



Republic of the Philippines  
**COMMISSION ON AUDIT**  
Commonwealth Avenue, Quezon City  
**CORPORATE GOVERNMENT SECTOR**  
Cluster 4 – Industrial and Area Development

July 9, 2021

**Mr. VIVENCIO B. DIZON**

President and Chief Executive Officer  
Bases Conversion and Development Authority  
2<sup>nd</sup> Floor, Bonifacio Technology Center  
31<sup>st</sup> Street, corner 2<sup>nd</sup> Avenue  
Bonifacio Global City, Taguig City



**Sir:**

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines, we transmit herewith our report on the results of audit of the accounts and transactions of Bases Conversion and Development Authority (BCDA) for the years ended December 31, 2020 and 2019.

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

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

The following are the significant observations and recommendations:

1. The Authority was not able to collect from MEGAWORLD the Minimum Annual Secured Revenue Share (MASRS) of P873.414 million each for CYs 2018 to 2020, totaling P2.620 billion; the interest due on delayed/non-payment of MASRS of P450.825 million for CYs 2018 to 2020; and interest on the delayed remittance in the total amount of P103.317 million for CYs 2011 and 2012, thereby, depriving BCDA of valuable cash inflows that could be invested in high yielding treasury notes.

We recommended that Management:

- a. Continuously enforce the collection of the MASRS and interest due therefrom for CYs 2018 to 2020 and include in the negotiations with MEGAWORLD the interest on the late remittance of MASRS for CYs 2011 and 2012 which remained unpaid; and
- b. Provide the Audit Team copies of documents relative to the negotiations being undertaken by BCDA and MEGAWORLD, for further verification.

2. The non-submission of pertinent documents relative to the Heritage Park Investment Certificates or memorial products which include, among others, the land development cost and its conversion cost, and the current status of the assets is not in accordance with Sections 39 and 111 of Presidential Decree No. 1445, hence, the Audit Team was precluded from verifying and validating the current status of the assets as to their present location and condition.

We recommended that Management submit to the Audit Team all pertinent documents to support the initial cost of the Merchandise Inventory-Heritage Park recognized in the books of accounts to verify and validate the current status of the assets as to their present location and condition.

3. The existing billing and collection procedures were not strictly monitored and implemented by BCDA resulting in low collection efficiency rate and accumulation of long outstanding receivables aging less than one year to more than five years in the total amount of P7.094 billion.

We recommended that Management:

- a. Intensify the efforts in the collection of receivables by implementing strictly the billing and collection policy/procedures of the Authority;
  - b. Issue follow-up demand letters to debtors for the immediate collection of overdue receivables and coordinate with Legal Services Department for legal remedies, if warranted;
  - c. Submit necessary supporting documents for the long outstanding receivables for further verification by the Audit Team; and
  - d. Evaluate the long outstanding receivables and make necessary action in accordance with COA Circular No. 2016-005 dated December 19, 2016.
4. The accuracy and reliability of the balance of Input Tax amounting to P213.860 million as of December 31, 2020 could not be ascertained due to the variance of P307.918 million between the balance reported in the Value-Added Tax (VAT) Return (BIR Form 2550Q/2550M) and the balance per books.

We recommended that Management prepare proper reconciliation of the balances of input tax presented in BIR VAT Returns and accounting records, and prepare the necessary adjusting entries, if warranted.

5. The qualitative characteristic of verifiability of Withholding Tax at Source could not be established due to the variance of P93.776 million between the amount presented in the Annual Income Tax Return (BIR Form 1702) and the balance per books.

We reiterated our recommendation that Management require the Accounting Division to continuously reconcile the amount reported as creditable withholding tax in the Annual Income Tax Return with the balance per accounting records and adjustments be made, if warranted.

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 1, 2021, are presented in detail in Part II of the report.

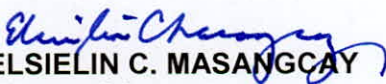
We respectfully request that the recommendations contained in Part II of the report be implemented and that this Commission be informed of the actions taken thereon by submitting the duly accomplished Agency Action Plan and Status of Implementation form (copy attached) within 60 days from the date of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

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

Very truly yours,

**COMMISSION ON AUDIT**

By:

  
**ELSIELIN C. MASANGCAY**  
Director IV

**Copy furnished:**

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

**BASES CONVERSION AND DEVELOPMENT AUTHORITY**

**AGENCY ACTION and STATUS of IMPLEMENTATION  
Audit Observations and Recommendations  
For CY 2020 and Prior Years  
As of \_\_\_\_\_**

Ref	Audit Observations	Audit Recommendations	Agency Action Plan				Status of Implementation	Reasons for Partial/Delay/ Non-Implementation, if applicable	Action taken/ Action to be taken
			Action Plan	Person/Dept. Responsible	Target Implementation Date				
					From	To			
CY 2020 AAR, Observation No. 1	The accuracy and reliability of the balance of Input Tax amounting to P213.860 million as of December 31, 2020 could not be ascertained due to the variance of P307.918 million between the balance reported in the Value-Added Tax (VAT) Return (BIR Form 2550Q/2550M) and the balance per books.	Prepare proper reconciliation of the balances of input tax presented in BIR VAT Returns and accounting records, and prepare the necessary adjusting entries, if warranted.							
CY 2020 AAR, Observation No. 2	The unreconciled variance of P303.514 million between the balances of Output VAT per accounting records and VAT Returns (BIR Forms 2550Q/2550M) casts doubt on the faithful presentation of the balance of Output Tax as of December 31, 2020.	Determine the cause of the variance and reconcile the amounts between the accounting records and the tax returns filed and prepare the necessary adjusting entries to correct the account balance in the books, if warranted.							
CY 2020 AAR, Observation No. 3	The qualitative characteristic of verifiability of Withholding Tax at Source could not be established due to the variance of P93.776 million between the amount presented in the Annual Income Tax Return (BIR Form 1702) and the balance per books.	Require the Accounting Division to continuously reconcile the amount reported as creditable withholding tax in the Annual Income Tax Return with the balance per accounting records and adjustments be made, if warranted.							
CY 2020 AAR, Observation No. 4	The year-end balances of the Due to BIR accounts totaling P40.865 million showed unremitted taxes amounting to P17.418 million, thus exposing the Authority to possible assessment of deficiency tax and penalties imposed by BIR.	Remit all taxes withheld in accordance with BIR rules and regulations to avoid penalties or sanctions as imposed by BIR under Section 272 of the Tax Code.							

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CY 2020 AAR, Observation No. 5	Payables amounting to P35.984 million which have been outstanding for two years or more were not reverted to Retained Earnings which is not in accordance with the prescribed presentation under Philippine Accounting Standard (PAS) 1 and the Conceptual Framework of Financial Reporting resulting in the understatement of Equity and overstatement of liability accounts by the same amount.	<p>a. Evaluate and analyze all recorded payables which remained outstanding and dormant for two years or more and submit the result of analysis and the corresponding supporting documents to the Audit Team for verification; and</p> <p>b. Prepare the necessary adjusting entries to revert the dormant payables to Retained Earnings in accordance with COA Circular No. 99-004 and DBM- COA Joint Circular No. 99-6, if warranted.</p>							
CY 2020 AAR, Observation No. 6	Abnormal or negative balances of Accounts Payable totaling P60,000 were offset against the total balance of Liability accounts instead of reclassifying to Receivable accounts.	Analyze the Liability accounts to ascertain the cause of abnormal or negative balances and reclassify to Receivable accounts, if warranted.							
CY 2020 AAR, Observation No. 7	Reconciling item in the Serendra Sequioa Trust Fund account amounting to P0.692 million remained unadjusted in the books of accounts.	Make necessary adjustment on the identified book reconciling item for Trust Fund amounting to P0.692 million.							
CY 2020 AAR, Observation No. 8	The Authority was not able to collect from MEGAWORLD the Minimum Annual Secured Revenue Share (MASRS) of P873.414 million each for CYs 2018 to 2020, totaling P2.620 billion; the interest due on delayed/non-payment of MASRS of P450.825 million for CYs 2018 to 2020; and interest on the delayed remittance in the total amount of P103.317 million for CYs 2011 and 2012, thereby, depriving BCDA of valuable cash inflows that could be invested in high yielding treasury notes.	<p>a. Continuously enforce the collection of the MASRS and interest due therefrom for CYs 2018 to 2020 and include in the negotiations with MEGAWORLD the interest on the late remittance of MASRS for CYs 2011 and 2012 which remained unpaid; and</p> <p>b. Provide the Audit Team copies of documents relative to the negotiations being undertaken by</p>							

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		BCDA and MEGAWORLD, for further verification.							
CY 2020 AAR, Observation No. 9	The non-submission of pertinent documents relative to the Heritage Park Investment Certificates (HPICs) or memorial products which include, among others, the land development cost and its conversion cost, and the current status of the assets is not in accordance with Sections 39 and 111 of Presidential Decree (PD) No. 1445, hence, the Audit Team was precluded from verifying and validating the current status of the assets as to their present location and condition.	Submit to the Audit Team all pertinent documents to support the initial cost of the Merchandise Inventory-Heritage Park recognized in the books of accounts to verify and validate the current status of the assets as to their present location and condition.							
CY 2020 AAR, Observation No. 10	Taxes amounting to P343 million withheld from the payment made to a contractor in CY 2019 were not remitted to the Bureau of Internal Revenue (BIR) which is not in accordance with the National Internal Revenue Code (NIRC), as amended. Likewise, the required Expanded Withholding Tax and Value-added Tax totaling P274.613 million were not deducted from the additional payment made in CY 2020, resulting in non-remittance to BIR.	Remit to BIR the taxes withheld amounting to P343 million and require the JV to remit to BIR the taxes due on the payment made by BCDA.							
CY 2020 AAR, Observation No. 11	The existing billing and collection procedures were not strictly monitored and implemented by BCDA resulting in low collection efficiency rate and accumulation of long outstanding receivables aging less than one year to more than five years in the total amount of P7.094 billion.	<p>a. Intensify the efforts in the collection of receivables by implementing strictly the billing and collection policy/procedures of the Authority;</p> <p>b. Issue follow-up demand letters to debtors for the immediate collection of overdue receivables and coordinate with Legal Services Department (LSD) for legal remedies, if warranted;</p>							

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					From	To			
		<p>c. Submit necessary supporting documents for the long outstanding receivables for further verification by the Audit Team; and</p> <p>d. Evaluate the long outstanding receivables and make necessary action in accordance with COA Circular No. 2016-005 dated December 19, 2016.</p>							
CY 2020 AAR, Observation No. 12	Delay in the preparation and submission of monthly Bank Reconciliation Statements (BRSs) ranging from 8 to 282 days is not in accordance with Section 74 of Presidential Decree (PD) No. 1445.	<p>a. Prepare and submit the Bank Reconciliation Statements on a regular and timely manner in accordance with Section 74 of PD No. 1445; and</p> <p>b. Communicate with the depository banks to provide immediately the bank statements needed in the preparation of the BRS.</p>							
CY 2020 AAR, Observation No. 13	Cash in Bank amounting to P4.765 million remained dormant and idle in the savings account for more than five years earning a minimal interest of P3,074.79 per annum for an interest rate of 0.0645 per cent rather than having it invested in high yielding investment in government securities and/or fixed term deposits as authorized under Section 2 of Administrative Order (AO) No. 173 and Section 2 of Department of Finance (DOF) Department Order (DO) No. 071-2018, as amended.	Initiate the closure of the subject bank account and transfer the balance to other bank accounts to be used in recurring expenses of the Authority or consider investing its excess or idle cash balance in government issued securities and/or fixed-term deposits offering high yielding interest rate pursuant to Section 2 of Administrative Order No. 173.							

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CY 2020 AAR, Observation No. 14	Additional cash advances were granted to officers and employees even if the previous advances were not yet liquidated which is not in accordance with Section 22.c of Executive Order (EO) No. 77 and Section 25.c Part I of BCDA Internal Guidelines for the Implementation of EO No. 77.	Stop the granting of cash advances to officers and employees who have not liquidated the cash advances for previous government funded travels abroad.							
CY 2020 AAR, Observation No. 15	Delay in the liquidation of cash advances averaging 13 to 577 days on foreign travels was beyond the reglementary period prescribed in Sections 22.a of EO No. 77 and 25.a of BCDA Guidelines.	The Accountant closely monitor the cash advances by reminding officers and employees to liquidate within the reglementary period set forth under EO No. 77 and BCDA Internal Guidelines.							
CY 2020 AAR, Observation No. 16	The liquidations of cash advances for foreign travels are not supported with complete documents contrary to the provisions of COA Circular No. 2012-001.	Instruct the Accountant to demand from officers and employees the lacking supporting documents required under COA Circular 2012-001 and submit the same to the Audit Team for further evaluation.							
CY 2020 AAR, Observation No. 17	The Authority spent P3.568 million in payment of expensive venues in the conduct of team-building activities, trainings, planning events and other similar activities for its officers and personnel in violation of the austerity measures provided under Administrative Order No. 6.	Ensure the prudent use of government funds and refrain from conducting activities in expensive venues to save funds needed for the Authority's operations in compliance with AO No. 6.							
CY 2020 AAR, Observation No. 18	Various deficiencies were noted in the implementation of rules and regulations provided by the Civil Service Commission (CSC), the Department of Budget and Management (DBM) and the sound internal control system on the monetization of leave credits of the BCDA personnel.								



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	<p>a. Monetization of leave credits were allowed to some employees even if their leave balances were below the minimum requirement of 10 days and some employees have no accumulated vacation leave (VL) credits of 15 days, contrary to Section 22 of the Omnibus Rules on Leave.</p> <p>b. VL credits were not exhausted first before resorting to the special monetization of Sick Leave (SL) credits contrary to CSC Resolution No. 000034. Moreover, the pertinent supporting documents were not attached to the disbursement vouchers as required under COA Circular No. 2012-001.</p> <p>c. Twenty-four (24) employees were allowed to monetize their leave credits more than once a year which is contrary with CSC-DBM Joint Circular No. 2-97.</p> <p>d. The computation and certification of the value of leave credits for monetization is being handled by Treasury and Project Finance Department (TPFD) contrary to the sound internal control system on the segregation of duties of employees.</p>	<p>a. Strictly comply with the provisions of the Omnibus Rules on Leave (ORL) by ensuring that only employees with accumulated 15 days VL credits are allowed to monetization of a minimum of 10 days with at least five days balance retained after monetization;</p> <p>b. Exhaust first the VL credits of employees before resorting to the special monetization of SL credits in accordance with CSC Resolution No. 000034;</p> <p>c. Submit to the Audit Team the pertinent documents to support the payment of monetization of 50 per cent or more leave credits of some of the BCDA employees as required in COA Circular 2012-001 for verification;</p> <p>d. Adhere to CSC-DBM Joint Circular No. 2-97 which provides that monetization of leave credits shall be availed of only once a year; and</p> <p>e. Ensure that appropriate internal controls are established by segregating key duties and responsibilities from different individuals/department and instruct ACD to review/certify in the computation of leave credits to be monetized/commuted.</p>							

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CY 2020 AAR, Observation No. 19	The gender mainstreaming in BCDA was not accelerated due to poor planning which resulted in implementation of minimal GAD programs, activities and projects (PAPs) that will address women empowerment and gender equality.	<p>a. Strengthen gender mainstreaming in BCDA by integrating more GAD PAPs in the regular activities of the Authority thru the utilization of HGDG tool in the attribution of relevant costs of its PAPs to the GAD budget; and</p> <p>b. Maximize the utilization of funds allocated for GAD thru the implementation of GAD-related PAPs which address gender and development issues in order to attain the objective for which the funds were provided.</p>							
CY 2020 AAR, Observation No. 20	No supporting documents were attached to GAD Accomplishment Report (AR) for CY 2020 submitted to the Audit Team as required by Section 10.4 of PCW-NEDA-DBM Joint Circular No. 2012-01 and Section 6.0 of PCW Memorandum Circular (MC) No. 2021-01, thereby precluding the team from conducting a thorough audit of the GAD AR.	Strictly comply with pertinent provisions pertaining to the attachment of required supporting documents to the GAD AR set forth under Section 10.4 of PCW-NEDA-DBM Joint Circular No. 2012-01 and Section 6.0 of PCW MC No. 2021-01, and submit the same to the Audit Team for further evaluation.							
CY 2019 AAR, Observation No. 17	Several parcels of lot were obtained through Right of Way (ROW) acquisition valued at P139.303 million. Out of the 65 parcels of lot, 53 were not covered with Transfer Certificates of Title (TCTs) in the name of BCDA despite payments made to respective lot owners.	Ensure strict compliance in the submission of required supporting documents before making any payment as stated in the procedures adopted in ROW acquisition and as required under COA Circular 2012-001							
CY 2017 AAR, Observation No. 8	Transfer Certificates of Title (TCTs) of land assets with an area of 809,019 sq. m. valued at P583.001 million were not available upon inspection.	Account for the TCTs of land assets with an area of 809,019 sq. m. valued at P583.001 million.							

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CY 2016 AAR, Observation No. 5	Advances to BCDA Board of Directors (BOD) totaling P4.567 million remained uncollected.	Recover from the BOD the P4.567 million.							

Agency sign-off:

\_\_\_\_\_  
Name and Position of Agency Officer

\_\_\_\_\_  
Date



*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, 2020 and 2019**

## EXECUTIVE SUMMARY

### INTRODUCTION

The Bases Conversion and Development Authority (BCDA), or the Authority, 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 camps, was later amended by the passage of RA No. 7917 on February 21, 1995.

RA No. 7227 vested the Authority 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

	2020	2019 (As restated)	Increase (Decrease)
Assets	196,346,509,611	195,423,558,512	922,951,099
Liabilities	37,380,595,647	38,976,483,725	(1,595,888,078)
Equity	158,965,913,964	156,447,074,787	2,518,839,177

#### Comparative Results of Operations

	2020	2019 (As restated)	Increase (Decrease)
Operating Income	6,584,179,329	6,463,052,320	121,127,009
Operating Expenses	5,148,940,228	4,371,631,214	777,309,014
Income from Operations	1,435,239,101	2,091,421,106	(656,182,005)
Other Income (Expenses)	1,160,969,781	10,944,111,411	(9,783,141,630)
Income Tax Benefit (Expense)	524,879,225	194,858,964	330,020,261
Net Income	3,121,088,107	13,230,391,481	(10,109,303,374)

### 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, 2020 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, 2020 and 2019. Also, we conducted our audits to assess compliance with pertinent laws, rules and regulations, as well as adherence to prescribed policies and procedures.

### INDEPENDENT AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

We rendered an unmodified opinion on the fairness of presentation of the Authority's financial statements for the years 2020 and 2019.

## SUMMARY OF SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

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

1. The Authority was not able to collect from MEGAWORLD the Minimum Annual Secured Revenue Share (MASRS) of P873.414 million each for CYs 2018 to 2020, totaling P2.620 billion; the interest due on delayed/non-payment of MASRS of P450.825 million for CYs 2018 to 2020; and interest on the delayed remittance in the total amount of P103.317 million for CYs 2011 and 2012, thereby, depriving BCDA of valuable cash inflows that could be invested in high yielding treasury notes.

We recommended that Management:

- a. Continuously enforce the collection of the MASRS and interest due therefrom for CYs 2018 to 2020 and include in the negotiations with MEGAWORLD the interest on the late remittance of MASRS for CYs 2011 and 2012 which remained unpaid; and
  - b. Provide the Audit Team copies of documents relative to the negotiations being undertaken by BCDA and MEGAWORLD, for further verification.
2. The non-submission of pertinent documents relative to the Heritage Park Investment Certificates or memorial products which include, among others, the land development cost and its conversion cost, and the current status of the assets is not in accordance with Sections 39 and 111 of Presidential Decree No. 1445, hence, the Audit Team was precluded from verifying and validating the current status of the assets as to their present location and condition.

We recommended that Management submit to the Audit Team all pertinent documents to support the initial cost of the Merchandise Inventory-Heritage Park recognized in the books of accounts to verify and validate the current status of the assets as to their present location and condition.

3. The existing billing and collection procedures were not strictly monitored and implemented by BCDA resulting in low collection efficiency rate and accumulation of long outstanding receivables aging less than one year to more than five years in the total amount of P7.094 billion.

We recommended that Management:

- a. Intensify the efforts in the collection of receivables by implementing strictly the billing and collection policy/procedures of the Authority;
- b. Issue follow-up demand letters to debtors for the immediate collection of overdue receivables and coordinate with Legal Services Department for legal remedies, if warranted;
- c. Submit necessary supporting documents for the long outstanding receivables for further verification by the Audit Team; and

- d. Evaluate the long outstanding receivables and make necessary action in accordance with COA Circular No. 2016-005 dated December 19, 2016.
4. The accuracy and reliability of the balance of Input Tax amounting to P213.860 million as of December 31, 2020 could not be ascertained due to the variance of P307.918 million between the balance reported in the Value-Added Tax (VAT) Return (BIR Form 2550Q/2550M) and the balance per books.

We recommended that Management prepare proper reconciliation of the balances of input tax presented in BIR VAT Returns and accounting records, and prepare the necessary adjusting entries, if warranted.

5. The qualitative characteristic of verifiability of Withholding Tax at Source could not be established due to the variance of P93.776 million between the amount presented in the Annual Income Tax Return (BIR Form 1702) and the balance per books.

We reiterated our recommendation that Management require the Accounting Division to continuously reconcile the amount reported as creditable withholding tax in the Annual Income Tax Return with the balance per accounting records and adjustments be made, if warranted.

#### **STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS**

Of the 48 audit recommendations embodied in prior years' Annual Audit Reports, 40 were implemented/reconsidered and eight were partially implemented. Details are discussed in Part III of this report.

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**PART I – AUDITED FINANCIAL STATEMENTS**



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

## **INDEPENDENT AUDITOR'S REPORT**

### **THE BOARD OF DIRECTORS**

Bases Conversion and Development Authority  
2/F Bonifacio Technology Center  
31<sup>st</sup> Street corner 2<sup>nd</sup> Avenue  
Bonifacio Global City, Taguig City

### ***Report on the Audit of the Financial Statements***

#### **Opinion**

We have audited the financial statements of the Bases Conversion and Development Authority (BCDA), which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of BCDA as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

#### **Basis for Opinion**

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

#### **Emphasis of Matter**

We draw attention to Note 34 to the financial statements which describes the contingent liabilities for lawsuits or claims filed by third parties against BCDA which are pending either in courts or under negotiation, and cases filed by BCDA against the Bureau of Internal Revenue and the Local Government of Taguig which are pending before the Supreme Court, Court of Appeals and the Local Board of Assessment Appeals of the Local Government Unit. Our opinion is not modified in respect of these matters.

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

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

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 BCDA's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention on our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate,

to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.


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

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

***Report on Other Legal and Regulatory Requirements***

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 41 to the financial statements is presented for the purpose of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

**COMMISSION ON AUDIT**

  
**TERESITA C. GUEVARRA**  
Supervising Auditor

June 9, 2021

## 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, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing 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 and approves the financial statements, including the schedules attached therein, and submits the same to the stake holders 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.



**VIVENCIO B. DIZON**

President and Chief Executive Officer

9 June 2021  
Date Signed



**NENA D. RADO**

Senior Vice President and Chief Financial Officer

9 June 2021  
Date Signed



**GREGORIO D. GARCIA III**

Chairman

9 June 2021  
Date Signed

**BASES CONVERSION AND DEVELOPMENT AUTHORITY**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2020 and 2019**  
(In Philippine Peso)

	Note	2020	2019 (As restated)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	6	6,322,346,359	22,760,694,752
Investments in treasury bills	7	1,101,262	401,768,851
Receivables, net	8	13,067,356,284	6,631,549,503
Inventories	9	724,067,502	724,067,502
Prepayments and other current assets	10	2,626,362,467	8,222,368,810
		<b>22,741,233,874</b>	<b>38,740,449,418</b>
<b>Non-Current Assets</b>			
Investments in affiliates, net	11	18,292,823,338	18,106,675,498
Investments in government bonds	12	1,757,730,717	3,046,036,040
Investments in stocks	13	103,024,319	103,024,319
Property and equipment, net	14	17,495,275,144	3,566,646,574
Service concession assets, net	15	28,464,604,216	28,244,845,619
Investment properties	16	83,837,107,457	73,272,100,199
Deferred tax asset, net	29	4,646,575,837	4,081,900,565
Other non-current assets	17	19,008,134,709	26,261,880,280
		<b>173,605,275,737</b>	<b>156,683,109,094</b>
<b>TOTAL ASSETS</b>		<b>196,346,509,611</b>	<b>195,423,558,512</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable	18	1,264,500,342	236,230,537
Inter-agency payables	19	3,769,725,215	5,144,262,520
Current portion of long-term borrowings	22	882,367,945	882,367,945
Provisions	20	35,974,617	28,271,271
Other payables	21	1,298,960,282	1,910,475,626
		<b>7,251,528,401</b>	<b>8,201,607,899</b>
<b>Non-Current Liabilities</b>			
Borrowings	22	17,647,358,892	18,529,726,837
Non-current payables	17	1,421,096,052	1,421,096,052
Deferred credits	23	11,060,612,302	10,824,052,937
		<b>30,129,067,246</b>	<b>30,774,875,826</b>
<b>Equity</b>		<b>158,965,913,964</b>	<b>156,447,074,787</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>196,346,509,611</b>	<b>195,423,558,512</b>

*The notes on pages 9 to 81 form part of these financial statements.*

**BASES CONVERSION AND DEVELOPMENT AUTHORITY**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**For the years ended December 31, 2020 and 2019**  
(In Philippine Peso)

	Note	2020	2019 (As restated)
<b>REVENUES</b>	24	<b>6,584,179,329</b>	6,463,052,320
<b>EXPENSES</b>			
Personnel Services	26	<b>250,488,540</b>	253,207,882
Maintenance and Other Operating Expenses	27	<b>4,898,451,688</b>	4,118,423,332
<b>TOTAL OPERATING EXPENSES</b>		<b>5,148,940,228</b>	4,371,631,214
<b>INCOME FROM OPERATIONS</b>		<b>1,435,239,101</b>	2,091,421,106
<b>OTHER INCOME, NET</b>	28	<b>1,160,969,781</b>	10,944,111,411
<b>INCOME BEFORE INCOME TAX</b>		<b>2,596,208,882</b>	13,035,532,517
<b>INCOME TAX BENEFIT</b>	29	<b>524,879,225</b>	194,858,964
<b>NET INCOME</b>		<b>3,121,088,107</b>	13,230,391,481
<b>OTHER COMPREHENSIVE INCOME</b>	30	<b>0</b>	4,769,274
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>3,121,088,107</b>	13,235,160,755

*The notes on pages 9 to 81 form part of these financial statements.*

**BASES CONVERSION AND DEVELOPMENT AUTHORITY**  
**STATEMENTS OF CHANGES IN EQUITY**  
For the years ended December 31, 2020 and 2019  
(In Philippine Peso)

	Note	Capital Stock (Note 31)	Contributed Capital (Note 31)	Unappropriated Retained Earnings (Note 32)	Appropriated Retained Earnings	Other Comprehensive Income (Note 30)	Total Equity
<b>Balance, December 31, 2018</b>		100,000,000,000	6,956,428,083	28,603,533,208	6,000,000,000	62,686,526	141,622,647,817
Correction of prior years' error/estimates	32			(104,976,532)			(104,976,532)
<b>Restated Balance, January 1, 2019</b>		100,000,000,000	6,956,428,083	28,498,556,676	6,000,000,000	62,686,526	141,517,671,285
<b>Changes in equity for 2019</b>							
Equity from NG for the implementation of various projects:							
Airport to NCC Access Road			1,430,566,984				1,430,566,984
NCC to SCTEX Road			718,280,886				718,280,886
Bonifacio South Main Boulevard			8,755,327				8,755,327
Net income for the year				13,230,391,481			13,230,391,481
Dividends				(400,673,924)			(400,673,924)
Cumulative changes in fair value of investments						(57,917,252)	(57,917,252)
<b>Balance at December 31, 2019</b>		100,000,000,000	9,114,031,280	41,328,274,233	6,000,000,000	4,769,274	156,447,074,787
<b>Changes in equity for 2020</b>							
Equity from NG for the implementation of various projects:							
Airport to NCC Access Road			580,254,368				580,254,368
NCC to SCTEX Road			427,116,902				427,116,902
BCDA's share on asset disposition proceeds thru sale of various properties			26,884,528				26,884,528
Adjustment in value of land transferred/ conveyed/swapped			(412,058)				(412,058)
Net income for the year				3,121,088,107			3,121,088,107
Dividends				(1,631,323,396)			(1,631,323,396)
Cumulative changes in fair value of investments						(4,769,274)	(4,769,274)
<b>Balance, December 31, 2020</b>		100,000,000,000	10,147,875,020	42,818,038,944	6,000,000,000	0	158,965,913,964

The notes on pages 9 to 81 form part of these financial statements.



