme to settle some of its obligations. In this scheme, payments are made by utilizing the intermediary technology or infrastructure of the authorized depository bank of BCDA, such as the issuance of a Letter of Instruction (LOI)/Authority to Debit Advice (ADA) and the use of LBP's weAccess. LOI is a letter prepared by BCDA instructing the LBP to debit their bank account and credit the payee's account, while the LBP's weAccess is used by BCDA for their remittances to Government Owned-and-Controlled Corporations such as Government Service Insurance System, Home Development Mutual Fund and Philippine Health Insurance Corporation.
- 19.12. Audit on the compliance by BCDA with COA Circular No. 2021-014 disclosed the following deficiencies:
- 19.13. **The MOA entered into by and between BCDA and the LBP relative to the payment of the former's clients/customers via the internet using the latter's Link.BizPortal was not submitted to the Audit Team within the reglementary period set forth under Item 5.1.1 of the Circular, resulting in a delay of 137 days.**
- 19.14. Item 5.1.1 of COA Circular No. 2021-014 requires that:
- Government entities that employ the services of intermediaries for the performance of their collection or disbursement function shall execute a contract with the latter. **After signing the contract, the government entity shall furnish the Audit Team concerned with a copy of the completed contract within five (5) working days from approval thereto,** pursuant to COA Circular No. 2009-001 dated February 12, 2009. xxx (Emphasis supplied)*
- 19.15. A review of records disclosed that the MOA with LBP for the collection of payments from BCDA's clients/customers through LBP's Link.Biz Portal was executed on July 11, 2022. However, the copy of the said MOA was only submitted to the Audit Team on December 2, 2022, which significantly exceeded the required five working days from execution by 137 days.
- 19.16. The delay in submitting the contract deterred the Audit Team from conducting timely auditorial and legal reviews to determine if the MOA and BCDA's activities related to the adoption and implementation of the e-Collection system comply with the relevant provisions of COA Circular No. 2021-014. Likewise, it hindered the Audit Team from performing the necessary procedures to verify the propriety and validity of transactions.
- 19.17. **The required Management Representation Letter (MRL) was not prepared and submitted to the Audit Team, and the MOA with LBP lacked provision for the**

Auditability Clause, which contradict Items 5.1.4 and 5.1.6 of COA Circular No. 2021-014 dated December 22, 2021, respectively.

- 19.18. Item 5.1.4 of the aforementioned Circular provides:

Government entities shall submit to their respective COA Audit Teams, within 60 days from the effectivity of this Circular and every March 31 thereafter, a Management Representation letter, xxx. The non-submission of the Management Representation letter shall be considered as a high-risk indicator for the purpose of conducting information systems (IS) audit. (Emphasis supplied)

- 19.19. On February 19, 2024, the Audit Team requested a copy of the MRL for CY 2023 from the concerned personnel of the Treasury and Project Finance Department. However, it was revealed that no MRL was prepared. The personnel admitted that although BCDA was adopting e-Collection and e-Payments, they did not fully understand the Circular, especially its reportorial requirements, such as the MRL, which led to its non-submission to the Audit Team.
- 19.20. The MRL is a required document attesting that BCDA has designed, implemented, and continually reviews appropriate internal controls and procedures, including prevention and detection controls over the use of e-Collection and e-Payment systems, to safeguard the government's interests.
- 19.21. Nonetheless, Management submitted the MRL on March 4, 2024, but the representation involved CY 2024 transactions of BCDA.
- 19.22. On the other hand, a review of the MOA with LBP revealed that the Auditability Clause was not expressly stated in the contract, which is not in conformity with Item 5.1.6 of the Circular which states that:

Government entities shall provide for or require intermediaries to allow COA access to view, generate, download, and print any data/reports necessary to attain the audit objectives. This provision on access and the audit of government funds shall be expressly stated in the contract between the government entity and such intermediary, pursuant to Section 4.3 of COA Circular No. 2020-010 dated December 2, 2020. Failure to provide for the Auditability Clause in the contract does not preclude COA from conducting the audit. (Emphasis supplied)

- 19.23. Relative to the above provision, Item 4.3 of COA Circular No. 2020-010 requires that every contract/agreement shall be subject to COA audit. The auditability clause shall be provided in the contract pursuant to Section 39 of PD No. 1445.
- 19.24. Consequently, the Audit Team was denied access to the system or feature of LBP's Link.Biz Portal necessary for viewing, generating, downloading, and printing any data/reports related to necessary information on e-Collection, such as the number and total amount of transactions/collections per day. This obstruction delayed the timely conduct of appropriate procedures to establish the propriety of the transactions.

- 19.25. **Non-preparation and submission of the Report of Daily Collection Directly Deposited to the Agency's Bank Account and Daily Report of e-Payments from Agency Account, for e-Collections and e-Payments, respectively.**
- 19.26. Items 5.2.3 (d) and 5.3.5 (b) of the same Circular provide:
- 5.2.3 *The following guidelines shall apply under the Self-Collect and Credit Scheme:*
- xxx
- d. ***For collections directly credited to the appropriate AGDB account, the authorized cash/treasury personnel shall confirm the deposit, which shall be the basis for preparing the Report of Daily Collection Directly Deposited to the Agency's Bank Account, Annex G hereof. (Emphasis supplied)***
- 5.3.5 *The following guidelines shall apply to payments under the DEP Scheme:*
- xxx
- b. ***For payment of obligation using the mobile or online banking facility of the AGDB such as payment of bills online, EFT to payee from the government entity's account, or other similar modes of e-Payments, the disbursing officer shall prepare daily the Daily Report of e-Payments from Agency Account, Annex H hereof. The report shall be submitted to the Audit Team concerned together with all the digital payment receipts supporting the report. (Emphasis supplied)***
- 19.27. A review of records disclosed that the required reports for transactions on e-Collections and e-Payments were not prepared by the respective Collecting and Disbursing Officers of BCDA, hence, were not submitted to the Audit Team. The inquiry disclosed that the e-Collections and e-Payments transactions were included in the report alongside transactions involving manual receipts issued/received by BCDA, which do not comply with the above pertinent provisions.
- 19.28. Thus, as provided under the general principles of COA Circular No. 2021-014, the use of electronic data messages, electronic documents, and technology in performing government functions such as, but not limited to, collection and payment are generally permitted. However, it is imperative that all revenues and receipts of the government should be accounted for, and all expenditures or uses of funds should be authorized only within the permission of the law. Collection and payment schemes that prevent transparency and accountability over public funds, as well as arrangements disadvantageous to the government, must be discontinued.

19.29. **We recommended that Management:**

- a. **Observe the deadline for the submission of a copy of the contract relative to e-Collection or e-Payment, prescribed under Item 5.1.1 of COA Circular No. 2021-014;**
- b. **Prepare the Management Representation Letter and ensure timely submission of the same to the Audit Team on or before March 31 of each year;**
- c. **Consider revising the MOA with LBP to include the Auditability Clause and provide access to the Audit Team relative to the system used in e-Collection and e-Payment, to view, generate, download, and print any data/reports, as necessary, as required under Items 5.1.4 and 5.1.6 of COA Circular No. 2021-014; and henceforth ensure that the Auditability Clause be included in the succeeding contracts; and**
- d. **Require the Collecting Officer and Disbursing Officer of BCDA to prepare the Report of Daily Collection Directly Deposited to the Agency's Bank Account and Daily Report of e-Payments from the Agency Account and submit to the Audit Team in accordance with Items 5.2.3 (d) and 5.3.5 (b) COA Circular No. 2021-014, respectively.**

19.30. Management acknowledged the observation and commented that for any and future agency contracts for e-Collection and e-Payment, they would comply with the period for submitting a copy of the contract to the Audit Team. Moreover, Management will regularly submit the required MRL every March 31, and they already submitted to the Audit Team the MRL for 2024 on March 4, 2024, to attest their compliance thereto.

19.31. Additionally, Management committed to requesting from LBP the inclusion of the said auditability clause as an amendment to the MOA. However, the amendment will still go through board approval of both parties and, at the same time, review of OGCC.

19.32. Management will also observe the preparation of Daily Reports of e-Collection and e-Payments. However, it was requested that the latter be submitted every 10th day of the ensuing month starting May 2024.

19.33. The Audit Team will monitor Management's compliance with the recommendations.

20. Additional cash advances amounting to P1.977 million were granted to officers and employees despite having outstanding unliquidated cash advances worth P1.021 million, which is not in accordance with Section 89 of PD No. 1445 and Item 4.1.2 of COA Circular No. 1997-002 dated February 10, 1997.

20.1. Section 89 of PD No. 1445 on the limitations on cash advance states that:

No cash advance shall be given unless for a legally authorized specific purpose. A cash advance shall be reported on and liquidated as soon as

the purpose for which it was given has been served. No additional cash advance shall be allowed to any official or employee unless the previous cash advance given to him is first settled or a proper accounting thereof is made. (Underscoring ours)

- 20.2. Also, Item 4.1.2 of COA Circular No. 1997-002 provides that *No additional cash advances shall be allowed to any official or employee unless the previous cash advance given to him is first settled or a proper accounting thereof is made.*
- 20.3. Moreover, COA Circular No. 2012-001, dated June 14, 2012, prescribes the Revised Documentary Requirements for Common Government Transactions. Item 1.1 of this Circular requires, in general, the submission of a *Certification from the accountant that the previous cash advance has been liquidated and accounted for in the books* as one of the documentary requirements for the granting of cash advances. This documentary requirement was again reiterated under Items 1.1.4.1 and 1.1.4.2 of the Circular pertinent to local and foreign travels, respectively.
- 20.4. Verification of the Traveling Expenses – Foreign account disclosed that the Authority granted additional cash advances for foreign travel amounting to P1.977 million to some of its officers and employees even though their previous cash advances worth P1.021 million have not been settled or properly accounted for in the books, contrary to Section 89 of PD No. 1445 and Item 4.1.2 of COA Circular No. 1997-002.
- 20.5. Further review of records disclosed that one of the reasons for this is due to the accountant's certification attached to some CVs. Although the accountant's certification stated that cash advances had already been liquidated, it contained an exception that did not comply with the requirement of Section 1.1.4.2 of the COA Circular No. 2012-001.
- 20.6. The attached certification reads:

CERTIFICATION

This is to certify that all special cash advances, excluding those allowances relative to foreign travels which are not yet due, granted/issued to (Name and designation), has already been liquidated as of (Date).

This certification is being issued in compliance with accounting and auditing rules and regulations. (underscoring ours)

or

CERTIFICATION

This is to certify that all special cash advances, except the revolving/petty cash fund, granted/issued to (Name and designation), has already been liquidated as of (Date).

This certification is being issued in compliance with accounting and auditing rules and regulations. (underscoring ours)

- 20.7. Total cash advances amounting to P2.166 million were supported by the aforementioned type of certification, to wit:

Table 40. Grant of CA supported by Certification with Exception

Table 40: Grant of CA supported by Certification with Exception								
Check No.	Date	Employee	Description	Country	Date		Amount	
					Start	End		
Related to Travel								
1	CV001213	11/08/23	Employee A	Daily Subsistence Allowance (DSA)	Japan	11/13/23	11/18/23	63,351
2	CV001240	11/09/23	Employee A	Conduct of the Osaka Outbound Mission	Japan	11/13/23	11/18/23	207,384
3	CV000752	10/05/23	Employee B	DSA	Australia	10/08/23	10/15/23	110,524
4	66782	10/05/23	Employee B	Pre-Departure	Australia	10/08/23	10/15/23	3,500
5	CV000758	10/05/23	Employee C	DSA	Italy	10/11/23	10/19/23	158,698
6	CV000753	10/05/23	Employee D	DSA	Australia	10/08/23	10/15/23	110,524
7	CV000816	10/10/23	Employee E	Land Transfer	Italy	10/11/23	10/20/23	144,256
								798,237
Special Purpose								
1	40142	05/11/23	Employee F	SCAA April 2023	-	-	-	756,500
2	67173	11/23/23	Employee G	18-day Campaign VAWC	-	-	-	131,500
3	67055	11/10/23	Employee H	2023 BCDA Yuletide Celebration	-	-	-	480,000
								1,368,000
								2,166,237

- 20.8. It bears stressing that the context of certification from the accountant as prescribed by COA Circular No. 2012-001 was straightforward and clearly states that the cash advance has already been liquidated. It does not provide any exception that certain cash advances were not yet due, as in the certifications attached to the above cash advances.
- 20.9. We also noted that 91 CVs amounting to P50 million had no attached certification from the accountant.
- 20.10. As such, the granting of additional cash advances for foreign travel to officers and employees, despite not having liquidated or settled their previous cash advance, was not in compliance with Section 89 of PD No. 1445 and Item 4.1.2 of COA Circular No. 1997-002.
- 20.11. **We recommended that Management:**
- Ensure that no additional funding/cash advances are granted to officers and employees unless their previous cash advances have been liquidated and accounted for in the books in compliance with Section 89 of PD No. 1445 and Item 4.1.2 of COA Circular No. 1997-002;**
 - Require the ACD to use the prescribed format of Certification from the accountant as stipulated in Section 1.1.4.2 of the COA Circular No. 2012-001; and**
 - Ensure that all check vouchers and its attachments for the grant and liquidation of cash advances on foreign travel comply with the documentary requirements stated in COA Circular No. 2012-001.**
- 20.12. Management committed to complying with the audit recommendations as stated in their reply and during the exit conference.
- 20.13. The Audit Team will monitor Management's compliance with the recommendations.

21. **Nine BCDA officers and employees were allowed to go on foreign travels with government funding even though they have not yet liquidated their expenses for previous government-funded travels abroad, which is not in compliance with Section 22.c of Executive Order (EO) No. 77 and Section 25.c Part I of BCDA Internal Guidelines for the implementation of EO No. 77.**
- 21.1. Sections 22.c of EO No. 77 and 25.c Part I of BCDA Internal Guidelines on the Rendition of Account on Cash Advances (CA) and Sanction provide that:
- No foreign travels with government funding shall be allowed for those who have not liquidated their expenses for previous government funded travels abroad.*
- 21.2. The Audit Team noted that nine BCDA officers and employees were authorized and permitted to go on foreign travels costing P1.977 million despite not having liquidated their expenses for previous government-funded travels abroad.
- 21.3. Executive orders are acts of the President providing for rules of a general or permanent character in the implementation or execution of constitutional or statutory powers. Disbursements resulting from non-compliance to the same may be deemed irregular expenditures.
- 21.4. COA Circular No. 2012-003, dated October 29, 2012, defines the term "irregular expenditure" as one that 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 without conforming with prescribed usages and rules of discipline. 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.
- 21.5. The fact that officers and employees of BCDA were allowed to travel abroad despite not having liquidated their expenses on their previous foreign travel shows Management's inability to monitor and strictly enforce the aforesaid provisions of EO No. 77 and related BCDA internal guidelines on the liquidation of cash advances.
- 21.6. **We recommended that Management:**
- a. **Submit justification as to why the officers and employees with unliquidated expenses for previous government-funded travels abroad were still authorized and allowed to go on foreign travels with government funding; and**
 - b. **Refrain from authorizing officers and employees to go on foreign travels with government funding if they have not yet liquidated their expenses for previous government-funded travels abroad, as provided for in Section 22.c of EO No. 77 and Section 25.c Part I of BCDA Internal Guidelines for the implementation of EO No. 77 on government-funded foreign travel.**

Management commented that they authorized the officers and employees with unliquidated expenses to go on foreign travel due to the following reasons:

- a. To accompany the President of the Philippines for the signing of bilateral agreements and economic summit arranged by the government;
- b. To attend B2B meetings arranged by other government agencies (e.g. Office of the President, Department of Finance, Department of Trade and Industry, etc.) with prospective foreign funders, partners, and investors; and
- c. To participate in expo activities in order to attract foreign investors to invest in Clark Freeport Zone and New Clark City.

