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

CORPORATE GOVERNMENT AUDIT SECTOR
Cluster 4 – Industrial and Area Development

June 16, 2022

The Board of Directors
National Development Company
116 Tordesillas Street,
Salcedo Village, Makati City

RECEIVED
JUN 16 2022
BY: NIKKI MAJAVA

Gentlemen:

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines, we transmit herewith our report on the results of audit of the accounts and transactions of National Development Company (NDC) for the years ended December 31, 2021 and 2020.

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 Corporation.

The following are the significant audit observations and recommendations:

1. Investment properties amounting to P162.940 million with an aggregate area of 37,587 square meters remained not titled in the name of NDC thereby negating management's assertion on its rights and obligations pertaining thereto.

   We reiterated our prior year's recommendation that Management expedite titling of these untitled land in NDC's name in order to establish rights and ownership over said properties.

2. The balance of Rental Receivable account amounting to P46.388 million could not be ascertained due to variances in the total amount of P9.171 million between the book and confirmed balances of the accounts with various lessees.

   We recommended that Management:

   a. Reconcile the lessee's accounts with variances per confirmation as against balance per books of accounts:

      a.1 Coordinate with the representatives of the Board of Investments and Petron Corporation to discuss the settlement of their outstanding obligations;

a.2 Follow-up and coordinate closely with the representatives of Manila Pest Control, Panay Railways, Inc. and Spectrum Engineering & Consultancy to determine and establish the proprietary of their long outstanding accounts with NDC; and

a.3 Assess and reconcile the variances from the records of Lepanto Mining Corporation, Cleanaway Philippines Inc., Mr. Naguit and Eac.Net Internet Shop and adjust the books of accounts if necessary; and

b. Demand payment of valid receivables determined after reconciliation and/or adjust accounting records, if warranted.

3. Compensation Price on the negotiated sale of 13,297.97 square meters portion of Pandacan property, subject of the Right-of-Way (ROW) of the Metro Manila Skyway Stage 3 Project (MMSS3) amounting P757.984 million was not yet finalized after the lapse of more than three years from the undertaking of the Road ROW acquisition by the Department of Public Works and Highways in February 2018 and remains outstanding after completion of the project in January 2021 resulting in foregone revenue or lost income opportunities for the Corporation.

   We recommended that Management:

   a. Coordinate with the Toll Regulatory Board and other concerned government agencies, to expedite the resolution of the issue on the ROW acquisition of the Pandacan property and the corresponding compensation thereof;

   b. Demand inclusion of Legal Interest in the computation of compensation price for the property covered in ROW acquisition for MMSS3 project pursuant to Section 5 of Republic Act (RA) No. 10752 as implemented by Section 6.11 of its Implementing Rules and Regulations; and

   c. Require compensation from the contractors of the Project for the unauthorized use of the property in the absence of a lease agreement.

4. Consultants for not highly technical functions were hired through negotiated procurement instead of competitive bidding contrary to Sections 2 and 53.7 of the Revised Implementing Rules and Regulations (RIRR) of RA No. 9184.

   Henceforth, we recommended that the hiring of consultants whose services are not appropriately categorized as Highly Technical be undertaken thru competitive bidding in accordance with the pertinent provisions of RIRR of RA No. 9184 on procurement of consulting services.

The other 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 8, 2022, are presented in detail in Part II of the report.

In a letter of even date, we requested the Corporation's OIC - General Manager to take appropriate action on the recommendations contained in the report and to inform this Office of the actions taken thereon within 60 days from the date of receipt.

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

Very truly yours,

COMMISSION ON AUDIT

By:

EMMA V. MOISES
OIC - Cluster Director

Copy furnished:

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

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

CORPORATE GOVERNMENT AUDIT SECTOR
Cluster 4 – Industrial and Area Development

June 16, 2022

ATTY. RHOEL Z. MABAZZA
OIC – General Manager
National Development Company
116 Tordesillas Street,
Salcedo Village, Makati City

NATIONAL DEVELOPMENT COMPANY
CORPORATE SUPPORT GROUP
Received by: NIKKI M. JAVA
Date: 16 JUNE 2022
Time: 4:50 PM

Dear Atty. Mabazza:

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 National Development Company (NDC) for the years ended December 31, 2021 and 2020.

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

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   We reiterated our prior year's recommendation that Management expedite titling of these untitled land in NDC's name in order to establish rights and ownership over said properties.

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   a. Reconcile the lessee's accounts with variances per confirmation as against balance per books of accounts:

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a.3 Assess and reconcile the variances from the records of Lepanto Mining Corporation, Cleanaway Philippines Inc., Mr. Naguit and Eac.Net Internet Shop and adjust the books of accounts if necessary; and

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   We recommended that Management:

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   c. Require compensation from the contractors of the Project for the unauthorized use of the property in the absence of a lease agreement.

4. Consultants for not highly technical functions were hired through negotiated procurement instead of competitive bidding contrary to Sections 2 and 53.7 of the Revised Implementing Rules and Regulations (RIRR) of RA No. 9184.

   Henceforth, we recommended that the hiring of consultants whose services are not appropriately categorized as Highly Technical be undertaken thru competitive bidding in accordance with the pertinent provisions of RIRR of RA No. 9184 on procurement of consulting services.

The other audit observations, together with recommended courses of action, which were discussed with concerned Management officials and staff during the exit conference conducted on June 8, 2022, are presented in detail in Part II of the report.

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

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

Very truly yours,

COMMISSION ON AUDIT

By:

EMMA V. MOISES
OIC - Cluster Director

Copy furnished:

The President of the Republic of the Philippines
The Vice President
The Speaker of the House of Representatives
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Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Ave., Quezon City

ANNUAL AUDIT REPORT

on the

NATIONAL DEVELOPMENT COMPANY

For the Years Ended December 31, 2021 and 2020

EXECUTIVE SUMMARY

INTRODUCTION

The National Development Company (NDC) was established as a semi-private corporation on March 10, 1919 through Legislative Act No. 2849, as amended by Legislative Act No. 2873. On November 13, 1936, it became a public corporation through Commonwealth Act No. 182, as amended by Commonwealth Act No. 311 dated June 9, 1938. Pursuant to Presidential Decree No. 1648, NDC was reorganized on October 25, 1979 to be the government's investment arm under the Department of Trade and Industry (DTI).

The Corporation's mandate is to invest in pioneering and development-oriented projects where private investors are unwilling (because of the high risks or uncertainties involved) or unable to venture into (because of the large investment requirement) but are necessary for the country's development.

On March 10, 2003, Executive Order (EO) No. 184 was approved by the President of the Philippines directing the reorganization and streamlining of NDC by refocusing its operations as the government's investment arm. In fulfilling this role, NDC shall:

- adopt a new philosophy and strategy by sourcing and investing funds in a portfolio of socially relevant and commercially driven projects, the returns from which shall balance out the generation of income streams and ensure sustainable financial returns to uphold the government's shareholder value;

- adopt a more aggressive divestment policy and clearer exit mechanism on its equity investments which could be best handled by the private sector; and

- act as a holding corporation to manage its subsidiaries where government investments are placed, ensure that their growth potentials are maximized to enhance government's shareholder value and adopt control mechanisms to effectively monitor the performance of the subsidiaries.

The Corporation is governed and its activities are directed, controlled and managed by a Board of Directors, composed of nine members and a Chairman.

As of December 31, 2021, NDC has 29 permanent employees and 14 contractual employees.

FINANCIAL HIGHLIGHTS

Comparative Financial Position

	2021	2020 (as restated)	Increase (Decrease)
Assets	25,787,834,846	23,167,481,417	2,620,353,429
Liabilities	5,644,569,722	5,385,819,174	258,750,548
Equity	20,143,265,124	17,781,662,243	2,361,602,881

Comparative Results of Operations

	2021	2020 (as restated)	Increase (Decrease)
Income	2,909,972,286	2,571,843,445	338,128,841
Expenses	177,669,314	262,268,398	(84,599,084)
Income before income tax	2,732,302,972	2,309,575,047	422,727,925
Income tax expense	286,909,031	316,853,239	(29,942,208)
Net Income	2,445,393,941	1,992,721,808	452,672,133

SCOPE AND OBJECTIVES OF AUDIT

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

INDEPENDENT AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

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

SUMMARY OF SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

1. Investment properties amounting to P162.940 million with an aggregate area of 37,587 square meters remained not titled in the name of NDC thereby negating management's assertion on its rights and obligations pertaining thereto.

   We reiterated our prior year's recommendation that Management expedite titling of these untitled land in NDC's name in order to establish rights and ownership over said properties.

2. The balance of Rental Receivable account amounting to P46.388 million could not be ascertained due to variances in the total amount of P9.171 million between the book and confirmed balances of the accounts with various lessees.

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   a. Reconcile the lessee's accounts with variances per confirmation as against balance per books of accounts:

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   a. Coordinate with the Toll Regulatory Board and other concerned government agencies, to expedite the resolution of the issue on the ROW acquisition of the Pandacan property and the corresponding compensation thereof;

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4. Consultants for not highly technical functions were hired through negotiated procurement instead of competitive bidding contrary to Sections 2 and 53.7 of the Revised Implementing Rules and Regulations (RIRR) of RA No. 9184.

   Henceforth, we recommended that the hiring of consultants whose services are not appropriately categorized as Highly Technical be undertaken thru competitive bidding in accordance with the pertinent provisions of RIRR of RA No. 9184 on procurement of consulting services.

SUMMARY OF SUSPENSIONS, DISALLOWANCES AND CHARGES AS OF YEAR-END

As at December 31, 2021, the unsettled Notices of Disallowance amounted to P20.845 million. Of this amount, P1.717 million is with Petition for Review on Certiorari filed with the Supreme Court on May 9, 2011. The amount of P15 million was not settled despite issuance of COA Order of Execution dated February 6, 2014, P0.725 million is with Petition for Review dated October 5, 2017 with the COA Commission Proper, P2.822 million is pending resolution by the Commission Proper pursuant to Rule V, Section 7 of the 2009 Revised Rules of Procedure of the Commission on Audit and P0.581 million is with Corporate Government Sector Cluster 4 Decision No. 2020-07 dated June 19, 2020.

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the 36 audit recommendations embodied in prior years' Annual Audit Reports, 12 were fully implemented/reconsidered, 16 were partially implemented and 8 were not implemented. Details are presented in Part III of this Report.

TABLE OF CONTENTS

PART I

AUDITED FINANCIAL STATEMENTS

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

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS
National Development Company
Makati City

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

We conducted our audits in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the *Auditor's Responsibility for the Audit of the Financial Statements* section of our report. We are independent of NDC 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 36 to the financial statements which describes the uncertainty related to the outcome of the various civil and tax cases pending before the appellate courts, the lower courts and the Supreme Court. Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of these 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 NDC'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 NDC or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibility 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 NDC'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 NDC's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause NDC to cease to continue as a going concern.

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

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

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 38 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

mtpetalio

MYRNA T. PETALIO
OIC - Supervising Auditor

June 8, 2022

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

In preparing the financial statements, Management is responsible for assessing NDC'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 NDC or to cease operations, or has no realistic alternative to do so.

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

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

The Commission on Audit has audited the financial statements of NDC 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 the presentation upon completion of such audit.

SEC. RAMON M. LOPEZ
NDC Chairman of the Board

Atty. RHOEL Z. MABAZZA
OIC – General Manager

JOYCE ANNE N. ALIMON
Department Manager III-Finance and Administrative Department

June 8, 2022

NATIONAL DEVELOPMENT COMPANY
STATEMENTS OF FINANCIAL POSITION
December 31, 2021 and 2020
(In Philippine Peso)

	Note	**2021**	2020 (as restated)	January 1, 2020 (as restated)
ASSETS				
Current Assets				
Cash and cash equivalents	7	**254,749,119**	121,621,670	159,216,594
Other investments	8	**1,632,243,702**	2,007,064,957	2,689,648,463
Receivables, net	9	**187,200,824**	201,799,800	227,243,547
Inventories	10	**1,797,258**	1,603,499	1,562,720
Other current assets	11	**40,679,391**	35,486,038	30,496,014
Total Current Assets		**2,116,670,294**	2,367,575,964	3,108,167,338
Non-Current Assets				
Financial assets	12	**1,350,502,786**	1,094,593,267	1,094,204,732
Investments in associates/affiliates	13	**122,004,850**	141,377,186	234,924,097
Investments in subsidiaries	14	**402,315,129**	402,315,129	402,315,129
Other investments	15	**196,446,890**	196,446,890	196,446,890
Receivables, net	9	**61,563,241**	62,747,474	53,647,419
Investment property	16	**21,436,203,151**	18,806,661,041	16,553,383,211
Property and equipment, net	17	**53,040,598**	47,074,176	47,833,587
Other non-current assets	18	**49,087,907**	48,690,290	48,160,859
Total Non-Current Assets		**23,671,164,552**	20,799,905,453	18,630,915,924
TOTAL ASSETS		**25,787,834,846**	23,167,481,417	21,739,083,262
LIABILITIES AND EQUITY				
Current Liabilities				
Financial liabilities	19	**626,345,865**	628,770,427	750,197,289
Inter-agency payables	20	**7,445,457**	8,891,350	13,933,499
Trust liabilities	21	**35,571,374**	37,860,467	36,625,643
Deferred credits/unearned income	22	**6,136,927**	6,052,332	8,914,587
Provisions	23	**313,909,671**	308,469,747	303,243,706
Total Current Liabilities		**989,409,294**	990,044,323	1,112,914,724
Non-Current Liabilities				
Deferred tax liability	31	**4,615,098,537**	4,354,384,497	4,078,480,941
Trust liabilities	21	**40,061,891**	41,390,354	39,135,697
Total Non-Current Liabilities		**4,655,160,428**	4,395,774,851	4,117,616,638
Equity		**20,143,265,124**	17,781,662,243	16,508,551,900
TOTAL LIABILITIES AND EQUITY		**25,787,834,846**	23,167,481,417	21,739,083,262

The notes on pages 9 to 61 form part of these financial statements.

NATIONAL DEVELOPMENT COMPANY
STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2021 and 2020
(In Philippine Peso)

	Note	**2021**	2020 (as restated)
INCOME			
Business income	24	**264,911,705**	315,502,759
Gains	25	**2,639,664,148**	2,248,279,814
Other non-operating income	26	**5,396,433**	8,060,872
		2,909,972,286	2,571,843,445
EXPENSES			
Personnel services	27	**36,166,065**	33,726,898
Maintenance and other operating expenses	28	**107,657,795**	112,436,152
Financial expenses	29	**3,762,392**	3,778,461
Non-cash expenses	30	**30,083,062**	112,326,887
		177,669,314	262,268,398
INCOME BEFORE INCOME TAX		**2,732,302,972**	2,309,575,047
INCOME TAX EXPENSE	31		
Current tax		**26,194,991**	40,949,681
Deferred tax		**260,714,040**	275,903,558
NET INCOME		**2,445,393,941**	1,992,721,808
Other comprehensive income	12	**18,284,865**	388,535
COMPREHENSIVE INCOME		**2,463,678,806**	1,993,110,343

The notes on pages 9 to 61 form part of these financial statements.

NATIONAL DEVELOPMENT COMPANY
STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2021 and 2020
(In Philippine Peso)

	Note	Share Capital (Note 32)	Share in Revaluation Increments of Associates	Accumulated Other Comprehensive Income	Retained Earnings (Note 33)	Total
Balances, December 31, 2019		**8,602,803,483**	**28,883,100**	**22,806,335**	**7,855,922,780**	**16,510,415,698**
Correction of prior years' errors	33	0	0		(1,863,798)	(1,863,798)
Balances, January 1, 2020, as restated		8,602,803,483	28,883,100	22,806,335	7,854,058,982	16,508,551,900
Changes in Equity for 2020						
Net income for the year, as restated	33	0	0		1,992,721,808	1,992,721,808
Dividends	35	0	0		(720,000,000)	(720,000,000)
Other comprehensive income for the year						
Unrealized gain on financial assets at FVOCI		0	0	388,535		388,535
Balances, December 31, 2020		**8,602,803,483**	**28,883,100**	**23,194,870**	**9,126,780,790**	**17,781,662,243**
Changes in Equity for 2021						
Net income for the year		0	0		2,445,393,941	2,445,393,941
Dividends	35	0	0		(102,075,925)	(102,075,925)
Other comprehensive income for the year						
Unrealized gain on financial assets at FVOCI	12	0	0	18,284,865		18,284,865
Balances, December 31, 2021		**8,602,803,483**	**28,883,100**	**41,479,735**	**11,470,098,806**	**20,143,265,124**

The notes on pages 9 to 61 form part of these financial statements.

NATIONAL DEVELOPMENT COMPANY
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2021 and 2020
(In Philippine Pesos)

	Note	**2021**	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Inflows			
Collection of rentals		**202,083,273**	192,105,188
Collection of interest		**31,253,194**	28,069,985
Dividends received		**12,810,584**	3,219,637
Collection of receivables		**3,739,838**	2,508,300
Miscellaneous collections		**471,350**	2,873,341
Total Cash Inflows		**250,358,239**	228,776,451
Cash Outflows			
Payment of taxes and licenses		**(72,530,637)**	(95,877,153)
Payment to suppliers and service providers		**(84,414,894)**	(66,925,730)
Payment of salaries and benefits to officers and employees		**(28,144,220)**	(26,788,352)
Total Cash Outflows		**(185,089,751)**	(189,591,235)
Net cash provided by operating activities		**65,268,488**	39,185,216
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Inflows			
Proceeds/placements on investments		**168,078,876**	759,167,490
Proceeds from disposal of assets		**1,203,882**	1,575
Collection of loans		**714,888**	341,051
Total Cash Inflows		**169,997,646**	759,510,116
Net cash provided by investing activities		**169,997,646**	759,510,116
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash Outflows			
Payment of dividends	35	**(102,075,925)**	(720,000,000)
Payment of loans		**0**	(116,282,858)
Total Cash Outflows		**(102,075,925)**	(836,282,858)
Net cash used in financing activities		**(102,075,925)**	(836,282,858)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(62,760)**	(7,398)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**133,127,449**	(37,594,924)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**121,621,670**	159,216,594
CASH AND CASH EQUIVALENTS AT END OF YEAR	7	**254,749,119**	121,621,670

The notes on pages 9 to 61 form part of these financial statements.

1. CORPORATE INFORMATION

The National Development Company (NDC) was established as a semi-private corporation on March 10, 1919 through Legislative Act No. 2849, as amended by Legislative Act No. 2873. It was authorized to engage in commercial, industrial and other enterprises essential to the economic development of the country.

On November 13, 1936, it became a public corporation through Commonwealth Act No. 182, as amended by Commonwealth Act No. 311, dated June 9, 1938, for the purpose of implementing the economic policies of the National Government and to play an active role in the development of natural resources.

Presidential Decree No. 1648, issued on October 25, 1979, revised the NDC Charter and reorganized NDC to be the government's investment arm under the Department of Trade and Industry (DTI). The Corporation's mandate is to invest in pioneering and development-oriented projects where private investors are unwilling (because of the high risks or uncertainties involved) or unable to venture into (because of the large investment requirement) but are necessary for the country's development.

On March 10, 2003, Executive Order (EO) No. 184 was issued directing the reorganization and streamlining of the NDC, by refocusing its operations as the government's investment arm. In fulfilling this role, NDC shall:

- adopt a new philosophy and strategy by sourcing and investing funds in a portfolio of socially relevant and commercially driven projects, the returns from which shall balance out the generation of income streams and ensure sustainable financial returns to uphold the government's shareholder value;

- adopt a more aggressive divestment policy and clearer exit mechanism on its equity investments which could be best handled by the private sector; and

- act as a holding corporation to manage its subsidiaries where government investments are placed, ensure that their growth potentials are maximized to enhance government's shareholder value and adopt control mechanisms to effectively monitor the performance of the subsidiaries.

Further, the Corporation was also directed to review its operations, following a set of criteria for measuring its performance, to attain its missions, plans and goals in consonance with the refocused functions.

The Department of Budget and Management approved on May 29, 2003 the new structure of NDC and the required staffing pattern and qualification standards for all positions. The corresponding Implementing Rules and Regulations (IRR) of EO 184 was promulgated and approved by the DTI Secretary on August 28, 2003 under DTI Department Order No. 70. With the implementation of EO 184, new employees were hired to work and implement the mandate of NDC as the government's investment arm.

The Corporation's principal office is located at the NDC Building, No. 116 Tordesillas St., Salcedo Village, Makati City.

The accompanying financial statements as of December 31, 2021 and 2020 were approved and authorized for issue by the Management on June 8, 2022.