**BASES CONVERSION AND DEVELOPMENT AUTHORITY**  
**STATEMENTS OF CASH FLOWS**  
For the years ended December 31, 2020 and 2019  
(In Philippine Peso)

	Note	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Proceeds from joint venture projects		3,246,027,548	3,615,842,223
Dividends received		1,343,333,333	695,000,000
Proceeds from concession fee		1,116,418,048	1,396,097,118
Cash receipts from lessees		971,142,599	1,248,164,215
Proceeds from the disposition of transferred properties		88,422,051	5,679,237
Miscellaneous receipts		59,383,303	80,336,817
Collection of receivables		16,326,434	9,128,114
Receipts from BCDA housing projects		7,073,692	210,161
Proceeds from disposition of Heritage Park Certificates		684,435	4,144,175
Payment of Transaction Advisory Services for NCC		0	(4,892,473)
Collection/(payment) of guarantee deposit/development control fees		(2,083,000)	3,000,000
Payment of indemnities to CGC-PAP		(39,034,326)	(181,540,344)
Payment of estate management expenses		(187,142,581)	(202,837,434)
Payment of personnel services		(218,593,732)	(220,164,176)
Payment/remittance of taxes, duties and fees		(239,342,530)	(176,663,775)
Collection/(refund) of performance, bid bonds and bid securities		(529,700,662)	347,468,427
Payment to suppliers/creditors/employees		(892,072,866)	(518,543,742)
Remittance of beneficiaries' share to the Bureau of the Treasury		(2,445,816,113)	(4,893,844,530)
Net cash provided by operating activities		2,295,025,633	1,206,584,013
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net proceeds in short and long term investments		2,092,368,853	19,943,986,269
Interest income from cash equivalents and short/long		339,933,309	709,334,437
Annual deposit of the Trust account re: BCDA DOLF		0	(19,000,000)
RROW acquisition		(127,728,497)	(381,641,354)
Capital call infusion of BCDA to PJIC		(186,547,200)	(229,368,600)
Additional investment in fund placements		(408,478,026)	(13,346,855,283)
Acquisition of property and equipment and payment for various infrastructure projects		(18,004,877,132)	(6,746,008,763)
Net cash used in investing activities		(16,295,328,693)	(69,553,294)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Receipt of subsidy income		1,490,127,786	10,802,722,813
Equity from National Government		1,007,371,270	2,157,603,196
Receipt of funds from DOTR for the Poropoint Terminal Project		40,000,000	0
27.50 per cent share of BCDA from asset disposition		26,884,528	2,154,194
Refund of funds for master development plan of Libingan ng mga Bayani		0	(626,579)
Payment of subsidy expenses to CDC		(104,294,406)	(70,188,759)
Payment of financing charges		(188,634,810)	(204,507,437)
Payment of guarantee fees to the Bureau of the Treasury		(409,634,049)	(106,155,470)
Partial settlement of JICA loan		(889,280,685)	(911,260,777)
Dividends paid to the Bureau of the Treasury		(1,631,323,396)	(400,673,924)
Remittance of trust funds and other subsidy received to BTr in support of the Bayanihan Act		(1,778,000,000)	0
Net cash provided by (used in) financing activities		(2,436,783,762)	11,269,067,257
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>			
		(1,261,571)	(21,414)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
		(16,438,348,393)	12,406,076,562
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>			
		22,760,694,752	10,354,618,190
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>			
	6	6,322,346,359	22,760,694,752

The notes on pages 9 to 81 form part of these financial statements.

## **BASES CONVERSION AND DEVELOPMENT AUTHORITY NOTES TO FINANCIAL STATEMENTS**

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### **1. CORPORATE INFORMATION**

The Bases Conversion and Development Authority (BCDA), or the Authority, 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 camps, was later amended by the passage of RA No. 7917 on February 21, 1995.

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

The financial statements of BCDA for the years ended December 31, 2020 and 2019 were authorized for issue by the Board of Directors on June 9, 2021.

The Authority's registered office and principal place of business is 2<sup>nd</sup> Floor, Bonifacio Technology Center, 31<sup>st</sup> Street, Crescent Parkwest, Bonifacio Global City, Taguig City.

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### **2. FINANCIAL REPORTING FRAMEWORK AND BASIS OF PREPARATION AND PRESENTATION**

#### Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Authority 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 (PIC) and Standing Interpretations Committee (SIC) as approved by the Financial Reporting Standards Council (FRSC), and the Board of Accountancy (BOA).

#### Basis of Preparation and Presentation of Financial Statements

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

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

would take those characteristics into account when pricing the asset or liability at the measurement date.

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

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

#### Functional and Presentation Currency

The financial statements are presented in Philippine Peso, the Authority's presentation and functional currency, and all values are rounded to the nearest peso, except when otherwise stated. All amounts are rounded to the nearest peso, except when otherwise indicated.

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

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### **3. ADOPTION OF NEW AND AMENDED PFRS**

#### a. Effective in 2020 that are relevant to the Authority

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Authority adopted effective for annual periods beginning on or after January 1, 2020:

- Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material* – The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

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.

Effective beginning on or after June 1, 2020:

- Amendments to PFRS 16, *Leases – Covid-19 Related Rent Concessions* – The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19-related rent concessions that reduce lease payments due on or before June 30, 2021.

b. 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, 2020 and have not been applied in preparing the financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2021:

- 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.

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

- Amendments to PFRS 3, *Business Combinations, Reference to the Conceptual Framework* – Reference to the 1989 Framework in paragraph 11 of PFRS 3 *Business Combinations* was updated to 2018 Framework. Potential conflicts occur as the definition of assets and liabilities in the 2018 Framework differ from those in the 1989 Framework potentially leading to day 2 gains and losses post-acquisition for some balances recognized.
- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds Before Intended Use* – This amends the standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those, in profit or loss.
- Amendments to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets, Onerous Contracts - Cost of Fulfilling a Contract* – The changes specify that the cost of fulfilling a contract comprises the cost that relate directly to the contract. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

- Amendments to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards*, Subsidiary as a first-time adopter – The amendment permits a subsidiary that applies paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by its parents, based on the parent’s date of transition to PFRS.
- Amendments to PFRS 9, *Financial Instruments*, Fees in the ‘10 per cent’ test for the derecognition of financial liabilities – The amendment clarifies which fees an entity includes when it applies the ‘10 per cent’ test in paragraph B3.3.6 of PFRS 9 in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.
- Amendments to PFRS 16, *Leases - Lease Incentives* – The amendment to Illustrative Example 13 accompanying PFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
- Amendments to PAS 41, *Agriculture - Taxation in Fair Value Measurements* – The amendment removes the requirement in paragraph 22 of PAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in PFRS 13.

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

- Amendments to PAS 1, *Presentation of Financial Statements*, Classification of Liabilities as Current or Non-Current – The amendments affect only the presentation of liabilities in the statement of financial position not the amount or timing of recognition of any asset, liability, income or expenses, or the information that entities disclose about those items. Clarify that the classification of liabilities as current or non-current (i) should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the “right” to defer settlement by at least 12 months and make explicit that only right in place “at the end of the reporting period” should affect the classification of liability, (ii) is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, and (iii) settlement refers to the transfer to the counterparty of cash, equity instruments, and other assets or services.
- Amendments to PFRS 17, *Insurance Contracts* – The main changes resulting from Amendments to PFRS 17 are:
  - Deferral of the date of the initial application of PFRS 17 by two years to annual periods beginning on or after January 1, 2023 and changed the fixed expiry date for the temporary exemption in PFRS 4 Insurance Contracts from applying PFRS 9 Financial Instruments, so that entities

would be required to apply PFRS 9 for annual periods beginning on or after January 1, 2023.

- Additional scope exclusion for credit card contracts and similar contracts that provide insurance coverage as well as optional scope exclusion for loan contracts that transfer significant insurance risk.
- Recognition of insurance acquisition cash flows relating to expected contract renewals, including transition provisions and guidance for insurance acquisition cash flows recognized in a business acquired in a business combination.
- Clarification of the application of PFRS 17 in interim financial statements allowing an accounting policy choice at a reporting entity level.
- Clarification of the application of contractual service margin attributable to investment-return service and investment-related service and changes to the corresponding disclosure requirements.
- Extension of the risk mitigation option to include reinsurance contracts held and non-financial derivatives.
- Amendments to require an entity that at initial recognition recognizes losses on onerous insurance contracts issued to also recognize a gain or reinsurance contracts held.
- Simplified presentation of insurance contracts in the statement of financial position so that entities would present insurance contract assets and liabilities in the statement of financial position determined using portfolios of insurance contracts rather than groups of insurance contracts.
- Additional transition relief for business combinations and additional transition relief for the date of application of the risk mitigation option and the use of the fair value transition approach.
- Several small amendments regarding minor application issues.

#### Deferred effectivity

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

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

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#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

##### Financial Instruments

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

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

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

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

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

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

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

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

This category includes derivative instruments and listed equity investments which the Authority 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.

The Authority does not have financial assets classified as FVPL as at December 31, 2020 and 2019.

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

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of comprehensive income and computed in the same manner as for financial assets measured at



amortized cost. The remaining fair value changes are recognized in other comprehensive income (OCI). Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Authority's investments in Treasury Bills are included in this category.

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

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

The Authority's investments in stocks are included in this category.

*Financial assets at amortized cost (debt instruments).* The Authority 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 (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

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

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

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Authority 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.

The Authority does not have financial liabilities classified as FVPL as at December 31, 2020 and 2019.

*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.

The Authority's financial liabilities at amortized cost include trade and other payables, borrowings and advances from related parties.

#### Offsetting Financial Instruments

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

#### Derecognition of Financial Assets and Liabilities

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

- the rights to receive cash flows from the asset expired;
- the Authority 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
- the Authority has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the assets, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Authority 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 the Authority's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Authority could be required to repay.

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

*Impairment of Financial Assets.* The Authority 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 the Authority 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, the Authority applies a simplified approach in calculating ECLs. For debt securities that are considered impaired, lifetime ECL is recognized and the effective interest rate is applied to the carrying value of the financial assets. The Authority does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Authority 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.

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

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

#### Advances to related parties

Advances to related parties generally arise from transactions outside the usual operating activities of the Authority. 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 and settlement occurs in cash.

#### Inventories

Inventories include real estate inventories. Inventories are initially measured at cost. Costs of inventory include purchase price and all incidental costs necessary to bring

the inventory to its saleable condition. Subsequently, inventories are reported in the statement of financial position at the lower of cost and net realizable value. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

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

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

#### Prepayments and Other Current Assets

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

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

Other current assets represent assets of the Authority which are expected to be realized or consumed within one year or within the Authority's normal operating cycle whichever is longer. This account includes deposits which are restricted as to use and earn interest at prevailing bank deposit rates. Interest earned from these deposits inures to the benefit of the Authority. Other current assets are presented in the statement of financial position at cost.

#### Investments in Affiliates

Investments in affiliates 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 the Authority's right to receive payment has been established and it is probable that the economic benefits will flow to the Authority and the amount of revenue can be measured reliably.

Investment in Affiliates are as follows:

	Percentage of Ownership
Clark Development Corporation (CDC)	100
Clark International Airport Corporation (CIAC)	100
BCDA Management and Holdings, Inc. (BMHI)	100
John Hay Management Corporation (JHMC)	100
Poro Point Management Corporation (PPMC)	100
North Luzon Railways Corporation (NORTHRAIL)	100
Fort Bonifacio Development Corporation (FBDC)	45
Philippine Japan Initiative for CGC, Inc. (PJIC)	45
Filinvest BCDA Clark, Inc. (FBCI)	45
Subic Clark Alliance for Development (SCAD)	33
Bonifacio Estate Services Corporation (BESC)	33
Bonifacio Communication Corporation (BCC)	25

Fund Releases to Affiliates

The Authority provides funds for Operating Expenses (OPEX) and land related costs for its affiliates which are 100 per cent owned by the Authority. OPEX fund releases are treated as estate management expense by the Authority and income by the affiliates while land related costs are treated as an expense and or asset by the Authority. Land related costs are expenses related to the development of the estate such as maintenance and safeguard of property, capital expenditure (CAPEX) projects and furniture, fixtures and equipment.

CAPEX fund releases are granted to affiliates in the form of advances. The advances are non-interest bearing, unsecured and subject to liquidation upon completion of the project. The Authority records all development costs incurred by the affiliates as its assets including the related depreciation expenses.

Investment Property

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

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

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

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

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

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

Investment properties of the Authority comprised of parcels of land which were turned over and titled in the name of the Authority pursuant to RA No. 7227.

#### Property and Equipment

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

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

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

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

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

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes professional fees and for qualifying assets, borrowing

costs capitalized in accordance with the Authority's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences at the time the assets are ready for their intended use.

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

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

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

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

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

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

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

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

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

#### Service Concession Assets

The Authority has adopted Philippine Public Sector Accounting Standard (PPSAS) No. 32, *Service Concession Arrangements-Grantor* and has reclassified certain assets from Property and Equipment to Service Concession Assets.

Service concession assets and deferred income from service concession are recognized to comply with the PPSAS No. 32.

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

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

### Intangible Assets

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

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

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

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

### Other Non-Current Assets

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

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



## Impairment of Non-Financial Assets Other than Inventories

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

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

## Derecognition of Non-financial Assets

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

## Current Liabilities

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

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

## Non-Current Liabilities

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

## Related Parties

Related party relationship exists when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such

relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its key management personnel, directors, or its shareholders.

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

### Revenue Recognition

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

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

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

#### Sale of Goods

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

- The Authority has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Authority 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 the Authority; 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 the Authority;
- The stage of completion of the transaction can be measured reliably; and
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

## Interest Revenue

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

## Dividend Revenue

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

## Lease Revenue

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

## Finance Income

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

## Service Concession Revenue

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

## Expense Recognition

Expenses are recognized in profit or loss when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in profit or loss: on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income

can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statements of financial position as an asset.

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

### Leases

The Authority 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.

#### Authority as Lessee

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

#### Right-of-Use assets

The Authority 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, the Authority 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 the Authority and payments of penalties for terminating the lease, if the lease term reflects the Authority 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, the Authority 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 Authority's lease liabilities are presented in Note 18.

#### Short-Term Leases and Leases of Low-Value Assets

The Authority 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 recognised as expense on a straight-line basis over the lease term.

#### Authority as Lessor

Leases in which the Authority does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising 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 recognised 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.

The Authority classify finance lease if any of the following conditions apply:

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

#### *Accounting policy prior to January 1, 2019.*

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

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

property and the present value of the minimum lease payments.

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

#### Authority as Lessee

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

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

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

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

#### Authority as Lessor

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

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

#### Borrowing Costs

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

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

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

### Employee Benefits

#### Short-term Benefits

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

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

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

#### Compensated Absences

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

#### Post-Employment Benefits

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

#### Retirement Fund

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

## Income Tax

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

### Current Tax

The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Authority's current tax liability is calculated using 30 per cent regular corporate income tax (RCIT) rate or 2 per cent minimum corporate income tax rate, whichever is higher.

### Deferred Tax

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

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

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

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

### Current and Deferred Tax for the Year

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

## Foreign Currency Transactions and Translation

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



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

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

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

#### Events after Reporting Date

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

#### Government Equity

Government equity represents the equity of the National Government to the Authority and includes the 27.50 per cent share on the net proceeds of straight sale transactions 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
Bases Conversion and Development Authority (BCDA)	27.50
Armed Forces of the Philippines (AFP)	35.00
National Shelter Program (NSP)	12.00
Other Beneficiaries	25.50
	100.00

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

#### Contributed Capital

Contributed capital represents the equity of the National Government to the Authority in excess of the authorized capital stock.

#### Retained earnings

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

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## 5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

### Judgments

In the process of applying the Authority'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

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

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

#### Assessment of Impairment of Nonfinancial Assets

The Authority determines whether there are indicators of impairment of the Authority's property and equipment, creditable withholdings tax and prepaid expenses. Indicators of impairment include significant change in usage, decline in the asset's fair value on underperformance relative to expected historical or projected future results. Determining the fair value requires the determination of future cash flows and future economic benefits expected to be generated from the continued use and ultimate disposition of such assets. It requires the Authority 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 the Authority'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

The Authority 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
Building 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 the Authority's property and equipment as at December 31, 2020 and 2019 are P17.495 billion and P3.567 billion, respectively. Depreciation cost charged to operation amounted to P179.097 million and P1986.094 million in 2020 and 2019, respectively (see Note 14).

#### Provisions, Contingent Liabilities and Contingent Assets

##### Provisions

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

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

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

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

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

##### Contingent Liabilities and Assets

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

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 the Authority.

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

#### Tax Subsidy Availments

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

#### Joint Venture Agreements

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

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## 6. CASH AND CASH EQUIVALENTS

This account consists of:

	2020	2019
Petty cash fund	32,056	190,705
Cash with collecting officers	2,820,096,820	2,280,935
Cash in banks	1,131,087,974	6,923,457,816
Cash equivalents	2,371,129,509	15,834,765,296
	<b>6,322,346,359</b>	<b>22,760,694,752</b>

The significant increase in the *Cash with collecting officers* account pertains to the collection of the 3<sup>rd</sup> Minimum Annual Secured Revenue Share (MASRS) relative to the Bonifacio South Point Project on December 29, 2020 amounting to P2.820 billion which was subsequently deposited on January 4, 2021.

*Cash in banks* are deposits maintained with Land Bank of the Philippines (LBP) and Development Bank of the Philippines (DBP) which earn interest at the prevailing bank

deposit rates. Interest income earned from cash in banks amounted to P2.375 million and P1.015 million in 2020 and 2019, respectively (see Note 24).

*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. The Authority classifies an investment as cash equivalent if that investment has a maturity of three months or less from date of acquisition. Interest income earned from cash equivalents amounts to P166.856 million and P323.951 million in 2020 and 2019, respectively (see Note 24).

On April 26, 2018, the Authority entered into an Assignment of Government Securities and Hold-Out Deposit Agreement and a Standby Letter of Credit (SBLC) with DBP to guarantee project milestones relative to the expansion of the Clark International Airport.

## 7. INVESTMENT IN TREASURY BILLS

Reconciliation of the carrying amounts of investments in treasury bills are as follows:

	2020	2019 (As restated)
Balance at beginning of year	401,768,851	5,360,038,826
Fair value gain	0	4,769,274
Additions	407,338,603	12,357,542,955
Disposals	(808,006,192)	(17,320,582,204)
Balance at end of year	1,101,262	401,768,851
Amortized cost	1,101,262	0
FVOCI	0	401,768,851

Interest income earned from Treasury Bills amounted to P3.263 million in 2020 and P148.284 million in 2019, respectively (see Note 24).

## 8. RECEIVABLES

This account consists of the following:

	2020	2019 (As restated)
Accounts receivables	25,844,036,499	26,584,952,548
Lease receivables	1,020,661,479	770,067,678
Inter-agency receivables	5,772,301,115	5,800,661,391
Interest receivable	12,347,999	68,953,490
Other receivables	47,106,936	88,662,684
	32,696,454,028	33,313,297,791
Allowance for impairment	(2,197,435,671)	(2,001,034,015)
	30,499,018,357	31,312,263,776

	2020	2019 (As restated)
Current portion	<b>13,067,356,284</b>	6,631,549,503
Non-current portion (see Note 17)	<b>17,431,662,073</b>	24,680,714,273

Accounts receivable consists of receivables from the following:

	2020	2019 (As restated)
Business projects		
Bonifacio South Pointe (see Notes 24 & 36.h)	<b>16,739,293,764</b>	17,944,812,513
JUSMAG Project	<b>8,176,571,004</b>	7,404,809,009
Uptown Bonifacio Project	<b>532,143,735</b>	762,509,118
Newport Project	<b>222,052,925</b>	222,052,925
NGAC Phase 1 Joint Venture	<b>3,788,356</b>	0
Serendra Project	<b>263,619</b>	183,929
Concession fee	<b>126,569,273</b>	206,665,001
Heritage Park Investment	<b>10,466,418</b>	11,075,415
Housing projects		
Rodriguez, Rizal Relocation	<b>17,980,980</b>	17,980,580
Pamayanang Diego Silang (PDS)	<b>5,802,847</b>	5,760,492
Pabahay 2000 in General Trias, Cavite	<b>8,813,818</b>	8,813,818
Others	<b>289,760</b>	289,748
	<b>25,844,036,499</b>	26,584,952,548

*Receivables from business projects* refer to the remaining net cash flows of the Minimum Annual Secured Revenue Share (MASRS) arising from Joint Venture Agreements (JVAs) of the Authority with various joint venture partners. This also includes (a) interest charges of P103.317 million and P450.825 million attributable to the late remittance of MASRS for CYs 2011-2012 and 2018-2020, respectively and (b) MASRS for CY 2018 to CY 2020 amounting to P2.620 billion from MEGAWORLD for the Joint US Military Advisory Group (JUSMAG) project.

*Receivables from concession fees* refer to the Authority's 50 per cent share of the audited gross toll revenues of SCTEx amounting to P108.810 million and P152.841 million for December 2020 and 2019, respectively. It also includes the 18.25 per cent share of the Authority in the gross revenue share from the operation of Clark International Airport amounting to P17.760 million and P53.824 million for the 4<sup>th</sup> quarter of CY 2020 and for the 3<sup>rd</sup> and 4<sup>th</sup> quarters of CY 2019, respectively.

*Receivables from Heritage Park Investment* arise from the sale of Heritage Park Investment Certificates. Interest income earned from installment sale and assessment of penalty for late payments amounted to P18,336 and P90,651 in CYs 2020 and 2019, respectively.

*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 the Authority and the National Housing Authority (NHA) on November 10, 2011. Based on the MOA, the Authority 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 the Authority. 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 the Authority to NHA.

*Lease receivables* pertain 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 the Authority computed in accordance with PFRS 16. It also includes receivable arising from the actual amount billed by the Authority to its lessees and receivables under Finance Lease.

*Inter-agency receivables* pertain to receivables from the Authority's affiliates. These also include receivables from National Government Agencies (NGAs), Local Government Units (LGUs), and government corporations.

	2020	2019 (As restated)
Affiliates	<b>4,104,384,921</b>	4,132,850,420
National Government Agencies	<b>1,662,778,681</b>	1,662,673,458
Local Government Units	<b>3,750,173</b>	3,750,173
Government Corporations	<b>1,387,340</b>	1,387,340
	<b>5,772,301,115</b>	5,800,661,391

*Receivables from affiliates are as follows:*

	2020	2019 (As restated)
Clark International Airport Corporation (CIAC)	<b>2,281,659,838</b>	2,281,659,838
North Luzon Railways Corporation (NORTHRAIL)	<b>1,661,831,254</b>	1,661,831,254
Poro Point Management Corporation (PPMC)	<b>74,226,921</b>	77,186,884
Fort Bonifacio Development Corporation (FBDC)	<b>62,816,370</b>	65,639,220
John Hay Management Corporation (JHMC)	<b>22,344,658</b>	22,344,658
Bonifacio Estate Services Corporation (BESC)	<b>1,500,000</b>	1,500,000
Clark Development Corporation (CDC)	<b>3,359</b>	3,359
Subic Clark Alliance for Development (SCAD) Council	<b>2,521</b>	2,521
Philippine Centennial Expo '98 Corp (EXPOCORP)	<b>0</b>	22,682,686
	<b>4,104,384,921</b>	4,132,850,420

*Receivable from CIAC* represents the (a) 15 per cent importation cost of radar spare parts for the Terminal Radar Approach Control (TRACON) Project of P37.074 million; (b) result of the inter-company settlement of CDC-CIAC loans pursuant to EO No. 716 dated April 3, 2008 of P735.561 million (c) progress billings for various infrastructure projects of P475.014 million; and (d) advances of P832.248 million. The account also includes the amortization of Deutsche Bank loan of CIAC paid by CDC in behalf of the Authority with an accumulated amount of P201.763 million.

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

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

*Receivable from FBDC* represents the P43.813 million lease for the 23,126 square meters of land located at the Pamayanang Diego Silang and the remaining balance of property and cash dividends of P3.781 million and P15.222 million cash dividends in CY 2002 and CY 2013, respectively.

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

*Receivable from CDC and SCAD* represents their share on Philippine Investment Promotion Plan (PIPP) expenses.

*Receivable from Philippine Expo (EXPOCORP)* represents funds released from CY 1999 to CY 2008 for EXPOCORP's operating requirements amounting to P22.683 million. In CY 2002, pursuant to the Securities and Exchange Commission (SEC) Case No. AS096-004107, EXPOCORP was approved for dissolution/liquidation in view of the voluntary petition of its shareholders. Accordingly, in CY 2020, the Authority recognized the dissolution/liquidation pursuant to the Liquidator's Report on EXPOCORP.

*Receivable from NGAs, LGUs, GOCCs* consists of receivables from the following:

	2020	2019
Senate of the Philippines	1,048,800,000	1,048,800,000
Department of Public Work and Highways (DPWH)	463,786,567	463,878,817
Bureau of the Treasury (BTr)	148,389,657	148,389,657
Municipality of Taguig	3,750,173	3,750,173
Philippine Information Agency (PIA)	900,000	900,000
National Anti-Poverty Commission (NAPC)	477,926	477,926
Municipality of Capas	200,000	0
Office of Civil Defense	33,480	33,480
Various Agencies	1,578,391	1,580,918
	<b>1,667,916,194</b>	<b>1,667,810,971</b>



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

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

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

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

*Other receivables* are composed mainly of the following:

	<b>2020</b>	2019 (As restated)
Due from Non-Gov't Organizations (NGOs)	<b>12,676,544</b>	12,718,087
Due from officers and employees	<b>4,872,591</b>	4,751,131
Due from other individuals	<b>2,517,381</b>	2,482,793
Others	<b>27,040,420</b>	68,710,673
	<b>47,106,936</b>	88,662,684

*Due from NGOs* consists of receivables from (a) Lakas Ilaw Association, Inc. for bridge loan financing of P2.933 million in CY 2020 and P3.000 million in CY 2019; (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 being availed by the Authority's officers amounting to P8.549 million.

*Others* represent receivables from various suppliers/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 the Authority's annual minimum revenue share from the Newport City and McKinley Hill joint venture projects as contingency funds and from Phil. Southeast Asian Games Organizing Committee (PHISGOC) for electric usage during the Southeast Asian Games amounting to P147,782.

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## 9. INVENTORIES

This account consists of the following:

	2020	2019 (As restated)
Heritage Park Investment Certificates	<b>446,991,446</b>	446,991,446
Condominium	<b>244,285,877</b>	244,285,877
Parking spaces	<b>32,190,179</b>	32,190,179
Pabahay 2000	<b>600,000</b>	600,000
	<b>724,067,502</b>	724,067,502

*Heritage Park Investment Certificates (HPICs)* pertain to various memorial products which entitle a buyer to the perpetual use of the purchased lot upon full payment of the contract price. As of December 31, 2020, a total of 4,923 HPICs with a carrying value of P446.991 million remain in the inventory. The balance of the HPICs for CY 2019 was restated due to recognition of inventory write-down of P146.351 million.

*Condominium units* refer to the unsold allocated units at New Port City. As of December 31, 2020, a total of 11 condominium units and one retail unit remain unsold. It also includes 47 unsold residential units which were part of the Authority's allocation on the three-hectare property at Newport City.