However, BCDA has ensured that only officers and employees with unliquidated expenses not yet due within the prescribed period under EO No. 77 were allowed to go on the next foreign travel. This is to consider the time element of processing the liquidation, which includes gathering documentary requirements that overlap with the next travel.

The Audit Team emphasized that there is no exception stated in Section 22.c of EO No. 77. This means that even if it is not yet due within the prescribed period, it must be liquidated before the officers and employees are allowed to travel on their next trip.

We reiterated our recommendation that Management refrain from authorizing officers and employees to travel abroad with government funding if they have not yet liquidated their expenses for previous government-funded travel abroad. During the exit conference, Management committed to complying with the audit recommendations.

The Audit Team will monitor Management's compliance with the recommendations.

Liquidation of cash advances for foreign travel amounting to P2.438 million was delayed by seven to 44 days, which is not in compliance with the reglementary period prescribed in Sections 22.a and 25.a of EO No. 77 and BCDA Guidelines.

Section 22 (a) of EO No. 77 and Section 25.a Part I of BCDA Internal Guidelines provide that:

Within two (2) calendar months after the return of an official or employee to the Philippines, in the case of officials travel abroad, or within one (1) calendar month of his/her return to permanent official station in the case of official local travel, such official or employee shall render an account of the cash advance received in accordance with existing applicable rules and regulations.

Audit disclosed that cash advances for foreign travel in the total amount of P2.438 million granted to some BCDA officers and employees were liquidated with a notable delay of seven to 44 days, which was beyond the reglementary period set forth in the EO and BCDA Guidelines.

- 22.3. Inquiry with the ACD revealed that the delay was due to the AO's submission of liquidation reports with incomplete supporting documents, such as travel reports. The deficient liquidation reports are returned to the AOs for appropriate action which caused the liquidation to go beyond the prescribed period.
- 22.4. It is emphasized that delay in liquidation can lead to sanctions depending on the circumstances. In fact, Section 5.1.3 of COA Circular 1997-002, dated February 10, 1997, provides that *the failure of the AO to liquidate his cash advance within the prescribed period shall constitute a valid cause for the withholding of his salary and the institution of other sanctions as provided for under paragraphs 9.2 and 9.3 hereof.*
- 22.5. Additionally, the Civil Service Commission Memorandum Circular No. 23, s. 2019, on the Revised Guidelines on the Settlement of Cash Advance and the Penalty to be Imposed for Failure of an Accountable Officer to Liquidate Cash Advance Within the Prescribed Period, further provides the following sanctions:
- a. *Simple Neglect of Duty and the penalty of suspension from the government service for a period of one (1) month and one (1) day;*
 - b. *Suspension for a period of three (3) months; or*
 - c. *Gross Neglect of Duty and the penalty of dismissal.*
- 22.6. **We recommended that Management:**
- a. **Require the ACD to closely monitor the liquidation of cash advances by reminding officers and employees to liquidate within the reglementary period set forth under EO No. 77 and BCDA Internal Guidelines; and**
 - b. **Require the AOs to submit their liquidation reports with complete supporting documents and within the prescribed period in adherence to the provisions of EO No. 77 and BCDA Internal Guidelines.**
- 22.7. Management committed to adhere to the recommendations to strengthen the monitoring of the liquidation of cash advances related to foreign travel expenses by sending notices as follows:
- a. First Notice (15th day from the date of return to the Philippines): First reminder to initiate the submission of the liquidation report;
 - b. Second Notice (on the 30th day from the date of return to the Philippines: Second reminder of the impending deadline for the submission of the liquidation report;
 - c. Third Notice (on the 45th day from the date of return to the Philippines): Final reminder to submit the liquidation report and the imposition of sanction pursuant to the Civil Service Commission Memorandum Circular No. 23; and

- d. Final Notice (on the 60th day from the return to the Philippines): Notice on the implementation of the sanction.
- 22.8. The Audit Team will monitor Management's compliance with the recommendations.
23. **A provision of BCDA Office Order No. 008, series of 2019, on the internal guidelines for implementing EO No. 77 and for the entitlement of travel allowance for non-plantilla personnel was inconsistent with the implementing rules and regulations on local and foreign travels per EO No. 77.**
- 23.1. Section 3 (c) of EO No. 77 provides that:
- The following individuals shall not be issued foreign travel authorities and shall not be entitled to government funding for such trips:*
- xxx Consultants of, and or those engaged by way of contract of service by, government agencies, except in highly meritorious circumstances (e.g. unavailability of qualified employees in highly technical or specialized fields), and upon written justification submitted to the authorized approving officials. xxx (Underscoring ours)*
- 23.2. A review of the Office Order disclosed that a provision on Part II - Internal Guidelines for the Guidelines for the Entitlement of Travel Allowance for Non-Plantilla Personnel of BCDA was not in accord with Section 3 (c) of the EO.
- 23.3. Section 6.b of Part II of the BCDA Internal Guidelines states that:
- The personnel engaged by BCDA by way of Contract of Services and/or Manpower Contract Service shall not be issued foreign travel authorities and shall not be entitled to government funding for such trips.*
- 23.4. Based on the foregoing, Office Order No. 008, series of 2019, issued by BCDA lacked the exemption to the general rule that *Consultants of, and or those engaged by way of contract of service (COS) by, government agencies shall not be issued foreign travel authorities and shall not be entitled to government funding for such trips except in highly meritorious circumstances, and upon written justification submitted to the authorized approving officials.*
- 23.5. A review of transactions disclosed that two COS Personnel and one lawyer from OGCC were authorized to travel abroad. These personnel were issued with pertinent foreign travel authorities and were entitled to government funding for their trips abroad.
- 23.6. Management submitted their Invitation Letter to the OGCC dated July 20, 2023 and the Certification indicating the justifications for the need of the OGCC personnel to accompany BCDA in the foreign travel.
- 23.7. It appears that BCDA allows the issuance of foreign travel authorities to consultants of, and or those engaged by way of a contract of service by, government agencies,

which is consistent with EO No. 77 but not in accordance with Office Order No. 008, series of 2019. That being said, there is a contradiction in the Non-Plantilla Personnel Guidelines due to the missing provisions on the exemption, thus inconsistent with EO No.77, which the guidelines intend to implement.

- 23.8. **We recommended that Management revisit the Office Order No. 008, series of 2019, and make the necessary amendments on the provisions to conform with EO No. 77.**
- 23.9. During the exit conference, Management committed to complying with the audit recommendations.
- 23.10. The Audit Team will monitor Management's compliance with the recommendations.
- 24. **The procurement of various goods through Direct Contracting amounting to P5.877 million were not covered with warranty security, either in the form of retention money or special bank guarantee, in an amount equivalent to one percent but not to exceed five percent of every progress payment or total contract price, which is not in compliance with Section 62.1 of the 2016 Revised Implementing Rules and Regulations (RIRR) of Republic Act (RA) No. 9184. Hence, there is no guarantee that BCDA may recover from the contractor the possible financial loss in case of defects or other deficiencies that may arise after acceptance.**
 - 24.1. As a general rule, all procurement shall be done through competitive bidding. However, alternative methods of procurement are allowed under RA No. 9184 or the Government Procurement Reform Act in order to promote economy and efficiency, but only in highly exceptional cases and under the conditions set forth in Rule XVI of the IRR of RA No. 9184.
 - 24.2. Section 50, Rule XVI, of the RIRR of RA No. 9184 provides that Direct Contracting or single-source procurement is a method of procurement of Goods that does not require elaborate Bidding Documents. The supplier is simply asked to submit a price quotation or a pro-forma invoice together with the conditions of sale. Direct contracting may be resorted to by concerned procuring entities when: i) the procurement of goods of a proprietary nature can be obtained only from the proprietary source; ii) the procurement of critical components from a specific supplier is a condition precedent to hold a contractor to guarantee its project performance, in accordance with the provisions of its contract; or iii) those sold by an exclusive dealer or manufacturer which does not have sub-dealers selling at lower prices and for which no suitable substitute can be obtained at more advantageous terms to the Government.
 - 24.3. The procuring entity must first justify the necessity for Direct Contracting and prove that no suitable substitute in the market can be obtained at more advantageous terms to the government using specifications based on relevant characteristics and/or performance requirements.

- 24.4. Moreover, Section 62.1 of the RIRR of RA No. 9184 requires that:

For the procurement of Goods, in order to assure that manufacturing defects shall be corrected by the supplier, a warranty security shall be required from the contract awardee for a minimum period of three (3) months, in the case of Expendable Supplies, or a minimum period of one (1) year, in the case of Non-Expendable Supplies, after acceptance by the Procuring Entity of the delivered supplies. xxx (Emphasis supplied)

- 24.5. Further, the obligation for the warranty shall be covered by either retention money in an amount equivalent to at least one percent but not to exceed five percent of every progress payment or a special bank guarantee equivalent to at least one percent but not to exceed five percent of the total contract price. The said amounts shall only be released after the lapse of the warranty period or, in the case of expendable supplies, after consumption thereof, provided that the supplies delivered are free from patent and latent defects and all the conditions imposed under the contract have been fully met.

- 24.6. Likewise, the required warranty security for the procurement of goods was stated under Section 54.5 of the aforesaid RIRR as follows:

Performance and/or warranty securities are required for the following alternative methods of procurement, in accordance with Sections 39 and 62 of this IRR:

<i>Alternative Method of Procurement</i>	<i>Performance Security (PS)</i>	<i>Warranty Security (WS)</i>
xxx		
<i>Direct Contracting</i>	X	✓
xxx		

- 24.7. Additionally, the aforementioned provision was clarified in Volume II of the Manual of Procedures for the Procurement of Goods and Services issued by the Government Procurement Policy Board (GPPB), as follows:

Are bid, performance and warranty securities required for Direct Contracting?

*Submission of bid and performance securities may be dispensed with. **Submission of warranty security is required.** (Emphasis supplied)*

- 24.8. A review of the Procurement Monitoring Report (PMR) of BCDA for the 1st and 2nd Semester of CY 2023 disclosed that there were five projects totaling P5.877 million, which were procured through Direct Contracting. These pertain mainly to the software subscriptions procured from exclusive dealers, as justified by the end-user/BAC-G that there were no sub-dealers selling at lower prices and for which no suitable substitute can be obtained at more advantageous terms for BCDA. Details of the said projects are as follows:

Table 41. Projects procured through Direct Contracting in CY 2023

	Project	Contractor	Contract Date	Contract Price	Amount Paid (net of taxes)
1	Procurement of Annual Acumatica ERP Unlimited Users' License Subscription License on Cloud for the BCDA Group	Contractor A	04/18/2023	1,980,177	1,856,416
2	Procurement for Annual Subscription License ("Enwoven") for the Cloud Collaboration Software of the Knowledge Management System	Contractor B	04/18/2023	816,435	*816,435
3	Procurement of the Licenses for the Lex Libris Software	Contractor C	10/25/2023	201,656	189,053
4	Procurement of the One Year Subscription of Cloud Document Services Platform (AODocs) Licenses for the Knowledge Management System	Contractor D	12/29/2023	1,521,452	1,426,361
5	Procurement of Annual Acumatica HRIS	Contractor E	12/29/2023	1,357,662	1,272,808
				5,877,382	5,561,073

*No taxes withheld. Paid using dollar account.

- 24.9. A review of the Disbursement Vouchers (DVs) and their supporting documents revealed that the required retention money, as warranty security for the above projects, was not deducted from the payments to the contractors. Likewise, if the contractors had chosen to post the said guarantee instead of the retention money, a special bank guarantee would have been attached to the DVs, which is not in compliance with the aforementioned pertinent provisions of the 2016 RIRR of RA No. 9184.
- 24.10. The Audit Team clarified with the BAC-G Secretariat if there was any warranty security relative to the said projects. However, we were informed that since the projects were procured through Direct Contracting, retention money was not deducted, nor was a bank guarantee acquired.
- 24.11. It bears stressing that the 2016 RIRR of RA No. 9184 and the Manual issued by GPPB provide that warranty security is required for projects procured through Direct Contracting. Direct Contracting is not one of the alternative modes of procurement that is exempted from the required posting of warranty security.
- 24.12. Moreover, the GPPB, in its Non-Policy Matter (NPM) No. 108-2004 dated August 4, 2004, clarified that procuring entities are mandated to retain a part of the contract price or require a bank guarantee from its suppliers, manufacturers, or distributors in the procurement of goods. This is generic in application and provides no exception, such that even the procurement of goods in small amounts and quantities is bound to comply with the aforesaid pertinent provisions of RA No. 9184.
- 24.13. Consequently, Management did not protect the government's best interest due to its inability to retain the required warranty security from the contractors. Hence, BCDA may lose the right to pursue the concerned contractors in case of any manufacturing defects or deficiencies that may arise only after acceptance of the projects/goods.
- 24.14. **We recommended that Management:**
- a. **Submit an explanation relative to the non-compliance with the posting of the required warranty security from the contractors, and determine the concerned personnel who will be responsible for the expenses that will**

be incurred if there are defects on the projects/goods delivered, if any;
and

- b. **Henceforth, require the Bids and Awards Committee to adhere to the provisions prescribed in the 2016 Revised Implementing Rules and Regulations of RA No. 9184 relative to warranty security by instructing the Accounting and Comptrollership Department to deduct the retention money from the payments to the contractors or require a special bank guarantee from the contractors.**

- 24.15. Management commented that the warranty security for the aforementioned projects is not applicable, citing NPM No. 018-2019 issued by the GPPB since these are neither expendable nor non-expendable supplies but are in the nature of services. Also, the projects are covered by the Service Level Agreement/End-User License Agreement which outlines the commitment of suppliers. Furthermore, to date, the history of the awarded contracts for the procurement of goods under Direct Contracting shows no record of incurred defects and any unsatisfactory performance from previously awarded suppliers or service providers, as certified by the End-user unit.
- 24.16. Nonetheless, Management committed to complying with the Guidelines for Warranty Security under Direct Contracting. An Internal Memorandum dated May 24, 2024, was issued by the Property and Procurement Management Department (PPMD) and BAC Secretariat Division for the Accounting and Comptrollership Department (ACD) stating that the BAC Secretariat Division will coordinate with ACD on monitoring and compliance with the said recommendation of the Audit Team to deduct the retention money from the payments to the awarded suppliers or contractors for the procurement of goods under Direct Contracting in the event that the suppliers or service providers were unable to post the special bank guarantee.
- 24.17. The Audit Team emphasized that the opinion issued by the GPPB may not be applicable to others since the facts and situations presented may be different. Hence, NPM No. 018-2019, as cited by Management, is not absolute and may not be adopted by BCDA in its procurement of subscriptions and/or licenses unless this was clarified directly by Management to the GPPB. Additionally, the GPPB, in all NPMs issued, if not all, provides that their opinion was made on the basis of the particular facts presented and circumstances availing and may not, therefore, be applicable given a different set of facts and circumstances.
- 24.18. Moreover, verification disclosed that the subscriptions and licenses previously procured by BCDA through competitive bidding, the said warranty security pursuant to Section 62.1 of the 2016 Revised IRR of RA No. 9184 was actually required by BCDA from its bidders based on the published Bidding Documents (General and Specific Conditions of the Contract).
- 24.19. Meanwhile, the Audit Team also verified that some government agencies, such as the Department of Information and Communications Technology and the Lung Center of the Philippines, require the posting of the said warranty security from the contractors/suppliers in their procurement of licenses and subscriptions.