2. GOING CONCERN

The coronavirus disease (COVID-19) outbreak is a serious and unprecedented public health threat. On March 11, 2020, the World Health Organization officially declared COVID-19 as a pandemic.

On March 8, 2020, the President of the Philippines signed Proclamation No. 922 declaring a State of Public Health Emergency throughout the country upon the recommendation of the Department of Health following the confirmed local transmission of the COVID-19. Subsequently, on March 16, 2020, Proclamation No. 929 was signed by the President declaring a State of Calamity throughout the Philippines for a period of six months, unless earlier lifted or extended as circumstances may warrant, and imposed an Enhanced Community Quarantine throughout Luzon.

The effects of community quarantine due to the COVID-19 pandemic in the operation of the Corporation are as follows:

1. In compliance with the directives of the National Government, NDC employees including those under contracts of service are on skeletal force and work from home arrangements.

2. Management has instituted safety protocols in the NDC building to avoid the spread of COVID-19, this includes issuance of interim guidelines on workplace prevention and control of COVID-19, procurement of face mask and face shields for use of all employees and service personnel to protect the personnel from the virus, installation of acrylic dividers on employees' work stations, regular disinfection of the building, use of online applications for meetings and provisions of shuttle services for employees during community quarantine.

3. Additional control measures were also implemented that includes registration of heath declaration forms using StaySafe.ph app, "No mask, No Entry" policy, use of thermal scanning and foot baths at all entry points for all personnel and visitors prior to entry and social distancing protocols.

4. The Building Administrator of NDC building actively participates in the Barangay Bel-Air COVID-19 Quick Response Group for Salcedo Village. The community group was formed as a means for the Barangay to disseminate advisories, discuss issues for resolution and problem management related to COVID-19.

5. The company also urges all its officers and employees to get vaccinated during the quarantine.

Management assessed that the COVID-19 pandemic brought moderate impact to NDC's operations but cannot be considered enough reason to close down its operation in the succeeding years.

3. FINANCIAL REPORTING FRAMEWORK AND BASIS OF PREPARATION AND PRESENTATION

Statement of Compliance

The financial statements of the Corporation 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 Board Of Accountancy (BOA) and adopted by the Securities and Exchange Commission.

Basis of Preparation

The financial statements of the Corporation were prepared using 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 Corporation 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 is 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

These financial statements are presented in Philippine Peso, the currency of the primary economic environment in which the Corporation operates. All values represent absolute amounts except when otherwise indicated.

4. NEW AND REVISED ACCOUNTING STANDARDS

Adoption of New and Amended PFRS

a. *Effective in 2021 that are not relevant to the Corporation*

- Amendments to PFRS 16, *Leases*, COVID-19-related Rent Concessions beyond June 30, 2021 – The changes from the amendment from PFRS 16 are to:

    - Permit a lessee to apply the practical expedient regarding COVID-19-related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022 (rather than only payments originally due on or before June 30, 2021);

    - Require a lessee applying the amendment to do so for annual reporting periods beginning on or after April 1, 2021;

    - Require a lessee applying the amendment to do so retrospectively, recognizing the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment; and

    - Specify that, in the reporting period in which a lessee first applies the amendment, a lessee is not required to disclose the information required by paragraph 28(f) of PAS 8.

- 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.

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, 2021 and have not been applied in preparing the financial statements are summarized below.

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

- Amendments to PFRS 3, *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 or 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 that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, 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 'costs 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 parent, based on the parent's date of transition to PFRS.

- Amendments to PFRS 9, *Financial Instruments,* Fees in the '10 per cent' test for 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 twelve months and make explicit that only rights 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 PAS 1*, Presentation of Financial Statements and* PFRS Practice Statement 2*, Making Materiality Judgements,* Disclosure Initiative – Accounting Policies – The amendments aim to help entities provide accounting policy disclosures that are more useful by: (i) replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies; and (ii) adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

- Amendments to PAS 8*, Accounting Policies, Changes in Accounting Estimates and Errors,* Definition of Accounting Estimates– The amendments introduced a definition of accounting estimates are, "monetary amounts in financial statements that are subject to measurement uncertainty" and to clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors.

- Amendments to PAS 12, *Income Taxes,* Deferred Tax related to Assets and Liabilities from a Single Transaction – The main change is an exemption from the initial recognition exemption provided in PAS 12. Accordingly, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

- Amendments to PFRS 17, *Insurance Contracts* – The main changes resulting from Amendments to PFRS 17 are:

    - Deferral of the date of initial application of PFRS 17 by two years to annual periods beginning on or after January 1, 2023 and change 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 on 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.

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

- Amendment to PFRS 17, *Insurance Contracts*, Initial Application of PFRS 17 and PFRS 9 – Comparative Information – The amendment adds a transition option that permits an entity to apply an optional classification overlay in the comparative period(s) presented on initial application of PFRS 17. The overlay allows all financial assets, including those held in respect of activities not connected to contracts within the scope of PFRS 17, to be classified, on an instrument-by-instrument basis, in the comparative period(s) in a way that aligns with how the entity expects those assets to be classified on initial application of PFRS 9. The overlay can be applied by entities that have already applied PFRS 9 or will apply it when they apply PFRS 17.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments 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 Corporation.

5. SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense.

Financial Assets

Initial Recognition

Financial assets are recognized in the Corporation's financial statements when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are recognized initially at fair value. Transaction costs are included in the initial measurement of the Corporation's financial assets, except for investments classified at fair value through profit or loss (FVTPL).

Classification and Subsequent Measurement

Financial assets are classified into the following specified categories: financial assets at FVTPL, financial assets at fair value through other comprehensive income (FVOCI) and at amortized cost. The classification is generally based on the business model which a financial asset is managed and its contractual cash flow characteristics. 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.

Financial assets at FVTPL

The Corporation classifies financial assets as at FVTPL when the financial asset is held for trading; designated upon initial recognition; either held for trading or designated upon initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- on initial recognition it is a part of an identified portfolio of financial instruments that the Corporation manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Corporation's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and it is permitted that the entire combined contract to be designated as at fair value through profit or loss.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the statement of comprehensive income.

As of the reporting date, the Corporation does not have financial assets that are classified as fair value through profit or loss.

Financial assets at Amortized Cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, the financial assets are subsequently measured at amortized cost using the effective interest method, less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition, and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are reclassified to FVTPL, impaired or derecognized, as well as through the amortization process.

Cash and cash equivalents, short-term investments, investments in retail treasury bonds and receivables fall under this category.

Financial assets at FVOCI

For debt instruments that meet the contractual cash flow characteristic and are not designated at FVTPL under the fair value option, the financial assets shall be measured at FVOCI if both of the following conditions are met:

- it is held within a business model whose objective is achieved by both collecting contractual cashflows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For equity instruments, the Corporation may irrevocably designate the financial asset to be measured at FVOCI in case the above conditions are not met.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. After initial recognition, interest income (calculated using effective interest rate method), foreign currency gains or losses and impairment losses of debt instruments measured at FVOCI are recognized directly in profit or loss. When the financial asset is derecognized, the cumulative gains or losses previously recognized in OCI are reclassified from equity to profit or loss as a reclassification adjustment.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. Foreign currency gains or losses and unrealized gains or losses from equity instruments are recognized in OCI and presented in the equity section of the statements of financial position.

These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods.

Financial assets at FVOCI-equity instruments are disclosed in Note 12.

Impairment of financial assets- starting January 1, 2021

The Corporation applies an “expected credit loss” (ECL) model to its financial assets measured at amortized cost and debt investment at FVOCI, but not to investment in equity instruments.

Loss allowances are measured on either of the following bases:

- *12-month ECLs*. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- *Lifetime ECLs*. These are ECLs that result from all possible default events over the expected life of a financial instrument.

The Corporation measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured as 12-month ECLs:

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Corporation has elected to measure loss allowances for receivables at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Corporation considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Corporation's historical experience, informed credit assessment including current conditions and forecast of future economic conditions.

The Corporation assumes that the credit risk on a financial asset has increased significantly if it is more than two years past due.

The Corporation considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Corporation in full, without recourse by the Corporation to actions such as realizing security (if any is held); or
- The financial asset is more than two years past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Corporation is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Corporation expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Corporation assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Impairment of financial assets- before January 1, 2021

Impairment loss is provided when there is objective evidence that the Corporation will not be able to collect all amounts due to it in accordance with the original terms of the receivables or when investment can no longer be recovered.

<u>Derecognition of financial assets</u>

The Corporation derecognizes financial assets when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risk and rewards of ownership of the asset to another party. If the Corporation neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Corporation recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Corporation retains substantially all the risk and rewards of ownership of a transferred financial asset, the Corporation continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g., when the Corporation retains an option to repurchase part of a transferred asset), the Corporation allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

Financial Liabilities and Equity Instruments

Classification as Debt or Equity

Debt and equity instruments issued by the Corporation are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Financial Liabilities

Initial recognition

Financial liabilities are recognized in the Corporation's financial statements when the Corporation becomes a party to the contractual provisions of the instrument. Financial liabilities are initially recognized at fair value. Transaction costs are included in the initial measurement of the Corporation's financial liabilities except for debt instruments classified at FVTPL. In a regular way purchase or sale, financial liabilities are recognized and derecognized, as applicable, using settlement date accounting.

Classification and Subsequent Measurement

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at FVTPL

Financial liabilities are classified at FVTPL when the financial liability is held for trading; designated upon initial recognition; either held for trading or designated upon initial recognition.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Corporation manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Corporation's documented risk management or investment strategy, and information about the Corporation is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and PAS 39 *Financial Instruments, Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the statement of comprehensive income. Fair value is determined in the manner described in notes.

Other financial liabilities

Other financial liabilities (including borrowings) are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Accounts payable and accrued expenses, inter-agency payables and loans payable are classified as other financial liabilities.

Offsetting financial instruments

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

A right to offset must be available today rather being contigent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

Derecognition of financial liabilities

The Corporation derecognizes financial liabilities when, and only when, the Corporation's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Corporation are recognized at the proceeds received, net of direct issue costs.

Retained earnings

Retained earnings represent accumulated profit attributable to equity holders of the Corporation after deducting dividends declared. Retained earnings may also include effect of changes in accounting policy and prior period adjustments.

Investment in Subsidiary

A subsidiary is an entity over which Corporation exercises control over the financial and operating policy decisions of the investee.

An investment in subsidiary is accounted for using the cost method from the date on which the investee becomes a subsidiary. Under the cost method, Investment in subsidiary is initially measured at cost and is presented in the statement of financial position at cost less any accumulated impairment in value.

Investment in subsidiary is derecognized upon disposal. Any difference between the carrying amount of the Investment in subsidiary and the net proceeds from disposal is recognized immediately in profit and loss.

Investment in Joint Venture

A joint venture (JV) is a contractual arrangement whereby the group and other parties undertake an economic activity that is subject to joint control.

Where a group of companies undertakes its activities under JV arrangements directly, the group's share of jointly-controlled assets and any liabilities incurred jointly with other venturers are recognized in the financial statements of the venturers and classified according to their nature.

Liabilities and expenses incurred directly in respect of interests in jointly-controlled assets are accounted for on an accrual basis. Income from the sale or use of the group's share of the output of jointly-controlled assets, and its share of JV expenses, are recognized when it is probable that the economic benefits associated with the transactions will flow to/from the group and their amount can be measured reliably.

Investment in Associate/Affiliate

An associate is an entity over which Corporation has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. Any excess of the cost of acquisition over the Corporation's share of the fair values of the identifiable net assets of the associate at the date of acquisition is recognized as implied goodwill, which is included within the carrying amount of the investments and is assessed for impairment as part of that investment. Any deficiency of the cost of acquisition below the Corporation's share of the fair values of the identifiable net assets of the associate at the date of acquisition, i.e., discount on acquisition is immediately recognized in profit or loss in the period of acquisition.

The results of operations and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held-for-sale in which measured at lower of carrying amount and fair value less cost to sell. Under the equity method, investments in associates or joint venture are carried in the statements of financial position at cost and adjusted thereafter to recognize the Corporation's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Corporation's share of losses of an associate exceeds the Corporation's interest in that associate, the Corporation discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Corporation has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

The Corporation's accounting policy for impairment of financial assets is applied to determine whether it is necessary to recognize any impairment loss with respect to its investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with the Corporation's accounting policy on impairment of tangible and intangible assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Corporation discontinues to use the equity method from the date the investment ceases to be an associate, or when the investment is classified as held for sale. When the Corporation retains interest in the former associate and the retained interest is a financial asset, the Corporation measured the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of gain or loss on disposal of the associate. In addition, the Corporation accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Corporation reclassifies the gain or loss from equity to profit or loss (as reclassification adjustment) when the equity method is discontinued.

Investment Property

Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment property are included in the income statement in the period in which they arise.

Investment property is 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. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the income statement in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change. If owner-occupied property becomes an investment property, the Group accounts property in accordance with the policy stated under property, plant and equipment up to the date of change.

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 costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity 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.

Property and equipment are stated in the financial statements at cost less accumulated depreciation, amortization and any impairment in value.

Expenditures incurred after the property and equipment have been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized in profit or loss in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment. The cost of replacing a component of an item of property and equipment is recognized if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized.

When parts of an item of property and equipment have different useful lives, these are accounted for as separate items (major components) of property and equipment.

Depreciation and amortization are calculated on a straight-line basis over the estimated useful lives of the property and equipment.

Impairment of Non-financial Assets

At each reporting date, non-financial assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in profit and loss.

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

Non-financial assets are derecognized when the 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 the net proceeds from derecognition is recognized in profit or loss.

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 is recognized to the extent that it is probable that the economic benefits will flow to the Corporation and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable services provided in the normal course of business.

Dividend Income

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

Interest Income

Interest income 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.

Lease Income

Lease income from cancellable lease agreements is recognized when earned in the statement of comprehensive income.

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.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the lessee.

All other leases are classified as operating leases. Rental payments under operating leases are recognized in profit or loss on a straight-line basis over the term of the relevant lease.

The Corporation as Lessor

The Contract of Lease entered into by the Corporation does not transfer substantially all the risks and benefits of ownership of the asset. The Corporation is engaged in a lease with pre- termination clause of which in case the Contract of Lease is terminated by the Lessor at any time prior to its expiration, the Lessor shall refund the amount representing the unearned portion of the rental to the Lessee. On the other hand, if the Contract of Lease is terminated by the Lessee at any time prior to its expiration, the amount representing the unearned portion of the rental will be deemed forfeited in favor of the Lessor. The lease income from the Contract of Lease is recognized in the statement of comprehensive income.

The Corporation determines whether an arrangement is, or contains a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Employee Benefits

Short-term Benefits

Short term benefits include salaries, bonuses, compensated absences and other forms of employee benefits that are expected to be settled within one year from the reporting date. Short-term employee benefits are recognized as expense in the period the related services are provided.

Terminal leave benefits

Terminal leave benefits are computed based on the actual leave credits earned by employees as of the reporting date. The amount reported as liability in the statement of financial position is based on the employees' salary grade as of the reporting dates.

Income Tax

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

Current Tax

The current tax expense is the amount of tax due which is computed based on the 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.

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 Corporation 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 taxes 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.

Borrowing Costs

Borrowing costs are interest and other costs that the Corporation incurs in connection with the borrowing of funds. 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.

Provisions and Contingencies

Provisions are recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Corporation expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pretax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

Foreign Currency Transactions

Transactions in foreign currencies are initially recognized by applying the spot exchange rate between the functional currency and the foreign currency at the transaction date.

At each reporting date:

a. Foreign currency monetary items are translated using the closing rate;

b. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and

c. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Exchange differences arising (a) on the settlement of monetary items, or (b) on translating monetary items at rates different from those at which they are translated on initial recognition during the period or in previous financial statements, are recognized in surplus or deficit in the period in which they arise.

Changes in accounting policies and estimates

The effects of changes in accounting policies are recognized retrospectively. The effects of changes in accounting policy were applied prospectively if retrospective application is impracticable.

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

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

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

- 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.

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.

6. JUDGMENTS AND ESTIMATES

The preparation of the financial statements in accordance with Philippine Financial Reporting Standards requires the Corporation 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.

Estimated allowance for impairment of receivables

The Corporation maintains allowance for impairment losses at a level considered adequate to provide for potential uncollectible receivables. This amount is evaluated based on such factors that affect the collectability of the accounts. These factors include, the age of the receivables, the length of the Corporation's relationship with the customer, the customer's payment behavior and known market factors. The amount and timing of recorded expenses for any period would differ if the Corporation made different judgments or utilized different estimates.

At the end of 2021 and 2020, the Corporation has recognized allowance for impairment of receivables in the amount of P5.555 million and P3.501 million, respectively.

Estimating useful lives of property and equipment

The Corporation 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:

Type of Asset	Estimated useful life in years
Land improvements	40
Building and building improvements	2 to 20
Furniture and equipment	3 to 10

7. CASH AND CASH EQUIVALENTS

This account consists of:

	2021	2020
Cash with collecting/disbursing officer	**71,890**	42,069
Cash in banks	**4,677,229**	1,148,534
Cash equivalents	**250,000,000**	120,431,067
	254,749,119	121,621,670

Cash in banks earns interest at the prevailing bank deposit rates. Interest earned on cash in banks amounted to P11,507 and P16,736 in 2021 and 2020, respectively.

Cash equivalents pertains to investment in time deposits in Land Bank of the Philippines (LBP) and Development Bank of the Philippines (DBP) with interest rates ranging from 1.675 to 1.950 per cent and with maturity dates of three months or less.

8. OTHER INVESTMENTS

This account consists of money market placements in LBP and DBP in the total amount of P1.632 billion and P2.007 billion in 2021 and 2020, respectively. Interest earned on these investments amounted to P40.211 million and P75.345 million in 2021 and 2020, respectively.

9. RECEIVABLES

This account consists of:

	2021	2020 (as restated)
Current		
Interest receivables	**70,152,733**	66,548,559
Rental receivables	**46,388,274**	65,311,145
Due from officers and employees	**6,757,910**	6,542,333
Other receivables	**314,908,974**	308,849,765
	438,207,891	447,251,802
Allowance for impairment losses	**(251,007,067)**	(245,452,002)
	187,200,824	201,799,800

	2021	2020 (as restated)
Non-Current		
Loans receivable	**1,101,588,322**	1,101,588,322
Interest receivables	**6,938,606**	6,938,606
Due from subsidiaries/associates/affiliates	**1,143,744,206**	1,143,744,206
Due from officers and employees	**3,433,972**	4,618,205
Due from National Government	**3,252,878**	3,252,978
	2,258,957,984	2,260,142,317
Allowance for impairment losses	**(2,197,394,743)**	(2,197,394,843)
	61,563,241	62,747,474

Interest receivables pertains to interests from various investments and income-generating activities which were already earned as of reporting date, but which were not yet actually received.

Rental receivables consists of collectibles from lease of real properties covered by lease agreements between the Corporation and lessees (Notes 16 and 24). During the implementation of the Enhanced Community Quarantine (ECQ), the Corporation observed the guidelines under the Bayanihan to Heal as One Act or RA No. 11469 on the concessions of commercial rents for Micro, Small and Medium Enterprises (MSMEs). The 30-day grace period is granted on commercial rents falling upon MSMEs without incurring interests, penalties, fees and other charges. The cumulative amount of rents shall be equally amortized in the next six months following the end of the quarantine and shall be added to the rents due on those succeeding months without interests, penalties, fees and charges.

Due from officers and employees pertains to loans granted by the Corporation to its officers and employees.

Other receivables includes management fees, guarantee fees, commitment fees, NDC's 50 per cent share from Rizal Hydro Project trade receivables and other receivables.

Loans receivable includes restructured loan to Philippine Mining Development Corporation (PMDC) with a term of up to 10 years starting July 30, 2013. PMDC requested for recomputation of its outstanding restructured loan and filed an arbitration case in November 2019. The Office of the Government Corporate Counsel (OGCC) noted the comment filed by NDC in September 2020. The OGCC on October 22, 2021 conducted a Case Management Conference. During said conference, OGCC required the counsels of the parties to secure authority from their respective Board of Directors to represent the parties in the arbitration and to negotiate for the possible settlement of the case. On November 5, 2021, NDC received the settlement proposal of PMDC. On November 8, 2021, NDC submitted the Secretary's Certificate showing the authority granted to its counsels to represent NDC in the arbitration. On November 22, 2021, NDC submitted its proposed settlement to PMDC. The OGCC scheduled the Preliminary Conference in April 2022.

Due from subsidiaries/associates/affiliates consists of advances made to the Corporation's various subsidiaries and affiliates.