*Parking spaces* refer to the parking units at the Pacific Plaza Towers Condominium allocated for the Authority. As of December 31, 2020, a total of four parking spaces remain unsold. It also includes 54 unsold parking units which were part of the Authority's allocation on the three-hectare property at Newport City.

*Pabahay 2000* pertains to the housing units at General Trias, Cavite which are part of Authority'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, 2020, a total of five housing units valued at P120,000 per unit each remains in the inventory.

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## 10. PREPAYMENTS AND OTHER CURRENT ASSETS

This account consists of the following:

	2020	2019 (As restated)
Prepayments		
Withholding tax at source	<b>1,131,103,238</b>	933,769,694
Advances to contractors	<b>1,008,990,802</b>	6,805,826,441
Other prepayments	<b>8,376,558</b>	8,219,423
Inventories held for consumption	<b>3,015,642</b>	2,641,564
Prepaid insurance	<b>578,808</b>	3,026,626

	2020	2019 (As restated)
Other Current Assets		
Development Bank of the Philippines (DBP)		
Trust Account	400,809,360	396,187,917
Director's and Officer's Liability Fund (DOLF)	62,285,804	62,285,804
Others	11,202,255	10,411,341
	<b>2,626,362,467</b>	8,222,368,810

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

*Advances to contractors* pertain 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. Decrease in advances to contractors was due to the completion of the NGAC Sports Facilities.

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

*DBP trust account* consists mainly of the proceeds from the sale of Serendra Condominium units and the lease income from the Serendra Retail area wherein the proceeds are being maintained in an escrow and trust accounts with the DBP pending sales verification and reconciliation between the Authority and Ayala Land, Inc. Interest income earned from trust account amounted to P7.773 million and P14.329 million in 2020 and 2019, respectively (see Note 24).

*Director's and Officer's Liability Fund (DOLF)* pertains to the trust fund held, managed and administered by the 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 the Authority. The DOLF's initial fund is P24 million subject to additional P19 million every year until it reaches the maximum amount of P100 million, depending on the availability of the Authority's fund. Within a period of five years, the Authority shall endeavour 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.

*Others* pertain to advances to officers/employees amounting to P21,093 in 2020 and P1.269 million in 2019; advances to the Procurement Service of P5.640 million in 2020 and P3.556 million in 2019; and unserviceable property and equipment for disposal with total carrying amount of P5.538 million.

## 11. INVESTMENTS IN AFFILIATES

This account consists of investments in the following:

	2020	2019
Fort Bonifacio Development Corporation (FBDC)	14,022,131,333	14,022,131,333
Clark Development Corporation (CDC)	2,813,507,300	2,813,507,300
Philippine Japan Initiative for CGC, Inc. (PJIC)	458,610,240	272,462,400
John Hay Management Corporation (JHMC)	383,814,079	383,814,079
BCDA Management and Holdings, Inc. (BMHI)	280,000,000	280,000,000
Filinvest BCDA Clark, Inc. (FBCI)	231,450,000	231,450,000
North Luzon Railways Corporation (NORTHRAIL)	100,000,000	100,000,000
Poro Point Management Corporation (PPMC)	68,143,720	68,143,720
Bonifacio Communication Corporation (BCC)	27,500,000	27,500,000
Bonifacio Estate Services Corporation (BESC)	4,333,333	4,333,333
Subic Clark Alliance for Development (SCAD)	2,083,333	2,083,333
Clark International Airport Corporation (CIAC)	1,250,000	1,250,000
	<b>18,392,823,338</b>	18,206,675,498
Allowance for impairment loss	<b>(100,000,000)</b>	(100,000,000)
	<b>18,292,823,338</b>	18,106,675,498

### Fort Bonifacio Development Corp (FBDC)

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

In 2017, FBDC conveyed parcel of land consisting of 3,103 square meter lot of North Bonifacio Expansion Area (NBEA) in partial redemption of Preferred B Shares owned by the Authority which is equivalent to 48,469,638 shares reducing the investment in FBDC by P96.939 million.

In 2018, FBDC redeemed the remaining Preferred B Shares from the project area reducing the investment in FBDC by P653.283 million.

### Clark Development Corporation (CDC)

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

### Philippine Japan Initiative for CGC, Inc (PJIC)

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 the Authority 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 New Clark City (NCC) Project and the Clark Rail Transit System Project (collectively, the Clark Projects). The primary objectives and purposes of the

Company 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 New Clark City (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 Company's registered office address is at 2<sup>nd</sup> Floor, Bonifacio Technology Center, 31<sup>st</sup> Street corner 2<sup>nd</sup> Avenue, Bonifacio Global City, Taguig City, Philippines. The corporate term set forth in the articles of incorporation is five years from and after the date of incorporation.

The Authority remitted P186.148 million and P229.369 million to PJIC in 2020 and 2019, respectively, representing its additional capital infusion to the JV.

#### John Hay Management Corporation (JHMC)

JHMC was established as the implementing arm of the Authority for the development and management of the 625-hectare Camp John Hay Reservation located in the City of Baguio 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 Camp John Hay for tourism, commercial, industrial, residential, nature reserve and human resource development center.

#### BCDA Management and Holdings, Inc. (BMHI)

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

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

BMHI was deactivated effective August 1, 2016. All projects handled by BMHI were turned-over to the Authority 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. The Authority created a Management Team for BMHI to manage and supervise the disbursements, collection, legal cases and other transactions pertaining to and retained by BMHI.

#### Filinvest BCDA Clark, Inc. (FBCI)

FBCI was incorporated by virtue of a joint venture agreement by and between the Authority 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, the Authority recognized its share in the JVC amounting to P231 million equivalent to the value of the right to use and possess the land (Development and Usufructuary Rights) for use of the JVC over the NCC-Phase 1 property.

#### North Luzon Railways Corporation (NORTHRAIL)

NORTHRAIL is a pre-operating subsidiary of the Authority 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.

The Authority provided an allowance for impairment on its investment in NORTHRAIL due to its going concern issues. Unfortunately, the Commission on Audit denied BCDA's request for write-off. BCDA will revive its request for write-off as soon as the NORTHRAIL is subjected to liquidation pursuant to the recommendation of the Governance Commission for GOCCs (GCG).

On August 20, 2019, the GCG issued Memorandum Order 2019-05 deactivating NORTHRAIL. As a deactivated GOCC, NORTHRAIL ceases to be a going concern and shall have no power or competence to enter into any contract or transactions, which seeks to pursue its ordinary course of business.

#### Poro Point Management Corporation (PPMC)

PPMC was established as the operating arm of the Authority to manage the Poro Point Freeport Zone. PPMC's responsibility 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.

#### 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 the 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 the Bonifacio Global City and other real estate development projects.

#### Subic Clark Alliance for Development (SCAD)

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

### Clark International Airport Corporation (CIAC)

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

On February 28, 2017, EO No. 14 was issued restructuring CIAC from being an attached agency of DOTr, to a subsidiary of the Authority, 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 the Authority and its nominees.

Dividends earned from investment in affiliates amounted to P1.343 billion in CY 2020 and P695 million in CY 2019 (see Note 24).

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## 12. INVESTMENTS IN GOVERNMENT BONDS

This account consists of the following:

	2020	2019
Long-term placements in Fixed-Rate Treasury Notes	1,257,730,717	2,546,036,040
Long-term Investment on Tier 2 Fixed-Rate Unsecured Subordinated Notes	500,000,000	500,000,000
	<b>1,757,730,717</b>	<b>3,046,036,040</b>

Interest income earned from investment in government bonds amounted to P75.010 million and P142.533 million for the years ended December 31, 2020 and 2019, respectively (see Note 24).

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## 13. INVESTMENTS IN STOCKS

This account consists of the following:

	2020	2019
Cost of 10% investment in Bonifacio Water Corporation	70,051,870	70,051,870
Cost of 15% investment in Poro Point Industrial Communication	15,000,000	15,000,000
Value of 30 golf and country club shares received by BCDA from CJHDevCo as partial payment of the latter's outstanding obligations	12,000,000	12,000,000

	2020	2019
Cost of 10% Cumulative Preferred shares of 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 the Authority and MERALCO	5,947,649	5,947,649
Cost of stocks/securities of PLDT in connection with the installation of various lines at the Authority and miscellaneous investments	24,800	24,800
	<b>103,024,319</b>	<b>103,024,319</b>

#### 14. PROPERTY AND EQUIPMENT

This account consists of the following:

	Land and Land Improvements	Building & Structures, Leasehold Improvements- Building	Office Equipment, Furniture & Fixtures and Books	Other Machinery & Equipment	Land Transport Equipment	Construction in Progress	Right-of-Use Asset	Total
<b>2020</b>								
<b>COST</b>								
<b>At January 1, 2020</b>	2,798,681,044	1,213,090,996	99,835,100	35,500,124	160,980,420	1,608,633,537	95,853,945	6,012,575,166
Additions	0	2,959,963	6,016,449	1,143,932	8,957,143	14,676,522,913	0	14,695,600,400
Reclassifications	669,710	0	0	0	0	0	0	669,710
Adjustments	0	(560,038,191)	(65,500)	0	0	(20,741,778)	(7,699,469)	(588,544,938)
<b>Balance, December 31, 2020</b>	<b>2,799,350,754</b>	<b>656,012,768</b>	<b>105,786,049</b>	<b>36,644,056</b>	<b>169,937,563</b>	<b>16,264,414,672</b>	<b>88,154,476</b>	<b>20,120,300,338</b>
<b>ACCUMULATED DEPRECIATION</b>								
<b>At January 1, 2020</b>	1,866,624,021	380,526,868	48,828,899	26,000,211	97,432,872	0	26,515,721	2,445,928,592
Depreciation	108,962,064	17,035,268	11,481,812	1,484,988	9,550,503	0	30,581,967	179,096,602
<b>Balance, December 31, 2020</b>	<b>1,975,586,085</b>	<b>397,562,136</b>	<b>60,310,711</b>	<b>27,485,199</b>	<b>106,983,375</b>	<b>0</b>	<b>57,097,688</b>	<b>2,625,025,194</b>
<b>Carrying Amount December 31, 2020</b>	<b>823,764,669</b>	<b>258,450,632</b>	<b>45,475,338</b>	<b>9,158,857</b>	<b>62,954,188</b>	<b>16,264,414,672</b>	<b>31,056,788</b>	<b>17,495,275,144</b>
<b>2019</b>								
<b>COST</b>								
<b>At January 1, 2019</b>	2,757,143,244	488,294,456	90,182,800	37,859,273	115,533,872	1,205,582,123	0	4,694,595,768
Additions	41,537,800	724,796,540	28,561,950	225,429	49,848,661	6,053,761,237	95,853,945	6,994,585,562
Transfer	0	0	0	0	(3,893,885)	0	0	(3,893,885)
Reclassifications	0	0	0	0	0	(5,650,709,823)	0	(5,650,709,823)
Adjustments	0	0	(18,909,650)	(2,584,578)	(508,228)	0	0	(22,002,456)
<b>Balance, December 31, 2019</b>	<b>2,798,681,044</b>	<b>1,213,090,996</b>	<b>99,835,100</b>	<b>35,500,124</b>	<b>160,980,420</b>	<b>1,608,633,537</b>	<b>95,853,945</b>	<b>6,012,575,166</b>
<b>ACCUMULATED DEPRECIATION</b>								
<b>At January 1, 2019</b>	1,739,571,571	363,866,006	55,775,210	26,906,035	85,583,770	0	0	2,271,702,592
Depreciation	127,052,450	16,394,465	9,911,127	1,420,609	14,730,109	0	26,515,721	196,024,481
Adjustments	0	266,397	(16,857,751)	(2,326,120)	0	0	0	(18,917,474)
Transfer	0	0	0	0	(2,881,007)	0	0	(2,881,007)
<b>Balance as restated, December 31, 2019</b>	<b>1,866,624,021</b>	<b>380,526,868</b>	<b>48,828,586</b>	<b>26,000,524</b>	<b>97,432,872</b>	<b>0</b>	<b>26,515,721</b>	<b>2,445,928,592</b>
<b>Carrying Amount December 31, 2019</b>	<b>932,057,023</b>	<b>832,564,128</b>	<b>51,006,514</b>	<b>9,499,600</b>	<b>63,547,548</b>	<b>1,608,633,537</b>	<b>69,338,224</b>	<b>3,566,646,574</b>



The significant increase in the Property and Equipment pertains to the on-going constructions of buildings or projects such as the expansion of New Clark International Airport and various Access Roads. Details of the Construction in Progress account are as follows:

Project	2020	2019
Clark International Airport Expansion Project	10,335,172,612	0
Airport to NCC Access Road Project (Phase 1)	2,828,200,493	664,262,481
NCC-SCTEX Access Road Project	1,396,463,657	0
Construction of Fronthaul of the Cable Network Corridor for the Luzon Bypass Infrastructure Project	416,982,233	205,545,531
Modular Information and Technology Facilities (MITFs) and Repeater Stations	360,911,731	260,658,472
Airport to NCC Access Road Project (Phase 2)	355,228,099	122,004,530
Iconic Building	141,301,424	133,380,988
Airport to New Clark City Access Spur Road	117,388,114	0
NCC to Access Road Project	72,298,560	61,075,188
Road Projects - NCC to SCTEX	70,408,682	59,314,425
Philippine Navy Facilities	37,345,691	0
Lawton Avenue Widening	34,381,261	4,442,000
Fit-Out Requirements for New Office in Clark Onewest	17,153,387	17,153,387
Replication OF ASCOM/SSC/DACC Facilities	15,744,901	14,170,411
Detailed Eng'g Design of CGC Mixed Income	13,295,390	13,295,390
Consulting Services for Advance Preliminary Works for SCRP	11,430,400	0
Major Road Network/Site Office in CGC	8,829,364	8,829,364
Detailed Design and Traffic Mgt for the new SCTEX Tarlac Plaza	6,092,954	6,092,954
South Luna Ramps - Project Design	5,356,955	4,821,241
Renovation of CIAC Airport & Construction of Gangway	4,490,372	4,490,372
San Fernando Airport Fence-Land Related Cost	4,106,246	4,106,246
JHMC Office Building	3,000,000	0
PPMC Main Gate-Land Related Cost	2,580,733	2,580,733
Utilities-Luzon Bypass Infrastructure Project	1,736,836	1,736,836
Installation of Fence AT PEZA-MOOG Leased Area	1,249,291	1,249,290
New Passenger Terminal Bldg.	847,355	0
Storage SCRP	844,750	0
Construction materials for SCAA Detachment in NCC Area	362,073	362,073
Clark & SCTEx Access Road Project	305,077	0
Construction Materials for Redwood Villa	76,347	0
Replication of K-9 Unit facilities	0	18,231,939
Others	829,684	829,686
	16,264,414,672	1,608,633,537

## 15. SERVICE CONCESSION ASSETS

This account consists of the following:

	SCTEX		CRK		Total
	Provided by BCDA	Introduced by MNTC	Turned-over by CIAC	Introduced by LIPAD	
<b>2020</b>					
<b>COST</b>					
At January 1, 2020	30,764,578,517	1,884,813,447	603,344,555	84,308,135	33,337,044,654
Additions	0	112,485,095	0	478,620,555	591,105,650
<b>Balance, December 31, 2020</b>	<b>30,764,578,517</b>	<b>1,997,298,542</b>	<b>603,344,555</b>	<b>562,928,690</b>	<b>33,928,150,304</b>

	SCTEX		CRK		Total
	Provided by BCDA	Introduced by MNTC	Turned-over by CIAC	Introduced by LIPAD	
<b>ACCUMULATED DEPRECIATION</b>					
At January 1, 2020	4,871,654,661	189,829,306	30,715,068	0	5,092,199,035
Depreciation	216,887,569	73,520,808	80,938,676	0	371,347,053
<b>Balance, December 31, 2020</b>	<b>5,088,542,230</b>	<b>263,350,114</b>	<b>111,653,744</b>	<b>0</b>	<b>5,463,546,088</b>
<b>Carrying Amount</b>					
<b>December 31, 2020</b>	<b>25,676,036,287</b>	<b>1,733,948,428</b>	<b>491,690,811</b>	<b>562,928,690</b>	<b>28,464,604,216</b>
<b>2019</b>					
<b>COST</b>					
At January 1, 2019	30,764,578,517	1,740,754,139	0	0	32,505,332,656
Additions	0	144,059,308	603,344,555	84,308,135	831,711,998
<b>Balance, December 31, 2019</b>	<b>30,764,578,517</b>	<b>1,884,813,447</b>	<b>603,344,555</b>	<b>84,308,135</b>	<b>33,337,044,654</b>
<b>ACCUMULATED DEPRECIATION</b>					
At January 1, 2019	4,515,645,881	116,308,498	0	828,654	4,632,783,033
Depreciation	356,008,780	73,520,808	30,715,068	0	460,244,656
Adjustments	0	0	0	(828,654)	(828,654)
<b>Balance as restated, December 31, 2019</b>	<b>4,871,654,661</b>	<b>189,829,306</b>	<b>30,715,068</b>	<b>0</b>	<b>5,092,199,035</b>
<b>Carrying Amount</b>					
<b>December 31, 2019</b>	<b>25,892,923,856</b>	<b>1,694,984,141</b>	<b>572,629,487</b>	<b>84,308,135</b>	<b>28,244,845,619</b>

*SCTEx provided by BCDA* pertains to land improvements provided by BCDA to Subic-Clark-Tarlac Expressway (SCTEx) Subic-Clark section and Clark-Tarlac section (see Note 35).

*Assets introduced by MNTC* pertains to assets constructed/provided by Manila North Tollways Corporation (MNTC) such as toll fare structures at toll plazas, North Luzon Expressway (NLEX)/SCTEx integration civil works/ fixed operating equipment, pavement rehabilitation, rest stop, Toll Operations Center Building (TOCB), roadway lighting etc. (see Note 36).

*Assets turned-over by CIAC* pertains to assets assigned by Clark International Airport Corporation (CIAC) to BCDA in accordance with the O&M Concession Agreement between the Authority and North Luzon Airport Consortium (NLAC) for the operation and maintenance of the Clark International Airport (CRK). BCDA handed over these assets to NLAC under the Agreement.

*Assets introduced by LIPAD* refers to the constructions and improvements to the CRK by Luzon International Premier Airport Development Corporation (LIPAD), a special purpose company incorporated by NLAC to operate and maintain the CRK.

## 16. 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/structures located in Camp John Hay and the Association of Southeast Asian Nations (ASEAN) Villas in CEZ.

The total area of land classified as investment property with approximately 42,876 hectares has a fair market value of P957.552 billion as of December 31, 2020.

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

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

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

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

	2020	2019 (As restated)
<b>COST</b>		
<b>Beginning balance</b>	<b>73,463,842,784</b>	73,249,343,744
Additions	10,961,642,462	445,939,760
Reclassifications	(669,710)	0
Adjustments	0	(231,440,720)
Disposals/Write-off	(187,091,455)	0
<b>Ending balance</b>	<b>84,237,724,081</b>	73,463,842,784
<b>ACCUMULATED DEPRECIATION</b>		
<b>Beginning balance</b>	<b>191,742,585</b>	168,993,946
Depreciation	208,874,039	22,748,639
<b>Ending balance</b>	<b>400,616,624</b>	191,742,585
<b>Carrying Amount</b>	<b>83,837,107,457</b>	73,272,100,199

Lease revenue earned from investment properties amounted to P923.862 million and P965.120 million in 2020 and 2019, respectively (see Note 24). Expenses incurred arising from investment properties are as follows:

	2020	2019
Estate management fees	184,328,134	192,162,391
Zone maintenance	37,337,647	66,146,526
Security services	14,243,513	45,084,929
	<b>235,909,294</b>	303,393,846

The Authority entered into Deeds of Usufruct and/or Memorandum of Agreement for the use of its properties in line with the Authority's mandate to promote economic and social development with the following entities:

- Department of Environment and Natural Resources (DENR) for the use of a 33.74-hectare portion of Lot 15 of the 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 uses of Philippine ecosystems and natural resources;
- Department of Education-CAR Division of Baguio City for the use of a 1,529-square meter property within Barangay Country Club in Baguio City for establishing a school building;
- Reserve Officers Legion of the Philippines (RLOP) for a 500-square meter area under TCT 28674 within the Community Center Area of the Housing Site II located at C-5 Road, Fort Bonifacio as the National Headquarters of the RLOP;
- Department of National Defense for the right to use the remaining one-hectare property at Camp Claudio as a housing site for Philippine Navy personnel;
- Filipino War Veterans Foundation Inc. for the use of a 5,000-square meter property within the commercial area of Pamayanang Diego Silang as headquarters and livelihood training center for the veterans;
- Department of Education-Taguig for the construction of Senator Rene Cayetano Science and Technology High School within the Pamayanang Diego Silang Community Facilities Center;
- Military Ordinariate of the Philippines as site for the Chapel of St. Therese within Villamor Air Base with a lot area of 6,244 sqm;
- Department of Public Works and Highways for the Sta. 00+000 to Sta. 00+712.17 in connection with the construction of the SCTEx-TPLEx interconnection project;
- Philippine Dental Association (PDA) for the use of a 500-square meter area in Diego Silang Village for the establishment of the PDA Oral Health Research Center; and
- Department of National Defense (DND) and Armed Forces of the Philippines (AFP) for the right to use the 29.83-hectare portion of Camp John Hay for the establishment of the AFP Learning Center and other related purposes.

On May 29, 2014, President Benigno Aquino III approved the Master Development Plan for the New Clark City involving 9,450 hectares of land within the Clark Special Economic Zone (CSEZ) including the first phase of its development. The Authority appropriated P6.000 billion from its retained earnings for this purpose.

The Authority has also allocated certain parcels of lands to various institutions in line with the development of the New Clark City (NCC).

- University of the Philippines (UP) for the establishment of a campus covering an area of 70.09 hectares of land; and
- Technological University of the Philippines (TUP) for the establishment of the TUP Center for Industrial Development and Productivity covering an area of 20.8 hectares of land.

## 17. OTHER NON-CURRENT ASSETS

This account comprises the following:

	2020	2019 (As restated)
Non-current receivables		
Loans and receivables	<b>15,558,818,090</b>	22,488,081,519
Inter-agency receivables	<b>1,055,647,444</b>	2,184,083,460
Lease receivables	<b>808,647,245</b>	0
Other receivables	<b>8,549,294</b>	8,549,294
	<b>17,431,662,073</b>	24,680,714,273
CJHDevCO Escrow Account	<b>1,421,096,052</b>	1,421,096,052
Deferred charges	<b>48,410,695</b>	48,410,695
Heritage Park Perpetual Care Fund	<b>47,868,231</b>	47,868,231
Deposits for expropriation	<b>24,059,375</b>	25,107,888
Intangible assets	<b>18,888,026</b>	22,532,884
Rent deposit	<b>8,987,203</b>	8,987,203
Other assets	<b>7,163,054</b>	7,163,054
	<b>19,008,134,709</b>	26,261,880,280

*Non-current receivables* refer to the amount due from lessors, advances/receivables from affiliates, long-term portion of installment sales receivable and contingency funds for Newport City and the McKinley Hill projects. The significant decrease pertains to the portion of receivables from SM Prime Holdings, Inc. and MEGAWORLD for the Boni South Pointe, Joint US Military Assistance Group (JUSMAG) and North Bonifacio Projects which became due in CY 2020 and reclassified as current receivable (see Note 8).

*CJHDevCo escrow account* pertains to the fund established in CY 2015 by the Authority 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), was deposited. Interest earned from the escrow account amounted to P34.942 million for 2020 and P47.926 million for 2019.

*Deferred charges* pertain to the advances made to the Armed Forces of the Philippines (AFP) for the latter's share in the proceeds from redemption of FBDC Preferred B

shares and advance rental of Altus San Nicolas for the 5,000-square meter lot along Lawton Avenue from CY 2015-2027.

*Heritage Park Perpetual Care Fund (PCF)* refers to the balance of the 12 per cent PCF advanced to the Heritage Park Management Corporation. The account is decreased by the corresponding PCF of sold Heritage Park Investment Certificates (HPICs).

*Deposits for expropriation* refer to cash deposited with the Clerk of Courts in relation to land expropriation cases for SCTEx.

*Intangible assets* pertain to acquired computer software licenses which are presented based on the cost incurred to acquire and bring to use the specific software. These costs are amortized over the expected useful lives of five years. Costs associated with maintaining computer software programs are recognized as expense when incurred. Amortization of intangible assets amounted to P4.712 million and P3.836 million in 2020 and 2019, respectively. The carrying amount of the Authority's intangible assets are as follows:

	2020	2019
<b>COST</b>		
<b>Beginning balance</b>	<b>37,240,826</b>	24,035,480
Additions	<b>1,066,701</b>	13,205,347
<b>Ending balance</b>	<b>38,307,527</b>	37,240,827
<b>ACCUMULATED AMORTIZATION</b>		
<b>Beginning balance</b>	<b>14,707,943</b>	10,872,217
Amortization	<b>4,711,558</b>	3,835,726
<b>Ending balance</b>	<b>19,419,501</b>	14,707,943
<b>Carrying Amount</b>	<b>18,888,026</b>	22,532,884

## 18. ACCOUNTS PAYABLE

This account consists of payables to the following:

	2020	2019 (As restated)
Various suppliers and contractors	<b>1,233,120,371</b>	170,447,449
Operating lease payable	<b>31,379,971</b>	65,783,088
	<b>1,264,500,342</b>	236,230,537

*Accounts payable to various suppliers and contractors* pertains to payables arising from the Authority's purchases of goods and services.

*Operating lease payable* pertains to lease liability arising from the lease of the Authority's office at Bonifacio Global City and temporary housing facilities of Philippine Navy Senior Officers computed in accordance with PFRS 16 (see Note 25).

## 19. INTER-AGENCY PAYABLES

This account consists of the following:

	2020	2019 (As restated)
Due to Bureau of the Treasury (BTr)	<b>2,538,806,808</b>	2,546,580,812
Due to Affiliates	<b>835,677,109</b>	841,835,909
Due to National Government Agencies (NGAs)	<b>310,717,059</b>	1,681,017,221
Due to Bureau of Internal Revenue (BIR)	<b>80,927,283</b>	71,703,394
Due to Government-Owned and Controlled Corporations (GOCCs)	<b>2,981,278</b>	3,125,184
Due to Local Government Unit (LGU)	<b>615,678</b>	0
	<b>3,769,725,215</b>	5,144,262,520

*Due to BTr* refers to the 72.50 per cent share of the beneficiaries on asset disposition thru sale of portions of Villamor Air Base and Fort Bonifacio. It also includes AFP's share from the net proceeds of non-sale transactions such as the Authority's share in joint venture projects, lease income, and disposition of HPICs. This also includes the balance of guarantee fees incurred in relation to the Japan International Cooperation Agency (JICA) loan for the SCTEx Project amounting to P169.411 million and P384.275 million as at December 31, 2020 and 2019, respectively.

*Due to Affiliates* is composed of the following:

	2020	2019
Clark International Airport Corporation (CIAC)	<b>603,397,806</b>	603,397,806
Clark Development Corporation (CDC)	<b>203,867,423</b>	203,867,423
John Hay Management Corporation (JHMC)	<b>14,099,791</b>	11,372,617
Poro Point Management Corporation (PPMC)	<b>9,968,616</b>	18,854,590
BCDA Management and Holdings, Inc. (BMHI)	<b>4,343,473</b>	4,343,473
	<b>835,677,109</b>	841,835,909

*Due to CIAC* pertains to the property, plant and equipment assigned, transferred and conveyed by CIAC to the Authority for the operations and maintenance of the Clark International Airport (CRK) pursuant to the Operations and Maintenance (O&M) Concession Agreement of the Authority and Luzon International Premier Airport Development Corporation. This account will be reduced once the Deed of Assignment between CIAC and the Authority is executed/signed.