24.20. During the exit conference, Management stated that for future procurements, they will deduct the retention money from its payments to contractors or require special bank guarantees.

24.21. The Audit Team will monitor Management's compliance with the recommendations.

25. **The Requests for Quotation (RFQs) for the procurement of goods through Small Value Procurement (SVP) and Lease of Real Property and Venue amounting to P1.223 million and P292,250, respectively, were not timely posted in the BCDA website. Likewise, the related Notices of Award (NOA), Contracts or Purchase Orders (PO), and Notices to Proceed (NTP) were posted in the websites of both the Philippine Government Electronic Procurement System (PhilGEPS) and BCDA but beyond the reglementary period set forth under the 2016 RIRR of RA No. 9184, thus, defeating the purpose of improving transparency in government procurements.**

25.1. Section 10 of RA No. 9184 mandates that all procurement shall be done through Competitive Bidding, except as provided for in Article XVI thereof, which enumerates the allowable alternative methods of procurement. Accordingly, alternative methods of procurement may be resorted to only upon prior approval of the Head of the Procuring Entity in order to promote economy and efficiency and whenever justified by the conditions for each alternative method of procurement.

25.2. Section 54.2 of the 2016 Revised IRR of RA No. 9184 provides that:

*Xxx For the following modalities, however, **the BAC, through its Secretariat, shall post the invitation or request for submission of price quotations/proposals in the PhilGEPS website, the website of the Procuring Entity concerned, if available, and at any conspicuous place reserved for this purpose in the premises of the Procuring Entity for a period of at least three (3) calendar days:***

xxx

4. Section 53.9 Small Value Procurement (For ABC above Fifty Thousand Pesos (P50,000)); xxx (Emphasis supplied)

25.3. Likewise, the said requirement was also provided in Item IV (E) of the Consolidated Guidelines for the Alternative Methods of Procurement prescribed under Annex H of the 2016 RIRR of RA No. 9184.

25.4. On the other hand, Section IV(L)(3) of the aforesaid Annex H provides the required posting of NOA, Contract or PO, and NTP for all the projects as follows:

*Unless the contract involves and affects national security as determined by the HOPE in accordance with Section IV(D) of this Guidelines, **the BAC, through its Secretariat, shall post the NOA, Contract/PO, including the NTP if necessary, for information purposes, in the PhilGEPS website, the website of the Procuring Entity concerned, if available, and at any conspicuous place reserved for this purpose in the premises of the Procuring Entity within***

ten (10) days from their issuance, except for contracts with ABC of Fifty Thousand Pesos (P50,000) and below. (Emphasis supplied)

- 25.5. For CY 2023, the balance of BCDA's Advertising, Promotional, and Marketing Expenses account amounted to P23.439 million. The transactions pertain to the cost of advertising in newspapers, magazines, television, radio, and other forms of media to promote and market products and services, as well as the publication of other invitations to bid and authorized government advertisements.
- 25.6. Audit of the said account, on a test basis, disclosed that the following projects amounting to P1.223 million were procured through SVP:

Table 42. Projects procured through SVP

Project	Contractor	Contract date	Amount
1. Various BCDA customized marketing merchandise/token	Contractor 1	12/27/2022*	480,000
2. Various BCDA customized marketing merchandise/token	Contractor 2	12/27/2022*	311,288
3. Catering services for BCDA General Assembly and Launching of One New Clark City	Contractor 3	9/11/2023	175,000
4. Catering services for the Forum on the Role of BCDA in the Armed Forces of the Philippines (AFP) Modernization Program for the Western Command of AFP	Contractor 4	11/7/2023	120,000
5. Hotel accommodation for the Forum on the Role of BCDA in the Armed Forces of the Philippines (AFP) Modernization Program for the Western Command of AFP	Contractor 5	11/8/2023	81,600
6. Rental of equipment for the Forum on the Role of BCDA in the AFP	Contractor 6	11/7/2023	55,000
			1,222,888

**Payments were made in CY 2023*

- 25.7. On May 6, 2024, the Audit Team checked the BCDA website to determine if the required documents, such as the RFQ and the related NOA, Contract/PO, and NTP, were posted. We also requested that the concerned personnel of PPMD submit proof of posting of the said documents in the PhilGEPS.
- 25.8. Verification of records disclosed that the RFQs for the above six projects were all posted in PhilGEPS, meanwhile, out of the said six projects, the RFQs for the three (Project Nos. 3, 4 and 6) were not timely posted in BCDA website. It was only posted on May 21, 2024, and May 22, 2024, after the Audit Team requested the submission of proof of such posting, which is already significantly beyond the requirement under Section 54.2 of the 2016 Revised IRR of RA No. 9184, resulting in delay ranging from 183 to 502 days. Consequently, the widest dissemination of bid opportunities and the participation of private individuals/companies were not attained.
- 25.9. Similarly, the related NOA, Contract or PO, and NTP for the projects in Table 42 above, including the following projects procured through Lease of Real Property and Venue amounting to P292,250, were not posted in the websites of both the PhilGEPS and BCDA within the 10-day requirement from issuance of the said documents, or a delay ranging 134 to 502 days, which is not in compliance with the aforesaid pertinent provision:

Table 43. Projects procured through Lease of Real Property and Venue

Project	Contractor	Contract date	Amount
1. Payment of lease of venue with food and beverage	Contrator 7	11/7/2023	112,250
2. Payment of lease of venue with catering services	Contrator 8	11/14/2023	180,000
			292,250

- 25.10. The concerned PPMD personnel admitted that they overlooked the posting of the required documents for the aforementioned projects.
- 25.11. It bears stressing that RA No. 9184 was issued to promote the ideals of good governance, such as transparency of procurement in all government agencies. Transparency in government procurement means that the copies of pertinent documents such as the invitation or request for submission of price quotations/proposals, the related NOA, NTP, and Contracts or PO, are timely posted in PhilGEPS, BCDA website, and conspicuous places, which are open and accessible to the public. The non-compliance of the BAC with the timely posting of procurement documents defeats the purpose of monitoring, transparency, and accountability of the procurement law, and the BCDA's full compliance with the procurement process was not assured.
- 25.12. **We recommended that Management instruct the BAC to ensure that the required invitation or request for submission of price quotations/proposals and the related NOA, Contract/PO, and NTP are timely posted in the websites of both the PhilGEPS and BCDA, in compliance with the pertinent provisions of RA No. 9184 and its 2016 revised IRR.**
- 25.13. Management commented that an Internal Memorandum dated May 29, 2024, was issued by the Corporate Services Group for the BAC Secretariat Division directing the latter to ensure compliance with the advertisement and posting/bidding opportunities, including requests for quotation/bidding documents, NOA, contracts/POs, and NTP under the pertinent provisions of RA No. 9184 and its 2016 RIRR.
- 25.14. The Audit Team will monitor Management's compliance with the recommendations.
26. **The payments for the goods procured through SVP and the Lease of Real Property and Venue amounting to P0.927 million were not supported with Mayor's/Business permit, PhilGEPS registration number, Income/Business tax return or Omnibus Sworn Statement as required under Appendix A, Annex H of the 2016 RIRR of RA No. 9184, and PD No. 1445, thereby the validity and propriety of the said payments could not be ascertained. Likewise, the PO and the said documents were not submitted to the Audit Team, which is not in compliance with COA Circular No. 2009-001.**
- 26.1. Section 4.6 of PD No. 1445 or the Government Auditing Code of the Philippines provides that *claims against government funds shall be supported with complete documentation.*
- 26.2. Appendix A, Annex H of the 2016 RIRR of RA No. 9184 prescribes the documents that the BAC shall require from suppliers, contractors, and consultants for Alternative

Methods of Procurement such as SVP and Lease of Real Property or Venue (Goods), as follows:

Table 44. Prescribed Documents under Appendix A, Annex H of RA No. 9184

Document	SVP	Lease of Real Property or Venue
Mayor's/Business Permit	Yes	**Yes
PhilGEPS Reg. Number	Yes	**Yes
Income/Business Tax Return	*Yes	**Yes
Omnibus Sworn Statement	*Yes	No

* For ABCs above P500,000

**Except for gov't agencies as lessors

- 26.3. Moreover, Item 3.2.1 of COA Circular No. 2009-001 dated February 12, 2009 states that:

A copy of any purchase order irrespective of amount, and each and every supporting document, shall, within five (5) working days from issuance thereof, be submitted to the Auditor concerned.
Xxx (Emphasis supplied)

- 26.4. Post audit of the DVs for the payment of goods/projects in Tables 42 and 43 above disclosed that the required documents provided under Appendix A, Annex H of 2016 RIRR of RA No. 9184 were not attached to the DVs, as follows:

Table 45. Projects procured with lacking documentary requirements

Project	Supplier/Lessor/ Contractor	Payment	Mayor's/Business Permit	PhilGEPS Registration Number	Income/Business Tax Return	Omnibus Sworn Statement
Procurement and delivery of BCDA Customized Merchandise/Token	Contractor X	P452,126	No	No	No	No
Procurement and delivery of BCDA Customized Merchandise/Token	Contractor Y	294,611	No	No	No	Yes
Lease of Venue with Catering Services for the 2022 Central Luzon Media Year End Briefing and Fellowship	Contractor Z*	180,000	No	Yes	No	N/A
		P926,737				

*No initial submission of Purchase Order

- 26.5. Further review of records disclosed that the PO and the related documents for the above-procured goods were also not submitted to the Audit Team, which is not in compliance with COA Circular No. 2009-001.
- 26.6. It bears stressing that the required documents are necessary to determine and validate the supplier's technical, legal, and financial capability to supply and deliver the goods. Likewise, the non-submission thereof precluded the Audit Team from conducting a timely auditorial and legal review of the POs to determine if the processes and activities performed by BCDA for the procurement of the aforementioned projects follow the relevant provisions of RA No. 9184 and its 2016 Revised IRR, as well as other applicable government procurement rules and regulations. Further, it hindered the conduct of appropriate procedures necessary to establish the propriety and validity of transactions.

- 26.7. Additionally, the said non-compliance indicates that the ACD processed the contractors' claims and disbursed them, even without ensuring that they were supported by the required documents.
- 26.8. **We recommended that Management:**
- a. **Submit to the Audit Team the lacking documents for the procured goods pursuant to Appendix A, Annex H of the 2016 Revised IRR of RA No. 9184;**
 - b. **Henceforth, ensure that payments to the contractors/suppliers are supported by complete documents by devising a checklist thereof and attaching the same to the DVs in compliance with PD No. 1445; and**
 - c. **Ensure that all issued POs and related documents are submitted to the Audit Team in accordance with COA Circular No. 2009-001.**
- 26.9. Management submitted the lacking documentary requirements required under Appendix A, Annex H of the 2016 Revised IRR of RA No. 9184.
- 26.10. They also commented that the ACD, in coordination with the BAC Secretariat Division, will come up with a checklist that contains all the documentary requirements to be attached to DVs, which will be implemented immediately, and the copy thereof will be furnished to the Audit Team upon completion.
- 26.11. The PPMD-Procurement Division and BAC Secretariat committed to submit to the Audit Team all issued copies of POs with complete supporting documents of SVP and Lease of Real Property or Venue within five working days from the date of issuance in compliance with COA Circular 2009-001.
- 26.12. The Audit Team will monitor Management's compliance with the recommendations.
27. **Due to the incorrect information and amount per tax returns filed by BCDA before the Bureau of Internal Revenue (BIR), a Preliminary Assessment Notice (PAN) was issued by BIR for deficiency taxes assessed for the taxable year 2018 in the amount of P84.592 million, which was paid by BCDA in CY 2022. Moreover, the related interest and penalties in the total amount of P28.843 million were incurred and paid by BCDA. Hence, it was deprived of funds that could have been made available for the discharge of its functions.**
- 27.1. Pursuant to the National Internal Revenue Code (NIRC), as amended, the BIR is mandated to comprehend the assessment and collection of all national internal revenue taxes, fees, and charges and the enforcement of all forfeitures, penalties, and fines connected therewith, including the execution of judgments in all cases decided in its favor by the Court of Tax Appeals and the ordinary courts.
- 27.2. Section 6(A) of the NIRC states that after a return has been filed as required under the provisions of the NIRC, the Commissioner or his duly authorized representative may authorize the examination of any taxpayer and the assessment of the correct amount of tax, notwithstanding any law requiring the prior authorization of any government agency or instrumentality: Provided, however, that failure to file a return shall not prevent the Commissioner from authorizing the examination of any

taxpayer. The tax or any deficiency tax so assessed shall be paid upon notice and demand from the Commissioner or from his duly authorized representative.

- 27.3. A Revenue Officer assigned to perform assessment functions in any district may, pursuant to a Letter of Authority (LOA) issued by the Revenue Regional Director, examine taxpayers within the jurisdiction of the district in order to collect the correct amount of tax or to recommend the assessment of any deficiency tax due in the same manner that the said acts could have been performed by the Revenue Regional Director himself.

- 27.4. Moreover, Section 255 of the said NIRC provides that:

*Section 255. Failure to File Return, Supply Correct and Accurate Information, Pay Tax Withheld and Remit Tax and Refund Excess Taxes Withheld on Compensation. - **Any person required under this Code** or by rules and regulations promulgated thereunder to pay any tax, make a return, keep any record, or supply correct the accurate information, who willfully fails to pay such tax, make such return, keep such record, **or supply correct and accurate information**, or withhold or remit taxes withheld, or refund excess taxes withheld on compensation, at the time or times required by law or rules and regulations shall, in addition to other penalties provided by law, upon conviction thereof, be punished by a fine of not less than Ten thousand pesos (P10,000) and suffer imprisonment of not less than one (1) year but not more than ten (10) years. (Emphasis supplied)*

- 27.5. Section 253 (d) further provides that in the case of associations, partnerships, or corporations, the penalty shall be imposed on the **partner, president, general manager, branch manager, treasurer, officer-in-charge, and the employees responsible for the violation**. Moreover, Section 272 states:

*SEC. 272. Violation of Withholding Tax Provision. - **Every officer or employee** of the Government of the Republic of the Philippines or any of its agencies and instrumentalities, its political subdivisions, as well as government-owned or-controlled corporations, including the Bangko Sentral ng Pilipinas (BSP), who, under the provisions of this Code or rules and regulations promulgated thereunder, **is charged with the duty to deduct and withhold any internal revenue tax and to remit the same in accordance with the provisions of this Code and other laws** is guilty of any offense herein below specified shall xxx:*

- (a) Failing or causing the failure to deduct and withhold any internal revenue tax under any of the withholding tax laws and implementing rules and regulations;*
- (b) Failing or causing the failure to remit taxes deducted and withheld within the time prescribed by law, and implementing rules and regulations; and*
- (c) Failing or causing the failure to file return or statement within the time prescribed, or rendering or furnishing a false or fraudulent return or*

statement required under the withholding tax laws and rules and regulations. (Emphasis supplied)

- 27.6. The BIR issued Revenue Memorandum Order No. 16-2013, dated June 5, 2013, which urges all Government offices, including its agencies, political subdivisions or instrumentalities, or government-owned or controlled corporations (GOCCs), to serve as "Role Models" to the taxpaying public in matters of tax compliance. Item 5 of the same Memorandum Order provides that:

Xxx in cases of violation and/or failure to comply with the provisions of the NIRC, as amended and its implementing rules and regulations, particularly on the Withholding Tax provisions, all Heads, Executives, Directors and Officers of these Government offices or GOCCs responsible thereof shall be civil and criminally charged in accordance with the provisions of the NIRC, as amended and other applicable laws; xxx.