Due from National Government represents amount due from the Republic of the Philippines representing expenses accompanying the Corporation's transferred accounts to the National Government (NG). These accounts, consisting of loans, equity investments, advances, acquired assets, other assets and liabilities, were identified and approved for transfer to the NG pursuant to Administrative Order No. 64 dated March 31, 1987.

A reconciliation of the allowance for impairment losses at the beginning and end of 2021 and 2020 is shown below:

	2021	2020
Beginning balance	**2,442,846,845**	2,439,488,798
Impairment loss during the year		
Rental receivables	**5,555,065**	3,501,044
Allowance for impairment-rental receivables (reversal)	**(100)**	(142,997)
	2,448,401,810	2,442,846,845

10. INVENTORIES

This account consists of the following:

	2021	2020
Inventory Held for Consumption:		
Carrying Amount, January 1	**1,603,499**	1,562,720
Additions/Acquisitions during the year	**2,619,706**	1,748,083
Expensed during the year	**(2,425,947)**	(1,707,304)
Carrying Amount, December 31	**1,797,258**	1,603,499

Inventory held for consumption pertains to office supplies, accountable forms, and fuel, oil and lubricants that were deployed for utilization or consumption in the ordinary course of operation.

11. OTHER CURRENT ASSETS

This account consists of:

	2021	2020 (as restated)
Prepayments	**27,794,503**	22,848,051
Restricted fund (held-in-trust)	**9,471,670**	9,284,414
Deposits	**3,353,573**	3,353,573
Advances	**59,645**	0
	40,679,391	35,486,038

Prepayments includes amounts advanced for insurance of properties, contractor for various projects, input tax and creditable withholding tax.

Restricted fund (held-in-trust) refers to Mintex escrow fund invested in treasury bills with maturity dates of three months or less than one year. The distribution of the fund is governed by a deed of undertaking among Human Settlements Development Corporation, Southern Philippines Development Authority and NDC. The purpose of the fund includes the full settlement and liquidation of liabilities which were assumed by the shareholders of the old Mintex and eventual distribution of the remaining trust assets. This account also includes the fund for the hydropower project with Philippine National Oil Company- Renewables Corporation (PNOC-RC) amounting to P45 million. On July 1, 2014, PNOC-RC and NDC entered into a Memorandum of Agreement for the development, commercialization, operation and maintenance of PRIS MC Hydroelectric Power Project (Rizal Hydropower Project) for energy commercialization. On September 4, 2014, the Department of Energy confirmed the declaration of commerciality and approved the conversion of the Rizal Hydropower Service Contract from pre-development to development/commercial stage. This commenced the development and utilization of the Rizal Hydropower plant facility with capacity of 1 MW. The plant started commercial operation on July 1, 2016. Cash and cash equivalents from Rizal Hydro Power amounted to P9.417 million as of December 31, 2021. NDC recognized 50 per cent share amounting to P4.708 million. These are funds reserved for the operation of the project.

Deposits consists mainly of refundable deposits made to various companies for the supply of communication, water, electric and other similar deposits.

Advances pertains to unliquidated cash advances granted to officers and employees for their official travel, various special events and payment of operating expenses.

12. FINANCIAL ASSETS

This account consists mainly of investments in bonds and other securities, as summarized below:

	2021	2020
Financial assets at amortized cost	**1,239,393,726**	1,001,769,072
Financial assets at fair value through other comprehensive income	**111,109,060**	92,824,195
	1,350,502,786	1,094,593,267

Financial assets at amortized cost

This account consists of long-term investments in retail treasury bonds purchased by NDC from the Land Bank of the Philippines with an interest rate ranging from 2.375 per cent to 4.625 per cent. Additional placement of P310.125 million and withdrawal of P72.500 million was made in 2021.

Interest earned on these investments amounted to P31.064 million and P34.873 million in 2021 and 2020, respectively.

Financial assets at fair value through other comprehensive income

This account consists of investments in the following:

	2021	2020
Manila Golf and Country Club	**75,000,000**	76,000,000
Philippine Long Distance Telephone Company	**16,744,195**	14,155,660
Makati Sports Club	**1,000,000**	2,200,000
Philippine Columbian Association	**80,000**	80,000
	92,824,195	92,435,660
Market adjustment	**18,284,865**	388,535
	111,109,060	92,824,195

13. INVESTMENTS IN ASSOCIATES/AFFILIATES

This account consists of the following investments in associates which the Corporation has significant influence and that is neither a subsidiary nor an interest in a joint venture.

		% of Ownership	2021	2020 (as restated)
Cost				
Refractories Corporation of the Phils.	RCP	33.00	**193,620,979**	193,620,979
San Carlos Bio-Energy, Inc.	SCBI	25.00	**172,900,000**	172,900,000
Manila Exposition Complex, Inc.	MECI	36.36	**120,000,000**	120,000,000
Philippine Dockyard Corporation	PDC	35.00	**101,650,000**	101,650,000
Triad Asia, Ltd.	TAL	50.00	**65,435,000**	65,435,000
Alabang-Sto. Tomas Development, Inc.	ASDI	49.00	**58,432,010**	58,432,010
Philippine Mining Development Corp.	PMDC	20.00	**25,000,000**	25,000,000
Phividec Industrial Estate	PIE	23.95	**17,000,000**	17,000,000
PITC Pharma, Inc.	PPI	40.00	**15,000,000**	15,000,000
Metro Hospital Waste Conversion	MHWC	40.00	**12,000,000**	12,000,000
First International Document Masters, Inc.	FIDMI	40.00	**4,000,000**	4,000,000
UP-NDC Basilan Plantations, Inc.	UNBPI	40.00	**2,400,000**	2,400,000
Interbank Venture Capital Corporation	IVCC	20.00	**1,000,000**	1,000,000
Philbancor Venture Capital Corporation	PBVCC	20.00	**1,000,000**	1,000,000
Veterans Venture Capital Corporation	VVCC	20.00	**1,000,000**	1,000,000
LIDE Management Corporation	LMC	20.00	**20,000**	20,000
San Jose Oil Company	SJOC	20.00	**1,716**	1,716
			790,459,705	790,459,705
Accumulated equity in net earnings (losses)				
Balance at beginning of year			**(369,011,754)**	(275,464,843)
Share in net profit for the year			**(19,081,103)**	(93,174,684)
Dividends received			**(291,233)**	(372,227)
Balance at end of year			**(388,384,090)**	(369,011,754)
Share in revaluation increment of an associate			**28,883,100**	28,883,100
Share in prior period adjustment of associates			**(104,467,149)**	(104,467,149)
			326,491,566	345,863,902
Allowance for impairment losses			**(204,486,716)**	(204,486,716)
			122,004,850	141,377,186

Refractories Corporation of the Philippines (RCP) is a minority-owned affiliate of NDC at 33 per cent (4.328 million shares equivalent to P108.223 million in equity). On September 2, 2009, RCP filed for corporate rehabilitation before the Regional Trial Court Branch 159 in Pasig City. The Court approved the rehabilitation on May 7, 2010. As part of the rehabilitation, RCP's total debt as of March 31, 2010 will be converted into common shares. As a result, NDC's shareholdings in RCP will be diluted from 33 per cent to 11 per cent. The corporation is undergoing court litigation on its corporate rehabilitation plan. A court hearing was held on February 26, 2016 at the Pasig Regional Trial Court. The Court has not yet issued an order on the issues of the case, to date.

14. INVESTMENTS IN SUBSIDIARIES

This account consists of the following investment in subsidiaries which the Corporation exercises control over the financial and operating policy decisions of the investee.

		% of Ownership	**2021**	2020
Common Shares				
Operational				
Philippine International Trading Corp.	PITC	99.50	**199,000,000**	199,000,000
Batangas Land Company, Inc.	BLCI	60.00	**55,659,300**	55,659,300
GY Real Estate, Inc.	GYREI	60.00	**13,084,200**	13,084,200
First Cavite Industrial Estate, Inc.	FCIEI	100.00	**8,845,038**	8,845,038
Kamayan Realty Corporation	KRC	60.00	**7,447,000**	7,447,000
Pinagkaisa Realty Corporation	PRC	60.00	**2,508,629**	2,508,629
Non-operational				
First Centennial Clark Corporation	FCCC	60.00	**400,000,000**	400,000,000
Manila Gas Corporation	MGC	91.70	**74,616,000**	74,616,000
NDC-Philippine Infrastructure Corp.	NPIC	100.00	**80,000,000**	80,000,000
For dissolution				
Luzon Stevedoring Corporation	LSC	100.00	**330,987,000**	330,987,000
Preferred Shares				
Non-operational				
First Centennial Clark Corporation	FCCC	60.00	**500,000,000**	500,000,000
			1,672,147,167	1,672,147,167
Allowance for impairment losses			**(1,269,832,038)**	(1,269,832,038)
			402,315,129	402,315,129

The Luzon Stevedoring Corporation had ceased operations in 1999. The records and books of accounts were not turned over to NDC.

The First Centennial Clark Corporation (FCCC) had ceased operations way back in 2007 when Clark Development Corporation (CDC), a subsidiary of the Bases Conversion and Development Authority (BCDA), terminated with finality the Lease Agreement, dated October 30, 1997, between CDC and FCCC for failure of FCCC to pay rental fees. Prior to such termination, FCCC and CDC entered into a Memorandum of Agreement (MOA) whereby CDC operated the FCCC leasehold area. However, CDC simultaneously cancelled the said MOA and Lease Agreement. Both NDC and FCCC requested CDC to reconsider such termination but to no avail. As a consequence of CDC's cancellation of the leasehold rights, CDC took over and appropriated the structures and buildings of FCCC erected on the leased area.

The dividend income earned by the Corporation from its investment in subsidiaries amounted to P1.130 million for the year 2021. There was no divided income from investment in subsidiaries in 2020.

15. OTHER INVESTMENTS

This account consists of investments in equity instruments as shown below:

		% of Ownership	**2021**	2020
Common Shares				
Operational				
Asean Bintulu Fertilizer Sdn. Bhd.	ABFSB	9.50	**158,895,989**	158,895,989
Science Park of the Philippines	SPP	5.18	**24,951,957**	24,951,957
Non-operational				
Paper Industries Corp. of the Phils.	PICOP	0.28	**15,000,000**	15,000,000
Menzi Development Corporation	MDC	5.20	**10,000,000**	10,000,000
For dissolution				
P.T Asean Aceh Fertilizer	PTAAF	13.00	**106,605,963**	106,605,963
Resort Hotels	RH	6.30	**6,474,300**	6,474,300
LSCO- PDCP	LPDCP	0.00	**188,550**	188,550
LSCO – Republic Planters Bank	LRPB	0.00	**96,000**	96,000
LSCO- PLDT	LPLDT	0.00	**15,250**	15,250
Pre-operating				
Asean Potash Mining Corporation	APMC	1.00	**12,598,944**	12,598,944
Under receivership				
National Steel Corporation	NSC	12.50	**622,305,756**	622,305,756
Preferred Shares				
Under receivership				
National Steel Corporation	NSC	12.50	**1,196,967,152**	1,196,967,152
Other Investments				
Investments in project (NDC Rattan)			**62,406,520**	62,406,520
Others			**99,455,145**	99,455,145
			2,315,961,526	2,315,961,526
Allowance for impairment losses			**(2,119,514,636)**	(2,119,514,636)
			196,446,890	196,446,890

Update on National Steel Corporation (NSC)

The NSC Liquidation Plan involves, among others, the disposition of the NSC plant assets as an integral facility in order to allow a prospective buyer to resume the operation thereof within a short period of time from acquisition. Under the Plan, the NSC plant assets are to be used exclusively in settling the claims of all the NSC Secured Creditors, who are to waive their right to claim against the other assets of NSC for any deficiency in their secured credit and their unsecured credit.

Two years after NSC's liquidation, majority of the secured creditors and the stockholders of NSC came into a general understanding and agreement as to the disposition of the NSC plant assets, the payment of the liabilities owing to the NSC secured creditors and the business operation of the Special Purpose Vehicle (SPV) which shall eventually purchase the NSC plant assets.

On January 29, 2004, the NSC Liquidator, the NSC Secured Creditors, the NSC Shareholders and Global Ispat Holdings Ltd. (GIHL) entered into an Initial Agreement which sets out the basic terms and conditions of the sale and purchase of the NSC plant assets. The proposed sale to and purchase of the NSC plant assets by GIHL was approved by the Securities and Exchange Commission (SEC), in its Order issued on May 6, 2004.

On September 10, 2004, the Parties executed an Asset Purchase Agreement (APA) to document the detailed terms and conditions of the sale and purchase of the right, titles and interests in and to, including the ownership of the NSC plant assets. However, at the time of signing, NDC was not able to obtain Board approval for its authorized signatory. Thus, its share in the down payment was held in escrow with the Philippine National Bank (PNB). To remedy the situation, an Accession Agreement was executed among NDC, GIHL and Global Steel Corporation (Global Steel). As soon as the Accession Agreement is signed by all Parties, the Corporation shall withdraw the escrow fund held by PNB and recognize the sale accordingly.

NDC, in its capacity as a GOCC secured creditor of NSC, sought the Department of Finance's approval to consider the transaction as a "true sale" and, thus, be eligible for all the incentives available under the SPV Law of 2002. The Bangko Sentral ng Pilipinas (BSP), the appropriate regulatory authority for creditor banks, considered the transaction structure on the sale of NSC plant assets to GIHL a "true sale" under the SPV Law as confirmed by the Monetary Board under Resolution No. 514 of April 15, 2004.

The Corporation's primary consideration in consenting to the sale is twofold. Firstly, the national interest was taken into account given the government's commitment to reopen NSC at the soonest time possible and the mandate given to the Department of Trade and Industry to facilitate the same. Secondly, NDC's corporate interest was also considered with the opportunity to recover partially its investments in NSC that was unlikely in the first place given the liquidation status of NSC.

On October 15, 2004, the Parties executed the Omnibus Agreement, which set the terms and conditions governing the deferred payment of the balance of the agreed price in the remaining sum of P12.250 billion, spread over eight years. However, Global Steel has not paid the real property taxes on the Iligan Plant from the time the NSC plant assets were turned over to it in 2005. Global Steel has interposed due to the following reasons: the alleged over-assessment by the City; the pendency of its application for tax incentive under a city ordinance; and the alleged misapplication by the City of its previous real property tax payments to other NSC properties. By 2006 therefore, Global Steel began defaulting on its installment payments and/or obligation to provide the stand-by letters of credit as required under the APA and the Omnibus Agreement.

Global Steel filed an action with the Regional Trial Court of Makati City on October 2, 2008, praying for an injunctive relief specifically to prohibit the NSC Secured Creditors from declaring an event of default in case it fails to pay the maturing installments. The trial court denied its prayer for injunctive relief.

Global Steel then filed for arbitration with the Singapore International Arbitration Center on October 13, 2008. Using the arbitration proceedings as the legal excuse, Global Steel sought provisional relief from the Singapore High Court where it prayed that the NSC Secured Creditors be restrained from declaring Global Steel to be in default under the Agreement and from declaring due and payable the balance of the purchase price and all other amounts payable under the Agreement. Global Steel claimed that the Liquidator and the Secured Creditors failed to deliver title to the NSC plant assets free and clear from all liens, since the real property tax lien of the City of Iligan had not been discharged. Thus, Global Steel allegedly could not obtain title to the NSC plant assets and seek additional financing.

At this point, NDC did not become a signatory to the Implementing Agreements (Omnibus Agreement, the Asset Purchase Agreement and Purchase Price Sharing Agreements) of the sale of NSC assets. While NDC has signed the Accession Agreement, a document which makes a creditor accede to and adhere to the Implementing Agreements, the same was not perfected due to Global Steel's failure to sign given their filing for arbitration.

On May 9, 2012, the Arbitral Tribunal issued the Partial Award (the "Award") in favor of Global Steel, and against NSC Liquidator Danilo L. Concepcion and the Secured Creditors. The Award specifically held Danilo L. Concepcion and the Secured Creditors solidarily liable to Global Steel. In sum, the Award ordered Danilo L. Concepcion and the Secured Creditors to pay Global Steel the amount of US$80 million by way of damages and to transfer all NSC plant assets free from all liens to Global Steel and for the Secured Creditors to pay Global Steel the amount of US$1.043 billion with respect to the Lost Land Claim. Majority of the Secured Creditors of Global Steel then filed an application to set aside the Award with the Singapore High Court on July 9, 2012.

The High Court of Singapore issued a Decision dated July 31, 2014 ("High Court Decision") which set aside the arbitral Award in its entirety. In addition, the High Court granted the Secured Creditors' claims for the payment of its legal costs for the proceedings in the court, which shall be subject to further submissions.

Global Steel appealed the High Court's Decision to the Singapore Court of Appeals on all points. The Singapore Court of Appeals allowed in part and dismissed in part Global Steel's appeals. The practical effect of the decision is that certain parts of the Award remain to be set aside. However, the Court of Appeals reinstated the findings of the Tribunal in the Award that the Liquidator and the Secured Creditors breached the APA in failing to transfer clean title over the NSC plant assets to Global Steel.

On August 23 and 30, 2016, the City Treasurer of Iligan City caused the publication of a Notice of Real Property Tax Delinquency in the Gold Star Daily, covering all real properties declared in the name of National Steel Corporation (NSC) in Iligan City, pertaining to the period beginning on the 4th quarter of 1999 ending on the 2nd quarter of 2016. The Liquidator wrote the City Treasurer a letter to remind them that any attempt to levy on the subject properties will be in contravention of the Stay Order issued by the SEC on November 30, 2006. SEC affirmed the continuing validity of the said Stay Order, in its letter to the Office of the City Treasurer of Iligan City dated January 5, 2016. Notwithstanding the writ of execution issued by Branch 57 of the Regional Trial Court of Makati, the City of Iligan, through the City Treasurer, proceeded with the tax sale on October 19, 2016. No bid was submitted. Pursuant to the Local Government Code, there being no bidder, the City Treasurer shall purchase the property for the local government.

While the petition for Ex-Parte motion for annotation on the titles of NSC assets regarding the omnibus order nullifying the auction, sale was granted on October 19, 2016, the secured creditors are implementing the other legal remedies to secure the NSC properties which were taken over by the City of Iligan.

On August 6, 2020, NDC received a forwarded letter from BDO Trust, stating the intent of Platinum Paramount Pacific Group of Companies Inc. to acquire the National Steel Corporation. On November 10, 2020, BDO Trust informed NDC and other stakeholders that a building is about to be constructed at the lower portion of the former NSC Administrative Building 1 and NSC Gym at the Hilltop, which will serve as housing for the New People's Army surrenderees.

On July 15, 2021, GJL Real estate GMBH, a foreign company in Germany with their Philippine partner, Platinum Paramount Pacific Group of Companies, Inc. submit their letter of intent for the acquisition of National Steel Corporation including all its assets.

The dividend income earned by the Corporation from its investment in stocks amounted to P11.390 million and P2.847 million for the years 2021 and 2020, respectively.