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

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

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

*Due to NGAs* consists mainly of the funds transferred by the Philippine Veterans Affairs Office to the Authority for the preparation of the total master development plan of the Libingan Ng Mga Bayani and from the Department of Transportation for the implementation of the Greenways Project and preliminary works for the Subic-Clark Railway Project (SCRP). A total of P1.378 billion was remitted to the National Government in CY 2020 pursuant to the Bayanihan to Heal as One Act.

*Due to BIR* represents taxes withheld from employees, suppliers/contractors, and corporate income tax due. The net effect of output tax over input tax is presented as deferred credits.

*Due to other GOCCs* consists mainly of premiums payable to GSIS, PAG-IBIG, and Philhealth.

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## 20. PROVISIONS

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

	2020	2019
Beginning	28,271,271	25,430,401
Additional provisions during the year	12,109,132	9,469,794
Reductions arising from payment	(4,405,786)	(6,628,924)
Balance	35,974,617	28,271,271

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## 21. OTHER PAYABLES

This account consists mainly of the following:

	2020	2019
Contractor's security deposits	1,033,357,308	1,565,552,858
Other payables	265,602,974	344,922,768
	1,298,960,282	1,910,475,626

*Contractor's security deposits* correspond to the bid bonds, performance and warranty security received from contractors/suppliers. These also include the 10 per cent retention monies withheld from the gross billing of the contractors/suppliers of goods and services.

*Other payables* include funds received from MEGAWORLD for the Villamor Airbase replication and relocation project and funds for the National Police Commission project amounting to P0.218 million and P3.24 million, respectively. It also includes Due to Other Individuals amounting to P32.864 million in 2020 and P116.774 million in 2019 representing the balance of Road Right of Way (RROW) acquisition in New Clark City.



## 22. BORROWINGS

	2020	2019
Current portion of JICA Loan	<b>882,367,945</b>	882,367,945
Non-current portion of JICA Loan	<b>17,647,358,892</b>	18,529,726,837
	<b>18,529,726,837</b>	19,412,094,782

The loan payable to the Japan International Cooperation Agency (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 the Authority in the amount of ¥58.138 billion (inclusive of supplemental loan amounting to ¥17.106 billion in accordance with the amended Exchange of Notes). In 2020 and 2019, payments were made amounting to P0.889 billion (¥1.906 billion) and P0.911 billion (¥1.906 billion), respectively. As of reporting date, the unpaid balance amounted to ¥40.030 billion. This balance is carried at restated amount based on the BSP foreign exchange rate of P0.4629 for CY 2020 and P 0.4629 for CY 2019.

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

### LOAN PROFILE:

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

## 23. DEFERRED CREDITS

This account consists of the following:

	2020	2019 (As restated)
Deferred income from service concession	<b>4,908,377,340</b>	4,485,002,951
Deferred income on tax subsidy	<b>2,418,696,061</b>	2,556,252,235
Deferred income from leased properties	<b>972,339,096</b>	1,039,089,472

	2020	2019 (As restated)
Deferred income from Heritage Park Project	<b>450,593,505</b>	450,593,505
Deferred interest income from Heritage Park Project	<b>98,762,805</b>	5,082,495
Output tax payable	<b>89,654,082</b>	88,199,837
Committed contributions for the upgrading of San Fernando Airport	<b>55,000,000</b>	55,000,000
Deferred income from joint venture projects	<b>350,000</b>	350,000
Other deferred credits	<b>2,066,839,413</b>	2,144,482,442
	<b>11,060,612,302</b>	10,824,052,937

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

*Deferred income on tax subsidy* pertains to the tax subsidy granted by the Department of Finance, as implemented by the Bureau of Internal Revenue, to pay for the taxes of the contractors, suppliers, and consultants involved in the construction of SCTEx. This is pursuant to the provisions of the Exchange of Notes between the Republic of the Philippines and the Government of Japan that no part of the loan proceeds from the JICA for the construction of 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 the Authority.

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

Issued to	Amount of Subsidy	Amount of Utilization (in billion pesos)	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
	<b>13.302</b>	<b>4.138</b>	<b>9.164</b>

The decrease of P137.556 million in 2020 is due to the amortization of deferred income on tax subsidy as subsidy from the National Government.

*Deferred income from leased properties* represents the advance rental and earnest money received from various lessees of the Authority's properties.

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

*Deferred income from joint venture projects* pertains to the unrealized income from the remaining unsold inventory of parking units allocated to the Authority in the Pacific Plaza Towers Project.

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

## 24. REVENUES

Revenues consist of the following:

	2020	2019 (As restated)
Revenue from JV agreements (see Note 36 c, d, f and h)	<b>2,642,494,189</b>	2,524,882,233
Dividend revenue	<b>1,343,333,333</b>	695,000,000
Concession revenue	<b>1,157,608,067</b>	1,520,594,703
Lease revenue	<b>923,861,876</b>	965,120,074
Interest income	<b>298,946,758</b>	678,962,655
Sales revenue	<b>61,262,723</b>	58,383
Miscellaneous revenue	<b>156,672,383</b>	78,434,272
	<b>6,584,179,329</b>	6,463,052,320

*Dividend revenue* in 2020 consists of dividends received from Bonifacio Communication Corporation and Bonifacio Estate Services Corporation in the amount of P80 million and P3.333 billion, respectively. It also includes dividend income of P1.260 billion from Fort Bonifacio Development Corporation (FBDC).

*Concession revenue* pertains to the 50 per cent share of the Authority from the audited gross toll revenue of SCTEx amounting to P897.756 million in 2020 and P1.299 billion in 2019, amortized portion of MNTC's upfront cash payment in the amount of P111.607 million in 2020 and 2019 and the amortization of concession asset introduced by MNTC in the amount of P55.504 million in 2020 and 2019. It also includes the gross revenue share from the operation of the Clark International Airport amounting to P92.120 million in 2020 and P53.824 million in 2019 and the amortization of concession asset introduced by LIPAD amounting to P0.620 million in 2020 and P258,479 in 2019.

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

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

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

*Miscellaneous revenue* consists primarily of the unsecured revenue from Newport Project. It also includes other income such as permit fees, commission income and fees on utility consumption of various entities at National Government Administrative Center (NGAC).

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## 25. LEASE AGREEMENTS

### As a lessee

The Authority leases its office in Bonifacio Global City (BGC) under a renewal of lease agreement with FBDC. The lease has a term of three years, with renewal options, and include annual escalation rate of five per cent per annum.

In addition to the rental payment, the Authority shares in all cost 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.

Provision for parking lots was covered in a separate agreement with FBDC subject to its existing rate structure. Leases of parking lots are of low value items, no right-of-use assets and lease liabilities are recognized for this lease.

The Subic-Clark Railway Project (SCRIP) also leases a temporary office site in San Ramon, Dinalupihan, Bataan for a period of one year commencing on December 1, 2020 with renewal options. This lease is short-term and of low value items, hence, right-of-use asset and lease liability were not recognized.

In addition to the office space in BGC and Bataan, the Authority leases temporary housing facilities of 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 for a term ranging from 28 to 36 months or up to February 15, 2022, with renewal options.

Also, during the COVID-19 pandemic, President Rodrigo Duterte enjoined all government agencies to render full assistance and cooperation and mobilize the necessary resources to undertake critical, urgent, and appropriate response measures to curtail and eliminate the threat of COVID-19. The Inter-Agency Task Force for the Management of Emerging Infectious Diseases (IATF) directed all local government units and government-owned and controlled corporations to identify facilities that may be temporarily utilized as isolation or quarantine facilities. NGAC Facilities at the New Clark City were among those identified by BCDA as temporary isolation or quarantine and medical treatment facilities to accommodate COVID-19 patients from Clark and nearby provinces, hence, the Authority leased the NGAC Government Building and the Government Residences from the NGAC JV for a term of 3.5 months commencing on September 16, 2020 and expiring on December 31, 2020. Lease of the NGAC facilities is short-term, thus, right-of-use asset and lease liability were not recognized.

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

Expenses for 2020 recognized in profit or loss are as follows:

Interest on lease liabilities	<b>2,270,658</b>
Expenses relating to leases of low value assets	<b>27,181,052</b>
Depreciation expense	<b>30,581,967</b>
	<b>60,033,677</b>

The future minimum lease payments under these agreements are as follows:

	<b>2020</b>	2019
Within one year	<b>31,089,596</b>	34,664,356
After one year but not more than five years	<b>1,403,261</b>	32,492,857
	<b>32,492,857</b>	67,157,213

#### As a lessor

The Authority leases out certain Investment Properties under an operating lease agreement with various lessees. Leases are negotiated for an average term of between two to 25 years with option to renew clauses.

Lease revenue recognized in profit or loss amounted to P923.862 million and P965.120 million in 2020 and 2019 respectively. Interest income earned from lease of Association of Southeast Asian Nations (ASEAN) Villas amounted to P9.063 million in CY 2020 (see Note 24).

The future minimum lease payments under these agreements are as follows:

	<b>2020</b>	2019
Within one year	<b>427,893,236</b>	535,110,137
After one year but not more than five years	<b>1,323,286,299</b>	1,997,585,455
More than five years	<b>2,020,565,943</b>	2,599,012,134
	<b>3,771,745,478</b>	5,131,707,726

The Authority also leases out residential units at Clark, Pampanga under Finance Lease with a lease term of 50 years.

## **26. PERSONNEL SERVICES**

This consists of the following:

	<b>2020</b>	2019 (As restated)
Salaries and wages	<b>104,158,413</b>	102,053,124
Other compensation	<b>77,476,243</b>	77,598,215

	2020	2019 (As restated)
Personnel benefit contributions	45,576,391	45,457,432
Other personnel benefits	23,277,493	28,099,111
	<b>250,488,540</b>	<b>253,207,882</b>

## 27. MAINTENANCE AND OTHER OPERATING EXPENSES

	2020	2019 (As restated)
Contribution to AFP Modernization	2,593,183,289	2,503,405,522
Depreciation and amortization	764,029,250	682,853,501
Financial assistance/subsidy/contribution	474,979,733	188,730,821
General services	314,522,359	221,056,904
Bad debts	219,084,342	71,569,338
Estate management fees	187,819,831	195,332,420
Utilities	75,063,291	28,019,167
Repairs and maintenance	71,872,482	22,246,594
Professional services	65,717,008	100,324,469
Rent expense	34,002,766	5,604,527
Taxes, insurance premiums and other fees	19,475,651	15,842,640
Supplies and materials	14,784,003	15,927,331
Printing, advertising and promotion	11,987,057	14,466,364
Communication	8,354,887	4,083,925
Training and scholarship expenses	5,414,877	11,701,289
Traveling expenses	3,238,444	17,858,308
Other maintenance and operating expenses	34,922,418	19,400,212
	<b>4,898,451,688</b>	<b>4,118,423,332</b>

Contribution to AFP Modernization pertains to the cost of replication of facilities and the 50 per cent share of the AFP out of the net proceeds from leases, joint ventures and all transactions, other than sale entered into by the Authority, involving portions of Metro Manila military camps pursuant to the provisions of EO No. 309 dated November 3, 2000, detailed as follows: (see Note 36)

	2020	2019
Proceeds arising from joint venture agreements (see Note 36.d, e, f and h)	1,616,509,794	1,766,417,951
Proceeds from lease income	325,623,082	324,646,383
Replication of facilities	20,741,777	46,828,121
Revenue from sale of Heritage Park Investment Certificates (HPICs)	308,636	1,941,417
Interest on non-sale transactions	0	26,071,650
Dividends	630,000,000	337,500,000
	<b>2,593,183,289</b>	<b>2,503,405,522</b>

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## 28. OTHER INCOME

This consists of the following:

	2020	2019 (As restated)
Subsidy income	1,627,683,960	10,940,278,987
Impairment loss	5,129	(3,511,670)
Foreign exchange gain/(loss)	(8,665,975)	505,840,128
Subsidy expense	(70,188,759)	(70,188,759)
Finance expense	(387,864,574)	(428,307,275)
	<b>1,160,969,781</b>	10,944,111,411

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

*Unrealized gain (loss) on foreign exchange*

The Authority has two main foreign currency denominated transactions: the special yen loan package of the SCTEx project and bank deposits for dollar transactions.

*Impairment loss* pertains to the derecognition of unserviceable properties of the Authority.

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## 29. INCOME TAX EXPENSE (BENEFIT)

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 on March 26, 2021. The effectivity is 15 days after its publication in the Official Gazette or in a newspaper of general circulation.

Some of the provisions that may have an impact on the Authority's operations are as follows:

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

This is a non-adjusting event because the law has not yet been substantially enacted as of the reporting date in accordance with Philippine Accounting Standard (PAS) 10, Events after the Reporting Period. Accordingly, the current and deferred taxes reported in the financial statements are measured using the applicable income tax rate of 30 per cent.

Presented below is a summary of the potential impact of the above provisions on the Authority's 2020 Financial Statements:

	<b>Amount reflected in the 2020 FS</b>	Amount computed based on RA No. 11534	Increase/ (Decrease)
Current tax	<b>(700,043,095)</b>	(628,580,837)	71,462,258
Deferred tax	<b>175,163,870</b>	160,566,881	(14,596,989)
Net income	<b>3,121,088,107</b>	3,064,222,839	(56,865,268)
Deferred tax asset/liability	<b>4,646,575,837</b>	4,355,664,051	(290,911,786)
Income tax liability	<b>(700,043,095)</b>	(628,580,837)	71,462,258
Equity	<b>158,965,913,964</b>	158,909,048,696	(56,865,268)

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

	<b>2020</b>	2019 (As restated)
Current tax	<b>(700,043,095)</b>	(585,531,821)
Deferred tax	<b>175,163,870</b>	390,672,857
	<b>(524,879,225)</b>	(194,858,964)

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

	<b>2020</b>	2019 (As restated)
Statutory Income Tax	<b>778,862,665</b>	3,942,046,301
Income tax effects of:		
Non-taxable income (subsidy income and subsidy expense)	<b>(467,248,560)</b>	(3,261,027,068)
Income already subjected to final tax (interest income and dividend revenue)	<b>(492,684,027)</b>	(411,987,955)
Non-deductible expenses (interest expense, representation and taxes)	<b>37,031,076</b>	59,319,023
Non-taxable sale (Asset Disposition Program)	<b>(538,344,376)</b>	(571,222,159)
Expired MCIT	<b>157,503,997</b>	48,012,894
	<b>(524,879,225)</b>	(194,858,964)



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

	2020	2019 (As Restated)
<b>Deferred tax assets</b>		
Accounts receivable from business		
Agreements	<b>898,881,735</b>	1,183,918,837
Unearned service concession revenue	<b>1,632,876,752</b>	1,505,864,435
Unearned lease revenue	<b>308,306,729</b>	328,331,842
Excess MCIT	<b>168,701,398</b>	286,409,348
Net operating loss carry over (NOLCO)	<b>1,963,868,260</b>	1,106,321,168
Unrealized foreign exchange loss	<b>490,020,067</b>	489,641,596
Allowance for Impairment	<b>65,725,303</b>	21,470,801
Accrued expenses	<b>98,165,018</b>	8,918,113
	<b>5,626,545,262</b>	4,930,876,140
<b>Deferred tax liabilities</b>		
Unbilled accounts receivable	<b>(155,072,939)</b>	(155,072,939)
Service concession asset	<b>(824,896,486)</b>	(693,902,636)
	<b>(979,969,425)</b>	(848,975,575)
	<b>4,646,575,837</b>	4,081,900,565

The details of NOLCO which can be claimed as deduction from future taxable income within three years from the year the loss was incurred are shown below.

Year Incurred	Amount Incurred	Amount Applied	Amount Expired	Remaining Balance	Year of Expiration
2020	857,547,092	0	0	857,547,092	2023
2019	633,544,715	0	0	633,544,715	2022
2018	472,776,453	0	0	472,776,453	2021
	1,963,868,260	0	0	1,963,868,260	

For the years ended December 31, 2020 and 2019, the Authority is subject to two per cent MCIT, respectively, as defined in the tax regulations.

Year Incurred	Amount Incurred	Amount Applied	Amount Expired	Remaining Balance	Year of Expiration
2020	39,796,047	0	0	39,796,047	2023
2019	56,030,606	0	0	56,030,606	2022
2018	72,874,745	0	0	72,874,745	2021
2017	157,503,997	0	157,503,997	0	2020
	326,205,395	0	157,503,997	168,701,398	

### 30. OTHER COMPREHENSIVE INCOME

This account pertains to cumulative changes every period in investments classified as financial assets at fair value through other comprehensive income (FVOCI). Fair value changes of financial assets at FVOCI are recognized in OCI and recycled to profit or loss upon derecognition. Cumulative change in fair value of investments amounted to P4.769 million in 2019.

### 31. CAPITAL STOCK AND CONTRIBUTED CAPITAL

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

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

	2020	2019
Villamor Air Base	27,841,448,676	27,841,448,676
Various Metro Manila Camps	10,273,904,288	10,273,904,288
Camp John Hay	9,515,612,282	9,515,612,282
Bataan Technology Park	3,024,994,233	3,024,994,233
Clark Main Zone	30,433,626,863	30,433,626,863
San Fernando Seaport	366,018,191	366,018,191
Sacobia	26,164,356	26,164,356
San Fernando Airport	5,259,638	5,259,638
Heritage Park	644,210	644,210
	<b>81,487,672,737</b>	81,487,672,737
Equity from the National Government (NG) for the implementation of various projects	4,211,390,116	3,204,018,846
Value of the capitalized portion of Fort Bonifacio Global City which is equivalent to 45 per cent share in FBDC	19,769,006,975	19,769,006,975
Net proceeds from the disposition of transferred properties as provided under RA No. 7227, as amended	4,490,276,434	4,463,803,964
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
	<b>110,144,944,162</b>	109,111,100,422
Fund from Legislative-Executive Bases Council	2,930,858	2,930,858
	<b>110,147,875,020</b>	109,114,031,280

Contributed capital pertains to the excess in the Capital account brought by the appraised values of land, largely at Clark Main Zone, as a result of the appraisal of BCDA assets conducted by Asian Appraisal Company, Inc. (AACI) in 2017. The increase in authorized capital stock will be included for the possible proposed amendments to the BCDA Charter (see Note 16).

The NG released equity amounting to P1.007 billion and P2.149 billion for the implementation of the Access Road Projects in NCC in CYs 2020 and 2019, respectively. In CY 2019, the NG also released P8.755 million for the Bonifacio South Main Boulevard Project.

Land used to securitize the Heritage Park Investment Certificates (HPICs) was transferred by the NG as Capital of the Authority. It was later on conveyed to the Philippine National Bank, as the appointed trustee for the Heritage Park securitization, pursuant to the Pool Formation Trust Agreement of 1994 among the Authority, Philippine Reclamation Authority, and Philippine National Bank. The transfer of land from NG to the Authority was recorded at P1.00 per square meter.

### 32. RETAINED EARNINGS

Retained Earnings at January 1, 2019 was restated for the following adjustments:

Reversal of long outstanding/payables with debit balances	(31,661,350)
Adjustment of depreciation for property and equipment	4,022,263
Adjustment on income tax	33,666,118
Adjustment on cost of inventories	164,303,671
Correction of prior years' income/expenses	(65,354,170)
	<b>104,976,532</b>

### 33. RELATED PARTY TRANSACTIONS

The summary of related party transactions and outstanding balances as at December 31, 2020 are as follows:

	Nature	Expenses/ Revenues	Outstanding Balance		Terms
			Receivable	Payable	
CIAC	Advances for implementation of BCDA Projects	0	P475.352 million	0	Non-interest bearing, subject to liquidation upon completion of project
	Intercompany settlement of CDC-CIAC loans	0	P735.561 million	0	Non-interest bearing
	Amortization of DB loan of CIAC paid by CDC	0	P170.329 million	0	Non-interest bearing

	Nature	Expenses/ Revenues	Outstanding Balance		Terms
			Receivable	Payable	
	Advances for importation of cost of radar spare parts	0	P68.510 million	0	Non-interest bearing
	Advances to Affiliates	0	P832.248 million	0	Non-interest bearing
CDC	Share in investment promotion materials	0	P0.003 million	0	Non-interest bearing
	Power Subsidy to Phoenix Semi-Conductor Phil. Corp	P70.189 million	0	0	
PPMC	Advances for implementation of BCDA infrastructure projects and share in investment promotion materials	0	P74.226 million	0	Non-interest bearing, subject to liquidation upon completion of project
	Land related expenses	P22.084 million	0	0	Non-interest bearing subject to reimbursement by the Authority
	Estate management fee	P94.723 million	0	0	Released every start of the year
JHMC	Estate management fee	P93.096 million	0	0	Released every start of the year
	Land related expenses	P15.254 million	0	0	Non-interest bearing subject to reimbursement by the Authority

	Nature	Expenses/ Revenues	Outstanding Balance		Terms
			Receivable	Payable	
	Advances for implementation of BCDA Projects and share in investment promotion materials	0	P22.345 million	0	Non-interest bearing, subject to liquidation upon completion of project
FBDC	Dividend for CY 2020	P1.631 million	0	0	Non-interest bearing
	Dividend for CY 2013	0	P15.222 million	0	Non-interest bearing
BESC	Purchase of services (Development control services)	P0.729 million inclusive of VAT	0	0	Monthly
	Dividend for CY 2019	P3.333 million	0	0	Non-interest bearing
	Construction guarantee deposits	0	P1.500 million	0	Non-interest bearing
BCC	Dividend for CY 2020	P55 million	0	0	Non-interest bearing

a. *BCDA Management and Holdings Inc. (BMHI)*

BMHI as a deactivated subsidiary of the Authority is being managed by a team specifically created to administer the functions retained by BMHI (see Note 11).

b. *Bonifacio Estate Services Corporation (BESC)*

BESC provides development and control services over the Authority's controlled and/or owned areas in Global City. The services include all aspects related to the submission, approval, enforcement, and monitoring of plans for the development/redevelopment of lots within the Global City as defined and governed by the Declaration of Covenants, Conditions and Restrictions and the Design Standards and Guidelines.

c. *Fort Bonifacio Development Corporation (FBDC)*

In 2009, FBDC and the Authority entered into an agreement for the development and disposition of a total 8.5-hectare area in the North Central Business District (NCBD)-Annex B of the Global City, otherwise known as the NCBD-Annex B (the property). As beneficial owner of the property, the Authority is entitled to the net proceeds that will be generated from the disposition of the identified 3.44-hectare saleable area of the NCBD-Annex B which shall be upstreamed to the Authority via redemption of the Preferred B shares held by the Authority in FBDC. Initially, FBDC advanced the amount of P2.235 billion as deposit on future redemption classified under Inter-Agency Payables-Due to Affiliate account. Subsequently, partial redemption of Preferred B shares arising from both the sales and usufruct proceeds was recorded in 2015 amounting to P742.399 million and P631.920 million, respectively. This reduced the balance of deposit for future redemption of Preferred B shares to P473.030 million in 2016.

In 2010, the Authority received P450 million from FBDC as advances for the redemption of Preferred F shares. The deposit was classified under Inter-Agency Payable while waiting for the Securities and Exchange Commission's (SEC) approval of FBDC's conversion of its convertible common capital stock into Preferred Shares. On November 11, 2016, SEC approved the Amended Articles of Incorporation of FBDC, reclassifying the P6 billion Common Shares to P5 billion Preferred F Shares and P1 billion Preferred G Shares. This reduced the Authority's investment in FBDC and Inter-Agency payable in the amount of P450 million. In December 2016, the Authority redeemed the Preferred G shares, further reducing the investment to FBDC by another P450 million. On December 6, 2016, the Authority received P315 million from FBDC for the redemption of Preferred G Shares and the balance of P135 million on January 4, 2017.

The Authority leases its corporate office from FBDC for a period of 10 years commencing on November 1, 2003 with an option to renew for a mutually agreed terms and conditions.

Subsequent renewals were made in 2013 and 2018 (See Note 25).

d. *Filinvest BCDA Clark, Inc. (FBCI)*

On January 8, 2016, the Authority entered into a Joint Venture Agreement (JVA) with Filinvest Land, Inc. (FLI) for the privatization and development of a mixed-use and industrial component of the 288-hectare portion of the Clark Special Economic Zone (CSEZ) through the formation of a Joint Venture Corporation (JVC). The JVC was incorporated and registered with the Securities and Exchange Commission (SEC) as Filinvest BCDA Clark, Inc. (FBCI) on March 16, 2017.

The Authority's share in the JVC is equivalent to the value of the Development and Usufructuary Rights (DUR) of the Authority over the 288-hectare (New Clark City) NCC property amounting to P231 million subject to adjustment for any changes in the land area that may arise until December 31, 2017 pending the finalization of the Comprehensive Master Development Plan (CMDP) for the entire NCC and actual ground survey of the NCC-Phase 1 area. The capital structure of the JVC shall be 55 per cent for FLI and 45 per cent for the Authority.

e. *Philippine Japan Initiative for CGC, Inc. (PJIC)*

On March 8, 2016, the Authority entered into a JVA with the Japan Overseas Infrastructure Investment Corporation for Transport and Urban Development (JOIN) for the implementation of a “Detailed Master Plan” for the materialization of New Clark City Project and the Clark Rail Transit System Project. The JVC was incorporated and registered with the SEC as PJIC on July 4, 2016.

The JVC shall primarily be involved in the preparation and completion of the Detailed Master Plan and conduct research and feasibility studies focusing on the NCC Project and pertinent developmental project.

On November 21, 2018, BCDA and JOIN executed an Amended Joint Venture Agreement for the purpose of making necessary amendments to the original Joint Venture Agreement in order to further pursue the implementation of Phase 1 under the Comprehensive Master Development Plan (CMDP), to add Surbana Jurong Consultants PTE. Ltd (SJ) as joint venture partner, and to reflect other changes mutually agreed upon among the parties.

SJ is a corporation duly incorporated in Singapore and one of the largest Asia-based urban, industrial and infrastructure consulting firms with a global presence. Its principal place of business is at 168, Jalan Bukit Merah, No. 01-01, Connection One, Singapore 150168.

The revised authorized capital stock of PJIC amounted to P1.676 billion. The parties are expected to infuse a paid-up capital of P562.628 million which represents 34 per cent of the revised authorized capital stock of PJIC, to be borne by BCDA, JOIN, and SJ in accordance with the equity share of 48 per cent 50 per cent, and two per cent, respectively.

**Key management personnel compensation of key management personnel**

Key management personnel compensation comprises the following:

	2020	2019
Short-term employee benefits	<b>32,144,035</b>	31,466,500

*Short-term benefits* include salaries, allowances and other benefits which are due to be settled within 12 months after the end of the period in which the employees render the related service.

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**34. CONTINGENCIES**

The Authority is contingently liable for lawsuits or claims filed by third parties which are either pending in the courts or are under negotiation. These cases involve, among others, civil actions for re-conveyance of title/properties, return of investment, eminent domain, collection of 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 are not presently determinable.

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

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### **35. SUBIC-CLARK-TARLAC EXPRESSWAY 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 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 2001 and ending 2011 with an interest payment of 0.95 per cent per annum for Civil Works and 0.75 per cent per annum for Consulting Services. Based on the JICA Notice of Completion of Disbursement dated January 6, 2011, final loan which closed on December 17, 2010 went down from ¥59.037 billion to ¥58.138 billion due to unutilized portion of the loan.

Payments for the principal loan amounted to P859 million (¥1,906 million) in 2020 and P911 million (¥1,906 million) in 2019, while interest payments totaled P182 million (¥390 million) in 2019 and P195 million (¥425 million) in 2019.

The SCTEx consists of two (2) 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 Tipu 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.

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### **36. BUSINESS AGREEMENTS**

*a. Agreement with Manila North Tollways Corporation (MNTC)*

On February 26, 2015, the Authority and MNTC entered into a Business Agreement (BA) governing the assignment by the Authority to MNTC of its rights and interest 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 among the Authority, MNTC and the Toll Regulatory Board (TRB) and was approved by the Office of the President on October 16, 2015. The Toll Operation Certificate was issued by TRB to MNTC on October 22, 2015 and MNTC officially took over the SCTEx toll facilities and officially commenced the management, operation and maintenance of SCTEx on October 27, 2015.