- 27.7. Meanwhile, BIR Revenue Memorandum Order (RMO) No. 23-2014 June 20, 2014, was issued to clarify and consolidate the obligations of government agencies, bureaus, and instrumentalities as Withholding Agents. Item VI of said RMO enumerates the officials who are duty-bound to deduct, withhold, and remit taxes as follows:

e. For NGAs, GOCCs and other Government Offices, the Chief Accountant and the Head of Office or the Official holding the highest position (such as the President, Chief Executive Officer, Governor, General Manager).

- 27.8. Audit disclosed that on January 28, 2022, BCDA paid deficiency taxes, including interest and penalties, for the taxable year 2018 as assessed by the BIR based on the issued PAN, amounting to P113.435 million under Check Nos. CV#17722 to 28 on even date.
- 27.9. The Audit Team requested the ACD, via electronic mail, to submit documents relative to the deficiency taxes assessed by the BIR and confirmed whether BCDA did not file a protest letter with the BIR in response to the issued PAN.
- 27.10. Based on the submitted documents by Management, it was revealed that on December 19, 2019, the BIR issued LOA No. 126-2019-00000420 to BCDA to examine the books of accounts and other accounting records for all internal revenue taxes including documentary stamp tax and other taxes for the period January 1, 2018 to December 31, 2018. Accordingly, BCDA submitted various documents to the BIR relative to the LOA on October 14 and 23, 2020.
- 27.11. On September 8, 2021, BIR issued a Notice of Discrepancy regarding the discrepancies noted in various taxes covering the said taxable period, with an initial assessment amounting to P3.128 billion, computed as follows:

Table 46. Notice of Discrepancy of BIR

Particulars	Deficiency Tax	Interest	Total
Income Tax	2,134,021,322	630,033,254	2,764,054,575
VAT	159,992,376	51,443,028	211,435,404
Withholding Tax-Expanded	73,544,285	23,888,796	97,433,081
Withholding Tax-Compensation	6,122,289	1,988,654	8,110,942
Withholding Tax-Others	2,057,413	668,293	2,725,706
Documentary Stamp Tax	33,335,065	10,938,224	44,273,289
Miscellaneous Tax (Penalties)	0	350,000	350,000
	2,409,072,750	719,310,249	3,128,382,997

- 27.12. On October 19, 2021, and January 10, 2022, BCDA and the BIR conducted Informal Conferences via Zoom. During the conferences, the initial assessment of P3.128 billion was reduced to P113.435 million following the clarifications of queries by the BIR and the submission of various pertinent documents by BCDA.
- 27.13. We were informed that the said amount was concurred by BCDA and accordingly, a PAN was issued by the BIR on January 10, 2022, composed of the following:

Table 47. PAN Composition

Particulars	Deficiency Tax	Interest	Total
Income Tax	58,243,903	18,976,342	77,220,245
VAT	17,345,033	6,284,129	23,629,162
Withholding Tax-Expanded	6,528,117	2,386,608	8,914,725
Withholding Tax-Compensation	417,794	152,741	570,535
Withholding Tax-Others	2,057,413	752,168	2,809,581
Documentary Stamp Tax	0	669	669
Miscellaneous Tax (Penalties)	0	290,000	290,000
	84,592,260	28,842,657	113,434,917

- 27.14. Further verification of records disclosed that the causes of the deficiency taxes assessed, among others, were due to the undeclared sales to the government, disallowed bad debts deducted from the income per filed return, discrepancies in the submitted Summary Lists of Sales vs VAT Return, undeclared collections, disallowed input tax, unreported taxable compensation, and discrepancy on income payments on purchase of goods and services.
- 27.15. The PAN further provides that the interest charges were computed based on 12 percent per annum starting January 1, 2018, in accordance with Tax Reform for Acceleration and Inclusion (TRAIN) Law, due to failure to pay the tax within the time prescribed by law for its payment. Moreover, pursuant to the provision of Section 228 of the NIRC, as amended, and its implementing revenue and regulations, BCDA is given the opportunity to present in writing their side relative thereto within 15 days from receipt of the PAN, or if amenable, BCDA may pay the said assessment through their Electronic Filing and Payment System.
- 27.16. On January 25, 2022, the ACD requested approval from the BCDA Board of Directors for a supplemental budget to cover the aforementioned deficiency taxes, including penalties and interest. Thus, on January 26, 2022, the Board, through Board Resolution No. 2022-01-011, approved the said request for a supplemental budget to settle the deficiency taxes.
- 27.17. We were informed by the concerned ACD personnel that they did not file a protest letter relative to the PAN issued by the BIR since the final amount of assessment

stated therein was concurred by BCDA. Thus, the payment of deficiency taxes to BIR, including interest and penalties, were all paid on January 28, 2022, with details as follows:

Table 48. Payment Made by BCDA

Check No.	Date	Amount*	Particulars
CV#17722	01/28/2022	76,351,012	Income Tax
CV#17723	01/28/2022	23,629,162	VAT
CV#17724	01/28/2022	9,783,959	Withholding Tax-Expanded
CV#17725	01/28/2022	2,809,581	Withholding Tax-Others
CV#17726	01/28/2022	570,535	Withholding Tax-Compensation
CV#17727	01/28/2022	669	Documentary Stamp Tax
CV#17728	01/28/2022	290,000	Miscellaneous Tax
		113,434,918	

**Deficiency taxes including penalties and interests*

- 27.18. It is worth stressing that all government resources shall be managed, expended, or utilized in accordance with law and regulations and safeguarded against loss or wastage resulting from illegal or improper disposition, with a view to ensuring efficiency, economy, and effectiveness in government operations. The primary responsibility for faithful adherence to this policy rests with the chief or head of the government agency concerned.
- 27.19. Had the proper income/sales and allowable deductions been properly identified by the responsible personnel in accordance with the NIRC and other tax rules and regulations, the tax return filed before the BIR and the payments thereof would have been accurate. Thus, the payment of interest and penalties relative to the assessed deficiency taxes deprived the BCDA of funds that could have otherwise been available for its operational functions.
- 27.20. **We recommended that Management:**
 - a. **Determine the persons responsible and duty-bound to deduct, withhold, and remit taxes in accordance with the NIRC, as amended, and other tax law rules and regulations, relative to the payment of deficiency taxes including the related interests and penalties; and institute appropriate legal action if warranted;**
 - b. **Submit a justification why the payment of interest and penalties for the assessed deficiency taxes amounting to P28.843 million should not be disallowed in audit; and**
 - c. **Henceforth, ensure that the Chief Accountant and other responsible personnel to withhold, deduct and remit on time the exact and accurate amount of taxes due to the BIR to avoid any interest and penalty.**
- 27.21. Management commented that they referred the matter to their Regulatory, Compliance, and Risk Management Department to determine the persons responsible for the deduction, withholding, and remittance of the transactions related to the 2018 tax deficiencies assessed by the BIR. The list will be submitted to the Audit Team on or before July 15, 2024.

- 27.22. Additionally, Management explained that they settled the assessed value of tax deficiency, including interests and penalties, on January 28, 2022, to avoid accumulating further interest if payment is extended due to the protest period. They stated that BIR will issue the Formal Letter of Demand and Final Assessment Notices (FLD/FAN) if the tax deficiency remains unresolved after the issuance of a PAN. A non-extendible 30-day period will be granted from receipt thereof to file a protest letter (either in the form of a request for reconsideration or a request for reinvestigation, as the case may be). Otherwise, the assessment becomes final, executory, and demandable.
- 27.23. Moreover, BCDA had no control over when the BIR would issue its PAN to pay tax deficiencies, including interest. It took approximately 32 months from the issuance of the LOA to the issuance of the Notice of Discrepancy and an additional five months to issue the PAN to BCDA, resulting in higher interest and penalties. However, the length of time might also be due to the imposition of a series of lockdowns brought about by the Enhanced Community Quarantine in 2020 and 2021.
- 27.24. If a protest is filed, BCDA will incur approximately P0.834 million per month in additional interest if payment is made at a later date. It can be said that BCDA exerted all efforts to avoid accumulating further unnecessary interest and immediately settled the tax deficiency, inclusive of interests and penalties, with the BIR.
- 27.25. Moreover, Management commented that the BIR imposed the tax deficiencies primarily due to the differences in the interpretation of the transactions indicated in the audited 2018 FS. BIR conducted only a table audit of the FS to determine the tax due.
- 27.26. Management assured that BCDA shall ensure the timely remittance due to the BIR to avoid any interest and penalty in the future.
- 27.27. The Audit Team stressed that had the information/amount in the BIR returns filed by BCDA been accurate and in accordance with the NIRC, as amended, and other tax rules and regulations, there would have been no deficiency tax assessed by the BIR at the outset, and consequently, no interest/penalties would have been imposed thereto.
- 27.28. The personnel responsible for the determination of the correct taxable income, allowable deductible expenses, and other internal taxes pursuant to the NIRC, as amended, is duty-bound to ensure that the tax returns are filed timely and that the information therein is supplied accurately.
- 27.29. As an audit rejoinder, we stand by our observation that the payment of interest and penalties deprived BCDA of funds that could have been used to discharge its functions.
28. **One hundred thirty-eight (138) parcels of land with an aggregate area of 126,696,822.26 sqm per LADD records acquired by BCDA through purchase/transfer remained untitled in the name of BCDA. Thus, ownership over these properties was not safeguarded against possible adverse third-**

party claims, unlawful occupants, or the like, exposed the cost of improvements to high-risk, and government properties are at stake.

- 28.1. Rights and obligations is a basic assertion that all assets included in the financial statements belong to BCDA. It states that BCDA has ownership rights or the right to benefit from recognized assets in the financial statements.
- 28.2. Among the purposes of BCDA is to own, hold, and administer baselands and the portions of Metro Manila military camps transferred to it. However, possession of lands (baselands/military camps/economic zones) transferred to BCDA has its attendant problems like in the cases of claims of the ancestral domain by indigenous people and other affected private individuals, the intricate processes in the turnover, application of special patent, and the consolidation or subdivision of lots, etc.
- 28.3. Thus, it is essential that BCDA affirm its ownership of these land assets with specific TCTs, safeguard these TCTs, and completely and accurately record transactions and events on land at appropriate amounts in the books of accounts.
- 28.4. Review of the Schedule of Land Assets owned by BCDA as of December 31, 2023, submitted by LADD to the Audit Team disclosed that the land with an aggregate area of 126,696,822 sqm, the value of which was not indicated in the said schedule, were not covered by TCTs under the name of BCDA, as follows:

Table 49. Land Assets Not Covered by TCTs

Location	Lot Area (sqm)
Fort Bonifacio, Taguig City (Open Space/Road/Easement)	240,740
John Hay Special Economic Zone (Scout Barrio Lots/RROW)	158,192
Bataan Technology Park (Road/Expropriated/Others)	67,678
New Clark City – McArthur Access Road	118,376
McArthur – SCTEX	129,133
McArthur – SCTEX Assess Road	94,215
Clark Subzone (NCC/Sacobia Residual Lots/DND Occupied Lots/RROW/Easement/River)	125,888,488
	126,696,822

- 28.5. The TCT is an essential document to support legal and absolute proof of ownership, which will protect the BCDA's interests from adverse claims and possible encumbrances. Accordingly, if the land assets were covered and supported by TCTs, BCDA can immediately put to rest all claims of ownership from third parties, unlawful occupants, or the like.
- 28.6. Initial inquiry from the concerned LADD personnel relative to the untitled lots disclosed that there are several reasons why the lots are not yet in the name of BCDA. For instance, under Road Right-of-Way (RROW), the task of titling was previously undertaken by Subic-Clark-Tarlac Expressway (SCTEX)-Project Management Office (PMO). When the SCTEX-PMO was discontinued, all problematic cases were transferred to LADD, such as titles that were still not in the name of the previous owner; the previous owner passed away requiring extra-judicial process or already pending in court.

28.7. **We recommended that Management:**

- a. **Submit status or updates on actions taken for all the land assets that are still not covered by TCTs under the name of BCDA; and**
- b. **Expedite the titling thereof in BCDA's name to establish rights and ownership over these properties.**

28.8. Management submitted to the Audit Team the following status:

Location	Area (in sqm)	Remarks
Fort Bonifacio	240,740.00	The subject lots are not titled to BCDA because they are either a public road or an easement or were excluded by the DENR due to a land claim.
John Hay Special Economic Zone	158,192.00	The subject lots are part of the retained lots of BCDA in Brgy. Scout Barrio, which are either roads or open spaces, and are titled under BCDA. In the item "Various Scout Barrio Lots," these lots are also titled under BCDA and are either open spaces, easements, or alleys. The items "Untitled Lots-Road Right of Way" are not titled to BCDA because they are existing public roads.
Bataan Technology Park	67,678.26	The untitled road lot with an area of 46,130 square meters is the subject of an actual ground survey. Lot 1590 is not yet titled to BCDA because the same is titled to a private claimant. This is the subject of an ongoing case.
New Clark City-McArthur Access Road	143,895.00	The subjects are not yet titled to BCDA because they have not yet been acquired, fully paid, or are still in negotiation with the landowners.
McArthur-SCTEX	133,565.00	Of the total 27 lots, 11 were already transferred to BCDA. The rest are ongoing with the title transfer; some are just waiting for the approval of the survey plan. Some cannot be transferred to BCDA because of an adverse claim annotated on the title.
McArthur-SCTEX Access Road (ANAR)	98,131.00	Three of the 11 lots have already been transferred to BCDA. The others are still under negotiation or have not yet been acquired.
Clark Subzone	125,888,488.00	Three lots are subject to special patent applications: Lot 1-D in New Clark City, Lot 4, and Lot 5 Sacobia Residual Lots. Lots 4 and 5 were already in the OP level, but the ODESGA recently returned them to the DENR for compliance with supporting documents. Lot 1-D is still pending with the DENR Region 3 due to claims by indigenous peoples. The DND-occupied lots were the subject of a land swap between BCDA and the Philippine Army. The lots were swapped to the Philippine Army.
126,696,822.26		

28.9. Management committed to expedite the transfer of titles of all land assets under BCDA's name through LADD.

28.10. For continuous monitoring of the Audit Team.

29. **The non-coordination between the ACD and other concerned departments of BCDA and the lack of monitoring and analysis of the Construction in Progress (CIP) account resulted in the late reclassification of completed projects from CIP accounts to their proper asset accounts, which is not in compliance with COA Circular No. 2020-002 dated January 28, 2020.**

29.1. COA Circular No. 2020-002, dated January 28, 2020, prescribes the adoption of the updated revised chart of accounts for government corporations. The said Circular provides, among other things, that the CIP account is debited to recognize the

accumulated cost or other appropriate value of assets still in the process of construction or acquisition. It shall be **credited to reclassify the completed projects to the appropriate asset account.**