16. INVESTMENT PROPERTY

The Corporation's investment properties consist of 51 parcels of land and five buildings located in various cities and municipalities across the country with an aggregate area of 32,230,207.15 square meters (sq. m.). These properties include land and buildings that are held to earn rentals under operating leases; and intended for capital appreciation and project development. Details are as follows:

Investment Properties with lease

Location of the Property	2021	2020
Land		
Philphos Assets-LIDE	**2,930,630,340**	2,413,460,280
M Fortich/Libona, Bukidnon	**1,300,090,000**	1,300,090,000
Lapu-Lapu City, Cebu	**965,300,000**	759,170,000
Sen. Gil Puyat, Makati City	**885,370,000**	815,738,000
Isabel, Leyte	**758,295,600**	853,082,550
Barangka, Mandaluyong City	**547,280,000**	545,000,000
P.Tamo & Dela Rosa Sts., Makati City	**400,120,000**	370,670,000
Tordesillas St., Salcedo Village, Makati City	**386,970,000**	386,970,000
Bagong Ilog, Pasig City	**182,100,000**	156,560,000

Location of the Property	2021	2020
Bugo Dist., Cagayan De Oro City	**144,990,000**	135,870,000
San Andres & E. Quirino Ave. Manila	**144,980,000**	146,960,000
Lacson & Rizal Sts,. Bacolod City	**104,480,000**	102,900,000
San Roque, Tarlac	**29,680,000**	28,410,000
Aguinaldo & Luna St., Iligan City	**27,130,000**	24,580,000
San Fernando, Pampanga	**13,600,000**	12,850,000
	8,821,015,940	8,052,310,830
Buildings		
Industry & Investment Building	**164,710,000**	138,767,000
NDC Building	**96,870,000**	96,870,000
Manila Luxury Condominium	**15,840,000**	15,340,000
Leyte Port Complex	**1,060,000**	1,110,000
	278,480,000	252,087,000
	9,099,495,940	8,304,397,830

Investment Properties without lease

Location of the Property	2021	2020
Land		
Macapagal Blvd., Pasay City	**6,165,880,000**	4,686,580,000
Pandacan, Manila	**2,266,240,000**	2,082,000,000
Sucat, Muntinlupa	**1,596,760,000**	1,553,680,000
Dasmarinas, Cavite	**632,440,000**	547,930,000
Toril, Davao City	**524,150,000**	464,247,000
San. Juan St., Bacolod City	**298,250,000**	299,570,000
Kamagong & Sampaloc Sts., Makati City	**207,240,000**	206,990,000
Diliman, Quezon City	**190,350,000**	234,900,000
Meycauyan, Bulacan	**50,740,000**	41,850,000
San Dionisio, Paranaque	**49,770,000**	44,060,000
Hermosa, Bataan	**40,000,000**	40,000,000
Sta. Fe, Bantayan, Cebu	**40,260,000**	37,610,000
Sambag, Cebu	**37,580,000**	36,900,000
San Francisco Del Monte, Quezon City	**37,010,000**	37,190,000
Bo. San Juan & Sto. Nino Pampanga	**31,970,000**	30,670,000
Los Baños, Laguna	**29,380,000**	28,860,000
Baliwasan, Zamboanga City	**26,716,000**	25,240,000
Bo Bia-an, Mariveles, Bataan	**19,390,000**	18,650,000
Sta. Mesa, Manila	**14,996,211**	14,996,211
Dao, Tagbilaran, Bohol	**13,770,000**	13,030,000
Puerto, Cagayan de Oro City	**11,060,000**	7,710,000
Poblacion, Parang, Cotabato	**8,980,000**	8,980,000
Sta. Rosa, Laguna	**8,490,000**	7,150,000
Bo. Langhian, Butuan City	**7,890,000**	7,890,000
Suyong, Echague, Isabela	**7,500,000**	6,920,000
Guadalupe, Cebu City	**3,340,000**	3,040,000
Bonot, Legaspi City	**3,120,000**	2,880,000
Calatagan, Batangas	**2,490,000**	2,490,000
Cagayan de Oro City	**2,410,000**	3,140,000
Bongabon, Nueva Ecija	**2,140,000**	1,610,000
Tanay, Rizal	**1,360,000**	990,000

Location of the Property	**2021**	2020
San Isidro, Antipolo City	**1,060,000**	740,000
Mariveles, Bataan	**1,000,000**	980,000
San Jose, Antipolo City	**975,000**	950,000
Talakag, Bukidnon	**860,000**	810,000
Pueblocillo Village, Dasmarinas Cavite	**510,000**	480,000
Porac, Pampanga	**380,000**	310,000
	12,336,457,211	10,502,023,211
Buildings		
Pueblocillo Village, Dasmarinas Cavite	**250,000**	240,000
	250,000	240,000
	12,336,707,211	10,502,263,211
	21,436,203,151	18,806,661,041

The Corporation uses the Fair Value Model for its investment properties. Fair market value of investment properties as of December 31, 2021 was appraised by Cal-Fil Appraisal and Management, Inc.

The lease income earned and the operating expenses of the Corporation arising from these investment properties are as follows:

Investment Properties with lease

	2021	2020 (as restated)
Lease income	**177,157,576**	196,933,556
Operating Expenses	**24,976,233**	31,261,838

Investment Properties without lease

	2021	2020
Operating Expenses	**24,729,131**	23,895,028

Operating expenses consist of real property taxes, security services and repairs and maintenance of the properties.

NDC's property located at Tomas Claudio St., Pandacan, Manila with an area of 50,137.95 sq. m. and covered by Transfer Certificate of Title No. 121218 was affected by the Right of Way (ROW) requirement of the Metro Manila Skyway Stage 3 (MMSS3) Project. In a meeting with the representatives of the Toll Regulatory Board (TRB) and the Department of Public Works and Highways (DPWH) held on November 22, 2021, TRB/DPWH intends to only acquire the portion of the property with an area of 13,297.97 sq. m. that was directly affected by the ROW of the MMSS3 Project. The acquisition of the remaining areas not covered by the ROW shall be the subject of the adjudication and appropriate action by the Department of Justice. TRB will officially send a letter-offer to NDC to purchase the portion of the property directly affected by the said ROW at a price based on the property's reappraised market value and shall secure approval for a Permit to Enter for the works on the additional area requirement of the MMSS3 Project.

17. PROPERTY AND EQUIPMENT

This account consists of the following:

	Land and Improvements	Buildings & Building Improvements	Furniture & Equipment	Rizal Hydro Power Plant	Total
December 31, 2021					
Cost					
At January 1, 2021	611,010,268	13,972,989	669,486,916	34,147,886	1,328,618,059
Additions	0	7,587,917	11,600,088	0	19,188,005
Adjustments	0	(7,978,073)	(68,538)	0	(8,046,611)
At December 31, 2021	611,010,268	13,582,833	681,018,466	34,147,886	1,339,759,453
Accumulated depreciation					
At January 1, 2021	608,496,174	5,870,099	660,932,174	6,245,436	1,281,543,883
Depreciation for the year	357,773	0	3,741,989	1,250,449	5,350,211
Adjustments	0	0	(175,239)	0	(175,239)
At December 31, 2021	608,853,947	5,870,099	664,498,924	7,495,885	1,286,718,855
Net carrying amount, December 31, 2021	**2,156,321**	**7,712,734**	**16,519,542**	**26,652,001**	**53,040,598**

	Land and Improvements	Buildings & Building Improvements	Furniture & Equipment	Rizal Hydro Power Plant	Total
December 31, 2020					
Cost	611,010,268	13,972,989	669,486,916	34,147,886	1,328,618,059
Accumulated Depreciation/ Adjustment	(608,496,174)	(5,870,099)	(660,932,174)	(6,245,436)	(1,281,543,883)
Net carrying amount, December 31, 2020	**2,514,094**	**8,102,890**	**8,554,742**	**27,902,450**	**47,074,176**

Included in the Improvement and Equipment accounts are the properties at the Leyte Port Complex at Isabel, Leyte, which are being leased to PHILPHOS and 50 per cent share of NDC to Rizal Hydro Power Plant Facility located at Rizal, Nueva Ecija.

18. OTHER NON-CURRENT ASSETS

This account consists of:

	2021	2020
Other non-current assets		
Restricted fund (held-in-trust)	**20,383,278**	19,985,661
Lands not used in operation	**6,614,104**	6,614,104
Others	**982,971,125**	982,971,125
Allowance for impairment loss	**(961,708,905)**	(961,708,905)
	48,259,602	47,861,985

	2021	2020
Deferred charges		
Coal Operating Contract	**42,000,000**	42,000,000
Allowance for impairment loss	**(42,000,000)**	(42,000,000)
Miscellaneous	**828,305**	828,305
	828,305	828,305
	49,087,907	48,690,290

Restricted fund (held-in-trust) refers to Mintex escrow fund invested in retail treasury bonds with maturity date of more than one year (see Note 11).

Lands not used in operation pertains to the properties located at San Jose del Monte and San Idelfonso, Bulacan and Camarines Sur which were covered by the Comprehensive Agrarian Reform Program (CARP) of the Department of Agrarian Reform (DAR). The Landbank of the Philippines (LBP) have not yet paid for the value of these lands and NDC is still in the process of completing the necessary documents as required by the DAR.

Others principally includes assets acquired from the former International Corporate Bank (ICB) amounting to P962.11 million through a Deed of Assignment dated September 16, 1983. ICB sold these assets to NDC as a means of rehabilitating the former pursuant to a Memorandum of Agreement executed by and among NDC, the then Central Bank of the Philippines, the Development Bank of the Philippines and ICB.

Deferred charges - Coal Operating Contract pertains to the project for the exploration, development, exploitation, production and utilization of the country's coal resources pursuant to the Coal Development Program under Presidential Decree No. 972 (Coal Development Act of 1976). NDC acquired the rights, titles and interest to the Coal Operating Project from Vulcan Industrial and Mining Corporation (VIMC). The project, however, did not commence commercial operations and the account had been outstanding since 1980. The amount of the project, which was provided with a full allowance for non-recovery, is part of the accounts requested for write-off from the Commission on Audit. Under COA Decision No. 2015-297, dated November 24, 2015, COA denied NDC's request to write-off the account in the amount of P42 million.

19. FINANCIAL LIABILITIES

This account consists of:

	2021	2020 (as restated)
Interest payable	**461,158,311**	461,158,311
Loans Payable	**144,051,930**	144,051,930
Accounts payable	**20,836,106**	23,223,417
Due to officers and employees	**299,518**	336,769
	626,345,865	628,770,427

Interest payable pertains to the interest on advances from Bureau of Treasury (BTr) and domestic loans from DOLE Philippines, Inc.

Loans payable consists of guarantee fees amounting to P140 million for the 2nd tranche bond floatation of NDC Agri-Agra bonds and outstanding loan amounting to P4.052 million from DOLE Philippines, Inc.

Accounts payable consists of various expenditures already incurred but remained unpaid as of statement of financial position date.

Due to officers and employees represents various unpaid personnel services, terminal leave and claims of former NDC employees who are already retired/resigned.

20. INTER-AGENCY PAYABLES

This account consists of:

	2021	2020
Income tax payable	**4,284,709**	4,395,372
Withholding taxes	**3,141,475**	3,982,721
Due to GSIS	**11,173**	427,518
Due to Pag-IBIG	**8,100**	47,093
Due to Philhealth	**0**	38,646
	7,445,457	8,891,350

This account includes income tax payable, taxes withheld from officers and employees, premium payments and other payables for remittance to GSIS, Pag-IBIG and Philhealth.

21. TRUST LIABILITIES

This account consists of:

	2021	2020
Current	**35,571,374**	37,860,467
Non-current	**40,061,891**	41,390,354
	75,633,265	79,250,821

Current account refers to an escrow account for the shareholders of a former affiliate, bid bonds and performance security received from bidders and suppliers.

Non-current account refers to security deposits received from various lessees under long-term lease.

22. DEFERRED CREDITS/UNEARNED INCOME

This account pertains mainly to advance rental received from various lessees amounting to P6.137 million and P6.052 million in 2021 and 2020, respectively.

In relation to the leases with various tenants, advance rentals are received by the Corporation upon signing of the lease contracts which the lessees can apply to the last three to four months of the leases.

23. PROVISIONS

This account consists of the following:

	2021	2020
Settlement of legal cases	**306,297,349**	302,542,641
Leave benefits	**7,612,322**	5,927,106
	313,909,671	308,469,747

The settlement of legal cases represents payable to Sta. Ines Melale Forest Products Corporation (Sta. Ines), et al., involving a case filed for collection of sum of money.

On April 22, 1985, Sta. Ines et al., instituted a collection suit against NDC for the payment of advances made to Galleon and the value of their equity in the Corporation.

On September 16, 2003, the Regional Trial Court (RTC) ruled in favor of Sta. Ines et al., and ordered NDC to pay the total amount of P61.89 million with interest of six per cent per annum from date of the filing of the case in 1985 up to full payment plus 10 per cent of the total amount due as attorney’s fees plus the cost of the suit.

NDC, through the Office of the Government Corporate Counsel (OGCC), appealed the case with the Court of Appeals (CA). The CA, in its Decision dated March 24, 2010, upheld the Decision of the RTC and increased the interest rate from six per cent per annum to 12 per cent per annum from the date of filing of the case until satisfaction of the judgment award. NDC filed a Motion for Reconsideration of the said Decision. The CA, on July 21, 2010, denied NDC's Motion for Reconsideration. On August 17, 2010, NDC filed a Petition for Certiorari with the Supreme Court (SC). On February 14, 2012, OGCC received SC Resolution, dated December 12, 2011, requiring NDC to file its comment to Development Bank of the Philippines' petition. NDC, through the OGCC, filed a Motion for Extension of Time to File Comment on February 21, 2012. On March 21, 2012, OGCC filed a comment with Motion to Consolidate Case.

On February 1, 2017, the SC rendered Decision affirming the March 24, 2010 Decision and July 21, 2010 Resolution of the CA with modifications. On March 21, 2017, OGCC filed a Motion for Reconsideration. On July 26, 2017, OGCC filed its Consolidated Comment with Motion to Refer Case to the Court En Banc.

On July 1, 2020, OGCC forwarded copy of Cuenca's Motion to Resolve re: Motion for reconsideration of the Decision dated February 1, 2017 and June 11, 2020.

On October 15, 2020, OGCC received the SC's order dated September 14, 2020. The Court noted the consolidated comment dated July 24, 2017 of NDC on the separate motions for partial reconsideration of respondents Cuenca, Tinio, Cuenca Investment Corporation and Universal Holdings Corporation and respondent Sta. Ines Melale Forest Products Corporation with motion to refer case to the Honorable Court En Banc and the motion to resolve re: motion for partial reconsideration on the decision dated June 11, 2020 of respondents Rodolfo Cuenca, Manuel Tinio, Cuenca Investment Corporation and Universal Holdings Corporation.

Leave benefits pertains to the accrual of money value of leave credits earned by NDC employees as of December 31, 2021 and 2020, respectively.

24. BUSINESS INCOME

This account consists of the following:

	2021	2020 (as restated)
Lease income	**177,157,576**	196,933,556
Interest income	**75,094,778**	115,581,793
Dividend income	**12,519,351**	2,847,410
Management fees	**140,000**	140,000
	264,911,705	315,502,759

Lease income represents the revenue derived from the Corporation's Investment properties located in various parts of the country. NDC leases out its investment properties under an operating lease agreement with various entities and government agencies.

Lease contracts are negotiated for varying terms from one to twenty-five years with option to renew clauses. Escalation rate ranging from six per cent to ten per cent were imposed either yearly or on specific intervals while in certain cases, escalation rate is based on actual inflation rate, some lease contracts contain provisions stating that the lessee shall pay the real property taxes for the leased premises.

The lease income earned by the Corporation from its investment properties under operating leases amounted to P177.158 million and P196.934 million in 2021 and 2020, respectively. Meanwhile, direct operating expenses consisting of real property taxes, security services and repairs and maintenance of the properties incurred from these investment properties amounted to P24.976 million and P31.262 million in 2021 and 2020, respectively (see Note 16).

Interest income consists mainly of interest income from bank deposits, investments in treasury bills and loans.

Dividend income pertains to dividends received from its subsidiaries and other investments.

Management fees pertains to fees charged to its subsidiaries for services such as procurement, messengerial, janitorial, and information technology.

25. GAINS

This account consists of the following:

	2021	2020 (as restated)
Gain from changes in fair value of Investment Property	**2,629,716,170**	2,248,279,814
Gain on foreign exchange	**9,762,306**	0
Gain on sale of Investment Property	**185,672**	0
	2,639,664,148	2,248,279,814

Gain from changes in fair value of investment property pertains to the net increase in fair value of investment properties based on the appraisal conducted in 2021 and 2020.

Gain on foreign exchange represents the foreign exchange differential arising from the translation of foreign currency denominated items.

Gain on sale of investment property pertains to the gain arising from disposal of the Iponan, Cagayan de Oro property.

26. OTHER NON-OPERATING INCOME

This account consists of the following:

	2021	2020 (as restated)
Sale of unserviceable property	**5,000**	0
Reversal of impairment loss	**100**	142,997
Miscellaneous income	**5,391,333**	7,917,875
	5,396,433	8,060,872

Sale of unserviceable property pertains to income from the sale of its various unserviceable properties.

Reversal of impairment loss was due to collection of rent and other receivables.

Miscellaneous income includes income arising from excess of standard input value added tax (VAT) for sales of goods and services to government over actual input VAT as required by the Bureau of Internal Revenue and assessment charges from lessees.

27. PERSONNEL SERVICES

This account consists of the following:

	2021	2020 (as restated)
Salaries and wages	**22,492,999**	22,060,058
Other compensation	**7,423,375**	7,041,357
Personnel benefit contributions	**2,988,192**	2,959,305
Other personnel benefits	**3,261,499**	1,666,178
	36,166,065	33,726,898

28. MAINTENANCE AND OTHER OPERATING EXPENSES

This account consists of the following:

	2021	2020 (as restated)
Taxes and licenses	**45,355,464**	63,048,852
General services	**30,118,313**	27,415,202
Professional services	**16,258,269**	10,981,355

	2021	2020 (as restated)
Repairs and maintenance	**4,330,519**	2,008,797
Utility	**2,440,579**	2,310,009
Supplies and materials	**2,425,947**	1,707,304
Confidential, intelligence and extraordinary	**1,627,310**	1,170,776
Communication services	**1,438,158**	1,103,156
Traveling	**427,499**	127,347
Training and scholarship	**130,765**	574,008
Other maintenance and operating expenses	**3,104,972**	1,989,346
	107,657,795	112,436,152

29. FINANCIAL EXPENSES

This account consists of the following:

	2021	2020
Interest expenses	**3,754,709**	3,765,021
Bank charges	**7,683**	13,440
	3,762,392	3,778,461

Financial expenses pertains to interest charges paid for the use of borrowed money, bank and financial charges.

Bank charges pertains to the fee charged by bank for manager's check and treasury bills.

30. NON-CASH EXPENSES

This account consists of the following:

	2021	2020 (as restated)
Share in the loss of associates/affiliates	**19,081,103**	93,174,684
Impairment loss	**5,555,065**	3,501,044
Depreciation	**3,924,523**	2,425,056
Share in the loss of joint venture	**1,518,852**	2,207,703
Loss on foreign exchange	**3,519**	11,018,400
	30,083,062	112,326,887

Share in the loss of associates/affiliates pertains to proportionate share in the loss of investee under investment in associates.

Impairment loss pertains to loss in the future economic benefits of the Corporation's lease receivables.

Depreciation pertains to the periodic allocation of cost for the wear and tear of the Corporation's property and equipment.

Share in the loss of joint venture pertains to the proportionate share of Philippine National Oil Company - Renewables Corporation and NDC in the loss of Rizal Hydro Power Project.

Loss on foreign exchange represents the foreign exchange differential arising from the translation of foreign currency denominated items.

31. INCOME TAX EXPENSE

Income tax expense for the years ended December 31 consists of:

	2021	2020 (as restated)
Current	**26,194,991**	40,949,681
Deferred	**260,714,040**	275,903,558
	286,909,031	316,853,239

Reconciliation between statutory tax and effective tax is as follows:

	2021	2020 (as restated)
Income tax at statutory rate	**683,076,791**	576,927,813
Dividend income not subject to income tax	**(3,129,838)**	(783,038)
Impairment/share in net loss of affiliates	**(146,776)**	13,482,882
Income subjected to final tax	**(17,821,467)**	(30,309,822)
Other reconciling items	**(375,069,679)**	(242,464,596)
	286,909,031	316,853,239

An analysis of deferred tax asset and deferred tax liabilities follows:

	2021	2020 (as restated)
Deferred tax assets on:		
Allowance for impairment	**612,100,452**	671,782,882
Unrealized foreign exchange gain	**(2,439,697)**	3,030,059

	2021	2020 (as restated)
Deferred tax liabilities on:		
Rental receivables	**(11,597,068)**	(18,435,908)
Interest receivables	**(17,538,183)**	(20,208,970)
Investment property	**(5,195,624,041)**	(4,990,552,560)
Net deferred tax liability	**(4,615,098,537)**	(4,354,384,497)

The net current tax payable after applicable creditable withholding taxes is as follows:

	2021	2020
Tax due	**26,194,989**	40,949,681
Creditable withholding tax	**(9,512,012)**	(8,022,865)
Income taxes paid for first three quarters	**(12,398,268)**	(28,531,445)
	4,284,709	4,395,371

On March 26, 2021, the president signed into law Republic Act (RA) No. 11534 or the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act which amends RA No. 8424 or the National Internal Revenue Code of 1997.The law become effective on April 11, 2021.

The CREATE Act lowers the corporate income tax rate from 30 per cent to 25 per cent beginning July 1, 2020. NDC applied the transitory rates for its Annual Income Tax for the year 2020 with the tax rate of 27.50 per cent per BIR Revenue Memorandum Circular No. 50-2021, dated April 5, 2021.

32. SHARE CAPITAL

This account represents the capital infusion of the National Government (NG) from 1937 to 2002 aggregating to P8.600 billion. The Corporation has an authorized capital stock of P10 billion, the amount to be subscribed by the NG and to be paid up in accordance with project funding requirements.