#### Salient Features of the Business Agreement

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

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

In consideration for the assignment, the following shall be paid by MNTC to the Authority:

- a. An Upfront cash of P3.5 billion, inclusive of VAT; and
- b. From the effective date to October 30, 2043, concession fees equal to 50 per cent of the audited gross toll revenues of SCTEx for the relevant month on or before the 15<sup>th</sup> day of the succeeding month (Concession Fee Payment Date). If the Concession Fee Payment Date falls on a holiday or a day which is not a business day, then the same shall be adjusted to fall on the immediately succeeding business day. Any concession fee that is not paid on the relevant Concession Fee Payment Date shall earn interest/penalty equivalent to two per cent per month of delay or a fraction thereof.

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

The obligations of MNTC to pay the concession fees and to undertake the maintenance works shall be covered by a performance security posted by MNTC in favor of the Authority.

At the end of the Contract Term or upon termination of the Agreement, the SCTEx (including all additional, enhancement and/or improvement works completed during the Contract Term and all applicable systems related to the operation and toll collection of the SCTEx and applicable technology related to toll collection (subject to then existing intellectual property laws) as well as the as-built plans, specifications and operation/repair/maintenance manuals relating to the same

shall be turned over to BCDA or to its successor-in-interest conformably with law, and in all cases in accordance with and subject to the terms and conditions of the STOA.

Termination Due to Default:

1. In the event that the BA is terminated by reason of BCDA default, MNTC shall have the right to be indemnified for actual damages including financial losses incurred arising from the BCDA default and from the termination of the BA due to such default. MNTC shall retain the right to operate and maintain and collect toll revenues or retain possession and control of SCTEx until BCDA shall have fully paid the damages aforementioned.
2. In the event that the BA is terminated by reason of MNTC default, BCDA shall have the right to automatically take-over the SCTEx. BCDA may call on the Performance Security to the extent of MNTC's actual obligation falling due; provided, if actual obligation is more than the face value of the security, MNTC will pay the difference. In addition, MNTC shall indemnify BCDA for actual damages including financial losses incurred by BCDA arising from the MNTC default and from the termination of the BA due to such default.
3. In either instance, the non-defaulting party shall serve notice to the Grantor of the termination of the STOA by reason of the termination of the BA. All rights and obligations of, and assignments made by, BCDA and MNTC under the BA shall be terminated. The banking arrangements of BCDA and MNTC shall also be terminated, and BCDA shall be entitled to all the toll revenues from the SCTEx.

*b. NLEx-SCTEx Integration Agreement*

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

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

c. *Agreement with Megaworld Corporation - JUSMAG Property*

On April 13, 2010, the Authority entered into a Joint Venture Agreement (JVA) with Megaworld Corporation (MEGAWORLD) for the privatization and development of the 34.5-hectare portion of the 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. The Authority'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 Authority's allocated units for sale, and leasing and management agent for allocated units for lease, for which it shall be entitled to receive marketing and management fees of 12 per cent based on the gross selling price inclusive of VAT.

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

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

As of December 31, 2016, all lots allocated to the Authority were already sold.

d. *Agreement with Megaworld Corporation – North Bonifacio Lots Project*

On November 3, 2009, the Authority 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, the Authority shall contribute the North Bonifacio lots, while MEGAWORLD shall provide financing for, and shall undertake the planning, construction, and development of the project. In return for their contributions, the Authority will receive 10 per cent units in the project while Megaworld shall receive 90 per cent.

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

In addition to the minimum investment, MEGAWORLD has also committed to provide the property with transportation facilities (Transportation Project) requiring an investment of no less than P500 million. The Transportation Project is expected

to enhance the accessibility of the property to Bonifacio Global City and other major points in Metro Manila.

As of December 31, 2020, a total of 28 residential units and 136 parking slots remain unsold valued at P370.018 million and P108.625 million, respectively (see Notes 8, 24 and 27).

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

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

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

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

As of December 31, 2020, a total of 47 residential/retail units and 71 parking slots remain unsold valued at P220.479 million and P43 million, respectively.

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

On September 1, 2003, the Authority 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 McKinley Hill Project. Pursuant to the JVA, the Authority shall contribute land with an aggregate land area of 24.6 hectares, while AGGI shall provide financing for the implementation of the project.

The Authority authorized AGGI to enter into a joint development agreement with third party entities under which AGGI 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 Corporation designating the latter as the Project Manager and exclusive marketing agent of the project.

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

As of December 31, 2020, a total of 12 residential units and 21 parking slots remain unsold valued at P73.254 million and P10.500 million, respectively.

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

On April 15, 2003, the Authority entered into a Joint Development Agreement (JDA), as amended on February 13, 2004, with Ayala Land, Inc. (ALI) for the development of Lot B at Bonifacio Global City, known as the Serendra project. Pursuant to the JDA, the Authority shall contribute the 11.6-hectare lot, and ALI shall provide the necessary cash and expertise to undertake and complete the implementation of the residential development. In return for their contributions, 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.

ALI has committed to invest sufficient capital, which is estimated to be P12.419 billion, and to remit to the Authority 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.

As of December 31, 2020, 3 residential units remain unsold out of the total allocated units of 418 and 46 parking slots in District 2 valued at P65.820 million and P89.330 million, respectively.

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

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

SMPH has committed to invest a minimum of P30 billion within the maximum development timetable of 20 years from the commencement of development of the Project and to remit to the Authority an upfront cash of P2 billion, the minimum revenue share of P3 billion for the first two years of the Project, P8 billion on the third year and P6 billion on the fourth and fifth year of the Project.

The JVA also provides that SMPH shall fund the functional replication of all structures, facilities, utilities and land/site development of the Bonifacio Naval Station (BNS)/Philippine Marine Corps (PMC) and Army Support Command (ASCOM)/Special Service Center (SSC)/Division Administrative Command (DACC) facilities found within the Property including their relocation to the Relocation Site/s to be identified by the Authority and the DND/AFP. The total cost of relocation and replication advanced by SMPH shall be recoverable, without interest, against the Minimum Annual Secured Revenue Share in five equal annual

installments beginning on the immediately succeeding year after the completion of the functional replication works.

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

On December 17, 2018, the Authority entered into an agreement with the consortium of Prime Water Infrastructure Corporation, Prime Asset Ventures, Inc., MGS Consortium, Inc., and the 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.

*j. Concession Agreement with Luzon International Premier Airport Development Corp. (LIPAD)*

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

Under the O&M Concession Agreement, the Authority shall construct the New Terminal Building of the Airport, while LIPAD shall reimburse BCDA the cost of construction for the next 20 years with payment of P500 million per year commencing on the first anniversary of the final acceptance date. In addition, the parties shall likewise share on the airport's Gross Revenues with 81.75 per cent for LIPAD and 18.25 per cent for BCDA. The ownership of CRK will remain with BCDA during and after the end of 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 existing CRK was handed to LIPAD on August 16, 2019.

*k. Joint Venture Agreement with MTD Capital Berhad*

On February 22, 2018, the Authority 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 parks 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. Percentage of ownership to the JVC shall be 10 per cent for BCDA and 90 per cent for MTD Capital Berhad.

The Authority 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 shall be contributed as unencumbered advances to the JVC plus additional cash as equity capital to maintain its 90 per cent interest.

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

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

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### **37. NEW CLARK CITY**

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

#### National Government Administrative Center (NGAC)

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

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

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

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

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

#### 288 Hectare Township Development

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

In August 2018, the BCDA Board also approved the conceptual development plan of the Filinvest Land Inc.'s for the development of a 288-hectare mixed-use industrial area. Filinvest will feature green components that will also unify the following industries: BPOs (business processing outsourcing), KPOs (knowledge process outsourcing), 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 Wasterwater Infrastructure Project for NCC.

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

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### **38. SUBIC-CLARK RAILWAY PROJECT**

The Subic-Clark Railway Project (SCRP) is a 71.13-kilometer joint project of the Department of Transportation (DOTr) and the BCDA which 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.

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### **39. EVENTS AFTER THE REPORTING PERIOD**

- a. In January 2021, the Authority remitted the remaining dividend of P810.789 million from the dividend due to the National Government of P913.500 million as a result of the compliance audit on the CY 2018 dividends conducted by COA;
- b. The Authority received P1.302 billion in February 2021 from the Department of Information and Communication Technology (DICT) pursuant to the Framework



Agreement by and between the Authority and DICT involving a joint development project currently being implemented through mutual beneficial collaboration and sharing of resources. This project will provide high-speed broadband infrastructure at a much affordable price;

- c. The Authority has remitted a total amount of P2.686 billion representing beneficiaries' share on the proceeds of asset disposition for CY 2020;
- d. The Authority also received P285 million in April 2021 from the Department of Agriculture in connection with the development of the BCDA-DA Agro Industrial Business Corridor in New Clark City aimed for agricultural modernization and agri-business development in the area; and
- e. In May 2021, the Board of Directors (BOD) approved the declaration and remittance to the Bureau of the Treasury the amount P1.141 billion representing dividends to the National Government based on the CY 2020 Unaudited Financial Statements, of which an initial of P750 million was remitted on May 18, 2021.

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#### **40. RESTATEMENT OF ACCOUNTS**

##### Changes in accounting policies and estimates

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

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

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

- a. Restating the comparative amounts for prior period(s) presented in which the error occurred; or
- b. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

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

**PART II – OBSERVATIONS AND  
RECOMMENDATIONS**

As a result of the restatements, affected accounts in the CY 2019 financial statements were restated, as follows:

	As Previously Reported	Adjustments	As Restated
<b>STATEMENT OF FINANCIAL POSITION</b>			
Assets	195,522,606,495	(99,047,983)	195,423,558,512
Liabilities	38,887,404,159	89,079,566	38,976,483,725
Equity	156,635,202,336	(188,127,549)	156,447,074,787
<b>STATEMENT OF COMPREHENSIVE INCOME</b>			
Revenues	6,526,900,892	(63,848,572)	6,463,052,320
Operating Expense	4,330,758,744	40,872,470	4,371,631,214
Other Income	10,944,012,187	99,224	10,944,111,411
Income Tax Benefit	173,388,163	21,470,801	194,858,964

#### 41. SUPPLEMENTARY INFORMATION ON TAXES

In compliance with the requirements set forth by BIR Revenue Regulation 15-2010, hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year.

The Authority is a VAT-registered company with VAT output tax declaration of P228.163 million based on the amount of sales subject to VAT of P1.551 billion.

The amount of VAT Input taxes claimed are broken down as follows:

Beginning of the year	24,666,690
Add: Goods other than for resale or manufacturing	0
Services lodged under other accounts	721,011,259
Total	745,677,949
Less: Input tax claimed	228,162,586
End of the year	517,515,363

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

Transaction	Amount
<b>Withholding taxes</b>	
Withholding tax on compensation	27,783,350
Expanded withholding tax	80,299,803
Withholding VAT	96,377,714
Sub-total	204,460,867
<b>Other taxes</b>	
BIR Annual Registration	1,000
Taxes related to transfer of properties	12,985,589
Sub-total	12,986,589
<b>Total</b>	<b>217,447,456</b>

## OBSERVATIONS AND RECOMMENDATIONS

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### A. FINANCIAL AUDIT

1. **The accuracy and reliability of the balance of Input Tax amounting to P213.860 million as of December 31, 2020 could not be ascertained due to the variance of P307.918 million between the balance reported in the Value-Added Tax (VAT) Return (BIR Form 2550Q/2550M) and the balance per books.**

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

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

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

1.3. Our audit for CY 2020 revealed that the balance of Input Tax reported by the Authority in its BIR VAT Return (2550Q) as of 4<sup>th</sup> quarter of CY 2020 amounted to P521.778 million. However, verification of accounting records showed that Input tax as of December 31, 2020 has a balance of P213.860 million, thus, resulted in a variance of P307.918 million computed as follows:

Particulars	Amount
Balance per VAT Return	521,777,673.48
Balance per accounting records	213,859,637.94
<b>Variance</b>	<b>307,918,035.54</b>

1.4. The variance noted above cast doubt on the accuracy and reliability of the Input Tax presented in the financial statements. Additionally, it may have resulted in inaccurate filing of BIR returns in which tax surcharges/penalties may be imposed if assessed by the BIR pursuant to Revenue Memorandum Order No. 7-2015 dated January 22, 2015.

1.5. **We recommended that Management prepare proper reconciliation of the balances of input tax presented in BIR VAT Returns and accounting records, and prepare the necessary adjusting entries, if warranted.**

1.6. Management commented that the CY 2020 transactions insofar as the Input Tax is concerned were already reconciled. However, the Accounting and Comptrollership Department (ACD) is still in the process of reconciling the Input and Output Taxes from CY 2019 and prior years as reflected in the filed BIR Forms 2550M and 2550Q.

- 1.7. The access to source documents (hard copies) for CY 2019 and prior years has been limited due to the imposition of Work-from-Home as an alternative work arrangement in BCDA because of the surge in COVID-19 cases among its employees, hence, reconciliation shall be made in batches or by calendar year.
- 1.8. Management explained that adjusting entries shall be transmitted to the Audit Team by batches, one journal voucher per calendar year, once reconciliation for a particular year has already been completed.
- 1.9. We further recommended that Management expedite the reconciliation of the balances of Input VAT between BIR VAT Returns and accounting records.
- 2. The unreconciled variance of P303.514 million between the balances of Output VAT per accounting records and VAT Returns (BIR Forms 2550Q/2550M) casts doubt on the faithful presentation of the balance of Output Tax as of December 31, 2020.**

- 2.1. Faithful representation, as provided in the Conceptual Framework, states that information must faithfully represent the substance of what it purports to represent. Additionally, the qualitative characteristic of verifiability helps assure users that the information faithfully represents the economic phenomena it purports to represent. Verifiability means that different knowledge and independent observers could reach consensus, although not necessarily in complete agreement, that a particular depiction is a faithful representation.
- 2.2. Our audit revealed that BCDA reported no outstanding VAT Payable in Monthly and Quarterly VAT Returns for the reason that the allowable Input VAT from purchases was more than the Output VAT from sales amounting to P521.778 million as shown in the VAT Return filed with BIR, computed as follows:

<b>4<sup>th</sup> Quarter BIR Form 2550Q</b>	<b>Amount</b>
Total Output Tax Due	60,524,921.60
Less: Total Allowable Input Tax	582,302,595.08
<b>Excess Input Tax</b>	<b>521,777,673.48</b>

- 2.3. However, review of records disclosed that the Output Tax has a balance in the books of accounts as of December 31, 2020 in the amount of P303.514 million, hence, resulting in a variance of the same amount between the balances of Output Tax in accounting records and VAT Returns, as follows:

<b>Output VAT Payable</b>	<b>Amount</b>
Per books	303,513,720.35
Per VAT Returns	0
<b>Variance</b>	<b>303,513,720.35</b>

- 2.4. The variance noted above casts doubt on the accuracy and reliability of the Output Tax presented in the financial statements. Additionally, it may have resulted in inaccurate filing of BIR returns in which tax surcharges/penalties may be imposed if assessed by the BIR pursuant to Revenue Memorandum Order No. 7-2015 dated January 22, 2015.
- 2.5. **We recommended that Management determine the cause of the variance and reconcile the amounts between the accounting records and the tax returns filed and prepare the necessary adjusting entries to correct the account balance in the books, if warranted.**
- 2.6. Management commented that they already started the reconciliation process in batches per year, starting with the most recent, until they complete the process of reconciliation and will provide the Audit Team a copy of the reconciliation per batch immediately.
- 2.7. BCDA assured that they shall strictly comply with the withholding and remittances of taxes in accordance with the BIR rules and regulation.
- 2.8. As a rejoinder, we recommended that Management expedite the reconciliation between the accounting records and the tax returns filed and immediately prepare the necessary adjusting entries to correct the account balance in the books, if warranted, and submit the same to the Audit Team for further verification.
3. **The qualitative characteristic of verifiability of Withholding Tax at Source could not be established due to the variance of P93.776 million between the amount presented in the Annual Income Tax Return (BIR Form 1702) and the balance per books.**

- 3.1. COA Circular No. 2015-010 dated December 1, 2015 provides that Withholding Tax at Source account is used to recognize the amount of creditable withholding tax (CWT) deducted by an entity, which is designated by the BIR as authorized agent, from rental or other services to be credited by BIR upon receipt from the entity of proof of remittance to the BIR together with BIR Form No. 2307.
- 3.2. Review of records revealed a variance of P93.776 million between the total CWT presented in the Annual Income Tax Return (ITR) or BIR Form No. 1702 and the accounting records as of December 31, 2020, computed as follows:

Particulars	Amount
Balance of CWT per accounting records	1,220,799,961.70
Balance of CWT per ITR	1,127,024,184.00
	<b>93,775,777.70</b>

- 3.3. Our last year's audit of the accounts and transactions for CY 2019 noted a variance between the amount presented in the ITR and balance in the books amounting to P324.152 million.

- 3.4. Management commented that the noted variance may have been caused by timing issue. The Authority conducted reconciliation of the CWT per books against the amount in the ITR as recommended by the Audit Team. However, the Audit Team still noted an unaccounted withholding tax amounting to P42.502 million as of December 31, 2019.
- 3.5. The variance of P93.776 million noted between the two records for CY 2020 casts doubt on the accuracy and reliability of Withholding Tax at Source account presented in the financial statements.
- 3.6. Immediate reconciliation should be facilitated in order that the financial statements provide the financial users accurate information about creditable withholding tax. Moreover, it bears stressing that the information indicated in the ITR appeared to be inaccurate and may result to tax surcharges/penalties if assessed by the BIR pursuant to Revenue Memorandum Order No. 7-2015 dated January 22, 2015.
- 3.7. **We reiterated our recommendation that Management require the Accounting Division to continuously reconcile the amount reported as creditable withholding tax in the Annual Income Tax Return with the balance per accounting records and adjustments be made, if warranted.**
- 3.8. Management commented that reconciliation of the two records was already made. Out of the P93.776 million noted variance, P56.031 million pertains to CWTs that were applied per CY 2019 ITR recorded under Journal Voucher (JV) No. 56207 dated December 30, 2020.
- 3.9. Additionally, BCDA issued JV No. 56371 dated December 31, 2020 to revert to Retained Earnings the P33.666 million CWTs because these could neither be verified by Management due to the absence of pertinent documents that could no longer be claimed/applied to income tax since this occurred during prior years which was carried over to the current year.
- 3.10. However, adjustments made in the books amounting to P33.666 million could not be verified by the Audit Team due to non-submission of supporting documents.
- 3.11. During the exit conference, we emphasized that Management should not just simply make adjustments in the books of accounts without the necessary supporting documents and in the case of taxes, adjustments should be in accordance with BIR rules and regulations.
- 3.12. Management commented that since they were also being assessed periodically by BIR, the Tax Clearance/Certificate issued by the BIR pertaining to prior years will be submitted to the Audit Team as a supporting document on the adjustments made amounting to P33.666 million. To date, the said clearance/certificate was not yet submitted to the Audit Team.

- 3.13. Moreover, we still noted an unreconciled withholding tax amounting to P4.079 million.
- 3.14. As a rejoinder, we recommended that Management further analyze the cause of the variance and submit to the Audit Team all supporting documents for further verification.
- 4. The year-end balances of the Due to BIR accounts totaling P40.865 million showed unremitted taxes amounting to P17.418 million, thus exposing the Authority to possible assessment of deficiency tax and penalties imposed by BIR.**

- 4.1. Section 114 of the Tax Code requires that Value-added Tax (VAT) withheld shall be remitted within 10 days following the end of the month the withholding was made.
- 4.2. Likewise, BIR Revenue Memorandum Circular No. 23-2007 mandates the withholding of taxes on certain government transactions and the remittance of the same on or before the 10<sup>th</sup> day of the following month in which the withholding was made. This will enable the government to raise more revenues needed to finance government projects.
- 4.3. The Due to BIR accounts should normally pertain to taxes withheld from officers/employees and other entities for the month of December 2020 and should be remitted on the following month. However, analysis of the accounts showed that after the remittances made in January 2021, there were still unremitted taxes due to BIR in the total amount of P20.832 million, as follows:

Due to BIR account	Balance as of Dec 31, 2020	Remittance in January 2021	Unremitted Balance as of Dec 31, 2020
Withholding tax on Compensation	6,416,681.64	4,883,203.82	1,533,477.82
Expanded Withholding Tax	1,517,351.65	0	1,517,351.65
Value-added Tax	21,900,967.06	18,563,690.40	3,337,276.66
Final Tax	11,030,359.25	0	11,030,359.25
	<b>40,865,359.60</b>	<b>23,446,894.22</b>	<b>17,418,465.38</b>

- 4.4. It can be gleaned from the above table that taxes withheld by the Authority were not timely and fully remitted to BIR, thus, depriving the national government of funds that could have been used for important projects.
- 4.5. We noted further that Management did not remit the final taxes withheld as of December 31, 2020 totaling P11.030 million, consequently, the Monthly Remittance Form of Final Income Taxes Withheld was not filed to BIR.
- 4.6. Sections 247 (b) and 251 of the Tax Code provides that:

*SEC. 247. General Provisions. — xxx*

*(b) If the withholding agent is the Government or any of its agencies, political subdivisions or instrumentalities, or a government-owned or controlled corporation the employee thereof responsible for the*



*withholding and remittance of the tax shall be personally liable for the additions to the tax prescribed herein.*

*SEC. 251. Failure of a Withholding Agent to Collect and Remit Tax. — Any person required to withhold, account for and remit any tax imposed by this Code or who willfully fails to withhold such tax, or account for and remit such tax, or aids or abets in any manner to evade any such tax or the payment thereof, shall, in addition to other penalties provided for under this Chapter, be liable upon conviction to a penalty equal to the total amount of the tax not withheld, or not accounted for and remitted.*

- 4.7. Moreover, the BIR, in its directive under Revenue Memorandum Order No. 16-2013, informs that *in cases of violations 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 the 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.*
- 4.8. **We recommended that Management remit all taxes withheld in accordance with BIR rules and regulations to avoid penalties or sanctions as imposed by BIR under Section 272 of the Tax Code.**
- 4.9. Management committed to complete the reconciliation between the accounting books and the tax records as soon as possible. Accordingly, some amounts were just carried over from the previous years, which put the issue of reconciliation very difficult to complete in view of lacking documents, which is exacerbated by the current pandemic.
- 4.10. Management already started the reconciliation process in batches per year, starting with the most recent, until completion of the process of reconciliation and will provide the Audit Team a copy of the reconciliation per batch starting this month.
- 4.11. Management already remitted on April 29, 2021 the Final Taxes Withheld amounting to P10.578 million and other unreconciled/unremitted taxes as of December 31, 2020 were also included in the remittance to BIR on May 7, 2021.
- 4.12. As a rejoinder thereto, although the Authority already remitted all the balances of Due to BIR accounts, we recommended that Management strictly monitor and reconcile periodically all taxes withheld as recorded in the books of accounts vis-à-vis the actual remittance to BIR. The unreconciled balances are indications that the taxes withheld for a particular period were not timely and fully remitted to BIR which may expose the Authority to possible assessment of deficiency tax and penalties imposed by BIR.

5. Payables amounting to P35.984 million which have been outstanding for two years or more were not reverted to Retained Earnings which is not in accordance with the prescribed presentation under Philippine Accounting Standard (PAS) 1 and the Conceptual Framework of Financial Reporting resulting in the understatement of Equity and overstatement of liability accounts by the same amount.

5.1. Paragraph 69 of Philippine Accounting Standard (PAS) 1 states that:

*An entity shall classify a liability as current when:*

- a. *It expects to settle the liability in its normal operating cycle;*
- b. *It holds the liability primarily for the purpose of trading;*
- c. *The liability is due to be settled within twelve months after the reporting period; or*
- d. *It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period*

5.2. Section 3.2 of COA Circular No. 99-004 dated August 17, 1999 provides, among others, that:

- a. *All obligations shall be supported by valid claims.*
- b. *Payable – Unliquidated Obligations which has been outstanding for two years or more and against which no actual claims, administrative or judicial, has been filed or which is not covered by perfected contracts on record should be reverted to the Cumulative Results of Operations Unappropriated (CROU), now the Retained Earnings. xxx*

5.3. The Department of Budget and Management and COA issued Joint Circular No. 99-6 dated November 13, 1999 prescribing the guidelines and procedures relative to the reversion of accounts payables (APs). Sections 3.1 and 3.3 of the Joint Circular states that:

*3.1 All documented A/Ps of all funds which have remained outstanding for two (2) years, shall be reverted to the Cumulative Results of Operations - Unappropriated (CROU), except on-going capital outlays projects.*

*3.3 All undocumented A/Ps, regardless of the year they were incurred, shall immediately be reverted to the CROU.*

5.4. Our audit disclosed that the following payable accounts remained outstanding for two years and more, as follows:

Account	Age		Total
	Over 2 years	Over 3 years	
Accounts Payable	323,332.10	35,284,991.62	35,608,323.72
Due to Officers and Employees	89,472.99	0	89,472.99
Payroll Deductions	58,245.84	227,776.26	286,022.10
	<b>471,050.93</b>	<b>35,512,767.88</b>	<b>35,983,818.81</b>

- 5.5. The outstanding payables pertain to the following:
- a. Marketing and management fees due to Serendra, Inc. and Ayala Land, Inc. (ALI) amounting to P23.043 million and P11.523 million, respectively.
  - b. Financial assistance for the Project Affected People (PAPs) in the New Clark City (NCC) amounting to P339,925.
  - c. Remuneration to employees and DND/AFP-BCDA Technical Working Group (TWG) (i.e., honorarium, healthcare benefits, etc.) totaling P87,960.
  - d. Payable to contractor of Project Based Accounting System (PBAS) amounting to P60,000.
  - e. Purchase of goods and services from various suppliers/contractors totaling P0.554 million.
  - f. Due to officers and employees pertains to salaries, allowances and other remunerations to BCDA employees amounting to P89,472.99.
  - g. Payroll deductions refer to Estate Management Fees (EMFs) charged against the BCDA employees who availed the Pamayanang Diego Silang (PDS) housing units to be remitted to PDS association totaling P286,022.10.
- 5.6. The above payables were still in the books of accounts for such a long period of time, hence, it casts doubt on whether or not the claimants are aware that they have receivables from BCDA, more so that the possibility for these to be claimed by the creditors is remote
- 5.7. We also noted that the long outstanding payables were not reverted to Retained Earnings in accordance with COA Circular No. 99-004, hence, resulted in an overstatement and understatement of the Liability and Retained Earnings accounts, respectively, both in the amount of P35.984 million.
- 5.8. Moreover, it was noteworthy to mention that the dormant payables were still presented and classified in the financial statements as current liability instead of non-current liability which is also departure from the provisions of Paragraph 69 of PAS 1.
- 5.9. **We recommended that Management:**
- a. **Evaluate and analyze all recorded payables which remained outstanding and dormant for two years or more and submit the result of analysis and the corresponding supporting documents to the Audit Team for verification; and**

- b. Prepare the necessary adjusting entries to revert the dormant payables to Retained Earnings in accordance with COA Circular No. 99-004 and DBM- COA Joint Circular No. 99-6, if warranted.**

5.10. Management commented the following:

- a. Accounts payable to ALI of P 34.566 million is an obligation relative to its services as BCDA's leasing and marketing agent for the BCDA-owned retail units in Serendra pursuant to the Joint Development Agreement for the Serendra Project.

Management agreed to pay the marketing and management fees to ALI in accordance with the audit recommendation. Management shall instruct DBP to pay ALI within May 2021.

- b. Financial Assistance for PAPs in NCC

Effective August 2020, all payments pertaining to financial assistance were suspended until such time the legal basis for granting the said assistance is finally found to be in order. Adjustments were already made by Management.

- c. Adjustments were already made by Management for the dormant payables on the Remuneration to employees & DND/AFP TWG, Payable to Contractor of Project Based Accounting System, and Goods and services from various suppliers/contractors.

- d. Payroll deductions (EMF) due to PDS Condo Corporation

Based on initial verification of records, all estate management fees due to PDS Condominium Corp were already remitted/settled in full. However, ACD will still conduct a thorough review of these accounts; and adjust accordingly, if warranted.