- 29.2. The audit disclosed that as of December 31, 2023, there were already completed infrastructure projects per the Report on Government Programs, Projects, and Activities totaling P4.527 billion, but are still recognized as CIP in the books of accounts. Moreover, there were also non-moving balances from one to seven years, amounting to P65.188 million.
- 29.3. Inquiry with the concerned ACD personnel disclosed that completed projects will only be reclassified from CIP to proper asset account upon the issuance of the Certificate of Completion (COC). The certificate is issued by BCDA after the concerned contractor submits the as-built plans/drawings and other documents duly verified by BCDA. The COC is one of the documents required by BCDA for the payment of final billing.
- 29.4. However, a review of records revealed that the COC was not immediately issued despite the completion of projects and the submission of required documents by the contractors. Additionally, even if the COC was already issued, this was not immediately forwarded to ACD due to lack of coordination with other concerned departments, such as the SAPMD. ACD will only be aware that such Certificate was already issued for completed project upon submission of the contractor to their claim for final billing.
- 29.5. Accordingly, the ACD prepared the necessary adjusting entries for the reclassification from CIP to the proper asset account of the completed projects and the corresponding depreciation charges. Additionally, the non-moving balances were already verified by the ACD, and adjusting journal entries were already prepared.
- 29.6. While the amounts have already been adjusted, it is important to highlight that these indicate weakness in internal control since BCDA did not regularly conduct analysis and monitoring of the CIP accounts, and there was a lack of coordination between ACD and other departments. Furthermore, these observations have already been noted in previous audits.
- 29.7. There is an immediate need for Management to formulate policies to set the appropriate measures, guidance, and timelines in the issuance of COC from the completion of the project, reclassification of CIP to a proper asset account, including the proper basis of the date of capitalization in accordance with the accounting standards and existing rules and regulations. Also, this will strengthen the internal control and procedures of BCDA and will help mitigate the recurrence of similar observations in the future if strictly implemented.
- 29.8. **We recommended that Management consider formulating a policy setting forth procedures and guidelines for issuance of the COC, reclassification of CIP to a proper asset account, and proper basis of the capitalization date to be used in depreciating the asset, in accordance with accounting standards and existing rules and regulations.**

- 29.9. Management committed to formulating a policy on the establishment of procedures for the reclassification of completed projects from CIP to the proper asset account in order to prevent delays in the recognition of said accounts in the BCDA books of accounts.
- 29.10. During the exit conference, Management commented that an Office Order will be issued for all implementing departments instructing the submission of the pertinent documents like COC on a monthly or quarterly basis so that the timely reclassification of completed projects is recorded in the books of accounts. Moreover, BCDA will abide by the recommendation of the Audit Team to review the non-moving balances, if any, through reconciliation with concerned departments such as the Strategic Project Management Department (SPMD) and Engineering and Social Support Department (ESSD) and coordinate with their legal team to facilitate the termination of contracts if warranted.
- 29.11. The Audit Team will continuously monitor the commitment of the Management to comply with the audit recommendations.
- 30. The accountability over the properties of BCDA could not be determined or readily identified due to various deficiencies in the custodianship such as the non-issuance and non-renewal of Property Acknowledgement Report (PAR) for several properties issued to employees; inconsistencies of information between the Record on Physical Count of Property, Plant and Equipment (RPCPPE) and the corresponding PARs; a number of properties were assigned to resigned or current workers under Contract of Service (COS); and absence of signatures and reference number of issued PARs. Hence, the responsibility and liability of personnel for loss, damages, and/or deterioration of government properties may not be established and properly addressed.**
- 30.1. Section 101 of PD No. 1445, also known as the Government Auditing Code of the Philippines, states that every officer of any government agency whose duties permit or require the possession or custody of government funds or property shall be accountable therefor and for the safekeeping thereof in conformity with law. Section 105 (1) further provides that every officer accountable for government property shall be liable for its money value in case of improper or unauthorized use or misapplication thereof by himself or any person for whose acts he may be responsible. He shall likewise be liable for all losses, damages, or deterioration occasioned by negligence in the keeping or use of the property, whether or not it be at the time in his actual custody.
- 30.2. Also, Section 104 of the Code provides that the head of government-owned and/or controlled corporations and subsidiaries shall exercise the diligence of a good father of a family in supervising accountable officers under his control to prevent the incurrence of loss of government property. Otherwise, he shall be jointly and solidarily liable with persons primarily accountable.
- 30.3. Property custodianship refers to the guardianship of government property by the person accountable. This includes the receipt of supplies, materials, and equipment, the safekeeping, issuance, repair, and maintenance. Likewise, it includes the accountability, responsibility, and liability of accountable or responsible officers

arising from loss, misuse, damage, or deterioration of government property due to fault or negligence in the safekeeping. It may be physical/actual or constructive.

30.4. An officer or employee who receives and is in actual possession or physical control of the property **shall sign a PAR** (previously Memorandum Receipt) for such property and shall be accountable therefor. Such PAR for property in the custody of an officer or employee **shall be renewed every three years**.

30.5. A review of the copies of PARs submitted to the Audit Team disclosed the following:

30.6. **One hundred ninety-two properties with a total cost of P121.380 million were not supported with PAR, while the PARs issued from CYs 2011 to 2020 for 290 properties amounting to P105.162 million were not renewed.**

30.6.1 The Audit Team requested the submission of copies of PARs issued by the concerned personnel of the Property Management Department (PMD). However, the PARs provided to the Audit Team based on their submission on February 5, 2024, were not complete. The PMD submitted additional PARs on April 5, 2024, but a review disclosed that the following issued properties were still not supported with PARs:

Table 50. Properties not supported with PAR

Type of Property	Cost	No. of Units
Vehicle	77,213,420	23
Machinery and Equipment	22,141,803	35
Information Communication Technology Equipment	16,005,110	102
Office Equipment	3,608,061	21
Furniture and Equipment	1,843,112	10
Other Assets	568,873	1
	121,380,379	192

30.6.2 We noted that out of the aforementioned properties that were not supported with PARs, 61 properties were supported only with a Request for Transfer of Accountability (RTA) instead of the required PAR. According to PMD, the RTA is a form created by BCDA in lieu of the PAR for properties that were directly transferred from one employee to another.

30.6.3 Meanwhile, out of 646 properties with PARs submitted to the Audit Team, 290 or 45 percent were issued from CYs 2011 to 2020 but not renewed every three years by Management:

Table 51. Properties with PAR but not renewed

Year PAR Issued	No. of Units	Cost	Year PAR Issued	No. of Units	Cost
2011	3	178,348	2016	17	1,043,773
2012	14	4,669,751	2017	25	4,127,388
2013	7	537,328	2018	40	6,353,905
2014	6	2,281,764	2019	74	49,752,001
2015	9	626,824	2020	95	35,590,861
			TOTAL	290	105,161,943

30.6.4 The non-issuance and non-renewal of PAR are not in accordance with the above pertinent provision. The PAR is the form to be issued to document accountability for the actual possession or physical control of issued property. This document acts as a control in determining the proper government personnel who is accountable and responsible for any losses, damages, and/or deterioration of any government property. Thus, the PAR is a vital document that must always be issued once a PE is assigned or issued to an employee and renewed thereafter.

30.7. The proper accountable person for several properties could not be established due to inconsistencies in the names of actual users/assignees per PAR and reflected in the RPCPPE.

30.7.1 The RPCPPE is the form used to report the results of the physical count of PPE owned by the agency. For BCDA, their RPCPPE includes the description, asset number, unit value per accounting records and property records, and current assignee of the properties.

30.7.2 The Audit Team compared the details in the submitted PAR vis-à-vis the RPCPPE and identified differences in names of assignees/actual users for 180 properties as reflected in the two records. Hence, the person who is properly accountable cannot be determined or easily identified. Details are as follows:

Table 52. Properties with different assignees in RCPPE and PAR

Type of Property	Cost	No. of Units
Furniture and Equipment	2,769,277	24
Information Communication Technology Equipment	6,007,897	95
Office Equipment	983,054	12
Vehicle	82,751,770	49
	92,511,998	180

30.7.3 Inquiry with the concerned PMD personnel disclosed that the differences in the assignees were attributable to the preceding observation in which the RTA was used instead of PAR to document the transfer/turn-over of the properties from one user to another. However, verification revealed that based on the RTAs provided to the Audit Team, the assignees are still different from the RPCPPE.

30.7.4 Additionally, it is worth mentioning that on December 28, 2023, the Audit Team received a letter from Employee A requesting relief from accountability for a Lenovo Notebook/Laptop under Asset No. 10004689. According to the letter, the laptop is under the accountability of Employee A, but it was actually issued to and used by Employee B. However, verification of RPCPPE and PAR revealed that the said property was under the name of Employee C.

30.7.5 A sound internal control for properties dictates that the documents to support the accountability to the properties should be constantly updated every time there are changes in the necessary information, be it due to a transfer or resignation of employees. It is worth noting that the physical count of the

properties also provides visibility on the current status of the accountability of the properties. If there are differences in the accountability of properties or changes in the custodianship/user of the property, which were determined during the conduct of the physical count, the responsible personnel should immediately initiate the issuance of updated PAR. The issuance of an updated PAR will not only strengthen the establishment of accountability of end-users but will also enable Management to adequately address issues in case of loss, damages, and/or deterioration of government properties.

- 30.7.6 On the other hand, we also noted that the cost indicated in PAR was different from the amount reflected in the RPCPPE/books of account of BCDA for the following 37 properties:

Table 53. Difference in cost per PAR and RCPPE

Type of Property	No. of Units	RCPPE	PAR	Difference
Office Equipment	4	417,589	467,700	50,111
Information Communication Technology Equipment	33	8,389,028	8,972,404	583,376
	37	8,806,617	9,440,104	633,487

- 30.8. **Properties amounting to P1.344 million were assigned to resigned or current workers under a Contract of Service (COS).**

- 30.8.1 Further verification of records revealed that based on the RCPPE and/or PARs, there were 22 properties assigned to COS workers, as follows:

Table 54. Properties assigned to COS employees

Type of Property	No. of Units	Cost	Remarks
Information Communication Technology Equipment	21	1,285,055	5 - Resigned COS Employees 16 - Active COS Employee
Machinery and Equipment	1	58,929	Current COS Employee
	22	1,343,984	

- 30.8.2 COS refers to the engagement of the services of an individual, private firm, other government agency, non-governmental agency, or international organization as a consultant, learning service provider, or technical expert to undertake a special project or job within a specific period. The services of the COS workers are not covered by Civil Service laws, rules, and regulations and, thus, are not creditable as government service. They do not enjoy the benefits being received by government employees. Hence, there is no employer-employee relationship between BCDA and the COS workers.
- 30.8.3 Inquiry with concerned PMD personnel disclosed that they issue PAR to the end-users regardless of whether they are permanent employees or under COS. Nevertheless, they committed to updating the PARs for the resigned COS workers. Furthermore, BCDA is in the process of finalizing the Manual of Approval to incorporate the authorized assignee upon the issuance of PAR.
- 30.8.4 It bears stressing that casual employees are third-party employees, and they could be terminated/separated from the agency within a given period of time or upon evaluation by Management. While the BCDA properties may be

issued to the COS workers in the discharge of their duties and responsibilities, a policy should be issued by Management explicitly stating the responsibility, custodianship, and accountability for the said properties, as well as the rules and guidelines on the issuance of properties to them. In the absence of such policy, the plantilla position is primarily liable or accountable for loss, errors, and negligence committed by them, if any.

- 30.9. **The validity and accuracy of some PARs could not be ascertained due to the absence of complete signatories and the absence or duplication of reference numbers in PAR.**

Signatories in PAR

- 30.9.1 Review of the submitted PARs disclosed the absence or incomplete signatories in PARs, either or both the issuer and receiver, for the following 38 properties:

Table 55. Properties with PAR with Incomplete Signatories

Type of Property	No. of Units	Amount
Furniture and Equipment	1	437,500
Office Equipment	1	113,636
Information Communication Technology Equipment	23	1,758,233
Vehicle	13	26,147,321
	38	28,456,690

- 30.9.2 In general, signatures serve to establish the identity of individuals on a document. They are important because they confirm or signify if the document's contents are accepted by the person signing, thereby establishing accountability.
- 30.9.3 In the case of PAR, the signature of the receiver signifies acceptance of the actual property and the responsibilities and duties attached thereto. This includes liability for the value of such property in case of loss, damage, or deterioration resulting from negligence in the keeping, improper, unauthorized use, or misapplication. On the other hand, the signatures of the property issuer denote that the content and details in the PAR are accounted for and that the issuance process was conducted properly.

Reference number of PAR

- 30.9.4 A review of records revealed that the PARs issued for 22 properties have no reference number:

Table 56. PAR of properties with no reference number

Type of Property	No. of Units	Cost
Furniture and Equipment	1	437,500
Office Equipment	3	288,654
Information Communication Technology Equipment	18	1,058,660
	22	1,784,814

30.9.5 Moreover, the reference number for the following PARs were duplicated:

Table 57. PAR with duplicate reference number

No	Asset Number	Description	Ref	Assignee	Date of PAR	Unit Value
1	17001950	Laptop	16-017	Employee A	08/03/2016	57,423
	17001968	Laptop	16-017	Employee B	04/15/2016	57,423
2	17001952	Laptop	16-012	Employee C	04/08/2016	57,423
	17000731	Laptop	16-012	Employee D	02/02/2016	52,902
3	17001949	Laptop	16-009	Employee E	04/25/2016	57,423
	17000558	Laptop	16-009	Employee F	02/02/2016	52,902
						335,496

30.9.6 It is important to emphasize that the reference number is a unique identifier in a document to track and organize transactions and documents. This number serves as a reference point for easy monitoring, retrieval and identification of specific records, especially when dealing with a large volume of maintained documents.

30.10. **We recommended that Management:**

- a. **Require the PMD to ensure the accountability and custodianship of all properties of BCDA by preparing immediately the PAR upon issuance of property to an employee or transfer to another, and/or observe the renewal thereof at least every three years; and complete the necessary details in the PAR with complete signatories.**
- b. **Instruct the PMD and Inventory Committee to reconcile their records and revise accordingly the PAR and/or RPCPPE, whichever is applicable, and submit the same to the Audit Team for verification; and**
- c. **Consider formulating a policy setting out the guidelines on property custodianship and accountability, including the procedures to be undertaken for the issuance and renewal of PAR and the properties being used by contractual employees.**

30.11. Management commented that the PMD will comply with the recommendations to ensure accountability and custodianship of all BCDA properties. Accordingly, subsequent renewal of these PARs will be issued, and PMD will facilitate updating the PARs issued to all employees as part of the reconciliation between the issued PARs and the assignee reflected in the RCPPE. The completion of the updating of PARs shall be by the end of 2024 in time for the completion of the conduct of the Annual Physical Inventory for BCDA properties. The PMD will also ensure that all issued assets are accompanied by duly signed PARs with corresponding system-generated reference numbers to avoid duplications and errors.

30.12. Furthermore, PMD will also facilitate the formulation of policy guidelines to establish procedures for the issuance and subsequent renewal of PAR for properties issued to the contractual employees. The approved policy shall be issued through a BCDA Office Order in December 2024. Likewise, in the succeeding procurement of Manpower Services, the PMD shall propose to establish a provision for property accountability in the Terms of Reference to include accountability of the Service Provider for the assets/properties issued to workers under the Contract of Service.

Pending the issuance of a policy, they will not issue PEs to the COS due to the volatility of their current status.

30.13. During the exit conference, Management shared the status of their renewal of PARs as follows:

- a. 61 out of 192 PEs not initially supported by PARs;
- b. 42 out of 290 PEs issued from CY 2011 to 2020;
- c. 14 out of 38 PEs with incomplete signature in PAR; and
- d. 54 out of 180 PEs with different custodians in PAR against RCPPE.

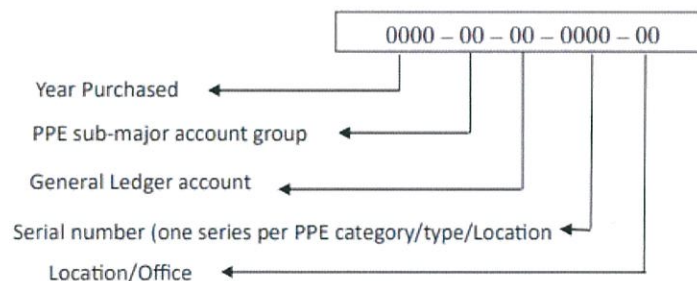
30.14. The Audit Team will monitor Management's commitment to complying with the audit recommendation and complete the issuance of PARs for the remaining assets.

