

## 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 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 7917 on February 21, 1995.

RA 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

	2018	2017 (As restated)	Increase (Decrease)
Assets	182,793,935,453	159,452,221,809	23,341,713,644
Liabilities	40,872,101,986	38,046,327,735	2,825,774,251
Equity	141,921,833,467	121,405,894,074	20,515,939,393

#### Comparative Results of Operations

	2018	2017 (As restated)	Increase (Decrease)
Revenues	29,110,150,922	11,082,241,287	18,027,909,635
Expenses	9,139,447,754	9,998,719,915	(859,272,161)
Net Income	19,908,016,642	1,083,521,372	18,824,495,270

### 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, 2018 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, 2018 and 2017. Also, we conducted our audit 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 2018 and 2017.

## **SUMMARY OF SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS**

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

1. Deficiencies noted pertinent to the Supplemental Implementing Agreement (SIA) between BCDA and Megaworld.
  - 1.1. Non-recovery of the full amount of Land Compensation (LCA) previously deducted by Megaworld from BCDA's net proceeds from the sale of its allocated units.
  - 1.2. Allocation for the condominium/residential and parking units on the 3-hectare freed up area was not made within six months from clearing, relocation and replication of structures, contrary to Section 2.5 of the Joint Venture Agreement (JVA), which resulted in the delay of remittance of proceeds from sale and lease of BCDA units, thus payment of interest should be imposed pursuant to Section 3.4 of the JVA.
  - 1.3. Basis of allocation percentage between BCDA and Megaworld was not submitted to COA.

We recommended that Management:

- a. Take appropriate action to recover the full amount withheld by Megaworld as LCA from December 15, 2008, the date when the first remittance of proceeds from sale and lease of allocated lots/units was made, up to November 8, 2012;
  - b. Initiate action on the enforcement of interest on the late allocation of units/remittance of net proceeds from sale or lease of BCDA's allocated units in the 3-hectare freed up area as provided in Section 3.4 of the JVA; and
  - c. Submit the basis for the new sharing percentage agreed upon in the SIA.
2. The Business Resolution Agreement (BRA) among BCDA, Fort Bonifacio Development Corporation (FBDC) and Bonifacio Global (BG) Companies, executed on December 22, 2017, resolved that the BG Companies shall pay BCDA the amount of P5.400 billion covering the shortfall in the government's 45 per cent share from the sale of several lots in Bonifacio Global City (BGC), but did not include interest charges in spite of the fact that the 2017 settlement pertains to various sales that occurred in 2012 and 2013.

We recommended that Management consider the time value of money in entering into agreements concerning its share/proceeds from disposition of properties by including a provision for interest in case of delayed remittance.

3. Unbilled and uncollected interest arising from the late remittance of the P125.830 million proceeds from the sale of BCDA-allocated units in Sarasota and Pinecrest are yet to be collected.

We reiterated our recommendations that Management:

- a. Initiate the collection of interest arising from the delayed remittance of proceeds from sale of Pinecrest and Sarasota units; and
  - b. Provide the Audit Team copies of the demand letters sent to Megaworld.
4. The General Insurance for Subic-Clark-Tarlac Expressway (SCTEx) properties was procured from private insurance companies, contrary to Administrative Order (AO) No. 141 dated August 17, 1994 and Section 5 of Republic Act (RA) No. 656.

We recommended that Management require Manila North Tollways Corporation (MNTC) to procure the comprehensive insurance policies of the SCTEx properties with the General Insurance Fund of the Government Service Insurance System based on Section 2 of AO 141 and Section 5 of RA No. 656.

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

Of the thirty-nine (39) audit recommendations contained in the previous years' Annual Audit Reports, twenty-seven (27) were implemented, eight (8) were partially implemented, one (1) was reconsidered and three (3) were not implemented. Details are discussed in Part III of this report.