- e. The ACD will conduct a reconciliation of this account to validate and adjust accordingly the Due to Officers and Employees account, if warranted.

5.11. We noted, however, that there were still dormant payables totaling P35.486 million which were not reverted to Retained Earnings.

5.12. Moreover, we made it clear with Management during the exit conference that nothing was stated in the recommendation of the Audit Team that payment has to be made particularly to ALI for the marketing fees amounting to P34.566 million. It would be Management's decision based on the results of their evaluation that whether or not those dormant payables should be settled or reverted to Retained Earnings.

5.13. As we understand, there is an on-going negotiation between BCDA and Ayala Land, Inc. (ALI) and the payment for marketing and management fees for the services of the latter was suspended temporarily to address the

perceived shortfall arising from ALI's proposed revenue to BCDA as against the actual remitted revenues from the project.

5.14. We maintain our recommendations that Management:

- a. Expedite the evaluation of recorded payables which remained outstanding and dormant for two years or more and submit the result of analysis and the corresponding supporting documents to the Audit Team for verification; and
- b. Prepare the necessary adjusting entries to revert the dormant payables in accordance with COA Circular No. 99-004 and DBM-COA Joint Circular No. 99-6, if warranted.

**6. Abnormal or negative balances of Accounts Payable totaling P60,000 were offset against the total balance of Liability accounts instead of reclassifying to Receivable accounts.**

- 6.1. Offsetting of assets and liabilities or income and expenses is not permitted under the Framework unless required by another accounting standard. It is important that assets and liabilities, and revenue and expenses, are reported separately.
- 6.2. Our review of the records showed that there were abnormal or negative balances of payables to various creditors in the total amount of P3.165 million.
- 6.3. We noted that one of the reasons for the existence of negative balances was due to erroneous recognition of transactions in the books of accounts by debiting Liability accounts in case of payments to suppliers/ contractors even when there is no liability previously set up.
- 6.4. Moreover, negative balances of liability accounts are indications that there were overpayments made to creditors, hence, receivables should be recognized in the books of accounts instead of offsetting them in the total liabilities of the Authority in accordance with PAS 1.
- 6.5. **We recommended that Management analyze the Liability accounts to ascertain the cause of abnormal or negative balances and reclassify to Receivable accounts, if warranted.**
- 6.6. Management commented that abnormal balances in the total amount of P3.165 million were already adjusted in the books of accounts as of December 31, 2020.
- 6.7. A total of P60,000 abnormal balances were still not adjusted by Management. Hence, we maintain our recommendation to ascertain the cause of these negative balances and reclassify to Receivable or other appropriate accounts, if warranted.

**7. Reconciling item in the Serendra Sequoia Trust Fund account amounting to P0.692 million remained unadjusted in the books of accounts.**

- 7.1. Review of the monthly Bank Reconciliation Statements (BRS) submitted to the Audit Team revealed that the reconciling item for the Restricted Fund – Serendra Sequoia account amounting to P0.692 million remained unadjusted in the accounting books as of this date.
- 7.2. This pertains to the collections of rental payments from Serendra properties on December 2018 which were already deposited and reflected per bank statement but no corresponding adjustment was made in the books of accounts.
- 7.3. The unrecorded reconciling item resulted in the understatement of the Trust Fund account in the amount of P0.692 million.
- 7.4. **We recommended that Management make necessary adjustment on the identified book reconciling item for Trust Fund amounting to P0.692 million.**
- 7.5. Management commented that the Subsidiaries and Affiliates Project Management Department (SAPMD) already coordinated with Serendra, Inc. The Accounting and Comptrollership Department will submit to the Audit Team the corresponding Journal Voucher recording the reconciling item upon validation/confirmation of its nature.

**B. OTHER OBSERVATIONS**

**8. The Authority was not able to collect from MEGAWORLD the Minimum Annual Secured Revenue Share (MASRS) of P873.414 million each for CYs 2018 to 2020, totaling P2.620 billion; the interest due on delayed/non-payment of MASRS of P450.825 million for CYs 2018 to 2020; and interest on the delayed remittance in the total amount of P103.317 million for CYs 2011 and 2012, thereby, depriving BCDA of valuable cash inflows that could be invested in high yielding treasury notes.**

- 8.1. BCDA entered into a Joint Venture Agreement (JVA) with MEGAWORLD Corporation effective April 13, 2010 for the privatization and development of its 34.5-hectare Joint U.S. Military Assistance Group (JUSMAG) property which makes up a portion of the Bonifacio South Properties located at Bonifacio Global City, Taguig City, Metro Manila.
- 8.2. The parties agreed that the land would be the sole contribution of the Authority in the JVA, while MEGAWORLD Corporation committed to invest a minimum of P22 billion within 20 years for developing the land into a residential and mixed-use property.
- 8.3. Section 16 of the JVA provides that MEGAWORLD shall remit to the Authority the amount of P873.414 million beginning April 12, 2011 and every year thereafter for 23 consecutive years as its MASRS. However, due to the

exclusion of the 16,385 sq.m. Maricaban Creek, the MASRS was reduced to 19 consecutive years.

- 8.4. In the previous year's audit, we called the attention of the Authority for failure to collect from MEGAWORLD the MASRS in the total amount of P1.747 billion for CYs 2018 and 2019.
- 8.5. Our audit for CY 2020 revealed that despite Management's commitment to exert all efforts to collect the MASRS from MEGAWORLD for the JUSMAG project and the interest due therefrom, the Authority was still not able to collect the MASRS of P873.414 million each for CYs 2018 to 2020, or a total of P2.620 billion. While the interest on the non-payment of MASRS has a total amount of P450.825 million.
- 8.6. We also noted that interest on the late remittance of the receivable from the MEGAWORLD on the JUSMAG project for CY 2011 and 2012 in the total amount of P103.317 million remained uncollected.
- 8.7. Likewise, the Authority failed to furnish the Audit Team any update and document on the current status of the on-going negotiation between BCDA and MEGAWORLD, despite their commitment to continually apprise the team of any development on the issue.
- 8.8. The non-collection of the MASRS and interest due from MEGAWORLD deprived the government of critical funding and greatly impacts BCDA's cash flows.
- 8.9. **We recommended that Management:**
  - a. **Continuously enforce the collection of the MASRS and interest due therefrom for CYs 2018 to 2020 and include in the negotiations with MEGAWORLD the interest on the late remittance of MASRS for CYs 2011 and 2012 which remained unpaid; and**
  - b. **Provide the Audit Team copies of documents relative to the negotiations being undertaken by BCDA and MEGAWORLD, for further verification.**
- 8.10. Management commented that they are continuously pursuing the collection of the unpaid MASRS from CYs 2018 to 2020 and issued a Statement of Account dated March 4, 2021 to MEGAWORLD for the collection of the outstanding MASRS for CYs 2018 to 2021 totaling P3.494 billion and penalty interests of P493.180 million as of February 28, 2021.
- 8.11. Moreover, the Authority engaged the services of Deloitte, an independent third party, to translate to financial terms the proposed dispute parameters, which include the collection of MASRS and the issue on the interest for the late remittance of MASRS for CYs 2011 and 2012.

- 8.12. The results of the computation of the MASRS based on the Terms of Reference (TOR) and the dispute resolution principles were approved by the BCDA Board of Directors (BOD) on December 16, 2020.
- 8.13. Management has already conducted three meetings with the Office of the Government Corporate Counsel (OGCC) to discuss the report of Deloitte and has recently endorsed the draft Dispute Resolution Agreement (DRA) to OGCC for review.
- 9. The non-submission of pertinent documents relative to the Heritage Park Investment Certificates (HPICs) or memorial products which include, among others, the land development cost and its conversion cost, and the current status of the assets is not in accordance with Sections 39 and 111 of Presidential Decree (PD) No. 1445, hence, the Audit Team was precluded from verifying and validating the current status of the assets as to their present location and condition.**

- 9.1. Sections 39 and 111 of PD No. 1445 or the Government Auditing Code of the Philippines provides that:

*Section 39. The Commission shall have the power, for purposes of inspection, to require the submission of the original of any order, deed, contract, or other document xxx It shall be the duty of the officials or employees concerned including those in non-government entities under audit, or affected in the audit of government and non-government entities, to comply promptly with these requirements.*

*Section 111. Keeping of accounts.*

- 1. The accounts of an agency shall be kept in such detail as is necessary to meet the needs of the agency and at the same time be adequate to furnish the information needed by fiscal or control agencies of the government.*
  - 2. The highest standards of honesty, objectivity and consistency shall be observed in the keeping of accounts to safeguard against inaccurate or misleading information.*
- 9.2. BCDA is the principal proponent of the memorial park project known as the Heritage Park Project (HPP) which aimed at converting a 76-hectare portion of the demilitarized Fort Bonifacio in Metro Manila into world-class memorial park to generate funds for the Authority in pursuance of its mandate under Republic Act (RA) No. 7227, by issuing Heritage Park Investment Certificate (HPIC) evidencing the certificate holder's right to the perpetual use and care of interment plots.
- 9.3. The memorial products are being sold in cash or installment basis. Upon full payment, the HPIC will be issued to purchaser, with specified lot ID No. owned, evidencing perpetual right to use and exclusive interment rights on the specified sepulcher lot purchased, together with the enjoyment of appurtenant rights and privileges in the common areas, facilities and services



on the Heritage Park (HP) in accordance with its operating programs, rules and regulations. However, BCDA is still liable for the payment of real estate and any other taxes that may be imposed on the HP, as well as the responsibility to operate, maintain or cause its maintenance.

- 9.4. The Audit Team requested from Management on November 16, 2020 for the submission of Inventory of HPICs, updated Schedule of Proceeds from HPP showing the gross proceeds from the sale of HPICs and related expenses and all documents/reports related to the development of HPP as of latest date.
- 9.5. However, the Management thru their letter dated November 24, 2020, informed the Audit Team, that per OGCC Opinion No. 238 series of 2020, dated September 25, 2020, the Heritage Park Funds held by Heritage Park Management Corporation (HPMC), pursuant to the provisions of Pool Formation Trust Agreement (PFTA) and Supplemental PFTA, are not government funds. Furthermore, BCDA cannot deviate from the specific purposes these funds were allocated for under the PFTA.
- 9.6. Management, likewise said that with respect to the documents that the Audit Team required pertaining to the HPP being implemented by HPMC, such as all documents/reports related to the development of the project and the updated schedule of proceeds from HPP showing the gross proceeds from the sale of HPICs and related expenses, the Authority will have to abide by the policies and procedures set forth by HPMC in obtaining the documents.
- 9.7. Verification of the Merchandise Inventory – Heritage Park account as of December 31, 2020 disclosed that the 4,923 HPICs or memorial products were not supported by pertinent documents and computations such as the cost of land for each memorial product and all costs incurred in bringing the inventories to their present location and condition like development costs precluding the validation of its initial measurement in the BCDA books of accounts.
- 9.8. We noted that the cost of the HPICs were initially measured at selling/contract prices duly approved by the BCDA BOD under Resolution No. 2008-06-130 dated June 17, 2008.
- 9.9. The Audit Team was not able to verify the accuracy of the costing of the inventories in the books of accounts and were not able to validate and verify the current status of the assets as to their present location and condition because of the inability of Management to submit the requested pertinent documents which is not in accordance with Sections 39 and 111 of PD No. 1445.
- 9.10. **We recommended that Management submit to the Audit Team all pertinent documents to support the initial cost of the Merchandise Inventory-Heritage Park recognized in the books of accounts to verify and validate the current status of the assets as to their present location and condition.**

- 9.11. Management commented that the HPMC manages the Heritage Park Project (HPP) and has been the source of documents of BCDA pertinent to the Project. The Authority will continue to coordinate with HPMC to secure copies of the documents in the determination of the original pricing of the HPICs to factor in land development cost and its conversion cost.
- 9.12. During the exit conference on June 1, 2021, Management agreed with the recommendation of the Audit Team and committed to submit all the necessary documents relative to the HPP immediately upon securing the said documents from HPMC.
- 9.13. As a rejoinder thereto, we recommended that Management expedite the gathering of pertinent documents from HPMC and submit the same to the Audit Team for further verification.
- 10. Taxes amounting to P343 million withheld from the payment made to a contractor in CY 2019 were not remitted to the Bureau of Internal Revenue (BIR) which is not in accordance with the National Internal Revenue Code (NIRC), as amended. Likewise, the required Expanded Withholding Tax and Value-added Tax totaling P274.613 million were not deducted from the additional payment made in CY 2020, resulting in non-remittance to BIR.**
- 10.1. Section 114 of the National Internal Revenue Code (NIRC), as amended requires that:
- xxx The Government or any of its political subdivisions, instrumentalities or agencies, including government-owned or -controlled corporations (GOCCs) shall, before making payment on account of each purchase of goods and services which are subject to the value-added tax imposed in Sections 106 and 108 of this Code, deduct and withhold the value-added tax imposed in Sections 106 and 108 of this Code, deduct and withhold a final value-added tax at the rate of five percent (5%) of the gross payment thereof xxx*  
(Emphasis supplied)
- 10.2. Expanded Withholding Tax, as defined in the NIRC, is a tax imposed and prescribed on the items of income payable to natural or juridical persons, residing in the Philippines, by a payor-corporation/person which shall be credited against the income tax liability of the taxpayer for the taxable year.
- 10.3. The BIR, in its Revenue Memorandum Circular (RMC) No. 23-2012 dated February 23, 2012, reminded all government officials/employees of their responsibilities as withholding agents, among which is to withhold the correct amount of tax and to remit on time the taxes withheld in accordance with the pertinent provisions of the National Internal Revenue Code (NIRC).
- 10.4. BIR Revenue Memorandum Order (RMO) No. 23-2014 issued on June 20, 2014 clarified and consolidated the obligations of government agencies, bureaus and instrumentalities as Withholding Agents. It enumerated 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).*

- 10.5. The National Government Administrative Center (NGAC) Phase 1 Joint Venture (JV) was a JV organized and established by BCDA and MTD Capital Berhad for the construction of Sports Facilities in the New Clark City (NCC).
- 10.6. Review of records showed that payments were made by the Authority to the JV for the construction of the said facilities under Check Nos. CV No.9453 dated December 26, 2019 and CV No.10718 dated April 15, 2020 amounting to P5.145 billion and P4.394 billion, respectively.
- 10.7. Our audit revealed that the Authority did not remit to BIR the taxes amounting to P343 million withheld from payment to the JV on December 26, 2019 and the required two per cent Expanded Withholding Tax and the five per cent Value-added Tax totaling P274.613 million were not deducted from the payment made to the JV on April 15, 2020, and consequently not remitted to BIR.
- 10.8. Inquiry with Accounting and Comptrollership Department (ACD) disclosed that the JV was not yet completely incorporated and not yet registered with BIR. Management is restrained from withholding and remitting to BIR the taxes mentioned above since the JV is planning to register its business with the Philippine Economic Zone Authority (PEZA), in which, if the said registration is granted, the JV is entitled to fiscal incentives such as Income Tax Holiday or 100 per cent exemption from corporate income tax, VAT zero rating and Exemption from Expanded Withholding Tax, whichever is applicable.
- 10.9. However, it was noted that the said JV is not yet registered with PEZA at the time the payments were made, hence, BCDA is duty bound to comply with BIR regulations to withhold and remit the required taxes.
- 10.10. Exemptions from taxation are strictly construed and are never presumed or created by implication. Thus, for a tax exemption to exist, it must be explicitly provided.
- 10.11. **We recommended that Management remit to BIR the taxes withheld amounting to P343 million and require the JV to remit to BIR the taxes due on the payment made by BCDA.**
- 10.12. Management commented that the Securities and Exchange Commission (SEC) would not accept the registration papers of the JV because of lack of endorsement from the Governance Commission for GOCCs (GCG), which also subsequently needs the approval of the Office of the President of the Philippines (OP).
- 10.13. BCDA understands that the recognition of payment for the sports facilities may expose them to some tax risk due to non-withholding and non-

remittance of the required taxes to BIR. That is why, Management assured that all the tax-related issues will be resolved within CY 2021. There is now an on-going collaboration and discussion among BCDA, the unincorporated JV and Isla Lipana/Price Waterhouse, the tax consultant, on how to best resolve the tax issues even in the light of the impasse in the incorporation of the JV due to lacking GCG/OP approval. Under the Joint Venture Agreement (JVA), it is BCDA's responsibility to secure the needed GCG/OP approval for the incorporation of the JV, and the partners have been long ready with the other SEC requirements and are just awaiting the aforesaid approval.

- 10.14. Management added that since the Sports Facilities is a General Appropriations Act (GAA)-funded project, the Department of Budget and Management (DBM) required that the amount be spent during the particular period based on the contract. Accordingly, BCDA submitted the liquidation documents for the project showing proof of disbursements to DBM.
- 10.15. The Audit Team would like to emphasize that at the outset, payments should not have been made by the Authority without the issuance of the corresponding Official Receipt by the JV in compliance with Section 4 of Presidential Decree (PD) 1445 which requires that claims against government funds shall be supported with complete documentation. We further invite the attention of Management to Section 237 of the NIRC, as amended, which provides that:

*All persons subject to an internal revenue tax shall, at the point of each sale and transfer of merchandise or for services rendered valued at One hundred pesos (P100.00) or more, issue duly registered receipts or sales or commercial invoices, xxx (Emphasis supplied)*

- 10.16. In view of the foregoing, we maintain our recommendation that Management strictly comply with the withholding and remittance of taxes in accordance with BIR rules and regulations.

**11. The existing billing and collection procedures were not strictly monitored and implemented by BCDA resulting in low collection efficiency rate and accumulation of long outstanding receivables aging less than one year to more than five years in the total amount of P7.094 billion.**

- 11.1. Section 2 of Presidential Decree No. 1445 states that it is the declared policy of the State that all resources of the government shall be managed, expended or utilized in accordance with law and regulations, and safeguarded against loss or wastage through illegal or improper disposition, with a view of ensuring efficiency, economy and effectiveness in the operations of government.
- 11.2. Likewise, Section 6.0 of COA Circular No. 2016-005 dated December 19, 2016 requires that:

*All government entities shall conduct regular monitoring and analysis of receivable accounts to ensure that these are collected when these*

*become due and demandable and that cash advances and fund transfers are liquidated within the prescribed period depending upon their nature and purpose*

11.3. Receivables are one of the largest and liquid assets while cash is the lifeblood of an entity since it is needed in day to day operations; hence, the focus of managing receivables must be its fast conversion to cash. One way of effective management of receivables is to have a billing and collection policy which must be strictly enforced. However, the policy must be re-evaluated from time to time in order to determine their effectiveness and to eliminate many problems before they occur and minimize those that do occur.

11.4. The Aging Summary of Receivables submitted by ACD showed that the Receivables of the Authority as of December 31, 2020 has a balance of P32.696 billion, presented as follows:

Particulars		Amount
Non-current		17,431,662,070.43
Current (Due in)		
CY 2021	8,170,444,363.29	
CY 2020 and Prior Years	7,094,347,592.46	15,264,791,955.75
		<b>32,696,454,026.18</b>

11.5. Audit revealed that the current receivables which were already due and demandable in CY 2020 and prior years totaling P7.094 billion remained outstanding and not yet collected by the Authority aging less than one year to more than five years, as follows:

Age of Receivable	Amount
1 year and below	1,588,156,941.54
Over 1 year but less than 3 years	2,350,207,125.84
Over 3 years but less than 5 years	1,351,414,155.16
Over 5 Years	1,804,569,369.92
	<b>7,094,347,592.46</b>

11.6. The receivables in the total amount of P7.094 billion consist of the following:

- a. Due from MEGAWORLD for the JUSMAG project in the total amount of P3.174 billion arising from the uncollected MASRS for CYs 2018 to 2020 and interest charges attributable to the late remittance of MASRS for CYs 2011 to 2012 and CYs 2018 to 2020;
- b. Due from Clark International Airport Corporation (CIAC) in the amount of P1.247 billion representing the i.) 15 per cent importation cost of radar parts for the Terminal Radar Approach Control (TRACON) Project; ii.) result of the inter-company settlement of Clark Development Corporation-CIAC loans pursuant to Executive Order No. 716 dated April 3, 2008; iii.) progress billings for various infrastructure projects; and (d) the amortization of Deutsche Bank loan of CIAC paid by CDC in behalf of the Authority;

- c. Due from North Luzon Railways Corporation (NLRC) for the advances of P1.412 billion and Fort Bonifacio Development Corporation's (FBDC's) investment in NORTHRAIL of P250 million which was assigned by the latter to the Authority, pursuant to a Settlement Agreement dated April 16, 2003 by and among the Authority, Metro Pacific Corporation (MPC), FBDC and Bonifacio Land Corporation (BLC). Management filed a request for authority to write-off to COA but was denied pursuant to Corporate Government Sector (CGS) Decision No. 2019-04 dated July 26, 2019 because the said receivable was not supported with the required documents in granting the request. As of this date, BCDA did not file an appeal to the decision made by CGS;
- d. Dormant receivables from various debtors in the aggregate amount of P13.594 million of which P0.588 million was likewise requested for authority to write-off to the Office of the Supervising Auditor (OSA) but was eventually denied under COA-BCDA Decision No. 2021-01 dated February 4, 2021 due to lack of required documents to support the request. As of this date, BCDA did not file an appeal to the decision made by the OSA;
- e. Receivable from the sale of HPICs amounting to P10.466 million.

The Procedures for the Disposition of HPICs issued by BCDA allows purchasers to pay either in cash or in installment under the following schedule:

- Maximum Installment terms of one (1) year for the Headstone Lawn Lot, Regular Lawn Lot, Small Plots and Columbarium Niches
- Up to five (5) years Installment terms for all types of Estate and Garden Lots.

Section 3 of the Purchase Agreement provides that:

*xxx. Failure of the VENDEE to settle any installment or surcharge due within the 3-day grace period from receipt of notice from BCDA shall automatically result to the cancellation of this Purchase Agreement and all payments made shall be forfeited in favor of BCDA.*

The balance of receivable from the sale of HPICs aggregating to P10.466 million as of December 31, 2020 is broken down as follows:

Year of Sale	Supporting Document	Amount
2009 and prior years	Application Form	5,993,351.56
2010 to 2014	Purchase Agreement	1,975,950.88
	Without Purchase Agreement and Application Form	2,497,115.58
		<b>10,466,418.02</b>

It can be gleaned from the table above that the purchaser failed to settle the payment of HPICs within the prescribed period set forth in the

Purchase Agreement and BCDA Procedures, resulting in cancellation of the purchase made and the forfeiture of all payments in favor of BCDA. The maximum 5-year payment term had already lapsed, and yet, Management was not able to enforce its collection;

- f. Due from John Hay Management Corporation (JHMC) in the amount of P22.345 million for the funds released for the construction of access road and other capital expenditure projects. Management is still in the process of validating the status of the projects as to its completion and turnover before making the necessary adjustments to the receivable account; and
  - g. Various receivables from different debtors remained uncollected from prior years to CY 2020 in the total amount of P964.604 million.
- 11.7. Further analysis of receivables revealed that out of the P13.908 billion due for collection in CY 2020, only P6.814 billion was actually collected by the Authority or a collection efficiency of 48.99 per cent only, computed as follows:

Particulars	Amount	Percentage
Receivables, beg bal.	33,320,771,743.89	
Less: Non-current	25,747,527,955.71	
Receivables due in CY 2020	7,573,243,788.18	
Add: Billings	6,335,001,030.80	
Total Receivables due in CY 2020	13,908,244,818.98	100.00
Less: Actual collections for CY 2020	6,813,897,226.52	48.99
<b>Receivables still due for CY 2020</b>	<b>7,094,347,592.46</b>	

- 11.8. We noted that although Management claimed they have been implementing an established billing and collection process, the accumulation of long outstanding receivables and low collection efficiency rate are indications that processes were not strictly and effectively implemented by the Authority noting that it took them an average of more than one year before it was collected, computed as follows:

$$\begin{aligned}
 \text{Average Collection Period (ACP)} &= \frac{365 \text{ days}}{\text{AR Turnover Ratio}} \\
 &= \frac{365 \text{ days}}{\frac{\text{Total billings}}{(\text{Beg. AR} + \text{End. AR})/2}} \\
 &= \frac{365 \text{ days}}{\frac{6,335,001,030.80}{(7,573,243,788.18 + 7,094,347,592.46)/2}} \\
 \text{BCDA ACP} &= \underline{\underline{422 \text{ days}}}
 \end{aligned}$$

- 11.9. The Average Collection Period (ACP) Ratio measures how quickly an entity converts receivables to cash – a high ACP implies that a company may be too liberal in extending credit to their customers and too lax in the collection process. To convert more effectively the accounts receivable into cash, it is

essential that the credit and collection process be highly efficient in order to shorten its conversion.

11.10. Converting receivables into cash is a critical process in the development of a healthy cash flow. Thus, the process of maintaining and collecting payments from debtors require a steadfast commitment to a systematic process of managing receivables.

11.11. The inability to collect long outstanding receivables deprived the Authority of the funds needed for its operations. The head of the agency or the governing board is obliged to prudently exercise their assigned authority in the management of the agency's financial resources emphasizing on economical, efficient, effective, and adequate monitoring of the receivables.

11.12. **We recommended that Management:**

a. **Intensify the efforts in the collection of receivables by implementing strictly the billing and collection policy/procedures of the Authority;**

b. **Issue follow-up demand letters to debtors for the immediate collection of overdue receivables and coordinate with Legal Services Department (LSD) for legal remedies, if warranted;**

c. **Submit necessary supporting documents for the long outstanding receivables for further verification by the Audit Team; and**

d. **Evaluate the long outstanding receivables and make necessary action in accordance with COA Circular No. 2016-005 dated December 19, 2016.**

11.13. Management commented that most of the long outstanding receivables noted by the Audit Team pertain to accounts which are subject of settlement/dispute resolution or for legal write-off and liquidation, as follows:

a. Due from CIAC in the amount of P1.247 billion.

Under the Concession Agreement for the Operation and Maintenance (O&M) of Clark International Airport by LIPAD, certain CIAC assets will be turned over to BCDA by CIAC to form part of the concession assets to be operated by LIPAD. The net book value (NBV) of these assets shall be offset against the account Due from CIAC in the amount of P1.070 billion.

Pursuant to the Deed of Assignment between BCDA and CIAC executed on April 21, 2021 for the movable assets turned over by CIAC, the net book value of P539 million will be offset against the account Due from CIAC.



- b. Due from NLRC for the advances of P1.662 billion.

The advances were originally intended to be converted to, and form part of BCDA's equity in NLRC, its wholly-owned subsidiary, but, finally, it was decided that the latter would be deactivated and eventually liquidated considering its financial condition with negative net assets. BCDA will refile the request for authority to write-off to COA as soon as the NLRC is subjected to liquidation, pursuant to the recommendation of the Governance Commission for GOCC (GCG).

- c. Dormant receivables from various debtors in the aggregate amount of P13.594 million.

Aside from the P0.588 million already requested from the Office of the Supervising Auditor (OSA) for authority to write-off the receivables, the balance of the dormant accounts amounting to P13.006 million will also be subjected for a request for write-off once all efforts to find the documents have been exhausted.

- d. Receivable from the sale of HPICs amounting to P10.466 million.

The Treasury and Project Finance Department (TPFD) referred these accounts to LSD to either enforce collection and/or rescind the contracts to sell.

On January 20, 2021, TPFD referred again to the LSD the remaining accounts where the debtors did not reply to the demand letters or could no longer be located based on the returned delivery receipts. LSD referred this matter to OGCC for proper legal advice. Receivables totaling P5.500 million cannot be automatically cancelled due to lack of forfeiture clause in the Purchase Agreement. TPFD is still waiting for the final legal remedy to be given by OGCC, through the LSD, which, hopefully will result in cancellation and write-off of these receivable accounts.

- e. Due from JHMC in the amount of P22.345 million.

This represents funds released for the construction of access road and other capital expenditure projects of P20.326 million for liquidation upon completion and turnover of the project to BCDA and advances of P2.014 million as deposit for subscription.