31. The properties and equipment (PE) of BCDA that were physically counted by the Inventory Committee in CY 2023 were not tagged with the new identification stickers prescribed under COA Circular No. 2020-006. Thus, the vital information on the PE items could not be easily identified.

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

31.2. COA Circular No. 2020-006, dated January 31, 2020, prescribes the guidelines and procedures on inventory taking, recognition of those found at station and disposition for non-existing/missing PPE items for one-time cleansing of PPE accounts of government agencies to establish PPE balances that are verifiable as to existence, condition and accountability.

31.3. Paragraph 5.6 of the Circular requires that each government agency shall adopt a uniform property identification system for PPE wherein a unique Property Number shall be assigned for each PPE item, using the following numbering system:



31.4. Furthermore, Paragraph 6.2.5 of the said Circular states that:

*All PPE items counted shall be tagged with **new property stickers containing the information** provided under Paragraph 5.7 of this Circular. (Emphasis supplied)*

31.5. The necessary information that should be prominently shown in the property stickers pursuant to Paragraph 5.7 of the Circular are as follows:

- a. Description of the property;
 - b. Model Number;
 - c. Serial Number;
 - d. Acquisition Date/Cost;
 - e. Person Accountable; and
 - f. Space for the validation/signature of the Inventory Committee.
- 31.6. In the CY 2022 audit, we already observed that all the properties counted by the BCDA Inventory Committee were not tagged with the prescribed new identification stickers. The Audit Team stressed that the absence of the said sticker, which supposedly contains the above vital information, may preclude the easy identification of properties for the succeeding physical inventory taking of BCDA.
- 31.7. We then recommended that Management require the BCDA Inventory Committee to ensure compliance with the procedures set forth under COA Circular No. 2020-006 in conducting the annual inventory count, which includes the proper tagging of properties with new property stickers.
- 31.8. Based on the Agency Action Plan and Status of Implementation (AAPSI) as of November 15, 2023, submitted by BCDA to the Audit Team, it was stated that the BCDA Inventory Committee will strictly follow the practices and procedures set forth under the Circular in the conduct of annual physical count of PEs for CY 2023.
- 31.9. However, in our CY 2023 audit, we observed that the non-compliance with the prescribed new identification sticker containing the proper numbering system and vital information of PE items persists despite Management's commitment to comply with the Audit Team's prior recommendation.
- 31.10. The BCDA Inventory Committee explained that the property number tagged to each asset is generated using the ACUMATICA – a web-based enterprise resource planning system of BCDA which includes their accounting and inventory systems. The ACUMATICA, which was procured and has been used by BCDA since 2018, automatically generates a unique number for each BCDA asset. In order to change the format in tagging, BCDA will have to change the configuration in ACUMATICA, which will incur additional costs. Additionally, the tagging of properties using a computerized system will provide a clear audit trail of property tagging activities such as the location, condition, value, and other relevant information. Nevertheless, BCDA stated that it will conduct a study on the possible update/change of the format in the tagging of their assets to comply with the aforementioned Circular.
- 31.11. While we commend Management in its efforts to improve the effectiveness and efficiency of asset management by incorporating a computerized system and adopting new technology to its operational processes and procedures, it is worth emphasizing that the existing rules and regulations, such as COA Circular No. 2020-006, should be adhered to.
- 31.12. **We reiterated our recommendation from last year that Management ensure compliance with the procedures set forth under COA Circular No. 2020-006 in conducting the annual physical count of properties by tagging properties using the prescribed new property sticker.**

- 31.13. Management commented that the PMD will update the list of properties for all BCDA Office, if applicable, and ensure compliance with the procedures set forth under COA Circular No. 2020-006 by re-tagging properties using the prescribed new property stickers. PMD conducted coordination and consultative meetings with IT Experts through the ICTD and Accounting Department to generate the prescribed stickers based on the COA format.
- 31.14. During the exit conference, Management commented that they had already initiated the tagging process using the format prescribed by the Circular. They purchased a new sticker machine for the new asset tags. Accordingly, they successfully tagged 107 out of 1,071 properties, and they are committed to finishing before the end of 2024.
- 31.15. The Audit Team will closely monitor Management's commitment to complying with the audit recommendations.
32. **The copies of contracts and supporting documents for three infrastructure projects of BCDA for CY 2023 with total contract cost of P1.477 billion were not yet submitted to the Office of the Auditor, and three contracts amounting to P2.029 billion were submitted beyond the required five working days from its execution or a delay of 17 to 155 days, which are not in compliance with COA Circular No. 2009-001, resulting in delayed auditorial and legal review of the contracts.**
- 32.1. This is a reiteration of the prior year's observation with updated information.
- 32.2. COA Circular No. 2009-001 dated February 12, 2009, was issued by COA 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)***
- 32.3. Section 3.1.2 of the same Circular further provides that the needed documents, such as other documents peculiar to the contract and/or to the mode of procurement, must be submitted together with the contracts, as they are considered necessary in the auditorial review and in the technical evaluation thereof.
- 32.4. In the CY 2022 audit, we noted that the contracts and its complete supporting documents for 20 BCDA infrastructure projects from CYs 2018 to 2022 were not submitted to the Audit Team.
- 32.5. We then 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.

- 32.6. During the exit conference for the CY 2022 audit on June 6, 2023, Management committed to complying with the submission of the required documents. Management added that they would devise a checklist based on the Circular and implement automation for the central repository of documents.
- 32.7. Moreover, in the AAPSI as of November 15, 2023, submitted by BCDA to the Audit Team, it was stated that Management will closely coordinate with various departments and the BAC Division to monitor and update the contract execution and accomplishment of required supporting documents to ensure timely submission. Accordingly, most of the required documentary documents for the aforementioned projects have been submitted to the Audit Team as of September 23, 2023.
- 32.8. In CY 2023, the Audit Team attended various bidding activities for the procurement of infrastructure projects of BCDA. These projects were eventually awarded to the winning bidder and thereafter, pertinent contracts were executed. As verified by the Audit Team, the said contracts were already uploaded/published in the website of BCDA. However, it was noted that three contracts amounting to P1.477 billion and its supporting documents were not yet submitted to the Audit Team as of this writing, to wit:

Table 58. Contracts Not Yet Submitted to Audit Team

Project	Contractor	Contract Date	Amount
1. New Clark City (NCC) Connecting Road Package 2 (Industrial Area, Virology Institute and BSP Complex)	Positive Builders and Trading	December 28, 2023	1,432,463,984
2. Relocation of Powerhouse and Electrical Utilities at Fort Bonifacio via Negotiated Procurement	JONAS Power Design and Construction	April 4, 2023	29,909,000
3. Repair and Improvement of the Athletes' Village	A.M. Brothers Construction Inc.	December 28, 2023	14,482,311
			1,476,855,295

- 32.9. We noted further that three contracts amounting to P2.029 billion were not submitted to the Audit Team within the required five working days from their execution, resulting in delays ranging from 17 to 155 days, as follows:

Table 59. Contracts With Delay in Submission to the Audit Team

Project	Contractor	Contract Date	Transmittal Date	Amount	Delay (in days)*
1. Construction of a 9-Storey Residential Building in Fort Bonifacio, Taguig City	Credibuild Development Corporation	February 7, 2023	October 2, 2023	1,036,958,144	155
2. Construction of Roads, Utilities, and Preparatory Works at Morong Discovery Park and its pertinent documents	Sta. Clara International Corporation	August 15, 2023	December 6, 2023	745,655,667	71
3. Construction of access roads, drainage, and earthwork at Morong Discovery Park, Morong, Bataan	Cavite International Construction and Development Corporation and Credibuild Development Corporation Joint Venture	December 6, 2022	January 5, 2023	246,356,891	17
				2,028,970,702	

* From five working days after the contract date to transmittal to the Audit Team.

- 32.10. It is worth emphasizing that BCDA's non-compliance with COA Circular No. 2009-001 on the submission of copies of contracts and their supporting documents persists, despite Management's commitment to comply with the prior year's recommendation of the Audit Team.
- 32.11. The delay or non-submission of contracts hindered the Audit Team from conducting timely auditorial and legal reviews to determine whether the BCDA's processes and activities for procuring the aforementioned projects comply with the relevant provisions of RA No. 9184 and its Revised Implementing Rules and Regulations, as well as other applicable government procurement rules and regulations. Further, it impeded the ability to perform necessary procedures to establish the propriety and validity of transactions.
- 32.12. **We reiterated our prior year's recommendation that Management submit the certified true copies of the contracts and other documentary requirements and, henceforth, ensure compliance with the timely submission thereof in accordance with COA Circular No. 2009-001.**
- 32.13. Management provided the contracts and supporting documents for the three projects that had not yet been submitted to the Audit Team. Also, they provided justification and comments for those Contracts that were identified to be submitted beyond the five-day requirement of the Circular. Accordingly, the consolidation and completion of the required supporting documents to the contracts took longer than as required under the Circular. Moreover, the coordination and response time among the concerned departments took longer than expected. Also, the contracts submitted by concerned departments to the Records Department were inadvertently piled in the contracts vault.
- 32.14. Management commented that they implemented the following measures to address the delay in the submission of the contracts:
- a. Issuance of an Office Order to strengthen the BCDA process regarding contract submission to the Audit Team, reiterate the timely submission of contracts with their supporting documents and provide guidelines to standardize the process.
 - b. Issuance of a Memorandum to the concerned BCDA end-users/Bids and Awards Committee (BAC) Secretariats to address the occurrence and recurrence of late submission of contracts and their supporting documents.
 - c. Hiring of Plantilla Personnel in the Records Administration Division to add capacity in the Records Administration Division to focus on monitoring contracts and their submission, among other administrative tasks.
 - d. Implementation of an Online Checklist System to monitor, document, and consolidate project documents. The checklist shared by COA shall be considered in this system. It will be disseminated across all departments and BACs as a guide in completing and consolidating the documentary requirements of a contract or project in general.
- 32.15. The measures implemented by Management were verified by the Audit Team and found to be in order.

32.16. The Audit Team will continue to monitor the implementation of the devised measures for future submission of contracts and related supporting documents.

33. **Due to the HRMD's lack of monitoring of Leave Cards, an employee was able to monetize leave credits more than her earned Vacation Leave (VL) balance at the time of monetization, which is not in compliance with Section 22 of the Omnibus Rules on Leaves (ORL), as amended.**

33.1. Section 22 of the Omnibus Rules on Leaves provides that:

*Monetization of leave credits. – Officials and employees in the career and non-career service whether permanent, temporary, casual, or coterminous, who have accumulated fifteen (15) days of vacation leave credits shall be allowed to monetize a minimum of ten (10) days: **Provided, that at least five (5) days is retained after monetization** and provided further that a maximum of thirty (30) days may be monetized in a given year. (Provided for under CSC MC No. 41, s. 1998) (Emphasis supplied)*

33.2. A review of records disclosed that on September 4, 2023, an employee applied for monetization of 12 days of VL credits. Accordingly, the Certification of Leave Credits balance per Application for Leave was signed by the Vice President (VP) for Human Resource Management Department (HRMD), recommended by the OIC-Division Head for Procurement and Property Monitoring Department (PPMD), and approved by the then Senior VP for Corporate Service Group (CSG). The payment of the said monetization amounting to P19,487 was released to the employee, with details as follows:

Table 60. Monetized VL

Employee	Check No.	Date	Days monetized	Amount
Employee A	000432	September 8, 2023	12 days vacation leave credits	P19,487

33.3. Verification of the related approved Application for Leave disclosed that the accumulated balance of the employee's VL as of August 31, 2023, is 20.298 days. However, we noted that the actual balance of the employee's VL as of the same date per Leave Card was only **10.301 days**, which is lower than the monetized **12 days**. Hence, the said employee was able to monetize leave credits more than her earned VL.

33.4. Inquiry with the concerned personnel from HRMD disclosed that during the monetization application date, the leave balances in their ERP System (ACUMATICA) were not yet updated, which resulted in the erroneous posting of VL balance in the said application. Thus, the said error was rectified by the said personnel by deducting the monetization of 12 days from VL-9 days and SL-3 days, as follows:

Table 61. Leave Card and Approved Application for Leave

Particulars	Per Leave Card (as of August 31, 2023)		Per Approved Application for Leave	
	VL	SL	VL	SL
Total earned leave	10.301	5.500	20.298	5.500
Less: Monetization	9.000	3.000	12.000	0.000
Balance	1.301	2.500	8.298	5.500

33.5. The table above shows that while the monetization was charged against the VL and SL, the subsequent balance is still less than the required five-day retention of VL credits after monetization, which is a violation of Section 22 of the ORL, as amended.

33.6. Moreover, it is worth mentioning that the monetization of 50 percent or more of vacation/sick leave credits may only be allowed for valid and justifiable reasons provided under Section 23 of the ORL, as follows:

- a. *Health, medical and hospital needs of the employee and the immediate members of his/her family;*
- b. *Financial aid and assistance brought about by force majeure events such as calamities, typhoons, fire, earthquake, and accidents that affect the life, limb, and property of the employee and his/her immediate family;*
- c. *Educational needs of the employee and the immediate members of his/her family;*
- d. *Payment of mortgages and loans which were entered into for the benefit or which inured to the benefit of the employee and his/her immediate family;*
- e. *In cases of extreme financial needs of the employee or his/her immediate family where the present sources of income are not enough to fulfill basic needs such as food, shelter and clothing; and*
- f. *Other analogous cases as may be determined by the Commission.*

33.7. COA Circular No. 2012-001, dated June 14, 2012, prescribes the Revised Guidelines and Documentary Requirements for Common Government Transactions. Item 5.14 thereof provides:

Xxx

- *For monetization of 50 percent or more:*
- *Clinical abstract/medical procedures undertaken in case of health, medical and hospital needs*
- *Barangay Certification in case of need for financial assistance brought about by calamities, typhoons, fire, etc.*

33.8. Further verification disclosed that the purpose of her 12 days of monetization was to cover her mother's medical and hospital expenses; however, no clinical abstract/medical procedures undertaken were attached to the Disbursement Voucher relative to the monetization.

33.9. Section 23 of the ORL provides that the monetization of 50 percent or more of the accumulated leave credits shall be upon the favorable recommendation of the

agency head and subject to the availability of funds. However, records show that the 12-day monetization of the employee was recommended by the OIC-Division Head of PPMD and approved by the VP-HRMD and then SVP-CSG, which is not in accordance with the said provisions of the ORL.

- 33.10. It is also worth mentioning that, pursuant to Section 67 of the ORL, as amended, any violation of the leave laws, rules, or regulations or any misrepresentation or deception in connection with an application for leave shall be a ground for disciplinary action.
- 33.11. **We recommended that Management:**
- a. **Submit an explanation why an employee was allowed to monetize even if the balance retained after the monetization is below the required five days retention of vacation leave credits and determine the personnel responsible for the erroneous balance of leave credits per approved Application for Leave relative to the said monetization;**
 - b. **Submit to the Audit Team the necessary documents/justifiable reasons set forth under COA Circular No. 2012-001 and Section 23 of the ORL for the monetization of 50 percent or more leave credits; and**
 - c. **Henceforth, ensure strict compliance with the Omnibus Rules on Leave, as amended and issued by the CSC, as well as other related rules and regulations pertinent to leave of employees.**
- 33.12. Management determined the personnel responsible for the erroneous balance of leave credits per approved Application for Leave and submitted an explanation to the Audit Team on June 6, 2024, stating that the oversight occurred because they relied solely on the information provided by the leave processing system in ACUMATICA. The personnel was unaware that the physical leave card was not updated, which caused the discrepancies between the balances of the system and the physical leave card. They also submitted the necessary documents under COA Circular No. 2012-001.
- 33.13. Management is committed to ensuring full compliance with all relevant CSC leave rules and conducting closer and more consistent monitoring of all applications to ensure adherence to these rules.
- 33.14. During the exit conference, HRMD shared that they are procuring an HR Information System (HRIS) to monitor leave credits since their current system is prone to errors in recording employees' leave credits. They hope that the new HRIS will be fully operational by next year to eliminate or lessen similar errors observed by the Audit Team.
- 33.15. For continuous monitoring of the Audit Team.
34. **Payments of salaries and gratuity pay to eight Contract of Service Personnel for CY 2023 amounting to P5.394 million were not supported with**

Accomplishment Reports, which is not in compliance with Section 4(6) of PD 1445 and Item 4.1.3 of COA Circular No. 2012-001.