33. RESTATEMENT OF ACCOUNTS

The 2020 financial statements were restated to reflect the following transactions/adjustments:

CY 2019 errors discovered in 2020 and 2021

	December 31, 2019 (As previously restated)	Restatements/ Adjustments	January 1, 2020 (As restated)
STATEMENT OF FINANCIAL POSITION			
Receivables, net-current	**229,107,345**	**(1,863,798)**	**227,243,547**
Over accrual of rental receivables		*(1,863,798)*	
Restatement on total assets-decrease		(1,863,798)	
Restatement on statement of financial position-decrease		**(1,863,798)**	

CY 2020 errors discovered in 2021

	December 31, 2020 (As previously restated)	Restatements/ Adjustments	December 31, 2020 (As restated)
STATEMENT OF FINANCIAL POSITION			
Receivables, net-current	**204,631,740**	**(2,831,940)**	**201,799,800**
Over accrual of rental receivables		*(1,863,798)*	
Collection of previous year rental income		*9,248,000*	
Reclassification of receivables to non-current		*(10,216,142)*	
Other current assets	**35,727,514**	**(241,476)**	**35,486,038**
Adjustment on 50% interest in the joint operation with PNOC RC		*(241,476)*	
Investment in associates/affiliates	**185,523,209**	**(44,146,023)**	**141,377,186**
Adjustment on investments related to equity share under investment in associates		*(44,146,023)*	
Receivables, net-non-current	**52,531,332**	**10,216,142**	**62,747,474**
Reclassification of receivables to non-current		*10,216,142*	
Restatement on total assets-net decrease		(37,003,297)	
Financial liabilities	**484,571,363**	**144,199,064**	**628,770,427**
Over and under accrual of various maintenance and other operating expenses		*147,134*	
Reclassification of loans payable		*144,051,930*	
Loans payable	**144,051,930**	**(144,051,930)**	**0**
Reclassification of loans payable		*(144,051,930)*	
Deferred tax liability	**4,747,503,817**	**(393,119,320)**	**4,354,384,497**
Adjustment of deferred tax due to restatement of 2020 accounts		*(393,119,320)*	
Less: Restatement on total liabilities-net decrease		(392,972,186)	
Restatement on statement of financial position-net increase		**355,968,889**	

	December 31, 2020 (As previously restated)	Restatements/ Adjustments	December 31, 2020 (As restated)
STATEMENT OF COMPREHENSIVE INCOME			
Lease income	**187,685,556**	**9,248,000**	**196,933,556**
Under accrual of rental receivables		*9,248,000*	
Gains	**0**	**2,248,279,814**	**2,248,279,814**
Reclass of gain from changes in fair value of Investment Property		*2,248,279,814*	
Other non-operating income	**0**	**8,060,872**	**8,060,872**
Reclass of non-operating income		*8,060,872*	
Personnel services	**33,697,898**	**29,000**	**33,726,898**
Under accrual of hazard pay		*29,000*	
Maintenance and other operating expenses	**96,025,222**	**16,410,930**	**112,436,152**
Over and under accrual of various maintenance and other operating expenses		*118,134*	
Reclass of non-cash expenses		*(5,926,100)*	
Reclass of taxes on interest income on savings and time deposits		*22,218,896*	
Financial expenses	**0**	**3,778,461**	**3,778,461**
Reclass of financial expenses		*3,778,461*	
Non-cash expenses	**0**	**112,326,887**	**112,326,887**
Adjustment on investments related to equity share under investment in associates		*44,146,023*	
Adjustment on 50% interest in the joint operation with PNOC RC		*241,476*	
Reclass of non-cash expenses		*67,939,388*	
Other income (expenses), net	**2,168,330,041**	**(2,168,330,041)**	**0**
Reclass of taxes on interest income on savings and time deposits		*22,218,896*	
Reclass of non-cash expenses		*62,013,288*	
Reclass of financial expenses		*3,778,461*	
Reclass of gains and other-non operating income		*(2,256,340,686)*	
Income tax expense-deferred tax	**669,022,878**	**(393,119,320)**	**275,903,558**
Adjustment of deferred tax due to restatement of 2020 accounts		*(393,119,320)*	
Restatement on other comprehensive income-net increase		**357,832,687**	
Total restatement on 2020 financial statements		**713,801,576**	

The Corporation presented three Statements of Financial Position in compliance with the requirements of PAS 1, *Presentation of Financial Statements,* to include in a complete set of financial statements a statement of financial position as at the beginning of the earliest comparative period whenever the entity retrospectively applies an accounting policy or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.

34. RELATED PARTIES

Key Management includes the board of directors, all members of Management and other Corporation officers. Key Management compensation totaled P10.192 million and P9.897 million in 2021 and 2020, respectively. A breakdown of these amounts follows:

	2021	2020
Salaries and allowances	**8,203,249**	8,259,726
Other benefits	**1,988,391**	1,637,714
	10,191,640	9,897,440

35. COMPLIANCE WITH REPUBLIC ACT (RA) No. 7656

Pursuant to RA No. 7656, requiring government-owned or controlled corporations and their subsidiaries to declare dividends under certain conditions and remit the same to the National Government, NDC remitted to the Bureau of the Treasury P102.076 million and P720.000 million in CYs 2021 and 2020, respectively. Similarly, NDC's subsidiary, NDC-Philippines Infrastructure Corp., remitted total dividends of P1.130 million in 2021, which represent NDC's share in the dividends.

36. CONTINGENT ASSETS/CONTINGENT LIABILITIES

The Corporation, in the normal course of business, became party to litigations. Cases/petitions were filed for or against NDC and are now pending before the appellate courts, the lower courts and certain administrative bodies. These cases involve civil actions for collection of sum of money, reconveyance of property/title, payment of just compensation, specific performance and action for refund of taxes withheld.

Since the ultimate outcome of the cases cannot presently be determined, claims for assets and provision for any liability that may result have not been recognized in the financial statements.

The details of NDC pending cases as of December 31, 2021 are as follows:

Title of Case	Nature	Amount	Status
Mero Structures, Inc. vs. Asian Construction FCCC and NDC. (CA-GR CV No. 98844 Civil Case No. 02-206 RTC Makati, Branch 145).	Sum of money	P5 million	On September 17, 2020, the Office of the Government Corporate Counsel (OGCC) received the Supreme Court's (SC) August 24, 2020 Resolution directing the Court of Appeals

Title of Case	Nature	Amount	Status
			(CA) to elevate the complete records of CA GR CV 98844 within 10 days from notice.
NDC vs. JAO & Company. (CA-GR CV No. 50087 Civil Case No. R-81-1226 RTC-Manila, Br. 38).	Sum of money	P7.520 million plus six per cent interest per annum and liquidated damages of five per cent for the principal obligation and interest.	The court granted NDC's Motion for Execution on September 22, 2014. To date, the court has not issued the Writ of Execution.
Victoria Corcelles Abunda, et al. vs. NDC, et al. (DARAB Case No. X-678-SC-2000).	Reconveyance	No amount involved as the issue to be resolved is ownership.	Awaiting Order from Regional Trial Court for the submission of position paper. As of December 2021, no other related documents have been received.
Liwanag L. Cruz, et al. vs. Juanito F. Galumo and Register of Deeds of South Cotabato. (Civil Case No. 12-436, RTC-Br. 39, Polomolok, South Cotabato).	Annulment of deed of sale, reconveyance of real properties, damages with prayer for preliminary mandatory injunction	No amount involved as the issue to be resolved is ownership.	In the Order dated December 2, 2020, the court granted plaintiff's and DARBCI's Motion for Reconsideration and declared null and void the deed of sale allegedly executed by Cruz in favor of Galumo and the properties to be reconveyed to DARBCI. NDC filed a Partial Motion for Reconsideration (MR) praying that the properties be reconveyed instead to NDC.

Title of Case	Nature	Amount	Status
			On March 31, 2021, DARBCI filed its Opposition for Partial MR of NDC and Motion for Execution of the Notice of Judgement on the court order. In May 2021, the OGCC filed its Opposition to Motion for Execution and Reply to DARBCI's Opposition to Partial MR of NDC. DARBCI's Rejoinder to the Reply and Reply to the Opposition was received in July 2021.
Primo Gelacio vs. NDC-Guthrie Plantations, Inc. & NDC Luzviminda Gelacio-Bahala vs. NDC GR No. 138736 (CA-GR CV No. 43924).	For recovery of possession with damages and attorney's fees.	P100,000 more or less (principal only)	On November 10, 2018, the Court issued Writ of Execution, copy of which was received by NDC on December 11, 2018. To date, no other related documents have been received.
NDC represented by its Asst. General Manager, Esmeraldo E. Sioson vs. DAR, represented by its Provincial Agrarian Reform Officer (PARO) Pedro P. Gumbao, et al. (DARAB Case No. 10999. Reg. Case No. XI-608-SC-99).	Reconveyance	No amount involved as the issue to be resolved is ownership.	On September 17, 2020, OGCC received a copy of SC's July 13, 2020 Resolution noting the comments of Dolefil Agrarian Reform on NDC's Motion for Reconsideration (MR) dated July 11, 2018 and awaiting for the comments of respondents DAR and Register of Deeds of South

Title of Case	Nature	Amount	Status
			Cotabato on NDC's MR.
NDC vs. DAR & LBP. (Civil Case No. 7172 RTC-Branch I, Balanga, Bataan) LBP vs. NDC. (CA-GR-SP No. 99765 15th Division).	Determination of just compensation	P2.737 million	The SC remanded the case to RTC for the determination of just compensation.
Heirs of Pacabis vs. NDC. (Civil Case No. 3442-0 Br. 35, Ormoc City).	Determination of just compensation	Per Commissioner's Report, P40 per square meter involving 80,000 sq. m. or approximately P3.2 million (principal only)	On January 20, 2020, the OGCC received a copy of Plaintiff's Motion for Writ of Execution dated January 1, 2020. On December 7, 2020, the OGCC received a copy of the Plaintiff's Third Request for Hearing of the Motion for Writ of Execution dated January 1, 2020. On October 4, 2021, the OGCC received a copy of the petitioner's Manifestation/Motion praying that the case be held in abeyance due to medical reasons.
NDC vs. Commissioner of Internal Revenue. (DOJ Case No. 91-06).	Refund of taxes	P0.660 million	Submitted for Department of Justice's resolution. OGCC has yet to receive the CIR's resolution.
NDC vs. Hon. Jim O. Sampulna, in his capacity as Regional Executive	Petition for Certiorari with TRO or	No amount involved as the issue to be	On January 7, 2014, OGCC received a Resolution dated November 19, 2013

Title of Case	Nature	Amount	Status
Director of Department of Environment & Natural Resources (DENR), Region XII, Koronadal City, Sps. Valencia. CA-GR SP No. 02444 [Ildefonso Tabiling (Dec) (now Enriqueta Montaño) s. Pascual Boada, NDC represented by its GM or President and DOLE Phils.). RED CLAIM NO. 038-2003 CENRO CLAIM NO. 84 LOT NO. 13-Gss-390]	Preliminary Injunction	resolved is ownership.	directing the Division Clerk of Court to issue an Entry of Judgment in this case.
Mateo Rubio et al. vs. DOLE Phils., et al. (DARAB Case No. XII-1067-SC-2009).	For Declaration of Nullity of Transfer, Recovery of Possession Cancellation of Title of Lot No. 65 (1161) PLS 247-D	No amount involved as the issue to be resolved in this case is ownership.	Filed Answer with Compulsory Counterclaim on August 20, 2009. As of December 31, 2020, no further court order or any related document has been received.
Teodora Denila vs. NDC/DOLE, DARBCI (RTC Br. 36, Gen San City)	Action for annulment of title	- P2.541 million as back rentals - Rental from 1996 up to the present - 20 per cent Attorney's fees	The RTC denied the Motion for Reconsideration filed by NDC. A notice of appeal was filed by NDC to CA on March 2018. The CA ordered the appellants to file their respective briefs. Awaiting further instructions from CA.
Philippine Associated Smelting and Refining Corp.	For quieting of title with prayer for temporary restraining order	No amount involved as the issue to be	In February 2020, NDC filed its Formal Offer of Evidence. The case is now

Title of Case	Nature	Amount	Status
(PASAR) v. NDC Case No. R-ORM-09-00009-CV RTC-Br. .35 Ormoc City CC R-ORM-15-00078-CV	and/or writ of preliminary injunction	resolved is ownership.	submitted for Resolution.

37. GENDER AND DEVELOPMENT

The Company allotted P246.214 million for Gender and Development (GAD) program for CY 2021. The GAD fund was utilized for programs that are cognizant of the strict austerity and expenditure-efficiency measures being observed among government agencies, in accordance with the purpose of GAD Plans and Programs. Various activities were undertaken by the Company.

38. SUPPLEMENTARY INFORMATION ON TAXES

In compliance with the requirements set forth by BIR Revenue Regulations 15-2010, hereunder are the information on taxes, duties and license fees paid during the year:

a. Taxes and licenses (National and Local):

Real estate tax	27,836,189
Mayor’s permit	1,427,689
Community tax certificate	10,500
Annual registration-BIR	500
	29,274,878

b. Withholding taxes paid:

Tax on compensation	4,482,403
Creditable withholding taxes	4,247,555
	8,729,958

PART II

OBSERVATIONS AND RECOMMENDATIONS

OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL AUDIT

1. Investment properties amounting to P162.940 million with an aggregate area of 37,587 square meters remained not titled in the name of NDC thereby negating management's assertion on its rights and obligations pertaining thereto.

1.1 Review of the Inventory of Land Assets submitted by the Asset Management Group and inspection of Transfer Certificate of Titles (TCTs) of NDC, disclosed that the following properties remained not titled under the name of NDC although recorded in its books of accounts as Investment Properties:

Table 1 – List of Untitled Lands

Location	Area (sq.m.)	Amount (in Php)	Date of Acquisition	Mode of Acquisition	Status
Meycauyan, Bulacan	5,231	50,740,000	July 17, 1984	Property Dividend - Crowntex Realty Corp.	Vacant; property offered for lease
San Dionisio, Paranaque	1,426	49,770,000	September 16, 1983	Assigned Asset - International Corporate Bank (ICB)	With pending ejectment case
San Francisco, Del Monte, Quezon City	623	37,010,000	September 16, 1983	Assigned Asset - ICB	Requested for reconstitution of title since original owner was nowhere to be found; awaiting issuance of the Order of Finality of Judgment; fully occupied by illegal settlers.
Puerto, Cagayan de Oro	3,352	11,060,000	December 18, 1976	Donation - Philippine Packing Corporation	For titling in NDC's name. Shall be covered by the Community Mortgage Program; occupied by illegal settlers.
Bo. Langihan, Butuan City	24,974	7,890,000	May 22, 1975	Donation - Mobil Oil Philippines, Inc.	For titling in NDC's name. Offered to Housing and Land Use Regulatory Board (HLURB) for housing program.

Table 1 – List of Untitled Lands

Location	Area (sq.m.)	Amount (in Php)	Date of Acquisition	Mode of Acquisition	Status
Bonot, Legazpi City, Albay	400	3,120,000	September 16, 1983	Assigned Asset - ICB	Titling is ongoing. TCT is under the name of ICB; the exact location and boundaries cannot be determined.
Calatagan, Batangas	1,131	2,490,000	September 16, 1983	Assigned Asset - ICB	For transfer of title in NDC's name. The issuance of the Certificate Authorizing Registration had been deferred pending submission of ICB pertinent documents, as requested by BIR. Also offered to HLURB for housing program.
Talakag, Bukidnon	450	860,000	September 16, 1983	Assigned Asset - ICB	For transfer of title in NDC's name; subject for disposal
	37,587	**162,940,000**			

1.2 As shown above, large portion of the properties were idle and occupied by informal settlers, hence, these properties being untitled may give rise to possible land disputes, third party claims and further proliferation of informal settlers that may not be prevented. Titling process of most of the properties is on-going, however, we noted enormous delay considering that these assets were acquired 37 to 46 years ago.

1.3 The TCT is the best proof of ownership of a piece of land. However, the documents held by NDC to assert their rights and ownership over the properties are TCTs under the name of previous/original owners and Tax Declarations of Real Property, thus, affecting the legality/validity of ownership or rights of NDC over the said properties.

1.4 In CY 2020 audit, we raised the same observation and recommended that Management take appropriate actions to expedite titling of these untitled land in NDC's name. However, we noted that such recommendation has not been acted upon. According to Management, a revised action plan will be prepared to continue with the processing of the transfer of titles to NDC while research and backtracking of documents is being done.

1.5 **We reiterated our prior year's recommendation that Management expedite titling of these untitled land in NDC's name in order to establish rights and ownership over said properties.**

1.6 Management informed that necessary steps in the titling of land are being continuously performed and that Management is continuously updating their action plan to ensure maximizing the economic potential of the said properties.

1.7 The titling of properties is taking some time to process considering that it requires gathering and consolidating of old documents due to complexities of each property that needs to be addressed before titling can be processed.

1.8 Management commented that travel restrictions brought about by the COVID-19 pandemic was an additional challenge in undertaking the appropriate actions in the titling of the said properties.

1.9 Nevertheless, Management further commented that the untitled properties were covered by Tax Declarations and were slated for land status and classification survey at the Department of Environment and Natural Resources – Community Environment and Natural Resources Office, which is a crucial step for the processing of the application for land registration and titling in the Registry of Deeds.

1.10 We acknowledged actions taken by Management in the titling of the untitled land assets, however the Audit Team emphasized that Tax Declarations are not conclusive evidence of ownership, they are proof that holder has a claim of title over the property and serve as sufficient basis for inferring possession.

1.11 The Audit Team shall monitor Management's action in the titling of investment properties in the name of NDC.

2. The completeness and existence of Property and Equipment (PE) account with carrying amount of P53.041 million as of December 31, 2021 could not be ascertained due to: a) partial inventory count and non-reconciliation of inventory results with accounting records and b) inclusion of unserviceable PE costing P498.019 million which remained undisposed and still recorded in the books of accounts.

2.1 Paragraph 15 of the Philippines Accounting Standards (PAS) 1 states that:

> *Financial statements shall present fairly the financial position and 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 Framework. Xxx*

2.2 Further, Sections IV and V (4) of COA Circular No. 80-124 dated January 18, 1980 provides that:

> *Physical inventory of fixed assets shall be made at least once a year as of December 31 in accordance with the guidelines enumerated herein.*
>
> *Inventory reports of regional/branch offices, shall be submitted to the head of the agency not later than January 20 for consolidation and the*

consolidated inventory shall be submitted to the Auditor not later than January 31 of each year, xxx.

Xxx

Xxx. The reports shall be ***properly reconciled with accounting and inventory records.***

2.3 Our audit of the Property and Equipment accounts disclosed the following:

a) Partial inventory count and non-reconciliation of inventory results with accounting records

2.4 NDC has Property and Equipment with carrying amount of P53.041 million. Of this amount, only P5.322 million were included in the conduct of physical inventory count, thereby excluding items in the aggregate amount of P47.718 million or 89.97 per cent of the total PE. Details are shown below:

Table 2 – Composition of PE (in Php)

Account	Book Value	Accumulated Depreciation	Carrying Amount
Included in the Inventory count:			
Buildings - LIDE	1,160,311,897	(1,159,794,096)	517,801
Other Land Improvements Philphos Assets LIDE	67,342,764	(67,342,764)	0
Information and Communication Technology Equipment	19,998,619	(18,404,780)	1,593,839
Office Equipment	12,337,999	(10,867,491)	1,470,508
Motor Vehicles - LIDE	1,307,581	(1,307,558)	23
Sports Equipment	112,857	(65,833)	47,024
Other Property, Plant and Equipment	573,855	(159,206)	414,649
Furniture and Fixtures	5,278,967	(4,000,567)	1,278,400
	1,267,264,539	(1,261,942,295)	5,322,244
Not part of Inventory count:			
Other Land Improvements	3,440,391	(1,808,471)	1,631,920
Other Property, Plant and Equipment – Rizal Hydropower Plant	32,804,727	(6,152,727)	26,652,000
Construction in Progress – Investment Property Buildings	7,709,734	0	7,709,734
Motor Vehicles - NDC	11,664,826	(7,030,630)	4,634,196
Other Structures	4,518,600	(4,518,600)	0
Other Property, Plant and Equipment	9,407,666	(2,957,936)	6,449,730
Foreclosed Property/Assets	922,591	(922,590)	1
Computer Software	631,170	0	631,170
Leased Assets Improvements, Buildings	30,035	(27,036)	2,999
Other Leased Assets Improvements	22,015	(15,411)	6,604
	71,151,755	(23,433,401)	47,718,354
Total	**1,338,416,294**	**(1,285,375,696)**	**53,040,598**

2.5 Physical inventory taking of all PE is an indispensable procedure to ascertain the existence and check the integrity of property custodianship, hence, has to be regularly enforced and a corresponding report shall be submitted to the Auditor not later than January 31 of the following year. Moreover, all physical inventory reports shall be reconciled with accounting records.