Management will require JHMC to submit the liquidation report within May 2021 for the expenses related to the construction. Corresponding adjustments in the books of accounts will be made, if warranted, in compliance to COA's recommendation.

- f. Various receivables from different debtors which remained uncollected from year 2020 and prior years in the total amount of P4.144 billion.

The uncollected MASRS due from 2018 to 2020 totaling P3.174 billion, in which, a Dispute Resolution Agreement, aimed to resolve all issues

arising therefrom including the MASRS remittance, is currently being reviewed by the OGCC.

The balance pertains to several accounts that have remained uncollected as of December 31, 2020 which have either contractual or legal issues, or are for write-off.

- 11.14. Management further commented that a semi-annual report on the status of the above accounts will be submitted to the Audit Team.
  - 11.15. During the exit conference, Management informed the Audit Team that the billing and collection policy/procedure is included in their on-going updating of BCDA Manuals.
  - 11.16. The Audit Team will continuously monitor the actions to be undertaken by the Authority in its commitment to comply with the recommendations in managing its receivables.
- 12. Delay in the preparation and submission of monthly Bank Reconciliation Statements (BRSs) ranging from 8 to 282 days is not in accordance with Section 74 of Presidential Decree (PD) No. 1445.**

12.1. Cash is the most liquid asset and the most susceptible to loss. Hence, appropriate internal control must be established by the Authority to prevent the risk of loss and misuse of funds through theft, fraud, and misappropriation.

12.2. The regular and timely preparation of Bank Reconciliation Statement (BRS) is one of the important internal controls over cash in bank whereby the balances per books and the corresponding bank balances are matched and reconciled. BRS must be prepared at regular intervals for all bank accounts to ensure that the balances per books are correct and to identify accounting and bank errors. Additionally, reconciling items which were identified need to be adjusted immediately to achieve accurate balances.

12.3. Section 74 of PD No. 1445 requires that:

*At the close of each month, depositories shall report to the agency head, in such form as he may direct, the condition of the agency account standing on their books. The head of the agency shall see to it that a reconciliation is made between the balance shown in the reports and the balance found in the books of the agency*

12.4. Audit revealed that the BRS for all bank accounts maintained by BCDA from various depository banks were not prepared on a regular and timely basis, hence, there was a delay in the submission of the said BRSs to the Audit Team ranging from 8 to 282 days.

12.5. Inquiry with ACD disclosed that the bank statements necessary for the preparation and submission of BRS period were not immediately provided by their depository banks, hence, the delay in the preparation of BRS.

- 12.6. We would like to emphasize that the delay in the submission of BRS to the Audit Team affects the timely verification of the accuracy of the balance of the accounts presented in the financial statements. Moreover, the timely preparation of BRS is necessary to ensure that only authorized withdrawals are made by the Authority and to ascertain whether bank-related transactions are properly recorded in the accounting books.
- 12.7. **We recommended that Management:**
- a. **Prepare and submit the Bank Reconciliation Statements on a regular and timely manner in accordance with Section 74 of PD No. 1445; and**
  - b. **Communicate with the depository banks to provide immediately the bank statements needed in the preparation of the BRS.**
- 12.8. Management commented that due to the imposition of Enhanced Community Quarantine/Modified Enhanced Community Quarantine in National Capital Region (NCR), some bank statements were transmitted to BCDA months later. The delay in the submission of BRS is not intentional due to unforeseen events.
- 12.9. BCDA assured that they will strictly follow the prescribed deadline on the submission of BRS for all bank accounts maintained by the Authority from various depository banks.
13. **Cash in Bank amounting to P4.765 million remained dormant and idle in the savings account for more than five years earning a minimal interest of P3,074.79 per annum for an interest rate of 0.0645 per cent rather than having it invested in high yielding investment in government securities and/or fixed term deposits as authorized under Section 2 of Administrative Order (AO) No. 173 and Section 2 of Department of Finance (DOF) Department Order (DO) No. 071-2018, as amended.**
- 13.1. Section 2 of Administrative Order No. 173 dated June 18, 1990 requires that:
- All government-owned or controlled corporations, government financial institutions, and local government units are hereby directed to invest their idle funds in excess of normal operating requirements in medium-term and long-term government securities or in special short-term government securities. (underscoring ours)*
- 13.2. The Department of Finance, thru its Department Order No. 071-2018 dated December 13, 2018, as amended, defined idle funds in excess of normal operating requirements as the level of funds which an entity can freely invest in government securities and/or fixed term deposits after considering provisions for coverage of regular and recurring operating expenses such as salaries and wages, repairs and maintenance, inventories and supplies, debt servicing, etc. within the context of the entity's cash operating cycle.

- 13.3. Verification of Cash in bank balances disclosed that the Land Bank of the Philippines Subic-Clark-Tarlac Expressway Livelihood Project (LBP SCTEX LP) account with a balance of P4.765 million as of December 31, 2020 remained dormant and idle in the savings account for more than five years. There were no other transactions from the account aside from the minimal interest earned amounting to P3,074.79 or at 0.0645 per cent for CY 2020.
- 13.4. Inquiry with Management disclosed that the said account was established for livelihood project for the benefit and relief to the affected residents from the on-going construction of SCTEX.
- 13.5. Meanwhile, examination of Cash Flow Statement revealed that BCDA has a cash receipts and disbursements from operating activities amounting to P6.843 million and P6.332 million, respectively. Hence, the investment/placement of the P4.765 million idle funds to high yield fixed term deposits will not hinder the payment/settlement of recurring operating expenses of the Authority.
- 13.6. Had the Authority invested the idle funds into high yield fixed-term deposits, BCDA could have earned higher annual interest than the regular savings account.
- 13.7. **We recommended that Management initiate the closure of the subject bank account and transfer the balance to other bank accounts to be used in recurring expenses of the Authority or consider investing its excess or idle cash balance in government issued securities and/or fixed-term deposits offering high yielding interest rate pursuant to Section 2 of Administrative Order No. 173.**
- 13.8. Management commented that the said account was established to be used for the livelihood program for the affected families when the SCTEX project was under construction. This served as the settlement account for any disbursement of the loan and collection of the amortization of the livelihood project in the affected area. Thus, the fund was not invested and reinvested due to its purpose.
- 13.9. As approved by the BCDA Board in its meeting held on April 14, 2021, the account shall be closed within April 2021. Subsequently, the remaining funds will be transferred to the BCDA Operating Funds since it has fully served its purpose.
- 13.10. During the exit conference, TPDF informed that the account was already closed in May 20, 2021 and will submit the proof of closure to the Audit Team for verification.

**14. Additional cash advances were granted to officers and employees even if the previous advances were not yet liquidated which is not in accordance with Section 22.c of Executive Order (EO) No. 77 and Section 25.c Part I of BCDA Internal Guidelines for the Implementation of EO No. 77.**

- 14.1. Sections 22 (c) of EO No. 77 and 25.c of BCDA Internal Guidelines on the rendition of Account on Cash Advances 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.*

- 14.2. Verification of records showed that the Authority granted another cash advances for travel to some of its officers and employees even if their previous cash advances for foreign travels have not yet been settled or a proper accounting thereof is made in the total amount of P469,963.56.

- 14.3. Granting of another cash advances for another foreign travel to officers and employees who have not yet liquidated their expenses for previous government funded travels abroad was a violation of Section 22 (c) of EO No. 77 and BCDA internal guidelines for the implementation of the said EO.

- 14.4. **We recommended and Management agreed to stop the granting of cash advances to officers and employees who have not liquidated the cash advances for previous government funded travels abroad.**

**15. Delay in the liquidation of cash advances averaging 13 to 577 days on foreign travels was beyond the reglementary period prescribed in Sections 22.a of EO No. 77 and 25.a of BCDA Guidelines.**

- 15.1. Section 22 (a) of EO No. 77 and Section 25.a of BCDA Internal Guidelines provides that:

*Within two (2) calendar months after the return of an official or employee to the Philippines, in the case of official 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.*

- 15.2. In addition, Section 5.1.3 of COA Circular 97-002 dated February 10, 1997 on the restatement with amendments of the rules and regulations on the granting, utilization and liquidation of cash advances provides that 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.

- 15.3. We noted that cash advances for foreign travels granted to some BCDA officers and employees in CY 2019 in the total amount of P 562,394.97 were only liquidated in CY 2020, with an average delay of 13 to 577 days which

was beyond the reglementary period set forth under the EO and BCDA Guidelines.

- 15.4. **We recommended and Management agreed that the Accountant closely monitor the cash advances by reminding officers and employees to liquidate within the reglementary period set forth under EO No. 77 and BCDA Internal Guidelines.**
- 15.5. The Audit Team emphasized during the exit conference that the excess cash advances should be immediately refunded by the AO. The corresponding Official Receipt, together with other liquidation documents, should be submitted to the Accounting and Comptrollership Department (ACD) within the reglementary period.
16. **The liquidations of cash advances for foreign travels are not supported with complete documents contrary to the provisions of COA Circular No. 2012-001.**
  - 16.1. COA Circular No. 2012-001 dated June 14, 2012 prescribes the documentary requirements in the grant and liquidation of cash advances pertaining to traveling allowances for local and foreign travels.
  - 16.2. Our review of the transactions revealed that cash advances granted and liquidated were not supported with complete documentary requirements such as:
    - Document of dollar to peso exchange rate at the date of grant of Cash Advance
    - Certificate from accountant that the previous cash advance has been liquidated
    - Certificate of appearance/attendance
    - Narrative Report on trip undertaken/report on participation
    - Reimbursement of actual travel expense in excess of the prescribed rate
    - OR in case of refund of excess cash advance
  - 16.3. The Audit Team emphasized that any disbursement with incomplete supporting documents required under COA Circular No. 2012-001 is deemed not valid, hence, may be suspended and/or disallowed in audit, as the case maybe.
  - 16.4. **We recommended and Management agreed to instruct the Accountant to demand from officers and employees the lacking supporting documents required under COA Circular 2012-001 and submit the same to the Audit Team for further evaluation.**
  - 16.5. Management commented during the exit conference that in consideration with the difficulty of requesting for Certificate of Appearance/Attendance from the AO due to the nature of undertaking and purpose of foreign travel, they allowed the submission of other documents as proof of appearance/attendance such as pictures of the concerned Officers/Staff's

participation in the undertaking, power point presentations presented during the occasion, highlights of meetings or other documents/reports, etc.

16.6. The Audit Team will continuously monitor the compliance of Management with the submission of necessary documents for the liquidations of cash advances for foreign travels required under COA Circular 2012-001.

**17. The Authority spent P3.568 million in payment of expensive venues in the conduct of team-building activities, trainings, planning events and other similar activities for its officers and personnel in violation of the austerity measures provided under Administrative Order No. 6.**

17.1. Administrative Order (AO) No. 6 dated September 19, 2017 was issued to repeal AO No. 103 dated August 31, 2004 which directed the continued adoption and implementation of austerity measures by government agencies including government-owned and controlled corporations.

17.2. Section 1 of AO No. 6 provides that:

*Notwithstanding the repeal of AO No. 103, existing laws, rules and regulations mandating the judicious and prudent use of government funds shall remain in full force and effect, all agencies and instrumentalities shall continue to ensure that no irregular, unnecessary, extravagant, excessive and unconscionable expenses shall be incurred by the Government.*

17.3. In the analysis of Training Expenses account as of December 31, 2020, we noted that out of the P5.169 million, P3.568 million or 69 per cent were expenses incurred by the Authority for the venues of team-building activities, trainings/seminars, planning events, and other similar activities held in expensive halls and luxury hotels, with a category of 4- or 5-star hotels.

17.4. Such activities held in expensive venues could be conducted in BCDA existing facilities and/or any other government facility which could be cheaper than the price in any 4 or 5 star hotel and could have saved funds for Authority's operations, hence, the holding of such activities in expensive hotels is not in conformity with the austerity measures provided in AO No. 6 which directed all government agencies for the judicious and prudent use of government funds.

17.5. **We recommended that Management ensure the prudent use of government funds and refrain from conducting activities in expensive venues to save funds needed for the Authority's operations in compliance with AO No. 6.**

17.6. Management commented that they complied with the 2016 Revised Implementing Rules and Regulations (RIRR) of Republic (RA) Act 9184 (Government Procurement Reform Act of 2003) in procuring the lease of venues for BCDA's training activities and invited lessors from the different training venues to submit proposals for the training activities.

- 17.7. The lease of venues for the training and team building activities is necessary, reasonable and not an excessive expenditure. The search for the venue was based on an evaluation rating for all training venues that submitted proposals using the principles of Annex H of the RIRR of RA 9184. BCDA, at that time, considered government facilities unfortunately, they were not available as well. Thus, the venues chosen for the training activities were circumstantial to the results of evaluation and decision of the Bids and Awards Committee.
- 17.8. BCDA further commented that they also looked at other equally important results of the training and seminars such as low attrition, better working relationship among employees, and creation of happier workers which redound to company productivity.
- 17.9. Review and verification of records by the Audit Team such as the Abstract of Quotations Report, Request for Quotation (RFQ) and BCDA Table of Rating Factors for Lease of Venue disclosed that the three prospective lessors invited by Management to submit proposals or price quotations for conducting trainings were all from 4- or 5-star hotels. There were no documents showing that Management invited government agencies or lessors with privately owned real property or venue other than 4- or 5-star hotels. Thus, although BCDA invited different prospective lessors to submit proposals for the training activities in compliance with RA 9184, the result would still be expensive since the Single or Lowest Calculated and Responsive Quotation was from a 4- or 5-star hotel.
- 17.10. The venues for team-building activities, trainings, planning events and other similar activities should be meticulously selected by the Procuring Entity by conducting market analysis on the prevailing lease rates for real property or venue within the vicinity of the selected location complying with the criteria and technical specifications of Management.
- 17.11. Our review of records showed that for the 6 team building activities, the required inspections of the prospective venues prior to the actual date of the said activities were not conducted by the Authority, instead the said inspections were only made 36 to 164 days after the actual date of activities, as evidenced by the Inspection and Acceptance Report. This is an indication that such activities were not planned and prepared ahead of time. Had the Authority properly planned and scheduled the activities, they would have enough time to scout for venues with reasonable price.
- 17.12. Moreover, Memorandum Circular No. 14 dated February 14, 2014 was issued directing all department, bureaus, offices, agencies and instrumentalities of the government including government-owned and controlled corporations, to give preference to the facilities of the Philippine International Convention Center (PICC) in holding their conferences, seminars, meetings, workshops and other similar official events and activities.
- 17.13. We agree with Management that BCDA spends for its employees to get the quality training they deserve and physical office environment can have a significant effect on behavior, perceptions, and productivity of the participants



in the training activities. However, these can also be achieved if the events were held in BCDA existing facilities and other government facilities such as the PICC and other venues with much lower prices compared to 4-5 star hotels. The topics to be discussed, the outputs of the participants and the objectives desired to be achieved would not change even if the said activities were conducted in a cheaper place or venues noting that the nature and/or the level of security required on the said events do not require that it must be held in a 4 or 5-star hotels.

17.14. During the exit conference, Management agreed with the recommendation of the Audit Team and committed to observe AO No. 6 and COA Circular No. 2012-003 including the procurement process in RA 9184 and other government's policy issuances.

**18. Various deficiencies were noted in the implementation of rules and regulations provided by the Civil Service Commission (CSC), the Department of Budget and Management (DBM) and the sound internal control system on the monetization of leave credits of the BCDA personnel.**

**18.1. Monetization of leave credits were allowed to some employees even if their leave balances were below the minimum requirement of 10 days and some employees have no accumulated vacation leave (VL) credits of 15 days, contrary to Section 22 of the Omnibus Rules on Leave.**

18.1.1. Section 22 of the Omnibus Rules on Leave (ORL), as amended, 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.*

18.1.2. During our audit, we noted that the Authority allowed the monetization of leave credits to some of its employees without considering their accumulated VL credits which were less than the required 15 days. Moreover, the minimum monetization of 10 days and the five days to be retained after monetization were not strictly implemented by Management.

18.2. **VL credits were not exhausted first before resorting to the special monetization of Sick Leave (SL) credits contrary to CSC Resolution No. 000034. Moreover, the pertinent supporting documents were not attached to the disbursement vouchers as required under COA Circular No. 2012-001.**

18.2.1. CSC Resolution No. 000034 dated January 5, 2020 states that for purposes of monetization, vacation leave credits must be exhausted first before sick leave credits may be used.

Sec. 23 of the ORL provides that monetization of 50 per cent or more of the accumulated leave credits may be allowed for valid and justifiable reasons such as:

- a. Health, medical and hospital needs of the employee and the immediate members of his family;
- b. Financial aid and assistance brought by force majeure events such as calamities, typhoons, fire, earthquake and accidents that affect the life, limb and property of the employee and his 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;
- f. Other analogous cases as may be determined by the Commission.

18.2.2. The monetization of 50 per cent or more of the accumulated leave credits shall be upon the favorable recommendation of the agency head and subject to the availability of funds.

18.2.3. Likewise, COA Circular 2012-001 requires the following supporting documents in the monetization of leave credits:

- Approved leave application (ten days) with leave credit balance certified by the Human Resource Office
- Request for leave covering more than ten days duly approved by the Head of Agency
- For monetization of 50 per cent or more:
  - Clinical abstract/medical procedures to be 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.

18.2.4. Upon verification of records on the monetization granted to various BCDA employees showed that SL credits were allowed to be monetized without exhausting first the earned VL.

- 18.2.5. It was also noted that disbursements for the monetization of 50 per cent or more leave credits were not properly supported by documents required under COA Circular No. 2012-001 such as clinical abstract/medical procedures to be undertaken in case of health, medical and hospital needs.
- 18.3. **Twenty-four (24) employees were allowed to monetize their leave credits more than once a year which is contrary with CSC-DBM Joint Circular No. 2-97.**
- 18.3.1. Section 2 of CSC-DBM Joint Circular No. 2-97 dated June 25, 1997 requires that monetization of leave credits shall be availed of only once a year.
- 18.3.2. We noted during our audit that 24 employees have monetized their leave credits for two to four times during the year which is in violation of the above-mentioned Joint Circular.
- 18.4. **The computation and certification of the value of leave credits for monetization is being handled by Treasury and Project Finance Department (TPFD) contrary to the sound internal control system on the segregation of duties of employees.**
- 18.4.1. Segregation of duties is a building block of sustainable risk management and internal controls for a business. Key duties and functions should be assigned to different individuals to ensure that effective check and balance exist and to eliminate opportunities to conceal errors and irregularities. This standard of internal control entails that no one person or department should be in complete control over a transaction.
- 18.4.2. Moreover, the updated functional chart of the Authority disclosed the following:
- Section IV.A. Accounting and Comptrollership Department*
- The Accounting Department is responsible for the processing and recording of financial transactions and the generation of financial statements and reports.*
- Section IV.C Treasury and Project Finance Department*
- The Treasury and Project Finance Department ensures that funds management tools, measures and mechanisms are adopted to generate adequate funds to finance BCDA projects*
- 18.4.3. Examination of the supporting documents for the monetization of leave credits disclosed that instead of the Accounting and Comptrollership Department (ACD), the computation and certification of the value of leave credits for monetization is being

done by TPF, the function of which is primarily stewardship and generation of funds.

18.4.4. The ACD is responsible to review the compliance, validity and reasonableness of various disbursements and other accounting/financial related transactions of BCDA.

18.4.5. The computation and certification of monetization of leave credits by TPF are not in accordance with sound internal control which increases possible risk of errors and lapses in performance of duties.

**18.5. We recommended and Management agreed to:**

a. **Strictly comply with the provisions of the Omnibus Rules on Leave (ORL) by ensuring that only employees with accumulated 15 days VL credits are allowed to monetization of a minimum of 10 days with at least five days balance retained after monetization;**

b. **Exhaust first the VL credits of employees before resorting to the special monetization of SL credits in accordance with CSC Resolution No. 000034;**

c. **Submit to the Audit Team the pertinent documents to support the payment of monetization of 50 per cent or more leave credits of some of the BCDA employees as required in COA Circular 2012-001 for verification;**

d. **Adhere to CSC-DBM Joint Circular No. 2-97 which provides that monetization of leave credits shall be availed of only once a year; and**

e. **Ensure that appropriate internal controls are established by segregating key duties and responsibilities from different individuals/department and instruct ACD to review/certify in the computation of leave credits to be monetized/commuted.**

18.6. Management commented during the exit conference that they already started drafting revised and updated policy on the monetization of leave credits to be included in their revised Manual of Procedures. Moreover, they sought clarifications from the CSC since they were confused on how to interpret and implement Sections 22 and 23 of the ORL.

**19. The gender mainstreaming in BCDA was not accelerated due to poor planning which resulted in implementation of minimal GAD programs, activities and projects (PAPs) that will address women empowerment and gender equality.**

- 19.1. Section 2 of Republic Act (RA) 9710 otherwise known as the Magna Carta for Women (MCW) states that:

*Recognizing that the economic, political, and sociocultural realities affect women's current condition, the State affirms the role of women in nation building and ensures the substantive equality of women and men. It shall promote empowerment of women and pursue equal opportunities for women and men and ensure equal access to resources and to development results and outcome. Further, the State realizes that equality of men and women entails the abolition of the unequal structures and practices that perpetuate discrimination and inequality. To realize this, the State shall endeavor to develop plans, policies, programs, measures, and mechanisms to address discrimination and inequality in the economic, political, social, and cultural life of women and men.*

- 19.2. Section 2.3 of Philippine Commission on Women-National Economic Development Authority-Department of Budget and Management (PCW-NEDA-DBM) Joint Circular No. 2012-01 states that all government-owned and controlled corporations (GOCCs) shall formulate their annual GAD Plans and Budgets (GPBs) within the context of their mandates to mainstream gender perspectives in their policies, programs and projects. GAD Planning shall be integrated in the regular activities of the agencies.

- 19.3. Moreover, Section 6.4 of the Joint Circular provides that:

*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.*

- 19.4. For purposes of attribution of major programs or projects to GAD, agencies shall conduct gender analysis by assessing the gender-responsiveness of its implementation using the Harmonized Gender and Development Guidelines (HGDG) to ensure different concerns of women and men are addressed equally and equitably in their PAPs.

- 19.5. Meanwhile, pursuant to PCW Memorandum Circular (MC) No. 2021-01 dated January 20, 2021, the GAD Accomplishment Report (AR) for CY 2020 of the Authority was encoded and submitted to the PCW thru the Gender Mainstreaming Monitoring System (GMMS) on March 19, 2021.

- 19.6. Review of the GAD AR disclosed that Management submitted to PCW seven GAD related activities, as shown in the following:

Type of Activity	No. of PAPs	Budget	Utilization		% of Utilization
			No. of PAPs Implemented	Actual Expenses	
Client-focused	1	1,000,000.00	0	0	0
Organization-focused	6	5,000,000.00	6	2,889,796.31	48.33
	<b>7</b>	<b>6,000,000.00</b>	<b>7</b>	<b>2,889,796.31</b>	<b>48.33</b>

- 19.7. It is notable that Management was able to implement all the six targeted GAD PAPs for its organization-focused activities. It is worthy to mention that out of the GAD budget of P6.000 million, only 48.33 per cent or P2.900 million was actually expended for GAD PAPs. The unutilized budget could have been used by the Authority for other GAD PAPs which directly respond to its mandates and other gender issues and concerns arising from the unequal status of their women and men stakeholders.
- 19.8. The low utilization of budget may also be considered a manifestation that there was poor planning of the proposed GAD activities which resulted in the non-acceleration of gender mainstreaming of the Authority. Hence, the purpose of the law on women empowerment and gender equality was not significantly achieved.
- 19.9. It can also be gleaned from the above Table that the Authority was not able to implement the targeted PAPs for its client-focused activity. Management explained that specific activities were planned and initial preparations for their implementation were undertaken however, all community-based activities were cancelled due to the effects of the COVID-19 pandemic.
- 19.10. **We recommended that Management:**
- a. **Strengthen gender mainstreaming in BCDA by integrating more GAD PAPs in the regular activities of the Authority thru the utilization of HGDG tool in the attribution of relevant costs of its PAPs to the GAD budget; and**
  - b. **Maximize the utilization of funds allocated for GAD thru the implementation of GAD-related PAPs which address gender and development issues in order to attain the objective for which the funds were provided.**
- 19.11. Management commented that the three client-focused activities in the communities within the New Clark City area were cancelled due to the COVID-19 pandemic. The said activities would have focused on helping women from the areas surrounding the BCDA project sites by enhancing their understanding of gender roles and empowering them to take on leadership positions in their communities.
- 19.12. BCDA considered CYs 2019 and 2020 as their best years in terms of mapping out and planning GAD projects, not just in BCDA but among their subsidiaries as well.

- 19.13. With regard to budget attribution, the Authority acknowledged the fact that it was unable to attribute any portion of the CY 2020 budget for the infrastructure projects due mainly to the lack of technical knowledge on the proper use of the PCW-prescribed HGDG tools. Moving forward, more infrastructure projects will be captured and drawn into the GAD mainstreaming efforts through budget attribution once the GFPS and key officers and staff have been capacitated on gender analysis and the use of the HGDG tools through training activities.
- 19.14. BCDA committed to comply with the recommendation of the Audit Team to improve the utilization of GAD funds to be allocated in the future by ensuring that all identified PAPs will be undertaken and executed in a timely and efficient manner. The Authority shall be guided by the recently approved BCDA Group GAD Manual in project implementation.
- 20. No supporting documents were attached to GAD Accomplishment Report (AR) for CY 2020 submitted to the Audit Team as required by Section 10.4 of PCW-NEDA-DBM Joint Circular No. 2012-01 and Section 6.0 of PCW Memorandum Circular (MC) No. 2021-01, thereby precluding the team from conducting a thorough audit of the GAD AR.**
- 20.1. Section 10.4 of the PCW-NEDA-DBM Joint Circular No. 2012-01 requires that GAD AR shall be accompanied by the following:
- a. Brief summary of the reported program or project;
  - b. Copies of reported policy issuances;
  - c. Results of Harmonized Gender and Development Guidelines tests, if any; and
  - d. Actions taken by the agency on COA audit findings and recommendations, if any.
- 20.2. Likewise, Section 6.0 of PCW MC No. 2021-01 dated January 20, 2021 states that:
- Agencies are also requested to attach narrative reports which could include good practices and testimonies of their GAD accomplishments in their GAD ARs using the attachment facility (Column 11) of the GMMS.*
- 20.3. Inquiry with Management disclosed that the GAD AR for CY 2020 was encoded and submitted to PCW thru the GMMS on March 19, 2021. The Audit Team requested a copy of the said report, however, it was only submitted to the Audit Team on April 7, 2021. Management said that they encountered problems in retrieving the document from the GMMS due to a technical glitch and admitted that they forgot to immediately download the GAD AR from the GMMS upon its submission to PCW.
- 20.4. It was noted that the GAD AR submitted to the Audit Team was not accompanied by a brief summary of GAD PAPs accomplishment. The Audit Team requested for the submission of other documents such as the narrative

report of its GAD activities but Management commented that they did not attach the said report in their submission of GAD AR to PCW.

- 20.5. The non-submission of the required documents is not in compliance with the said provisions. Hence, the Audit Team was precluded from verifying and making a thorough audit of the GAD accomplishments of the Authority.
- 20.6. **We recommended that Management strictly comply with pertinent provisions pertaining to the attachment of required supporting documents to the GAD AR set forth under Section 10.4 of PCW-NEDA-DBM Joint Circular No. 2012-01 and Section 6.0 of PCW MC No. 2021-01, and submit the same to the Audit Team for further evaluation.**
- 20.7. Management acknowledged their failure to attach the supporting documents in the submission of GAD AR for CY 2020 to PCW. Henceforth, it committed to strictly comply with the provisions pertaining to the attachment of required supporting documents to the GAD AR.
- 20.8. Management submitted to the Audit Team the two main documents that represent the fruits of a whole year's worth of labor on the part of the BCDA GFPS, the BCDA management committee, and the planning and operating units of BCDA and its subsidiaries:
  - a. BCDA Group GAD Manual
  - b. 2020 BCDA Group GAD Priority Projects
- 20.9. The documents are the results of the unprecedented collective efforts of the whole BCDA Group which clearly and strongly demonstrated BCDA's commitment to continue the process of gender mainstreaming.