- 34.1. Section 4(6) of PD 1445 states that claims against government funds shall be supported with complete documentation.
- 34.2. Likewise, Item 4.1.3 of COA Circular No. 2012-001 requires the submission of Accomplishment Reports as one of the documentary requirements for the payment of Casual/Contractual Personnel salaries.
- 34.3. For CY 2023, the total payments to COS amounted to P5.410 million, which included wages, gratuity pay, and per diem for Individual COS personnel.
- 34.4. The audit disclosed that, except for overtime pay, salaries and gratuity pay for COS personnel amounting to P5.394 million were not supported with Accomplishment Reports. Records verification revealed that the provisions under their individual contracts did not require the submission of Accomplishment Reports.
- 34.5. Inquiry with HRMD on the preparation of the said contracts disclosed that the drafting falls under HRMD, but the terms of reference, specific requirements, and any updates to it are to be provided by the end-user departments. HRMD also confirmed that since submitting an Accomplishment Report is not required or indicated in the contract, no such document was attached to the payment of salaries and gratuity pay of COS personnel.
- 34.6. The submission of Individual Accomplishment Reports, together with DTR, would be a proper requirement to support the claim against government funds for payment of salaries covering the period of services rendered.
- 34.7. Additionally, an actual satisfactory performance of service is a requirement for the payment of Gratuity Pay. The Accomplishment Report will serve as an essential reference tool to validate such performance and determine the employee's rating during the performance evaluation.
- 34.8. The Accomplishment Report greatly aids in the performance evaluation process, which is then used to determine whether the COS renewal is warranted. It is also used to assess whether the actual work performed by COS personnel is within the scope of services stated in the contract.
- 34.9. The Audit Team further inquired with the HRMD about coordinating with the end-user departments for performance evaluation. HRMD indicated that the end-user departments decide whether to extend the contracts to renew the COS contracts. Subsequently, the end-user department submits their request to the BCDA president for approval. Based on these recommendations and upon approval by the president, the HRMD decides whether to renew or terminate the contract of service.
- 34.10. It is worth emphasizing that since the salaries of these COS personnel involve the disbursement of public funds, compensating controls through proper review, monitoring, and complete documentation must be implemented to substantiate the propriety and validity of claims against government funds.

34.11. **We recommended that Management:**

- a. **Require the HRMD to include the submission of Accomplishment Reports in the Individual Contracts of Service and henceforth monitor the submission of accomplishment reports duly certified by the end-user department before the processing of payment of salaries of the COS personnel;**
- b. **Require the COS personnel to submit their individual accomplishment reports for CY 2023 verified and duly certified by the end-user department to HRMD for proper evaluation; and**
- c. **Consider creating a policy on the performance evaluation of the COS personnel.**

34.12. Management commented that the Audit Team's recommendations are well-taken. Thus, BCDA shall abide by the first recommendation and henceforth include a provision in the individual contracts of service requiring the submission of bi-monthly accomplishment reports before the processing of salaries.

34.13. About the second recommendation, the HRMD promptly requested the concerned COS personnel to submit their CY 2023 accomplishment reports duly certified/signed by the heads of the end-user departments.

34.14. Six of the concerned personnel have already submitted the required documentation. The CY 2023 accomplishment reports of said COS personnel were submitted to the Audit Team.

34.15. The accomplishment reports of the two personnel who have been separated from BCDA through resignation/non-renewal shall be submitted to the Audit Team as soon as the HRMD receives them.

34.16. The Audit Team found the submitted reports to be in order and will monitor Management's compliance with the recommendations.

35. **The validity of the reported accomplishments and utilization of the GAD Budget of BCDA for CY 2023 under the Attributed Programs amounting to P1.134 billion could not be determined due to:**

35.1. **Absence of the Remarks column in the Harmonized Gender Development Guidelines (HGDG) checklist submitted by the BCDA GAD Focal Point System (GFPS) and the relevant means of verification (MOV), which are necessary to support and validate the reported expenditures under the Attributed Programs in the GAD Accomplishment Report (AR), which is contrary to Items 1.6.1 and 1.6.3 of the Philippine Commission on Women (PCW) Memorandum Circular (MC) No. 2023-05.**

35.1.1 Under Section 36 of Republic Act No. 9710 or the Magna Carta of Women (MCW), the utilization and outcome of the GAD budget shall be annually monitored and evaluated in terms of its success in influencing the gender-responsive implementation of agency programs. As such, government-

owned or controlled corporations shall submit their consolidated GAD ARs to PCW through the Gender Mainstreaming Monitoring System (GMMS).

35.1.2 The PCW issued MC No. 2023-05 dated December 19, 2023, to provide guidelines on the preparation and submission of the FY 2023 GAD AR, review of the same by the PCW, and the generation and dissemination of the PCW-reviewed AR.

35.1.3 Attribution to the GAD budget of a portion or the whole budget of an agency's major programs is a means toward gradually increasing the gender responsiveness of government programs and budgets. To attribute the expenditure of a major agency program/project to GAD in the AR, agencies shall accomplish the HGDG Project Implementation and Management and Monitoring and Evaluation (PIMME) checklist (HGDG Boxes 16 & 17) or the Facility Implementation, Management, and Monitoring and Evaluation (FIMME) checklist (HGDG Box F2), whichever is applicable, to assess the gender-responsiveness of the implementation of the program/project.

35.1.4 Items 1.6.1 and 1.6.3 of the PCW MC No. 2023-05 require that:

1.6.1. In accomplishing the HGDG PIMME or FIMME checklist, agencies shall fill out the Remarks column of the HGDG checklist for items in which the agency answered "yes" or "partly yes", and indicate the relevant means of verification (MOV) to facilitate the validation of the HGDG score. (Emphasis supplied)

Xxx

1.6.3. PDF copies of the accomplished HGDG PIMME/FIMME checklist, the program/project brief and accomplishment report, details of expenditure, as well as the relevant MOVs for the agency self-rating shall be attached to the agency's GAD AR submission xxx. (Emphasis supplied)

35.1.5 Additionally, Item 1.9 of the same Circular provides that agencies shall ensure the completeness of submitted documents, especially the MOVs for the HGDG assessment score.

35.1.6 On March 1, 2024, the BCDA GFPS provided the Audit Team with a copy of the CY 2023 GAD AR that was submitted to the PCW through the GMMS. We noted that an amount of P1.139 billion or 84.50 percent of the GAD budget was utilized, computed as follows:

Table 62. Utilization of GAD Budget

Type of Activity	GAD Budget	Utilization/Actual Expenditure
Client-focused	240,000	152,215
Organization-focused	12,886,310	4,679,299
Attributed Program	1,334,786,975	1,134,134,606
	1,347,913,285	1,138,966,120

35.1.7 It can be gleaned from the table above that a significant portion of the reported accomplishments pertains to the expenditures relative to the Attributed Program of BCDA. However, a review of records disclosed that the GFPS was not able to provide a Remarks column and the relevant MOV in the HGDG PIMME checklist for the attributed programs attached to the GAD AR, to support and validate the self-rated scores, which is contrary to Items 1.6.1 and 1.6.3 of the PCW MC No. 2023-05.

35.1.8 Moreover, even the PCW, in its initial review of the submitted CY 2023 GAD AR dated April 12, 2024, also commented that a column be added in the PIMME form/checklist for the justification of each score in the HGDG PIMME checklists and to attach the MOV that will support the self-assessed scores.

35.1.9 The Audit Team was precluded from determining the validity of the reported expenditures/accomplishments under the Attributed Program in the CY 2023 GAD AR.

35.2. **GFPS erroneously computed the attributed GAD expenditures based on the GAD budget instead of the actual annual major program/project expenditure, which was attributed to GAD, which is not in conformity with Item 1.6.2 of PCW MC No. 2023-05.**

35.3.1 Item 1.6.2 of PCW MC No. 2023-05 provides:

*The score in the HGDG assessment shall be the basis for determining the actual cost/expenditure that can be attributed to GAD and reflected in the GAD AR. **The percentage score of the program/project in the HGDG PIMME/FIMME assessment shall correspond to the percentage of the expenditure (not the budget) of the agency's major program/project that may be attributed to GAD** xxx. (Emphasis supplied)*

35.3.2 The formula for computation shall be as follows:

$$\frac{\text{HGDG PIMME/FIMME Score}}{\text{Total HGDG Points}} \times 100\% = \% \text{ of annual program expenditure attributable to GAD}$$
$$(\% \text{ of annual program expenditure attributable to GAD}) \times (\text{annual program expenditure}) = \text{Attributable amount to GAD in the AR}$$

35.3.3 About the preceding observation, we noted that the reported expenditures for the attributed programs were computed based on the budget for each project embodied in the PCW-endorsed CY 2023 GAD Plan and Budget (GPB) instead of the actual annual program/project expenditures, which is contrary to the above pertinent provision.

35.3.4 Also, the Audit Team was not able to compute the correct amount that may be attributed to the GAD AR based on the actual program/project expenditures due to lack of supporting documents, such as the schedule of actual expenditures relative to said projects, which were already requested for submission but not yet submitted as of this writing.

- 35.3. **We recommended that Management require the GFPS to:**
- a. **Revise the HGDG PIMME checklist by adding a Remarks column and indicate the relevant MOVs in accordance with PCW MC No. 2023-05 and in compliance with the initial comments/observations of the PCW on the CY 2023 GAD AR;**
 - b. **Recompute the attributable amount to GAD in the AR for attributed programs based on the actual expenditure for each project pursuant to Item 1.6.2 of PCW MC No. 2023-05; and**
 - c. **After implementing the preceding recommendations, submit the revised CY 2023 GAD AR to the Audit Team together with complete supporting documents.**
- 35.4. Management submitted a revised HGDG PIMME checklist, which now includes a Remarks column indicating the relevant MOVs and a List of actual expenditures for each identified project under Attributed Programs, and recalculated the amounts attributable to GAD in the AR using the actual expenditures for the projects. Also, they have provided the Audit Team with the revised CY 2023 GAD AR, which they have already submitted to PCW for review.
- 35.5. The Audit Team will monitor the submission of the final CY 2023 GAD AR of BCDA, as reviewed by the PCW.
36. **The amount appropriated for GAD programs, activities, and projects (PAPs) in CY 2023 was not fully utilized, leaving an unused total balance of P208.947 million or 15.50 percent of the GAD budget at year-end. Moreover, some of the identified PAPs that were completely implemented exceeded the corresponding allocated budget, casting doubt on the efficient planning/preparation of the GAD plans and the judicious utilization of the budget, resulting in non-assurance that women empowerment and gender equality were attained.**
- 36.1. Section 36(a) of the MCW states that GAD programs addressing gender issues and concerns shall be designed and implemented based on government agencies' mandates. The cost of implementing GAD programs shall be the agency's GAD budget, which shall be at least five percent of the agency's total budget appropriations.
- 36.2. Item 3.5 of PCW-NEDA-DBM Joint Circular No. 2012-01 also provides that the agency GFPS shall take the lead in mainstreaming gender in agency PAPs. As such, they shall coordinate the agency GPB and the GAD AR preparation, monitor its implementation, and report on its results.
- 36.3. For CY 2023, the BCDA GFPS allocated an amount of P1.348 billion in its GPB, which is equivalent to 12.79 percent of the total budget of BCDA amounting to P10.583 billion, which was significantly higher than the required minimum of five percent. Accordingly, the CY 2023 GPB has been reviewed and duly endorsed by the PCW. The GFPS identified a total of 22 PAPs to address various gender issues in BCDA.

- 36.4. Notwithstanding our observation relative to the accomplishments and utilization of the GAD Budget under the Attributed Program, further review of the CY 2023 GAD AR disclosed that out of the GAD budget, only P1.139 billion or 84.51 percent was utilized for the implementation of the GAD PAPs, leaving an unused balance of P208.947 million or 15.50 percent of the GAD budget. Details are as follows:

Table 63. Utilization of GAD Budget						
Type of Activity	No. of PAPs	GAD Budget	Utilization/Actual Expenditure		Balance	
			Amount	%	Amount	%
Client-focused	4	240,000	152,215	63	87,785	37
Organization-focused	14	12,886,310	4,679,299	36	8,207,011	64
Attributed Program	4	1,334,786,975	1,134,134,606	85	200,652,369	15
	22	1,347,913,285	1,138,966,120	84	208,947,165	16

- 36.5. Further evaluation of the GAD AR revealed that all four PAPs were fully implemented for client-focused activities, but not all of the allocated budget was utilized. However, the reasons for this were not indicated in the GAD AR.

- 36.6. Meanwhile, for the organization-focused activities, we noted the following:

- a. 11 PAPs with a total budget of P11.640 million were implemented by GFPS but utilizing only P3.862 million.
- b. The actual costs incurred for the implementation of two PAPs exceeded the corresponding GAD budget, as follows:

Table 64. PAPs Exceeding Corresponding GAD Budget				
GAD Activity	Budget	Actual Cost/Expenditure	Overutilization	Reason/s for Overutilization
Hire GAD specialist	602,560	754,501	151,941	There was an increase in the monthly rate from December 2022 to December 2023.
Conduct GAD Orientation Training for Security Personnel C/T Annual Recurrence Training	34,000	62,611	28,611	The calculated budget overlooked the anticipated facilitator honorarium.
	636,560	817,112	180,552	

- c. One PAP with a budget amounting to P0.610 million, which pertains to the training on HGDG PIMME, was not implemented by GFPS. According to the GAD AR, it was not implemented because the training on HGDG PIMME was included during the GPB Workshop on August 15-17, 2023.
- 36.7. The above-noted observations are manifestations that the GFPS was not able to effectively implement and monitor the PCW-endorsed GPB for CY 2023, resulting in the overutilization of the budget for some PAPs while other PAPs were not or partially implemented. Hence, the envisioned women's empowerment and gender equality in BCDA were not fully attained. The unutilized budget could have been used for other GAD PAPs that directly respond to BCDA's mandates and other gender issues and concerns arising within the management to pursue women's empowerment and gender equality.
- 36.8. **We recommended that Management require the GFPS to monitor the GAD budget regularly to ensure that it is spent for its intended purpose and that the**

GAD PAPs were effectively and efficiently implemented by judiciously utilizing the GAD budget.

36.9. Management commented that the underutilization by the GFPS of the PCW-endorsed CY 2023 GPB is a testament to the prudent and efficient use of funds and resources by the BCDA GFPS. Despite the underutilization, the GFPS accomplished more than 90 percent of the CY 2023 GPB, which resulted in a higher appreciation by BCDA personnel on the envisioned women empowerment and gender equality in BCDA. However, better planning could have prevented the underutilization of funds. The Management has already advised the GFPS to ensure more sophisticated planning for CY 2024 GPB to ensure the closeness or accuracy of the required budget for each GAD program, activity, and project and to avoid underutilization of funds.