2.6 The current condition of the PEs which were excluded from the physical inventory count could not be ascertained. Accordingly, there would be no basis for recognition of possible impairment loss.

2.7 The Audit Team was not able to conduct alternative procedures to validate Management's assertions of completeness and existence of the PE account due to partial inventory count and the non-reconciliation of PE account balances between the Report on Physical Count of PPE (RPCPPE) and the accounting records, which should have been subjected to examination.

b) Inclusion of unserviceable PE costing P498.019 million which remained undisposed and still recorded in the books of accounts

2.8 Paragraph 67 of PAS 16 provides that PEs shall be derecognized when no future economic benefits are expected from its use or disposal. The standard states:

> *The carrying amount of an item of property, plant and equipment shall be derecognized:*
>
> *a. On disposal; or*
> *b. When no future economic benefits are expected from its use or disposal.*

2.9 Review of the RPCPPE revealed that unserviceable PE costing P498.019 million were still recorded in the books of accounts and included in the RPCPPE despite being fully depreciated with no economic benefits or service potential expected from their use. If not immediately disposed, any value that maybe recovered from these will continuously decrease. Details of unserviceable items of PE are as follows:

Table 3 – Breakdown of unserviceable items

Account	Book Value (in Php)
Buildings - LIDE	492,399,391
Information and Communication Technology Equipment	2,738,227
Office Equipment	2,778,855
Motor Vehicles - LIDE	102,950
Total	**498,019,423**

2.10 On the other hand, PEs costing P11.235 million were not found during the inventory count. These items were noted to be fully depreciated already.

2.11 Moreover, we noted lapses and deficiencies in the conduct of the periodic physical count by the NDC Inventory Committee, to wit:

- Inventory tags were not replaced or updated during the inventory taking while other items do not have inventory tags at all;

- Inventory working papers/Inventory Sheets that should contain the data/information gathered during the conduct of actual physical count were not properly accomplished. Some items do not have property numbers, personal items were included and multiple items located in various locations were not individually identified in the lists;

- Other Property, Plant and Equipment with carrying amount of P6.449 million representing newly acquired assets in 2021 were not included in the inventory report; and

- Inventory and Inspection Report of Unserviceable Property (IIRUP) for all PEs found unserviceable, obsolete and/or no longer needed were not prepared.

2.12 **We reiterated our previous year's recommendations that Management:**

a. **Require the Finance and Administrative Department to conduct complete periodic physical count of all property and equipment of NDC, reconcile the PE balances per count and per books and submit the report to the Auditor not later than January 31 of the following year;**

b. **Instruct the Disposal Committee to expedite the preparation of IIRUP and report the identified unserviceable properties, thereafter undertake immediate disposal of idle and unserviceable property to avoid further deterioration and devaluation of the same;**

c. **Direct the Accounting Department to derecognize unserviceable property and related accounts in the books of accounts upon disposal or when no future economic benefits are expected from its use or disposal in accordance with paragraph 67 of PAS 16; and**

d. **Henceforth, address the deficiencies noted in the conduct of physical inventory count.**

2.13 Management commented that the physical inventory count was conducted in November 2021 for PE located at Isabel and Ormoc, Leyte and in December 2021 for PE located at NDC and I & I Buildings. The corresponding reconciliation was submitted to COA on March 7, 2022. The discrepancy on the submitted reconciliation will be considered in the next inventory count and reconciliation.

2.14 Management further commented that the preparation of IIRUP and disposal of unserviceable properties is ongoing.

2.15 Management informed that the program for disposal of three unserviceable vehicles is scheduled on June 14, 2022.

2.16 Moreover, Management informed that it has notified the Disposal Committee to undertake immediate disposal of idle and unserviceable properties to avoid further deterioration and devaluation of the same. Likewise, all unserviceable properties will be adjusted upon receipt of proof of disposal.

2.17 The Audit Team shall monitor Management's compliance with the above-cited recommendations.

3. The validity of Trust Liabilities account amounting to P75.633 million is doubtful due to: a) continuous recognition of rental security deposits of previous lessees amounting to P18.206 million; and b) unclaimed bid and performance security deposits for two years and more amounting to P9.602 million.

3.1 The Conceptual Framework for General Purpose Financial Reporting (GPFR) by Public Sector Entities issued by the International Accounting Standards Board in October 2014 includes, among others, the following qualitative characteristics of useful information included in the general-purpose financial statements in order to support the achievement of the objectives of financial reporting:

> *3.1 GPFRs present financial and non-financial information about economic and other phenomena. The qualitative characteristics of information included in GPFRs are the attributes that make that information useful to users and support the achievement of the objectives of financial reporting. The objectives of financial reporting are to provide information useful for accountability and decision-making purposes.*
>
> *3.2 The qualitative characteristics of information included in GPFRs of public sector entities are relevance, faithful representation, understandability, timeliness, comparability, and verifiability.*
>
> *Faithful representation*
>
> *3.10 To be useful in financial reporting, information must be faithful representation of the economic and other phenomena that it purports to represent. Faithful representation is attained when the depiction of the phenomena is complete, neutral, and* ***free from material error*** *xxx.*

a) Continuous recognition of rental security deposits of previous lessees amounting to P18.206 million

3.2 As of December 31, 2021, the Trust Liabilities account showed a balance of P75.633 million which pertains to an escrow account for the shareholders of a former affiliate, bid bonds and performance security deposits received from bidders and suppliers and refundable security deposits received from various lessees of NDC.

3.3 Our audit disclosed that rental security deposits amounting to P40.062 million were collected from various lessees of NDC's real properties as part of their contractual obligations. Of the P40.062 million, P18.206 million or 45.44 per cent, are from 19 lessees with expired contracts. Details are as follows:

Table 4 – Composition of rental security deposits

Particulars	Amount (in Php)	% of Total
Active lessees	21,856,307	54.56%
Previous lessees	18,205,584	45.44%
Total	40,061,891	100.00%

3.4 The rental security deposit is intended to guarantee the fulfillment of terms of the lease agreement. This shall be returned to the lessees, without interest, only after the expiration of the contract without extension or renewal, and after the lessees have completely vacated the leased property. Considering the expiration of the contracts of 19 lessees, NDC should have returned these deposits, after covering its claim for unpaid or overdue obligations of the lessees, if any.

3.5 Inquiry with key personnel revealed that the Asset Management Group (AMG) assumed that once the lease contract is expired the corresponding refund of rental security deposits were undertaken and recorded by the Accounting Department. The lack of coordination between the two Departments resulted in the failure in monitoring the circumstances on the refund of the rental security deposits upon expiration of the lease contract.

b) Unclaimed bid and performance security deposits for two years and more amounting to P9.602 million

3.6 As of December 31, 2021, balances of bid and performance security deposits of bidders/prospective buyers of disposable assets and suppliers of goods and services amounted to P9.851 million. The bidder's bond were collected to ensure that a bidder/prospective buyer will enter into a contract with the obligee if awarded. On the other hand, performance security deposit is to guarantee satisfactory completion or delivery of goods and services and satisfactory performance of the project by the contractor.

3.7 We noted that of the P9.851 million, P9.602 million or 97.47 per cent of bid and performance security deposits were still recognized as liabilities despite the fact that the purpose of these deposits had already been accomplished and were not moving for more than five years. Inquiry with Accounting personnel disclosed that documents supporting these payables are no longer available because these are old accounts.

3.8 **We recommended that Management:**

a. Review and evaluate lease contracts and related documents pertaining to the lessees' account to ensure that only those existing and valid security deposits payable are presented in the financial statements as of December 31, 2021;

b. Determine the propriety of the recorded rental security deposits and if found in order, inform the previous lessees to claim their security deposits and prepare the necessary adjustment in the books, if warranted;

c. **Henceforth, instruct the Accounting Department in coordination with AMG to conduct periodic monitoring of the status of expired lease contracts relative to the refund of security deposits of various lessees;**

d. **Examine and assess the recorded bid and performance security deposits of bidders/prospective buyers of disposable assets and suppliers of goods and services to ascertain whether the purpose of such security deposits have been fulfilled or not and send letter to the concerned bidder/supplier/contractor informing of refunds due them;**

e. **Prepare the necessary adjusting entries to revert back the dormant payables to Retained Earnings; and**

f. **Henceforth, conduct periodic monitoring of the status of settlement of the account of bidders and suppliers/contractors applying the bid deposit against payments and refund of the performance security deposit after the fulfillment of contract.**

3.9 Management informed that rental security deposits that can be returned to the lessees subject to request for payment from AMG were already identified.

3.10 Management also informed that an adjusting entry shall be made for the accounts amounting to P61,544 after offsetting the rental security deposit with the outstanding receivable account. As for other accounts, verification is being made with the AMG and Legal Department on the status and propriety of the recorded rental security deposits.

3.11 Further, Management commented that the Accounting Department shall coordinate with AMG to conduct periodic monitoring of the status of expired lease contracts relative to the refund of security deposits of various lessees.

3.12 The Audit Team will monitor Management's actions on the issue at hand.

4. **NDC cannot enforce its right to demand and collect the interest charges amounting to P14.033 million from the Philippine Mining Development Corporation (PMDC) pertaining to its long outstanding loans amounting to P70.693 million due to differences in interpretation of the provisions of the original and loan restructuring agreement.**

4.1 Paragraph 15 of Philippine Accounting Standard (PAS) 1 on Presentation of Financial Statements provides the following:

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

4.2 On August 12, 2005, PMDC, a government-owned and controlled corporation in which NDC has a 20 per cent ownership executed an agreement whereby the latter advanced the amount of P25.000 million with options to either convert the amount as additional subscription or treat the same as a loan in favor of PMDC. However, PMDC did not increase its authorized capital stock to accommodate the additional subscription of NDC, thus, prompting NDC to treat the said amount as loan to PMDC.

4.3 PMDC requested another loan from NDC in the amount of P25.000 million for its exploration activities. On November 23, 2006, a loan agreement was executed with PMDC for a total amount of P50.000 million with 12 per cent interest per annum. However, PMDC failed to pay the amortizations of both loans, thus, requested for a restructuring of its outstanding loan balance from NDC.

4.4 On May 28, 2013, the NDC Board of Directors approved the said request for loan restructuring of the outstanding loan balance of PMDC amounting to P152.379 million representing the outstanding principal, accrued interest and penalties. The total loan balance shall be paid by PMDC in two tranches, as follows:

Table 5 – Breakdown of PMDC and NDC loan restructuring agreement

Loan	Particulars	Payment Period	Interest Rate	Penalty Rate	Amount (in Php)
First tranche	Principal and capitalized interest of the original loan	July 2013 to June 2023	12 % per annum	12 % per annum	97,768,000
Second Tranche	Accumulated penalties of the original loan	June 2023 to Sept. 2026	None	12 % per annum	54,611,477
Total					**152,379,477**

4.5 Confirmation made with PMDC for receivables as of December 31, 2021, to ascertain the existence and accuracy of the recorded account balances, disclosed a discrepancy of P14.033 million, as shown below:

Table 6 – Variance between SL balances and Result of Confirmation (in Php)

Debtor	Balance per NDC Books	Balance per Confirmation	Variance
PMDC			
Loans receivable	56,660,401	56,660,401	0
Interest receivables	14,032,583	0	14,032,583
	70,692,984	**56,660,401**	**14,032,583**

4.6 PMDC was religiously paying its loans since the loan was restructured in July 2013. After several years, PMDC requested for a re-computation of the outstanding balance of its restructured loans on June 18, 2018. In a letter reply dated December 19, 2018, NDC informed PMDC that the imposition of 12 per cent on the original loan was in accordance with the provision of the agreement executed by the parties.

4.7 On February 26, 2019, PMDC sought reconsideration for a possible settlement proposal on the outstanding loan balance upon receipt of an updated Statement of Account considering the imposition of 12 per cent interest on the P25.000 million for the period August 12, 2005 to November 23, 2006 and payment of penalty.

4.8 On June 24, 2019, NDC reiterated its stand and explanation stated in its December 19, 2018 letter and in addition demanded for the payment of the amortizations from March to May 2019. However, PMDC in its letter reply dated July 8, 2019, informed NDC of its inability to comply with the demand for the payment of the monthly amortizations and its intention to elevate the controversy to Office of the Government Counsel (OGCC), hence, an arbitration case was filed in August 2019. Subsequently, NDC filed its Comment to OGCC on September 28, 2020 and to date, there is still no update on the decision or status of the case.

4.9 The discrepancy of P14.033 million between the balance per books and the confirmed balance of loans and interest receivable as of December 31, 2021, pertains to accrued interest from March 2019 to December 2021. Said additional interest was due to non-payment of PMDC of its loan amortization pending its request for re-computation and ongoing arbitration case filed by PMDC before the OGCC Arbitration Tribunal.

4.10 Considering the circumstances surrounding the loans and interest receivable from PMDC and the ongoing arbitration case, Management cannot at this point enforce its right to demand and collect accrued interest from PMDC until the arbitration case is resolved in NDC's favor.

4.11 **We recommended that Management:**

a. **Require the Legal Department to fast track the settlement of the arbitration case filed by PMDC in order to continuously collect the loan amortization due from PMDC; and**

b. **Reconcile the discrepancy and adjust the books of accounts, if warranted, to arrive at the correct balances of Loans and Interest Receivable in the financial statements once the arbitration case has been settled.**

4.12 Management informed that during the Case Management Conference on October 22, 2021, OGCC required the counsels of NDC and PMDC to secure authority from their respective Board of Directors to represent the parties in the arbitration and to negotiate for the possible settlement of the case. On November 8, 2021, NDC submitted the Secretary Certificate showing the authority granted to its counsel to represent NDC in the arbitration.

4.13 On November 5, 2021, NDC received the settlement proposal of PMDC and the former submitted its proposed settlement to PMDC on November 22, 2021.

4.14 On April 22, 2022, during the preliminary conference, NDC and PMDC laid down the issues to be determined during the arbitration. OGCC ordered the parties to submit documents on May 20, 2022 for witness statements, June 6, 2022 for rebuttal witness statements and on July 6, 2022 for the Memorandum.

4.15 Management committed that adjustment in the books will be made accordingly, once the final decision on the arbitration case is received from OGCC.

4.16 The Audit Team will monitor compliance with the recommendation and requested Management to update the Audit Team on the results of the ongoing arbitration case.

5. The balance of Rental Receivable account amounting to P46.388 million could not be ascertained due to variances in the total amount of P9.171 million between the book and confirmed balances of the accounts with various lessees.

5.1 Paragraph 15 of the Philippine Accounting Standards 1 states:

> *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 Framework. xxx*

5.2 The balances of rental receivable and allowance for impairment accounts for CY 2021 are P46.388 million and P26.021 million, respectively. To verify the completeness of the recorded balance of rental receivable account, the Audit Team, thru the Accounting Department, sent 57 confirmation letters to various lessees of NDC. However, only 11 lessees responded, of which ten showed variances from the accounting records.

5.3 The result of the confirmation showed variances totaling P9.171 million, which is significant in relation to the number of responses received. Summary of the result is presented below:

Table 7 – Variance between SL balances and Results of Confirmation of Rental Receivables (in Php)

Lessee	Balance per Books	Amount Confirmed	Variance
Board of Investments	2,106,841	0	2,106,841
Lepanto Mining Corporation	3,336,093	4,074,666	738,573
Manila Pest Control	520,000	0	520,000
Petron Corporation	256,916	0	256,916
Tritan Marketing & Development Corp.	0	0	0
Senate of the Philippines	12,839	0	12,839
Panay Railways, Inc.	5,078,316	0	5,078,316
Spectrum Engineering & Consultancy	124,182	0	124,182
Cleanaway Philippines Inc.	(20,678)	277,464	298,142
Romeo B. Naguit	52,340	24,190	28,150
Eac.Net Internet Shop	0	7,500	7,500
			9,171,459

5.4 Further analysis and review of the variances and records in the subsidiary ledgers (SL) revealed the following observations:

a) Board of Investments (BOI) - The variance represents outstanding December 2020 rent.

b) Lepanto Mining Corporation (LMC) - For 2020, the lessee only paid rentals for the months of January to April. There was no collection for CY 2021 even though NDC coordinated with LMC for reconciliation of accounts.

c) Manila Pest Control (MPC) - Variance is equal to the long outstanding balance for more than 10 years. Although a collection letter was sent in 2021, the lessee did not settle its balance.

d) Petron Corporation - The variance is equivalent to the December 2021 accrual of lease charges.

e) Senate of the Philippines - Variance is equal to the long outstanding balance for more than 13 years. NDC is processing its request for write-off of the account and completing all necessary supporting documents.

f) Panay Railways, Inc. (PRI) - Variance is equal to the long outstanding balance for more than nine years. However, PRI commented in their 2020 confirmation letter that they have no record of any obligation to NDC on their file. Collection letter were sent on December 2021 however, PRI did not settle the balance as they maintained that the company's records remain zero.

g) Spectrum Engineering & Consultancy - The variance is equal to the long outstanding balance of the lessee for more than 13 years. Although a collection letter was sent in 2021, the lessee did not settle its balance.

h) Cleanaway Philippines Inc. (CPI) - Review of the rental receivable SL showed that accrual of rent and payment of CPI are up to date.

5.5 Because of the unreconciled variances between the recorded rental receivable and confirmed balances, the completeness and reliability of the account could not be ascertained.

5.6 **We recommended that Management:**

a. Reconcile the lessee's accounts with variances per confirmation as against the balance per books of accounts:

a.1 Coordinate with the representatives of BOI and Petron Corporation to discuss the settlement of their outstanding obligations;

a.2 Follow-up and coordinate closely with the representatives of MPC, PRI and Spectrum Engineering & Consultancy to determine and establish the proprietary of their long outstanding accounts with NDC; and

a.3 Assess and reconcile the variances from the records of LMC, CPI, Mr. Naguit and Eac.Net Internet Shop and adjust the books of accounts if necessary; and

b. Demand payment of valid receivables determined after reconciliation and/or adjust accounting records, if warranted.

5.7 Management commented that NDC has been coordinating with its lessees to reconcile their accounts. Out of the 11 accounts, five accounts were already reconciled and settled in 2022 while the remaining 6 accounts are still for evaluation.

5.8 Management also informed that continuous gathering of documents to support adjustments and request for write-off, if warranted, was being made.

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

B. OTHER OBSERVATIONS

6. Compensation Price on the negotiated sale of 13,297.97 square meters (sq. m.) portion of Pandacan property, subject of the Right-of-Way (ROW) of the Metro Manila Skyway Stage 3 Project (MMSS3) amounting P757.984 million was not yet finalized after the lapse of more than three years from the undertaking of the Road ROW acquisition by the Department of Public Works and Highways (DPWH) in February 2018 and remains outstanding after completion of the project in January 2021 resulting in foregone revenue or lost income opportunities for the Corporation.

6.1 The property located at Tomas Claudio St., Pandacan, Manila has an area of 50,137.95 sq. m. with a fair market value of P2.266 billion as of December 31, 2021. A portion of the property measuring 13,297.97 sq. m. was affected by the ROW of the MMSS3.

6.2 A clear and improved guide on the rules and procedures for the acquisition by the DPWH of ROW for government infrastructure projects based on RA No. 10752 (ROW Acquisition Act) as embodied in the DPWH ROW Acquisition Manual (DRAM), is prescribed for use by all concerned offices involved in the ROW acquisition.