## **21. Compliance with Tax Laws**

For CY 2020, BCDA has remitted taxes withheld totaling P188.008 million, while leaving an outstanding withholding tax payable of P17.418 million to be remitted in CY 2021.

## **22. Compliance with Rules on Government Mandatory Deductions and Remittances**

For CY 2020, the appropriate premium contributions and loan amortizations were deducted from the salaries of the employees of BCDA. Employees' share together with the employer's share as well as loan amortizations were remitted to Government Service Insurance System (GSIS), Home Development Mutual Fund (HDMF) and Philippine Health Insurance Corporation (PHIC) within the prescribed period.



The remittances for CY 2020 are as follows:

GSIS contribution	21,467,736.31
HDMF contribution	702,800.00
PHIC contribution	2,095,292.29
GSIS loan amortization	2,861,648.93
HDMF loan amortization	754,631.06
	<b>27,882,108.59</b>

**23. Status of Notice of Suspensions, Disallowances and Charges**

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

Audit Action	Beginning Balance January 1, 2020	Issued	Settled	Ending Balance December 31, 2020
Suspensions	0	0	0	0
Disallowances	3,108,000	0	0	3,108,000
Charges	0	0	0	0
	<b>3,108,000</b>	<b>0</b>	<b>0</b>	<b>3,108,000</b>

23.2. The disallowance of P3.108 million as of December 31, 2020 pertains to the following:

- a. Payment of legal fees to private lawyers/consultants amounting to P2.845 million under Notice of Disallowance (ND) No. 09-0014-01111(2006-2008) dated October 22, 2009 was affirmed under COA Decision No. 2013-201 dated November 20, 2013. This is covered by COA Order of Execution (COE) dated January 5, 2015. BCDA sent Statements of Account to persons liable.
- b. The Manager of the Budget Department of BCDA was excluded from persons liable under COA Decision No. 2014-235 dated September 11, 2014. One of the persons liable in the said ND passed away last September 19, 2016.
- c. On June 6, 2018, BCDA transmitted a letter to the General Counsel endorsing the said COE together with all the documents to the Office of the Solicitor General for appropriate collection.
- d. The amount of P0.263 million represents the unsettled balance of the disallowed payment of Christmas Package/annual gift check to the members of the Board of Directors and consultant in CYs 2003 to 2007 totaling P1.318 million. This is due from two payees who are no longer connected with BCDA. An Appeal dated January 13, 2010 was filed at the Office of the then Cluster B Director, CGS which was received on February 23, 2010 under Order Docket No. (CGS-B) 2010-005 dated February 26, 2010.

- e. The P3.108 million disallowance does not include the Notices of Disallowance, Notices of Charge and Notices of Suspension issued prior to the effectivity of the Rules and Regulations on the Settlement of Accounts issued by the COA.

**PART III – STATUS OF IMPLEMENTATION OF  
PRIOR YEARS' AUDIT RECOMMENDATIONS**

**STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS**

Of the 48 audit recommendations embodied in prior years' Annual Audit Reports, 40 were implemented/reconsidered and eight were partially implemented, as shown below:

Reference	Audit Observations	Recommendations	Status of Implementation
<p>CY 2019 AAR, Observation No. 1, pages 81-83</p>	<p>The Authority was not able to collect from MEGAWORLD the Minimum Annual Secured Revenue Share (MASRS) of P873.414 million each for CYs 2018 and 2019, or a total of P1.747 billion, thereby, depriving BCDA of valuable cash inflows. Moreover, interest due on delayed/non-payment of MASRS was not taken up in the books resulting in understatement of Receivables and Interest Income Accounts in the amount of P216.655 million.</p>	<p>a. Prepare the necessary entry to recognize the interest of P216.655 million for the delayed payment of the MASRS;</p> <p>b. Explain why BCDA was not able to draw from the Security provided by MEGAWORLD the unpaid MASRS; and</p> <p>c. Exhaust all possible means to collect the MASRS and interest due from MEGAWORLD, otherwise a Notice of Charge shall be issued.</p>	<p>Implemented</p> <p>Receivables in the amount of P213.209 million was recognized on October 22, 2020 per Invoice No. 009137.</p> <p>Implemented</p> <p>BCDA informed that due to the pending dispute, BCDA could no longer draw from the Security since it was already expired as it is only good for a period of one year from issuance.</p> <p>Partially Implemented</p> <p>Reiterated in Observation No. 8 of this report.</p>
<p>CY 2019 AAR, Observation No. 2, pages 84-86</p>	<p>The qualitative characteristic of verifiability of Withholding Tax at Source was not established due to the variance of P324.152 million between the amount presented in the Annual Income Tax Return (BIR Form</p>	<p>a. Require the Accounting Division to make necessary reconciliation on the amount reported as creditable withholding tax in the Annual Income Tax Return with the balance per accounting records and adjustments</p>	<p>Partially Implemented</p> <p>Reiterated in Observation No. 3 of this report.</p>

Reference	Audit Observations	Recommendations	Status of Implementation
	<p>1702) and the balance per books; and unsupported Creditable Withholding Tax (CWT) totaling P49.044 million.</p>	<p>should be made, if warranted;</p> <p>b. Ensure and instruct all personnel who are authorized to record/input CWT in the accounting system to secure the required certificate of creditable withholding tax for all taxes withheld and submit the same to the Accounting Division for custody and monitoring; and</p> <p>c. Submit to the Audit Team all additional BIR Form 2307, if any, for audit and verification.</p>	<p>Implemented</p> <p>Certificates of CWTs were already submitted by Management.</p> <p>Implemented</p> <p>All Certificates of CWTs were already submitted to the Audit Team.</p>
<p>CY 2019 AAR, Observation No. 3, pages 87-89</p>	<p>The share of BCDA from the gross revenues of Clark International Airport (CRK) operations totaling P53.824 million was not recorded in the Authority's books of accounts resulting in the understatement of receivables and service concession revenue by the same amount. Moreover, there was a delay in the remittance of revenue to BCDA from 22 to 79 days contrary to the Operations and Maintenance (O&amp;M) Agreement which prescribes payment to be made no later than 15 days after the end of each quarter.</p>	<p>a. Recognize in the books of accounts the income earned in accordance with PAS 1 and Conceptual Framework for Financial Reporting; and</p> <p>b. Enforce the immediate remittance of service concession fee from LIPAD in accordance with the terms of payment prescribed in the agreement.</p>	<p>Implemented</p> <p>The additional variable share of P53.824 million was recognized in the books of accounts under JV No. 041847 dated December 31, 2019.</p> <p>Implemented</p> <p>The remittance of P53.824 million variable share of BCDA in CY 2019 was already made in January 2 and February 6, 2020. Moreover, the succeeding revenue share were</p>

Reference	Audit Observations	Recommendations	Status of Implementation
			remitted to BCDA within the prescribed period under the O&M Agreement.
CY 2019 AAR, Observation No. 4, pages 89-91	Presence of long outstanding payable accounts totaling P38.719 million rendered the balance of Accounts Payable account doubtful and not in compliance with Paragraphs 15 and 69 of PAS 1.	<p>a. Evaluate thoroughly the validity of long outstanding balances under Accounts Payable and Due to Officers and Employees by determining whether actual services had been rendered/goods had been delivered;</p> <p>b. Make the necessary adjustment to all payables that have no supporting documents and outstanding for more than two years; and</p> <p>c. Reclassify to noncurrent liability accounts all obligations that are not qualified to be reported as current liability.</p>	<p>Implemented</p> <p>The noted outstanding balances had already been evaluated and that actual services had been rendered/goods had been delivered.</p> <p>Partially Implemented</p> <p>Reiterated in Observation No. 5 of this report.</p> <p>Implemented</p> <p>Quarterly monitoring of liabilities is being implemented and reclassifications are made when necessary.</p>
CY 2019 AAR, Observation No. 5, page 91	The variance between the balance per books and the Annual Physical Inventory Report of the Property and Equipment account amounting to P4.045 million, casts doubt on the accuracy of Property and Equipment presented in the financial statements.	Conduct continuous periodic reconciliation between Accounting and Property records to ensure that all differences are immediately investigated, cleared and reconciled with the books of accounts; and prepare the necessary journal entries, if warranted.	<p>Implemented</p> <p>The analysis and reconciliation of fixed assets vs. physical inventory had been completed and adjusting entries were already recorded.</p>

Reference	Audit Observations	Recommendations	Status of Implementation
CY 2019 AAR, Observation No. 6, pages 92-93	The fair representation of liability accounts could not be ascertained due to the abnormal debit balance in Subsidiary Ledgers (SLs) amounting to P1.664 million, which is not in accordance with PAS 1.	Make the necessary adjustments on the balances or reclassify the negative balances to receivable account, whichever is applicable, if necessary.	Partially Implemented  Reiterated in Observation No. 6 of this report.
CY 2019 AAR, Observation No. 7, pages 93-97	The grant of Financial Assistance to Project-Affected Persons (PAPs) in New Clark City has no legal basis.	<p>a. Discontinue the grant of Financial Assistance to PAPs; and</p> <p>b. Explain/justify why the grant of financial assistance to the NCC PAPs should not be considered as irregular and unnecessary use of government funds.</p>	<p>Implemented</p> <p>Management discontinued the grant of Financial Assistance to PAPs effective August 13, 2020.</p> <p>Implemented</p> <p>Management provided the Audit Team with a copy of the opinion rendered by the Office of the Government Corporate Counsel (OGCC) on December 1, 2020 that BCDA may formulate and draft its own Policy and Procedural Guidelines which will lay down the procedures in the eviction of informal settlers and set the guidelines and basis of computation of the financial assistance and limitations.</p>

Reference	Audit Observations	Recommendations	Status of Implementation
CY 2019 AAR, Observation No. 9, pages 105- 107	The Sports Facilities, planned/ conceptualized by BCDA, was negotiated into an unsolicited proposal rather than going through competitive bidding following the process applicable for solicited projects gave MTD an undue advantage and negatively affects the competitiveness of the bidding.	Strictly adhere to the procedures for solicited projects as prescribed by RA 9184 or RA 6957, whichever is applicable.	Implemented  BCDA assured and committed that it will follow the COA recommendation as evidenced by the procedures being implemented for the NAS facilities.
CY 2019 AAR, Observation No. 10, pages 107- 109	The provisions in the Joint Venture Agreement (JVA) between BCDA and MTD Capital Berhad involving expenditure of public funds for the construction of the Sports Facilities, was executed without prior appropriation of funds contrary to Section 85 of Presidential Decree (PD) 1445 which would deem the contract void.	Refrain from entering into contracts involving expenditure of public funds without prior appropriation of funds as required by Section 85 of PD 1445.	Implemented  Management included in its proposed 2021 budget an additional P729 Million appropriation for Phases 1 and 2 of the construction of the facilities/ amenities for the NAS and the same is already included in the Senate version of the 2021 General Appropriations Act.
CY 2019 AAR, Observation No. 11, pages 110- 111	The Negotiated Procurement covering the lease of privately-owned real property intended as temporary housing facilities for the Philippine Navy (PN) officers affected by the land disposal was not compliant with Sec. V (D) (9) of Annex H of the 2016 Revised Implementing Rules	a. Consider economy as a factor in the selection of location of real property leased. In all instances the procuring entity should ensure that the most reasonable and advantageous price for the government is obtained;	Implemented  The area of temporary housing units provided by BCDA for PN Officers is way below compared to what was already enjoyed by the Senior Officers from their former housing facilities.



Reference	Audit Observations	Recommendations	Status of Implementation
	<p>and Regulations (RIRR) of RA 9184 otherwise known as the Government Procurement Reform Act. As a result, there was no assurance that BCDA obtained the most reasonable and advantageous price and offer.</p>	<p>b. Prepare technical specifications considering the rating factors prescribed under the above-cited RIRR. The technical specification should be considered in the determination of the responsiveness and reasonableness of the price quotation offered by the prospective Lessors; and</p> <p>c. Follow the procedures for Lease of privately – owned real property such as invitation from at least three prospective lessors to submit sealed price quotations and determination of the reasonableness of the price quotations in accordance with the methodology prescribed in the RIRR.</p>	<p>Management justified that in the conduct of negotiated procurement, they ensured that they obtained the most reasonable and advantageous price for the government.</p> <p>Implemented</p> <p>Management submitted the technical specifications of the rating factors prescribed in RIRR.</p> <p>BCDA conformed to the technical specifications prescribed in DND/AFP Circular No. 6, which was the basis in the determination of the pricing of the temporary housing units.</p> <p>Implemented</p> <p>Management provided copies of the requests for Quotation sent to three prospective bidders namely a) Avida; b) DMCI and c) Robinsons.</p> <p>The Requests for Quotation was also published in the BCDA website and PhilGEPS during</p>

Reference	Audit Observations	Recommendations	Status of Implementation
			the procurement process.
CY 2019 AAR, Observation No. 12, pages 111-114	Rental rates of townhouses and condominium units as temporary housing facilities for the Philippine Navy (PN) Flag Officers and Senior Officers are excessive/extravagant as contemplated under COA Circular No. 2012-003 dated October 29, 2012.	Revisit the procurement procedures undertaken by the BAC. In view of non-compliance with the prescribed procedures in the conduct of negotiated procurement covering the Lease of PN housing facilities resulting to impropriety of the transaction, consider any legal remedies as warranted in the Lease Agreement for possible termination of the Lease.	Implemented  Management submitted the BAC Resolution indicating the failure of the bidding and the negotiation conducted with the individual prospective lessors.
CY 2019 AAR, Observation No. 13, pages 114-115	The relevant documents forming part of the Memorandum of Agreement (MOA) between BCDA and the Department of National Defense (DND)/Armed Forces of the Philippines (AFP) for the grant of temporary housing facilities to affected/displaced PN Officers were inconsistent with its terms and conditions stipulated therein.	a. Submit the computation or the result of market analysis on determining the ABC for the Lease of Temporary Housing Facilities for PN Officers to support the amount included in the FY 2019 Corporate Operating Budget (COB);  b. Provide a complete Schedule of Monthly Rentals for the 44 beneficiaries;	Implemented  Management submitted the market analysis indicating the criteria used in the determination of the location and ABC for the lease of temporary housing facilities for the PN Senior officers to support the budget included in the 2019 COB.  Implemented  Management submitted the monthly rentals of the 26 beneficiaries since some of the Senior Officers were relocated inside the military base due to high risk exposure on the

Reference	Audit Observations	Recommendations	Status of Implementation
		<p>c. Submit the required Certificate of Availability of Fund (CAF) for the MOA between BCDA and AFP/DND; and</p> <p>d. Ensure compliance with the applicable laws, rules and regulations governing contracts in government.</p>	<p>concerned military officials.</p> <p>Implemented Management submitted the required CAFs for the lease agreements pursuant to the MOA between BCDA and DND/AFP.</p> <p>Implemented BCDA committed to ensure that due diligence will be exercised in procuring, regulating, and establishing their positions in every contract agreement.</p>
<p>CY 2019 AAR, Observation No. 14, pages 115-118</p>	<p>The non-compliance with some of the provisions in the Business Agreement (BA) entered into by and between BCDA and Manila North Tollways Corporation (MNTC) resulted in non-assurance that all operation and maintenance requirements for Subic-Clark-Tarlac Expressway (SCTEX) were undertaken and complied by the Concessionaire.</p>		

Reference	Audit Observations	Recommendations	Status of Implementation
	<p>a. The Annual Performance Review Criteria (APRC) was not used in evaluating the Status Report submitted by MNTC for CY 2019, which is not in accordance with Section 9.3.2 of the BA. Moreover, the review was not made in a timely manner.</p> <p>b. Some of the documents submitted by MNTC to BCDA were not made within the reglementary period set forth under the BA.</p>	<p>a. Ensure compliance with the Business Agreement by evaluating the Status Report in a timely manner and in accordance with the Annual Performance Review Criteria.</p> <p>b. Require MNTC to submit all the reports within the reglementary period set forth in the Agreement.</p>	<p>Implemented</p> <p>Compensating controls were established by Management in the evaluation of Status Report by MNTC.</p> <p>Implemented</p> <p>BCDA notified MNTC via e-mail on July 17, 2020 that they must comply with the submission of monthly reports within the period required under the BA.</p> <p>Since then, MNTC complied with the submission of the reports within the period required under the BA.</p>
CY 2019 AAR, Observation No. 15, pages 118-119	The information in the Report on Operation and Maintenance submitted by Luzon International Premiere Airport Development Corp. (LIPAD) for Clark International Airport (CRK) is incomplete, thus, it could not be determined whether or not LIPAD has complied with its obligations and the requirements under the	Require LIPAD to submit reports with complete information in accordance with the format provided in the Concession Agreement to ensure compliance of LIPAD with operation and maintenance requirements for CRK.	Implemented

Reference	Audit Observations	Recommendations	Status of Implementation
	O&M Concession Agreement.		
CY 2019 AAR, Observation No. 16, pages 119-120	BCDA allowed private individuals to occupy the 21 units of ASEAN Villas without perfected lease agreements.	<p>a. Stop the practice of allowing private individuals to occupy government properties without executed contracts;</p> <p>b. Expedite the execution of contract of lease for the remaining ASEAN Villas; and</p> <p>c. Submit copy of the contracts within five working days from the execution to the Office of the Auditor, in accordance with COA Circular No 2009-01, for auditorial and legal review.</p>	<p>Reconsidered</p> <p>The engineers from BCDA's Business Development and Operations Group informed that only the lessees with signed Contracts of Lease are occupying the ASEAN villas.</p> <p>Implemented</p> <p>BCDA had already executed Contracts of Lease with lessees who already paid the required upfront cash and security deposits.</p> <p>Implemented</p> <p>15 Contracts of Lease for ASEAN Villas have already been submitted by the Management.</p>
CY 2019 AAR, Observation No. 17, pages 120-122	Several parcels of lot were obtained through Right of Way (ROW) acquisition valued at P139.303 million. Out of the 65 parcels of lot, 53 were not covered with Transfer Certificates of Title (TCTs) in the name of BCDA despite	a. Ensure strict compliance in the submission of required supporting documents before making any payment as stated in the procedures adopted in ROW acquisition and as required under COA Circular 2012-001; and	<p>Partially Implemented</p> <p>Out of the 53 lots, 12 were already titled under BCDA. As for the remaining 41 lots, all the survey plans have been submitted to Department of Environment and</p>

Reference	Audit Observations	Recommendations	Status of Implementation
	payments made to respective lot owners.	b. Make constant written follow up with the Registry of Deeds on the processing of the annotated TCTs for titling in BCDA's name	Natural Resources (DENR)-Land Management Bureau (LMS), awaiting for the release of the approved survey plans in order to proceed with the transfer of the title to BCDA.  Implemented  Land and Assets Development Department has dedicated one staff to monitor and follow-up with DENR.
CY 2019 AAR, Observation No. 18, page 123	Unserviceable Property and Equipment (PE) costing P35.557 million were not yet disposed as of year-end which is not in accordance with Section 79 of PD 1445, thereby resulting in possible loss due to further deterioration of the properties.	Ensure that the Disposal Committee expedite the preparation of Inventory and Inspection Report of Unserviceable Property (IIRUP), thereafter, undertake immediate disposal procedures in accordance with PD 1445 and COA Circular No. 89-296 dated January 27, 1989, to avoid further deterioration and devaluation of the unserviceable properties.	Implemented  IIRUP and derecognition of unserviceable properties were already made. Disposal proceedings is on-going.
CY 2019 AAR, Observation No. 19, pages 123-12	The following deficiencies were noted for the Gender and Development (GAD) program of BCDA.  a. The approved GAD Budget of P6 million is not in compliance	a. Comply with Sec. 6.1 of PCW-NEDA-DBM Joint Circular No. 2012-01 that at least five per cent of the DBM approved budget be allocated to its GPB by mainstreaming gender perspectives in	Implemented  At least five per cent of the DBM approved budget was allocated to its GPB by mainstreaming gender

Reference	Audit Observations	Recommendations	Status of Implementation
	<p>with the requirements under Philippine Commission on Women-National Economic Development Authority-Department of Budget and Management (PCW-NEDA-DBM) Joint Circular No. 2012-01.</p> <p>b. There was low utilization of GAD Budget despite the fact that the budget of P6 million was very minimal.</p> <p>c. Non-compliance with the recommendations of the Philippine Commission on Women (PCW).</p>	<p>its major PAPs or attributing agency major programs to the GAD budget.</p> <p>b. Formulate an effective monitoring system to ensure that all identified GAD PAPs will be timely and fully undertaken within the year; and</p> <p>c. Comply with the recommendations or proposed actions made by PCW.</p>	<p>perspectives in its major PAPs or attributing agency major programs to the GAD budget.</p> <p>Various seminars on GAD were held by BCDA.</p> <p>Implemented</p> <p>Management submitted documents regarding monitoring tool called Projects Monitoring and Evaluation System (PSMES).</p> <p>BCDA GAD Plan and Budget for 2020 and 2021 were also submitted and validated together with the Accomplishment Report for 2020 and whatever is lacking in the 2020 Plan and Budget will be incorporated in the 2021 as advised by PCW.</p> <p>Implemented</p> <p>Management submitted the 2021 GAD Budget and PCW and COA recommendations</p>

Reference	Audit Observations	Recommendations	Status of Implementation
			were considered in the preparation of the 2021 GPB.
CY 2018 AAR, Observation No. 3, pages 81-83	The faithful representation and verifiability of Receivables account could not be established due to: (a) dormant accounts amounting to P13.594 million; and (b) presence of abnormal/negative balances totaling P0.556 million.	Intensify efforts to collect the dormant accounts and if all efforts are in vain, request for authority to write-off said accounts.	Partially Implemented  Reiterated in Observation No. 11 of this report.
CY 2018 AAR, Observation No. 9, pages 101-104	BCDA utilized a total amount of P0.843 million or 14.05 per cent of the budget in the implementation of four out of seven activities of the targeted Gender and Development (GAD) activities for CY 2018.	a. Ensure that all identified program/activities due for implementation will be fully and timely undertaken; and  b. Prioritize capacity development activities on GAD planning and budgeting and Gender Analysis to assist Management in formulating client-focused and organization-focused GAD activities.	Implemented  Management ensured that all program/activities included in the PAPs will be undertaken.  Implemented  Management allocated to its GPB by mainstreaming gender perspectives in its major PAPs or attributing agency major programs to the GAD budget including client focused and organization focused activities.
CY 2017 AAR, Observation No 4, pages 79-81	The land donated to the City of Taguig subsequently leased out beyond the purpose of the donation resulted	Representatives from the BCDA, AFP and the City of Taguig discuss amicably their differences and resolve	Implemented  Negotiation is still on-going. Based on the initial



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	in bypassing the Armed Forces of the Philippines' (AFP's) share in the disposition of BCDA assets.	what is fair for the AFP without resorting to tedious and expensive legal battle.	discussion, Taguig LGU will offer another property in lieu of the initial office space offered to the AFP. The office space located at SM Aura is too small to accommodate the requirements of the AFP.
CY 2017 AAR, Observation No. 8, pages 93-95	Transfer Certificates of Title (TCTs) of land assets with an area of 809,019 sq. m. valued at P583.001 million were not available upon inspection.	Account for the TCTs of land assets with an area of 809,019 sq. m. valued at P583.001 million.	Partially Implemented  <b>North Boni Area.</b> Blk 10 Lot 3 is a portion of 9,333 sq.m. area covered by TCT No. 31329 with FBDC as owner. Upon execution of the JVA for the privatization and development of the 8.38 hectares North Boni Lots, the said portion is yet to be segregated. The portion has been titled in the name of BCDA under TCT No. 164-20180000425 which is in the custody of MEGAWORLD by virtue of Declaration of Trust between BCDA and MEGAWORLD Corp. dated January 2019. This was executed to establish MEGAWORLD Corp.'s beneficial

Reference	Audit Observations	Recommendations	Status of Implementation
			<p>ownership over the FBDC parcel and to serve as proof that BCDA has not committed a breach of its obligation to transfer title over the FBDC parcel to MEGAWORLD.</p> <p><b>SCTEX RROW Lots</b> The Land and Assets Development department (LADD) and Treasury and Project Finance Department (TPFD) are currently consolidating the retrieval and transmittal endorsements from 2011 to 2015 to reconcile the land titles in SCTEX.</p>
<p>CY 2017 AAR, Observation No. 10, pages 101-102</p>	<p>The Framework and Landing Party Agreements are beyond the BCDA mandate.</p> <p>BCDA and Department of Information and Communications Technology (DICT) signed the Framework Agreement, a joint endeavor that would involve the construction and operation of the Luzon Bypass Infrastructure supported by a Backhaul that connects the Last Mile with BCDA's six areas of</p>	<p>BCDA and DICT should, collectively, submit the three components of the project with aggregate project cost of P2.588 billion to the ICC (Investment Coordination Committee) for review and decision.</p>	<p>Implemented</p> <p>The updated and joint DICT/BCDA certificate was sent to National Economic and Development Authority (NEDA) on July 15, 2018.</p> <p>DICT is currently in the process of preparing its master plan for the DICT's Digital Infrastructure which includes the National Broadband Plan. Tentatively</p>

Reference	Audit Observations	Recommendations	Status of Implementation
	<p>jurisdiction to provide the high speed internet facility. The framework covers:</p> <p>a. The Luzon Bypass Infrastructure, a 250-kilometer multi-duct cable conduit path which will traverse five provinces that will connect the two terminal stations or the modular information technology facilities that will be constructed, one in Poro Point, La Union, and one in Baler, Quezon. BCDA shall construct at estimated cost of P975 million and DICT shall operate, maintain and be responsible for the infrastructure's security at estimated annual amount of P97.500 million;</p> <p>b. The Backhaul Infrastructure, an internet network between the landing station in Poro Point, La Union and Baler, Quezon to be constructed by DICT at P1.083 billion;</p> <p>c. The Last Mile Infrastructure, the internet network within the BCDA</p>		<p>scheduled to commence on May 31, 2021, the master planning activity will include further study of the financial internal rate of return (FIRR) and economic internal rate of return (EIRR) of the Luzon Bypass Infrastructure Project which is considered as Component 2 of the NBP. The preparation of the master plan is expected to be completed in the 4<sup>th</sup> quarter of CY 2021 and will be submitted to agencies such as NEDA.</p>

Reference	Audit Observations	Recommendations	Status of Implementation
	<p>area of jurisdiction which BCDA shall construct, operate and maintain at P530 million and DICT shall be the technical advisor.</p> <p>For the enforceability of the FA, the BCDA and DICT entered into a Landing Party Agreement (LPA) with EDGE Network Services, Limited, the submarine system owner.</p>		
<p>CY 2017 AAR, Observation on Heritage Park Project, pages 131-136</p>	<p>Portion of the proceeds from the development of the Heritage Park (HP) Project was not accounted as government funds.</p> <p>Funds generated from the Heritage Park Project of BCDA should be accounted as government funds. However, no accounting of the cash proceeds from the HP Project and the related disbursements therefrom was rendered by BCDA as required by regulations and in the spirit of transparency.</p>	<p>Render an accounting of all the proceeds generated from the HP Project that remain unaccounted in BCDA's books of accounts.</p>	<p>Reconsidered – This topic was refocused in Observation No. 9 of this report.</p>
<p>CY 2016 AAR, Observation No. 5, pages 69-71</p>	<p>Advances to BCDA Board of Directors (BOD) totaling P4.567 million remained uncollected.</p>	<p>Recover from the BOD the P4.567 million.</p>	<p>Partially Implemented</p> <p>In CY 2017, Management collected a total of P0.821 million from Custodio Acorda</p>

Reference	Audit Observations	Recommendations	Status of Implementation
			<p>Sicam De Castro and Panganiban Law Offices (CASDP).</p> <p>In CY 2019, BCDA collected an amount of P1.909 million from the GSIS.</p>