36.10. Management also informed the GFPS to cite the approved GAD budget for every proposed GAD PAP. This will help them regularly monitor the effective and efficient implementation of the PAPs and the judicious utilization of the GAD Budget.

36.11. The Audit Team will monitor Management's compliance with the recommendations.

37. Compliance with Tax Laws

37.1. For CY 2023, BCDA has remitted the taxes withheld amounting to P406.024 million while leaving an outstanding withholding tax payable of P63.944 million to be remitted in CY 2024.

38. Compliance with Rules on Government Mandatory Deductions and Remittances

38.1. For CY 2023, 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 the Government Service Insurance System (GSIS), Social Security System, Home Development Mutual Fund (HDMF), and Philippine Health Insurance Corporation (PHIC) within the prescribed period.

38.2. The remittances for CY 2023 are as follows:

Table 65. Remittances of Government Mandatory Deductions	
Particulars	Amount
GSIS contribution and loans	P 38,987,571
PHIC contribution	5,066,078
HDMF contribution	696,800
HDMF loan amortization	900,808
	P 45,651,257

39. Status of Notice of Suspensions, Disallowances and Charges

39.1. As of year-end, the status of audit suspensions, disallowances, and charges issued is as follows:

Table 66. Audit suspensions, disallowances, and charges

Audit Action	Beginning Balance			Ending Balance	
	January 1, 2023	Issued	Settled	December 31, 2023	
Suspensions	P 0	P 0	P 0	P 0	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	

39.2. The disallowance of P3.108 million as of December 31, 2023, 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 the 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 the Christmas Package/annual gift check to the members of the Board of Directors and consultant in CYs 2003 to 2007. 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 before the effectivity of the Rules and Regulations on the Settlement of Accounts issued by the COA.

PART III

**STATUS OF IMPLEMENTATION OF
PRIOR YEAR'S AUDIT RECOMMENDATIONS**

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the 70 audit recommendations embodied in the prior year's Annual Audit Report (AAR), 59 were implemented/reconsidered, and the remaining 11 which were not implemented by the Bases Conversion and Development Authority (BCDA) are reiterated in Part II of this Report. Details are presented below:

Reference	Audit Observations	Recommendations	Status of Implementation
AAR 2022 Observation No. 1, page 84	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.	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.	Implemented.
AAR 2022 Observation No. 2, page 85	<p>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:</p> <p>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,</p>	<p>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 Corporation (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;</p>	Implemented.

Reference	Audit Observations	Recommendations	Status of Implementation
	<p>the submitted toll revenue reports were not validated monthly to ensure that variances in records, if any, will be immediately investigated and rectified; and</p> <p>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.</p>	<p>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</p> <p>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.</p>	<p>Implemented.</p> <p>Implemented.</p>
AAR 2022 Observation No. 3, page 92	The faithful representation of the balance of the Due from the National Government Agencies 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	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.	Implemented.

Reference	Audit Observations	Recommendations	Status of Implementation
	P36.197 million and P13.618 million, respectively.		
AAR 2022 Observation No. 4, page 93	The faithful representation of the balance of the Service Concession Receivable-Clark International Airport 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.	Reconcile records with Luzon International Premiere Airport Development (LIPAD) Corporation and ensure that all variances are promptly investigated, cleared and reconciled; and prepare necessary adjusting journal entry, if warranted.	Implemented.
AAR 2022 Observation No. 5, page 95	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 books and the confirmed amount.	a. Require the 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.	Not Implemented. The observation is reiterated with modification/ update in Part II, No. 3 of this report.
		b. Consider integrating the reconciliation of records with subsidiaries/ affiliates on a periodic basis into its policy.	Implemented.
AAR 2022 Observation No. 6, page 96	Transactions totaling P3.915 million were still in the temporary Accounts Receivable Clearing account and not reclassified/closed into their proper receivable account as at year-end.	Require the Treasury and Project Finance Department (TPFD) and ACD to reconcile their records to verify the transactions in the AR Clearing account and close/reclassify balances of the said	Implemented.

Reference	Audit Observations	Recommendations	Status of Implementation
		account in their proper receivable accounts; and prepare the necessary adjusting journal entries, if warranted.	
AAR 2022 Observation No. 7, page 97	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.	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;	Implemented.
		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;	Implemented.
		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 Technical Working Group (TWG) created by the Special Committee on	Reconsidered.

Reference	Audit Observations	Recommendations	Status of Implementation
		Bases Conversion of the House of Representatives, for approval of the BCDA Board of Directors; and	
		d. Submit the modification/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.	Implemented.
AAR 2022 Observation No. 8, page 111	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.	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.	Implemented.
AAR 2022 Observation No. 9, page 115	The Implementing Guidelines for the payment of FA to PAPs in NCC crafted and formulated by BCDA was not strictly implemented.	a. Submit justification why the claims of PAPs/informal settlers were processed despite non-compliance with the Implementing Guidelines;	Implemented.
		b. Submit the lacking supporting documents to the Audit Team,	Reconsidered.

Reference	Audit Observations	Recommendations	Status of Implementation
		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 Presidential Decree No. 1445.	Implemented.
AAR 2022 Observation No. 10, page 120	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.	a. Cause the recovery/refund the overpayment of FA from the Claimant, otherwise, a Notice of Disallowance will be issued; and	Implemented.
		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.	Implemented.
AAR 2022 Observation No. 11, page 123	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	a. Execute PAs with CDC, and CIAC and its corresponding Financial Policy; and	Not Implemented. The observation is reiterated with modification/update in Part II, No. 15 of this report.
		b. Provide the Audit Team copies of the PAs of CDC and CIA and Financial Policy upon execution.	Not Implemented. The observation is reiterated with modification/

Reference	Audit Observations	Recommendations	Status of Implementation
	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 and Clark Freeport Zone.		update in Part II, No. 15 of this report.
AAR 2022 Observation No. 12, page 125	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.	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.	Implemented.
AAR 2022 Observation No. 13, page 128	The Representation and Transportation Allowances (RATA) 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 Governance Commission for GOCCs (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.	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	Implemented.

Reference	Audit Observations	Recommendations	Status of Implementation
		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.	Implemented.
AAR 2022 Observation No. 14, page 130	The existing policy/practice of BCDA in the computation and granting of prorated RATA was inconsistent with DBM NBC No. 548, which resulted in over/underpayment.	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 the pertinent provisions of DBM NBC No. 548;	Implemented.
		b. Submit to the Audit Team the results of the recomputation of RATA, including all supporting documents, for further verification; and	Implemented.
		c. Henceforth, ensure compliance with DBM NBC No. 548	Implemented.

Reference	Audit Observations	Recommendations	Status of Implementation
		by updating/revising the existing policy in the grant/payment of RATA.	
AAR 2022 Observation No. 15, page 133	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 from the payment of 1st tranche, as a refund.	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;	Implemented.
		b. Submit to the Audit Team a copy of the clarificatory letter from GCG and its response, if any, for verification;	Implemented.
		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 overpaid BCDA incumbents, respectively, if any; and	Implemented.
		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	Implemented.

Reference	Audit Observations	Recommendations	Status of Implementation
		covered BCDA incumbents.	
AAR 2022 Observation No. 16, page 135	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.	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.	Implemented.
AAR 2022 Observation No. 17, page 136	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.	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.	Implemented.
AAR 2022 Observation No. 18, page 137	The unclaimed reimbursable Optical/Dental Benefits of 83 BCDA incumbents	Cause the recovery/refund of the reimbursable Optical/Dental Benefits	Implemented.

Reference	Audit Observations	Recommendations	Status of Implementation
	for CYs 2020 and 2021 totaling P0.577 million were included in the three-year PV of discontinued allowances, benefits and incentives (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.	of 83 BCDA incumbents for CYs 2020 and 2021 totaling P 0.577 million which were included in the three-year PV of discontinued ABIs, if warranted.	
AAR 2022 Observation No. 19, page 139	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 can still biologically/medically able to conceive, within the next three years.	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.	Implemented.
AAR 2022 Observation No. 20, page 141	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 respectively, in the total amount of P0.698 million to 19 BCDA incumbents, , 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	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.	Implemented.

Reference	Audit Observations	Recommendations	Status of Implementation
	documents showing the actual receipts for the said expenses.		
AAR 2022 Observation No. 21, page 142	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 CPCS under 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.	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.	Implemented.
AAR 2022 Observation No. 22, page 144	The Status Report submitted by 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 SCTEX were undertaken and complied with by the Concessionaire.	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.	Implemented.
AAR 2022 Observation No. 23, page 146	The Value-Added Tax (VAT) applied by BCDA on the Approved Budget for the Contract (ABC) was 12 per cent instead of five per cent as required under	a. Consider revising the Contract Cost applying VAT of five per cent and/or deduct the excess VAT from the progress	Implemented.

Reference	Audit Observations	Recommendations	Status of Implementation
	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.	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.	Implemented.
AAR 2022 Observation No. 24, page 152	The propriety and/or reasonableness of the monthly fees granted to individual Consultants could not be ascertained due to insufficient and unreliable 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.	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	Implemented.
		b. Consider formulating a policy setting out the guidelines and procedures to be undertaken in hiring individual consultants and in determining the con	Implemented.

Reference	Audit Observations	Recommendations	Status of Implementation
		consultant's fee.	
AAR 2022 Observation No. 25, page 156	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.	Evaluate the monthly rates of consultants which exceeded 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.	Implemented.
AAR 2022 Observation No. 26, page 159	The obligations of consultants were not in accordance with Sections 7.1 and 7.3 of COA-DBM Joint Circular No. 2, s. 2020, and Section 2 of Annex B of the 2016 Revised Implementing Rules and Regulations (RIRR) of RA No. 9184, as these are redundant/ duplication of jobs and functions of employees and different departments in BCDA.	Consider discontinuing the contract of consultants whose work and services can be performed by a regular plantilla personnel of BCDA.	Implemented.
AAR 2022 Observation No. 27, page 160	Accomplishments of Consultants were not aligned with their obligations under the contract.	Ensure that the hiring of consultants is justified by determining whether the obligations, responsibilities and outputs of the consultants are met and fulfilled in a timely manner. Otherwise, consider discontinuing their contracts.	Implemented.
AAR 2022 Observation No. 28, page 160	Subcontracted portions of the Operations and Maintenance (O&M) Services for the New	a. Submit the breakdown and basis of amounts for the Approved	Not Implemented. The observation is reiterated with

Reference	Audit Observations	Recommendations	Status of Implementation
	Clark City (NCC) Sports Complex exceeded 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.	Budget of the Contract for the O&M;	modification/ update in Part II, No. 6 of this report.
		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	Implemented.
		c. Improve the Terms of Reference for subsequent biddings for the Operations and Maintenance of the NCC Sports Complex.	Not Implemented. The observation is reiterated with modification/ update in Part II, No. 6 of this report.
AAR 2022 Observation No. 29, page 164	Payments for Maintenance Services not outsourced by Philjaya Property Management Corporation (Philjaya) were not properly substantiated and may result in overpayments by the government.	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	Not Implemented. The observation is reiterated with modification/ update in Part II, No. 7 of this report.
		b. Improve validation procedures for the billing of the Operations and Maintenance of the NCC Sports Complex.	Not Implemented. The observation is reiterated with modification/ update in Part II, No. 7 of this report.

Reference	Audit Observations	Recommendations	Status of Implementation
AAR 2022 Observation No. 30, page 166	BCDA spent maintenance costs for the NCC Sports Facilities more than the total revenue derived therefrom.	a. Prepare/submit a Marketing Plan and Budget for the Sports Complex; and	Implemented.
		b. Conduct a study to determine the expected recoupment period of the Investment Property.	Not Implemented. The observation is reiterated with modification/ update in Part II, No. 8 of this report.
AAR 2022 Observation No. 31, page 169	The selling prices of Heritage Park Investment Certificates (HPICs) and the procedure for their disposition are not modified/ 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.	a. Expedite the updating of price list for the remaining 4,923 unsold memorial products and incorporate it in the Procedure for the Disposition of HPICs;	Implemented.
		b. Provide the Audit Team copies of the approved price list, revised procedure for the disposition of HPICs, 2022 Appraisal Report for HPICs, and other pertinent documents; and	Implemented.
		c. Refrain from selling memorial products until the new price list based on the latest appraisal is approved by the Board of Directors.	Implemented.
AAR 2022 Observation No. 32, page 172	The Bids and Awards Committee (BAC) and the Head of the Procuring Entity (HoPE) did not issue a	Require the BAC to adhere with the requirements, conditions and procedures set forth	Implemented.

Reference	Audit Observations	Recommendations	Status of Implementation
	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.	under Section 53.14 and Annex H of the 2016 RIRR 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.	
AAR 2022 Observation No. 33, page 174	Fuels/gasolines for automotive vehicles of BCDA purchased through Direct Retail Purchase under Section 53.14 of the 2016 IRR of RA No. 9184 were procured without a valid contract, depriving the government of the most competitive and advantageous price/terms.	Immediately execute a contract or agreement with selected gasoline or service station for the procurement of Petroleum fuel, Oil and Lubricant (POL) products and assert feasible terms and conditions that is most advantageous to BCDA.	Implemented.
AAR 2022 Observation No. 34, page 175	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.	a. Discontinue the practice of allowing private individuals to occupy government properties without executed contracts.	Implemented.
		b. Collect rental payments from the tenant starting from the date the unit was turned over/occupied by the private individual, otherwise, a Notice	Not Implemented. The observation is reiterated with modification/ update in Part II, No. 9 of this report.

Reference	Audit Observations	Recommendations	Status of Implementation
		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.	Implemented.
AAR 2022 Observation No. 35, page 178	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.	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.	Implemented.
AAR 2022 Observation No. 36, page 180	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.	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.	Not Implemented. The observation is reiterated with modification/ update in Part II, No. 32 of this report.

Reference	Audit Observations	Recommendations	Status of Implementation
AAR 2022 Observation No. 37, page 181	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 from verifying the propriety of the leaves availed by employees due to non-submission of supporting documents.	Instruct the Human Resources Management Department to require the BCDA officers and employees to properly file a 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.	Implemented.
AAR 2022 Observation No. 38, page 183	The required period for filing the vacation leave (VL) pursuant to the ORL was not strictly implemented.	Strictly adhere with the required period in filing VL in accordance with the ORL, as amended.	Implemented.
AAR 2022 Observation No. 39, page 184	Some of the details/information in the Property Inventory Form (PIF) is not consistent with the Report on the Physical Count of Property, Plant and Equipment (RCPPE), which may result in incorrect assessment of general insurance coverage for the properties of BCDA by the Government Service Insurance System (GSIS).	a. Reconcile the information/data in the PIF vis-à-vis RCPPE and verify/identify the properties that should be insured with GSIS in accordance with COA Circular No. 2018-002; and	Implemented.
		b. Resubmit the revised PIF to GSIS with covering letter on the reasons for revision, if warranted.	Implemented.

Reference	Audit Observations	Recommendations	Status of Implementation
AAR 2022 Observation No. 40, page 187	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 Properties and Equipment.	Require the BCDA Inventory Committee to modify/ 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.	Not Implemented. The observation is reiterated with modification/ update in Part II, No. 31 of this report.
AAR 2022 Observation No. 41, page 188	The BCDA Gender and Development (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.	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;	Implemented.
		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	Implemented.
		c. Consider adding more GAD programs/ projects/activities or apply the Harmonized Gender and Development Guidelines (HGDG) tool for budget attribution to be	Implemented.

Reference	Audit Observations	Recommendations	Status of Implementation
		compliant with the five per cent statutory requirement on the GAD budget to ensure the endorsement of annual GPB by the PCW.	