6.3 ROW Acquisition through Negotiated Sales under Section 2.17 of the DRAM provides the following pertinent procedures:

The Implementing Office (IO) shall:

- *Prepare the Notice of Taking to each property owner with relevant information such as, a) the need to acquire its property to give way to a government project; b) the intent of the IO to acquire the property thru negotiated sale; c) the requirement for it to submit to the IO within 30 days, the owner's copy of the CT/OCT/CLOA and two valid identification cards.*

- *Send the corresponding Letter-Offer to the owner, indicating the price offer for negotiated sale, comprising of the sum of the current market value of the land, replacement cost of structures and current market value of crops and trees therein.*

- *If the owner accepts the price offer within thirty days, execute a Deed of Absolute Sale (DAS) between the Owner and the DPWH*

6.4 Further, Section 3.11 of the DRAM states the procedures on ROW acquisition for PPP projects, relevant procedures concerning the property owner are as follows:

- *As part of the Final RAP, the Concessionaire shall undertake the appraisal of the property affected by the entire ROW, using a qualified appraiser.*

- *Based on the Parcellary Survey and validated Final RAP, the IO shall issue a Letter-Offer to the property Owner.*

- *The IO shall then undertake the acquisition and delivery to the Concessionaire of the affected portions of the Basic ROW.*

- *The IO shall ensure that the titles to the land acquired for the Basic ROW and additional ROW shall be transferred to the Republic of the Philippines as soon as possible, free and clear from liens, claims and encumbrances.*

6.5 On February 12, 2018 the NDC Management recommended to the Board the approval of the negotiated sale with DPWH for its acquisition of the initial 11,109.49 sq. m. portion of the Pandacan property as ROW for the MMSS3 project at P50,500 per sq. m. based on the 2017 appraisal of the entire property. During the Board Meeting, it was discussed that the position of the Department of Finance Secretary was for the entire property to be sold instead of only the portion needed for the ROW since the value of the remaining parcel of land will be greatly diminished because the property will no longer be viable for commercial purposes. Thereafter, the Board instructed the Management to offer the sale of the entire property.

6.6 Pending the acquisition of the property by DPWH, NDC issued a Permit to Construct on June 13, 2018, in consideration of the project's implementation timeline and it being a government project.

6.7 On June 14, 2018, the Toll Regulatory Board (TRB), the implementing agency of the project, gave its indicative offer to buy the initial 11,109.49 sq. m. at P30,000 per sq. m. or a total consideration of P333.285 million based on the Land Bank of the Philippines appraisal. NDC sent its counter-offer to sell the whole property and not only the specified area affected by ROW.

6.8 The Board reiterated its directive to sell the entire property during the October 28, 2020 Board meeting and based the selling price on the property's latest zonal value at P53,000 per sq. m. In a letter dated November 11, 2020, NDC sent its updated offer to TRB with terms to sell the whole property in the amount of P2.657 billion or P53,000 per sq.m.

6.9 Subsequently, a follow-up letter dated January 14, 2021 was sent to TRB, demanding payment for the compensation of the property subjected to ROW acquisition.

6.10 In a letter dated July 26, 2021, TRB submitted to the Department of Justice (DOJ) the matter/issue on the acquisition of the remaining areas not covered by ROW for adjudication. However, based on our inquiry with NDC personnel, DOJ did not process the said referral by TRB and that renegotiation with them is currently ongoing.

6.11 In November 22, 2021 meeting with TRB and DPWH, NDC was apprised on the following: a) that the market value of the subject property is P57,000 per sq.m. as appraised by the Land Bank of the Philippines (LBP); b) TRB and DPWH intends to acquire only the portion of the property affected by the ROW of the Project; c) the acquisition of the remaining areas not covered by the ROW shall be subject to adjudication and appropriate action by the DOJ; and d) TRB will officially send a letter-offer to NDC to purchase the portion of the property directly affected by the ROW based on the market value stated above.

6.12 On March 8, 2022, a formal letter-offer for the acquisition of the confirmed area of 13,297.97 sq.m. portion of NDC property in Pandacan, Manila affected by the said ROW of the MMSS3 at a price based on the appraised value of LBP at P57,000 per square meter was sent by TRB. The said letter included a provision/condition stating that, in case Government's offer is rejected or no reply is received within 30 days from the receipt of the said letter, the Government shall exercise the power of eminent domain through the filing of complaint with the regular court for the expropriation of the subject property.

6.13 The ROW traversed the property dividing it into three parcels greatly affecting the two lessees of the property. One of the lessees leased an area of 5,000 sq. m. with a monthly rent of P250,000 with annual escalation rate of five per cent whose lease contract had expired in November 2019 and only extended for three months without applying for renewal of lease contract.

6.14 The other lessee occupying the larger portion of the property with an area of 45,137 sq. m., pre-terminated its ten-year lease contract in 2018 due to the ROW adversely affecting the leased property. The ten-year lease contract covering the period April 2016 to March 2026 has a monthly rate of P2.392 million with an annual escalation rate based on the actual inflation rate in the National Capital Region. Total income that could have been generated amounted to P90.906 million as of December 31, 2021, details are as follows:

Table 8 – Summary of Forgone Income due to ROW acquisition

Year	Lease Income (in Php)
2018 (November to December)	4,784,522
2019	28,707,132
2020	28,707,132
2021	28,707,132
Total	**90,905,918**

Based on monthly rental of P2,392,261, exclusive of escalation rate.

6.15 In November 2018, two contractors involved in the construction of the MMSS3 entered a lease agreement with NDC to lease a portion of its property as a storage facility during the construction period. The Lease contracts ended in December 2020, with lease income generated amounting to P48.288 million. However, during the Audit Team's ocular inspection on December 1, 2021, heavy equipment, circular formwork and other construction materials were found on some portions of the property. Apparently, NDC's property was still being used despite the absence of lease arrangements.

6.16 Evaluation of the documents/records and the events that transpired relating to the ROW acquisition of the subject Pandacan property, disclosed that:

a. The procedures prescribed for the acquisition of ROW as provided in the DPWH ROW Acquisition Manual (DRAM) pursuant to RA No.10752 (ROW Act) particularly the above-cited Sections 2.17 and 3.11 were not followed or undertaken by the Implementing Office (IO), the TRB and DPWH, and the project proponent Citra Central Expressway Corporation (CCEC).

    - No Notice of Taking and corresponding Letter-Offer to NDC (the property owner) was received from the IO at the initial stage of the ROW process.

    - Without the formal letter-offer from the IO, NDC (the property owner) offered for sale the whole property consisting of 50,137.95 sq.m. instead of only the portion of property covered in the ROW thru a letter to TRB on February 14, 2018.

    - The TRB (IO) gave its indicative offer to buy the portion of property affected by the ROW on June 14, 2018, several months after the offer for sale by NDC, the property owner.

b. NDC issued a Permit to Construct as early as June 13, 2018 when the ROW acquisition process was still in its initial stage and before a formal letter-offer to buy was received from the IO.

    Based on the provisions in Section 2.1.2 (u) of the DRAM, significant features of the ROW process include among others, that before a Notice of Award is issued to the contractor by the IO, the IO must obtain at least a Permit to Enter the ROW from the owner, or a notarized Deed of Absolute Sale (DAS) or Deed of Donation executed in favor of the government. Suffice to say, Permit to Enter/Permit to Construct was issued before the perfection of the DAS contrary to the above-mentioned provision of the DRAM. Permit to Enter/Permit to Construct, DAS or Deed of Donation is a pre-requisite for the issuance of the Notice of Award to the contractor by the IO.

6.17 Considering the lapse of more than three years from the indicative offer to buy the affected area and the fact that the project was already completed and operational since July 2021, the concessionaire is already benefitting from the completed project while the compensation of ROW traversing NDC's property was still not paid/settled. In addition, NDC sustained loss of income arising from the lease of the subject property since the project started in June 2018. Further delay in the payment of compensation price and resolution or settlement of unresolved issues regarding the ROW acquisition which was referred to DOJ for adjudication would result to increased losses or foregone revenue for NDC.

6.18 **We recommended that Management:**

a. **Coordinate with TRB and other concerned government agencies, to expedite the resolution of the issue on the ROW acquisition of the Pandacan property and the corresponding compensation thereof;**

b. **Demand inclusion of Legal Interest in the computation of compensation price for the property covered in ROW acquisition for MMSS3 project pursuant to Section 5 of RA No. 10752 as implemented by Section 6.11 of its Implementing Rules and Regulations; and**

c. **Require compensation from the contractors of the Project for the unauthorized use of the property in the absence of a lease agreement.**

6.19 Management commented that they are in constant communication and discussion with TRB and DPWH for the expeditious resolution of the issues on the ROW acquisition of the whole Pandacan property and the facilitation of the payment of compensation thereof.

6.20 Management informed that despite consistent follow-ups and meeting, TRB and DPWH were still evaluating the acquisition of the whole property. Hence, on April 12, 2022, NDC requested DPWH to provide updates on the coordination between TRB and DPWH on the matter and for timeline for the payment of the compensation for the subject property.

6.21 Management further commented that they will continue its best efforts in order to conclude the negotiated sale of the whole property in the soonest time possible. Likewise, they will explore the inclusion of legal interest in the computation of compensation price for the property covered in ROW acquisition.

6.22 Management also informed that they called the attention of TRB on the presence of some of the concessionaire's contractors occupying the subject property without any legal basis and directed them to vacate the area immediately.

6.23 Moreover, Management commented that they instructed its security personnel to secure the property and not allow entry of any project contractors within the subject property without prior clearance from NDC. Management assured the COA that NDC's actions are geared towards the protection of the Company and its properties.

6.24 The Audit Team acknowledged the actions taken by the Management and requested the Asset Management Group to provide the Audit Team any updates on the results of the on-going negotiation relative to the subject ROW acquisition.

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

7. Consultants for not highly technical functions were hired through negotiated procurement instead of competitive bidding contrary to Sections 2 and 53.7 of the Revised Implementing Rules and Regulations (RIRR) of Republic Act (RA) No. 9184.

7.1 Section 2 of the RIRR of RA No. 9184, provides that *"it is the policy of the GoP that procurement of Goods, Infrastructure Projects and Consulting Services shall be competitive and transparent, and therefore shall undergo competitive bidding except as provided in Rule XVI of this IRR."*

7.2 Further, Section 48.1 of the RIRR provides that the procuring entity may resort to any of the alternative methods of procurement provided in the RIRR. In resorting to any of the alternative methods of procurement, the Procuring Entity must ensure that the methods chosen promotes economy and efficiency, and that the most advantageous price for the government is obtained.

7.3 Section 53 of the RIRR provides that:

> *Section 53. Negotiated Procurement*
>
> *Negotiated Procurement is a method of procurement of Goods, Infrastructure Projects and Consulting services, whereby the Procuring Entity directly negotiates a contract with a technically, legally and financially capable supplier, contractor or consultant in any of the following cases:*
>
> *Xxx*
>
> *53.7. Highly Technical Consultants. In the case of individual consultants hired to do work that is (i) highly technical or proprietary; or (ii) primarily confidential or policy determining, where trust and confidence are the primary consideration for the hiring of the consultant: Provided, however, That the term of the individual consultants shall, at the most, be on a six month basis, renewable at the option of the appointing HoPE, but in no case shall exceed the term of the latter.*

7.4 Moreover, Annex B of the RIRR of RA No. 9184 enumerates the types or categories of Consulting Services, namely: a) advisory and review services; b) pre-investment or feasibility studies; c) design; d) construction supervision; e) management and related services; and f) other technical services or special studies.

7.5 At least eleven individual consultants and two consultancy firms were hired during the year amounting P6.343 million and P2.145 million, respectively. Based on the Audit Team's evaluation of the contracts, consulting services rendered were mostly advisory and management related services. Some of the services such as technical assistance for special projects (Startup Venture Fund Program, NDCIE project, Gamma Irradiation Facility) may be categorized as other technical services or special studies. Likewise, services relating to fire protection and detection can also be referred to as other technical services.

7.6 The above-mentioned work of the consultants hired by NDC did not meet the requirements/conditions of a highly technical consultant that are: a) highly technical and proprietary; and b) confidential or policy determining where trust and confidence are the primary considerations for their hiring. As such, the hiring of said consultants, whose services are not considered highly technical, should have been through competitive bidding.

7.7 **Henceforth, we recommended that the hiring of consultants whose services are not appropriately categorized as Highly Technical be undertaken thru competitive bidding in accordance with the pertinent provisions of RIRR of RA No. 9184 on procurement of consulting services.**

7.8 Management commented that the Bids and Awards Committee (BAC) undertakes procurement activities in accordance with the provisions of RA No. 9184, and with NDC's internal policy wherein procurement with a budget of above P0.500 million shall be mandatory except for consulting services where procurement is based on trust and confidence or highly technical or proprietary.

7.9 We maintain our view that consultancy services/work of the consultants hired by NDC could not be considered as highly technical, proprietary, primarily confidential or policy determining where trust and confidence are the primary consideration for their hiring. Thus, hiring of the said consultants should have been undertaken thru competitive bidding in accordance with the provisions of RIRR of RA No. 9184.

8. Continuous hiring of consultants whose services are duplication of the job/functions of filled and unfilled plantilla positions is contrary to the General Principles on Consulting Services as provided in Section 2 of Annex B of the RIRR of RA No. 9184.

8.1 Section 2 of Annex B, RIRR of RA No. 9184 provides that:

> *The Need for Consultants*
>
> *The services of consultants may be engaged by any procuring entity for government projects or related activities of such magnitude and/or scope as would require a level of expertise or attention beyond the optimum in-house capability of the procuring entity concerned and consistent with the Government's policy not to compete with the private sector.*

8.2 Review of contracts, scope of work provided in the TOR and accomplishment reports of the consultants vis a vis the job description/functions of filled and unfilled plantilla positions disclosed the following:

a) NDC continuously hired consultants who were former employees/officials of NDC. The services of three consultants were deemed redundant or duplication of the functions of some incumbents/plantilla personnel.

b) Some of the services rendered or work performed by the consultants apparently did not require a level of expertise/professional or technical expertise that are beyond the optimum in-house capability of NDC.

c) Some of the advisories and recommendations by concerned consultants on various projects/programs were not implemented and not considered in management's decision, thus, the need for some consultants has to be revisited and evaluated.

d) NDC incurred at least P1.980 million for hiring consultants whose work/services can be undertaken by the incumbent or regular plantilla employees.

8.3 **We recommended that Management:**

a. Review all the individual consultancy contracts and evaluate the need for their renewal in accordance with the existing rules and regulations; and

b. Consider discontinuing the consultancy contract of some consultants whose work and services can be performed by a regular plantilla personnel. Disbursement of government funds in violation of laws, rules and regulations may warrant the issuance of Notice of Disallowance.

8.4 Management commented that the consultants of NDC were hired because of technical expertise and for confidential and policy determining works where trust and confidence are the primary consideration.

8.5 During the Exit Conference, Management explained that hiring of consultants are covered with approved BAC Resolutions.

8.6 Management informed that all contracts under Negotiated Procurement-Highly Technical Consultants will be pre-terminated effective at the close of business hours on May 16, 2022.

8.7 The Audit Team will monitor Management's compliance in the pre-termination of all contracts under Negotiated Procurement-Highly Technical Consultants. It is emphasized that the authority of the Head of the Procuring Entity to approve BAC resolutions is not absolute, thus, it is incumbent upon the BAC to ensure that resolutions submitted for approval are in accordance with laws, rules and regulations.

9. Consulting Services for the Software Development for Accounting, Budget, Human Resource and IT workgroup was procured under Negotiated Procurement which is contrary to applicable rules on Consulting Services pursuant to the RIRR of RA No. 9184.

9.1 As provided in the above-cited rules on procurement of Consulting Services, competitive bidding shall be adopted as the general mode of procurement except as provided under Rule XVI of the RIRR of RA No. 9184 (Alternative Methods of Procurement). A procuring entity may engage the services of a Consultant thru Negotiated Procurement only in exceptional cases such as hiring of a Highly Technical Consultant.

9.2 Based on the provisions of Annex B (General Principles on Consulting Services) of the said RIRR, Information and communications technology (ICT) services which includes software development is categorized as Management and Related Services and therefore not considered as highly technical or proprietary. Services of proprietary nature involves patents, trade secrets and copyrights. Moreover, ICT services and infrastructure are readily available in the market, thus its procurement could have been appropriately conducted thru public bidding to ensure that the most advantageous price is obtained.

9.3 **We recommended that Management strictly adhere with the general principles on Consulting Services as outlined in Annex B of the RIRR of RA No. 9184. Otherwise, any payment relative thereto would be disallowed in audit.**

9.4 Management commented that due to non-participation and absence of eligibility requirements of various IT providers, NDC resorted to Negotiated Procurement-Highly Technical Consultants.

9.5 The Audit Team emphasized that procurement of consulting services shall undergo competitive bidding except in highly exceptional cases as provided in Rule XVI (Alternative Methods of Procurement) of the RIRR of RA No. 9184.

10. Delay in the implementation of the NDC Administrative and Commercial Complex Project (NACCP) conceptualized in 2009; and the disposal of idle property slated for clearance in 2018, would result in continuous incurrence of expenses given that NDC incurred expenses for said properties amounting to P10.866 million and P1.018 million, respectively, in 2021.

10.1 NDC incurred P11.883 million for security services, real property taxes and other expenses for its properties located in Macapagal, Pasay City and Kamagong St., Makati City. Breakdown of the expenses are shown below:

Table 9 – Summary of Expenses of Macapagal and Kamagong Properties (in Php)

	Macapagal	Kamagong	Total
Security Services	970,250	970,250	1,940,500
Real Property Tax	9,043,374	47,439	9,090,813
Annual Dues	142,094	0	142,094
Grubbing Services	710,000	0	710,000
Total	**10,865,718**	**1,017,689**	**11,883,407**

a. Macapagal Property

10.2 The 1.27-hectare parcel of land located in the Central Business Park, Pasay City was purchased by NDC from Philippine Reclamation Authority (PRA) in February 2009 amounting to P355.236 million. As of December 30, 2021, the fair market value of the property is P6.166 billion.

10.3 Since it was purchased from PRA in 2009, there have been no income generated from the property. The property was originally planned as the site for the One Department of Trade and Industry (DTI) Building – a DTI headquarter that will house all its offices. Initially, expenses amounting to P9.089 million was incurred for the preparation of feasibility study and business plan for the project.

10.4 The project was revived in 2017 and is now called NDC Administrative Commercial Complex Project (NACCP). In 2018, NDC incurred P3.995 million for the updating of the feasibility study and preparation of the environmental impact study. The project was once again held in abeyance. Currently, NDC has an ongoing discussion with several DTI agencies on the proposed office building on the property.

10.5 In 2021, NDC engaged the services of a contractor for the quarterly clearing, grubbing and maintenance of the property for one year at a contract price of P0.710 million. Despite the quarterly grubbing or clearing of the property, tall grass quickly covered the property.

10.6 NDC also spent P0.970 million for security services and P9.043 million for real property taxes (RPT) for CY 2021. Additionally, association dues amounting to P142,094 for CY 2021 was paid to the Central Business Park 1 – Island Association, Inc.

10.7 Although the fair market value of the property appreciates annually, the increase is considered as "paper gains" or unrealized capital gains. No actual income was generated from the property for 13 years from the time it was acquired due to huge delay in the implementation of the planned project.

b. Kamagong Property

10.8 The property located at Kamagong St. corner Sampaloc St., Makati City with an area of 1,256 sq. m., has a fair market value of P207.240 million as of December 31, 2021. The property is slated for disposal, however there are no notice/signage in the property or advertisement in NDC website that the property is for disposal.

10.9 The property was idle since 2018 when the previous lessee pre-terminated its lease contract. The remaining structure left in the property is the guard's hut and a make-shift basketball court.

10.10 NDC incurred expenses for securing the idle property in the amount of P0.970 million and paid real property taxes of P47,439 for the year 2021. Further delay in the disposal of the property would result in continuous incurrence of expenses while the property remains idle/unused.

10.11 **We recommended that Management:**

a. Fast track the conduct of activities/works relative to the project development of NACCP to mitigate expenditures which are continuously incurred since the acquisition of the property in 2009 as previous plans did not materialize; and

b. Exert more effort in converting these land assets as income-generating properties and expedite the process of disposing the properties scheduled for disposal.

10.12 Management commented that the Macapagal property remains earmarked to be the site of the NACCP.

10.13 Management informed that various DTI agencies like Construction Industry Authority of the Philippines, Center for International Trade Expositions and Missions and Intellectual Property Office of the Philippines have expressed interest in participating in the development of the Macapagal property into an office building complex. Relative thereto, NDC, DTI and several DTI agencies have collectively agreed to execute a Memorandum of Understanding for the matter.

10.14 Pending the implementation of the NACCP, Management will continue to explore means to generate income from the property, which will not impede the development plans on the said project.

10.15 With regard to the Kamagong property, Management commented that the property was previously offered for sale to Makati Local Government Unit, however no reply was received from the latter.

10.16 Management informed that they already installed a notice/signage at the site notifying that the property is available for lease. Thereafter, numerous inquiries were received about the lease of the said property.

10.17 Management further informed that constant review and update of Property Roadmap was being made to ensure that the economic potential of all properties are maximized.

11. Liquidated damages and other claims from the defaulting contractor for the general repair of NDC Building remained uncollected since the contract was terminated by NDC on August 31, 2021.

11.1 On December 17, 2018, NDC contracted R.M. Mangubat Construction and Realty Development Corporation (R.M. Mangubat) for the supply of Labor, Equipment and Materials for the Improvement of Facade, Interior Renovation and General Repair of selected areas of the NDC Building with contract duration from December 19, 2018 to October 19, 2019. After a number of approved contract time extensions granted due to various reasons, work stoppage due to COVID-19 pandemic and two variation orders, the final modified contract date of completion was July 17, 2021 based on the last contract time extension approved by the NDC General Manager dated March 22, 2021.

11.2 However, as of June 30, 2021, the project was only 77.81 per cent completed with a negative slippage of 19.50 per cent. On August 31, 2021, the contract was partly terminated as to unfinished and unaccepted works based on the following grounds:

a. The contractor has incurred negative slippage of more than 15 per cent;

b. The contractor failed to comply with valid instructions of NDC to proceed expeditiously without delay on the execution of the works despite written notices by NDC; and

c. The contractor failed to execute works in accordance with the contract or persistently or flagrantly neglects to carry out its obligations under the contract.

11.3 NDC issued a Backlisting Order against R.M. Mangubat for one year from November 10, 2021 to November 9, 2022. On November 9, 2021, NDC filed its claim for the payment of performance bond by the issuing insurance company, which the latter referred to an independent adjuster for action.

11.4 Inquiry with the Administrative Department personnel revealed that no written or verbal communication from the contractor was received since their receipt of the notice of decision to terminate the contract on September 1, 2021. To date, no settlement from the contractor was received, instead, R.M. Mangubat, through a letter from its legal representative dated December 6, 2021, demanded NDC to pay P3.635 million for the payment of net balance and return of retention money.

11.5 NDC, in its letter reply dated December 14, 2021, maintained its position and mentioned that it is NDC who must demand payment from R.M. Mangubat for liquidated damages and other amounts pursuant to Republic Act No. 9184.

11.6 NDC recomputed the accomplishment of the contractor based on the usability of the project which was 55.91 per cent of the total contract amount of P14.865 million or P8.311 million. The total payments made to the Contractor with the previously reported 60 per cent work accomplishment from the original contract as of December 31, 2020 amounted to P8.383 million. The revised claim from the contractor amounted to P1.551 million, the details are as follows:

Table 10 – Breakdown of the claim from R.M. Mangubat

Particulars	Amount (in Php)
Overpayment from the progress billing	72,546
Damaged vehicle	48,576
Damage at 2nd floor canopy	70,905
Unrecouped advance payment	408,409
Liquidated damages (March 24 to August 16, 2021)	950,340
Total	**1,550,776**

11.7 After several months from the issuance of notice of decision to terminate the contract, NDC has not yet recovered any amount from the contractor. The claim from the insurance company on the performance bond of the said project is still in process.

11.8 **We recommended that Management require the Legal Department to closely monitor and follow-up the demand for payment of claims from the contractor and insurance company.**

11.9 Management informed that claim against the performance bond from the issuing insurance company is ongoing. On April 21, 2022, NDC met with the representative of the insurance company for the full claim against the performance bond and the latter concurred with the computation of NDC. According to Management, as of June 2, 2022, the grant of full claim will be endorsed to the Management of the Commonwealth Insurance Company, the insurance company.

11.10 Management further commented that other claims against the contractor will be made once the adjusted approved budget for the contract (ABC) for the remaining works is finalized.

12. NDC did not promptly act on the continuation and completion of the general repair of NDC Building, to avoid damage to property or life contrary to Section IV.7 of Annex I of the Revised Implementing Rules and Regulations (RIRR) of Republic Act (RA) No. 9184.

12.1 Section IV.7 of Annex I of the RIRR of RA No. 9184, states that:

> *Take-Over of Contracts. If a Procuring Entity terminates the contract due to default, insolvency, or for cause, it may enter into a Negotiated Procurement pursuant to Section 53(c) of R.A. 9184 and 53.3 of its IRR.*

12.2 Moreover, Section 53(c) of RA No. 9184 provides that:

> *Section 53. Negotiated Procurement – Negotiated Procurement shall be allowed only in the following instances:*
>
> *a. xxx*
> *b. xxx*
> *c. Take-over of contracts, which have been rescinded or terminated for causes provided for in the contract and existing laws, where immediate action is necessary to prevent damage to or loss of life or property, or to restore vital public services, infrastructure facilities and other public utilities.*

12.3 Section V(D)(3)(b) of Annex "H" of the RIRR provides the procedures in undertaking take-over contracts. Paragraph (iv) states that if the original awardee is a Single Calculated Responsive Bidder/Single Rated Responsive Bidder, the BAC may either invite at least three (3) suppliers/contractors/consultants to submit their bids, or resort to any other appropriate alternative method of procurement.

12.4 Pending the completion of the general repair of NDC Building, the scaffoldings installed by the previous contractor surrounding the building were not yet removed. The existence of the abandoned scaffoldings around the building may cause imminent danger to pedestrians and private properties.

12.5 Further, delay in the continuation and completion of the project may result to increased project costs due to inflation and other market fluctuations that may lead to price adjustments on labor, equipment and materials to be used.

12.6 **We recommended that Management direct the Project-in-Charge to act immediately on the continuation and completion of the said project pursuant to Section IV.7 of Annex I of the RIRR of RA No. 9184.**

12.7 Management commented that to be able to continue the project, the adjusted ABC has to be established first. NDC has been inviting contractors to inspect the remaining works for the NDC Building renovation and also requested the technical assistance of DPWH in reviewing the new ABC for the remaining works including the preparation of a detailed unit price analysis.

12.8 Management also informed that as soon as the new ABC is finalized, NDC will immediately initiate the procurement process in accordance with Section IV.7 of Annex I of the RIRR of RA No. 9184.

12.9 The Audit Team maintained that immediate implementation of the completion of the project is necessary considering that continuous delay may result to increased project costs. The Project-in-Charge should expedite the finalization of the ABC.

13. The procurement activities for the site development works of the NDC Industrial Estate (NDCIE) project exceeded the maximum period allowed by 329 days contrary to Annex "C" of the Revised Implementing Rules and Regulations (RIRR) of Republic Act (RA) No. 9184.

13.1 Annex "C" of the RIRR of RA No. 9184 provides the recommended earliest possible time and maximum period allowed for the procurement of infrastructure projects. The number of maximum calendar days (CDs) allowed for infrastructure projects with ABC above P50.000 million is 156 CDs. An additional 30 CDs are allowed for projects where approval of higher authority, like the Board of Directors, is required.

13.2 Delays were noted during the following procurement activities for the site development works of the NDCIE project as summarized below:

Table 11 – Details of the delays incurred in the various procurement activities for the site development works of the NDCIE project

	Procurement Activity	Dates Conducted	No. of Days	Maximum Period Allowed	Excess
a.	Post-Qualification	1st LCB: October 26, 2020 – November 16, 2020	21	45	0
		2nd LCB: November 17, 2020 – February 3, 2021	78	45	33
		3rd LCB: February 5, 2021 – February 9, 2021	4	45	0
b.	Approval of Resolution/ Issuance of Notice of Award	February 22, 2021 – December 14, 2021	295	45*	250
c.	Contract Preparation and Signing	February 10, 2022	56	10	46
TOTAL TIME					**329**

**Including 30 CDs allowed for the approval of higher authority.*

13.3 On January 21, 2019, pre-procurement conference for the bidding of site development works for the NDCIE project was conducted. Three biddings were undertaken on March 25, 2019, August 23, 2019 and November 13, 2019, all of which were declared failed biddings. The fourth public bidding was scheduled in March 2020. However, due to COVID-19 pandemic and subsequent lockdowns in the country, the said bidding was postponed until the third quarter of 2020.

13.4 On October 15, 2020, opening of bids for the fourth rebidding was conducted. Four bidders passed the eligibility check and preliminary examination of bids; however, in the detailed evaluation of bids, one of the them was considered non-responsive and thus, automatically disqualified.

a. *Post-Qualification*

13.5 Post-qualification for the first lowest calculated bid (LCB) started on October 26, 2020 and ended on November 16, 2020. The 1st LCB was post-disqualified thus the NDC Bids and Awards Committee (BAC) proceeded for the post-qualification of the second LCB on November 17, 2020 until February 3, 2021. Since the second LCB was also disqualified, although a Motion for Reconsideration (MR) was submitted on February 5, 2021, post-qualification of the 3rd LCB was conducted from February 5 to 9, 2021, which also resulted to another post-disqualification.

13.6 On February 15, 2021, the MR of the second LCB was granted and later declared, and approved by the Head of the Procuring Entity (HoPE), as the Bidder with the Lowest Calculated Responsive Bid (LCRB) under BAC Resolution No. 2021-02-034 dated February 22, 2021.

13.7 The maximum period allowed for post-qualification is 45 days. In cases were the 1st LCB fails, Section 34.8 of the RIRR provides that the BAC shall be given the same fresh period to conduct the post-qualification of the next lowest calculated bid/highest rated bid until a bidder is post-qualified or failure of bidding is declared. Noticeably, the number of days spent for the post-qualification for second LCRB exceeded the maximum period by one month. Section 34.8 of the IRR provides the following:

> *The post-qualification process shall be completed in not more than twelve (12) calendar days from the determination of the Lowest Calculated Bid/Highest Rated Bid. In exceptional cases, the post-qualification period may be extended by the HoPE, but in no case shall the aggregate period exceed forty-five (45) calendar days for Goods and Infrastructure Projects, or thirty (30) calendar days in Consulting Services.*
>
> *In case of post-disqualification of the bidder with the lowest calculated bid/highest rated bid, the BAC shall be given the same fresh period to conduct the post-qualification of the next lowest calculated bid/highest rated bid until a bidder is post-qualified or failure of bidding is declared based on Section 35.1(c) of this IRR.*

13.8 As earlier mentioned, the second LCB was post-disqualified, however its MR was subsequently granted after 10 days, which is contrary to the provision of the RIRR under paragraph 4 of Section 37.1.3 states that:

> *A request for reconsideration may be filed by the bidder with the HoPE within three (3) calendar days from receipt of the notice of disapproval. The HoPE shall resolve with finality the request for reconsideration within seven (7) calendar days from the filing thereof and furnish the bidder a copy of the resolution immediately from its promulgation. In no case shall the request for reconsideration stay or delay the bidding process.*

However, the request for reconsideration must first be resolved before any award is made.

b. Approval of Resolution/Issuance of Notice of Award

13.9 During the March 12, 2021 Board meeting, Management requested the Board for the approval of the award of contract to the winning bidder. Considering that the winning bidder is the second LCB, the board deferred the approval of the award and directed Management to submit the documents relative to the 1st LCB.

13.10 The Board also instructed Management to inquire from the Philippine Economic Zone Authority of any implications of having domestic locators once the Presidential Proclamation granting the NDCIE as a Special Economic Zone is obtained.

13.11 The Management was not able to comply with the request immediately and it took them almost three months to submit the documents required by the board. Five months after Management's submission, the Board finally approved on November 3, 2021 the award of project.

13.12 Even after receiving the late approval of the Board, NDC did not immediately issue the NOA to the bidder with the LCRB. The NOA was only issued after more than a month on December 14, 2021 and received by the winning bidder on December 16, 2021.

c. Contract Preparation and Signing

13.13 Section 37.2 of the RIRR provides that within ten days from the receipt of NOA, the winning bidder shall post the required Performance Bond and enter into contract with the Procuring Entity. Relevant paragraphs of Section 37.2 provide the following:

37.2.2 The Procuring Entity shall enter into contract with the winning bidder within the same ten (10) day period

37.2.1 The winning bidder shall post the required Performance Security and enter into contract with the Procuring Entity within ten (10) calendar days from receipt by the winning bidder of the Notice of Award.

13.14 The winning bidder posted its Performance Bond which was received by NDC on December 23, 2021, well within the required period. However, the contract was only executed on February 10, 2022, almost two months after the NOA was received by the winning bidder. Additionally, Section 37.1.5 of the RIRR provides that contract award shall be made within the validity period provided in Section 28 of the RIRR, which states that:

28.1. Bids and bid securities shall be valid for a reasonable period as determined by the HoPE concerned, which shall be indicated in the Bidding Documents, but in no case shall the period exceed one hundred twenty (120) calendar days from the date of the opening of bids.

28.2. Should it become necessary to extend the validity of the bids and bid securities beyond one hundred twenty (120) calendar days, the Procuring Entity concerned shall request in writing all those who submitted bids for such extension before the expiration date therefor. Bidders, however, shall have the right to refuse to grant such extension without forfeiting their bid security.

13.15 Within the validity period of bids, the BAC conducts its preliminary examination of bids, bid evaluation, post qualification process, recommendation of award of contract and HoPE's approval, issuance of NOA and signing of contract. Within this period, the winning bidder warrants that it shall enter into contract with the procuring entity.

13.16 In this procurement project, it was noted that NDC, on multiple occasions requested for extension of bid validity from the winning bidder which was all granted by the latter. Consequently, the warranty that the bidder shall enter into contract with NDC, if declared as winning bidder, was also extended.

13.17 The entire procurement process for the project starting from the date of posting of invitation to bid on September 30, 2020 to the issuance and receipt of Notice to Proceed on February 16, 2022, lasted for 504 calendar days exceeding the maximum period allowed for the procurement of infrastructure projects as provided in Annex C of the RIRR of RA No. 9184. Moreover, Section 65 of the same RIRR provides penal sanctions and liabilities to public officers for delays in the procurement activities without justifiable cause.

13.18 **We recommended that Management:**

a. Justify the delays on the following procurement activities:

a.1 Post Qualification;

a.2 Issuance of Notice of Award;

a.3 Contract Preparation and Signing; and

b. Henceforth, strictly follow the allowed timeline for procurement activities based on Annex "C" of the RIRR of RA No. 9184.

13.19 Management commented on the delays on the following procurement activities as follows:

a.1 Post Qualification

The initial post-qualification by TWG on the second LCB was conducted from Nov. 17 to Dec. 1, 2020. However, the TWG requested a time extension on the post-qualification until Jan. 22, 2021.

Another time extension of post-qualification was requested on January 22, 2021, by DPWH Regional Office 2 (R2) in Cagayan Province. The validation of details was necessary for the preparation of a substantial post-qualification report but the

TWG was not able to secure an immediate reply due to change of Management in DPWH R2.

On the other hand, the MR which was received on February 5, 2021, was replied upon by the BAC only on February 15, 2021 due to intervening weekends and holiday.

a.2 Issuance of Notice of Award

NDC requested the Board approval of the award of contract to the winning bidder on March 12, 2021. However, the Board deferred the approval of the award and requested NDC Management to submit the documents relative to the 1st LCB and seek clarification from the Philippine Economic Zone Authority of any implications of having domestic locators once the Presidential Proclamation granting the NDCIE as a Special Economic Zone is obtained.

The award of the project was approved by the Board on November 3, 2021. However, NDC negotiated with the winning bidder regarding the advance payment and progress billing. Accordingly, the result of negotiation had to be reflected in the draft agreement and reviewed by both parties. Thus, the NOA was issued only on December 14, 2021.

a.3 Contract Preparation and Signing

The contract was subjected for OGCC review. NDC submitted the draft contract to OGCC on December 7, 2021 and was returned on December 22, 2021. The period of review by OGCC is not within NDC's control. In addition, the restricted personnel movement for both NDC and the winning bidder due to the spike of COVID-19 Omicron variant in January 2022 also contributed in the delay for the contract preparation ang signing of both parties.

13.20 Management informed that as much as NDC wants to strictly follow the timeline for procurement activities, there were circumstances beyond the control of the Management, such as actions from other government offices and delays caused by the COVID-19 pandemic.

13.21 Nevertheless, Management agreed to abide with the recommendation of COA and will strictly follow the allowable timeline for the procurement activities under Annex C of the RIRR of RA No. 9184.

13.22 During the procurement planning stage, it is recommended to consider the possible delays or additional time needed for the review of OGCC. Further, the Audit Team enjoined Management to inform/remind the Board of Directors on the maximum calendar days allowed for projects, especially on the additional 30 calendar days for the approval of higher authority.

14. The current practice of NDC in procuring Petroleum, Oil and Lubricants (POL), specifically automotive fuels for government vehicles from the selected supplier/service station is not in accordance with the requirements and conditions provided for under Republic Act (RA) No. 9184 and its Revised Implementing Rules and Regulations (RIRR).

14.1 It has been the practice of NDC to avail of the services of the selected gasoline station (Pilipinas Shell Petroleum Corporation) for their fuel requirements using fleet cards wherein payment is made on a monthly basis after receipt of the billing statement from the supplier/service station.

14.2 GPPB Resolution No. 24-2019, Section 53.14 of the 2016 RIRR of RA No. 9184 and the amendments to the affected provisions in Annex H were approved to serve as procedural guidelines for the procurement of POL products in small or necessary quantities.

14.3 Section 53.14 Direct Retail Purchase of POL Products and Airline Tickets of the RIRR of RA No. 9184, provides that:

> *Where Goods and Services are required by a procuring entity for the efficient discharge of its mandate, government functions, or day to day operations, direct retail purchase of (i) petroleum fuel, oil and lubricant (POL) products and (ii) airline tickets may be made by end-users delegated to procure the same from identified direct suppliers or service providers.*

14.4 Salient provisions/amendments in Annex H of the RIRR of RA No. 9184 are as follows:

Part IV (J) (new provision) states that:

> *For Negotiated Procurement under Sec 53.14, the BAC and the HOPE through a Resolution and Issuance for the purpose, respectively, shall delegate to specific officials, personnel, committee or office in the Procuring Entity the conduct of Direct Retail Purchase to efficiently and expeditiously deal with the pressing need sought to be addressed.*
>
> *For record and monitoring purposes, all awards shall be immediately reported with all supporting documents to the HOPE, through the BAC to ensure compliance with all the conditions and requirements provided for under RA No. 9184, its IRR and related guidelines.*

Item 10, Part V (D) (new provision) states that:

> *Direct Retail Purchase of Petroleum Fuel, Oil and Lubricant (POL) products and Airline Tickets.*
>
> *a. Policy Considerations. All procurement of POL products and airline tickets shall be done through competitive bidding, except when the Procuring Entity has determined that Direct Retail Purchase is the best modality for the procurement of non-bulk POL products xxx.*

b. Xxx.

c. Conditions

i. For petroleum fuel, oil and lubricants:

a) Direct retail purchase of POL products estimated to be necessary for the operations of the procuring entity within the fiscal year, including provisions for foreseeable emergencies based on historical records, shall be reflected in the annual procurement plan (APP) in its entirety including any amendment thereto which shall be reflected in the supplemental APP.

b) Direct purchase must be made from any available retailers, dealers or gas stations at retail pump price.

c) xxx

d) xxx…

d. Procedures

i. The end-user delegated to directly purchase POL products in accordance with Part IV (J) of this Guidelines shall determine the supplier capable of delivering the required POL products at retail pump price, or at the most reasonable retail price as the case may be.

ii. Taking into account the usual trade and business practices being observed in the industry xx.. direct retail purchase of the required POL products shall be carried out in accordance with pertinent accounting principles and practices as well as sound management and fiscal administration xxx.

14.5 In our review of the procedures on the procurement of POL products, we noted the following deficiencies:

a) No specific official, personnel, committee or office was delegated by the BAC through a Resolution, to conduct Direct Retail Purchase of POL products, which is not in accord with Part IV (J) of Annex H as amended under the above-mentioned GPPB Resolution.

Review of the process on procurement of automotive fuel by way of fleet cards disclosed that the Administrative Department is the office directly involved in the procurement as indicated in various documents supporting the transaction as follows: Purchase Order (PO) and Material Requisition were prepared by the Administrative Services Officer IV and/or VI, endorsed by the Department Manager- Finance and Administrative Department (FAD) and approved by Assistant General Manager-Corporate Support Group; Receiving and Acceptance Report was signed by the Administrative Services Officer IV and/or VI and Box A of DV for payment was certified by the Department Manager-FAD.

However, the Administrative Department as the appropriate unit/office designated to handle the procurement was not duly authorized or delegated with authority by the BAC.

b) *NDC incurred disbursements of P1.133 million on fuel/gasoline in excess of the approved budget amounting P0.960 million which is not in accordance with Section 7.1 of RIRR of RA No. 9184.*

Section 7.1 of RIRR of RA No. 9184, states that: "All procurement shall be ***within the approved budget*** of the Procuring Entity and should be meticulously and judiciously planned by the Procuring Entity".

Review of the approved FY 2021 COB of NDC showed that the amount pertaining to Fuel, Oil and Lubricants as included in the MOOE amounted to P0.960 million whereas the actual expenses totaled P1.133 million.

c) *The amount of procurement of POL products in its entirety was not reflected in the Annual Procurement Plan (APP) contrary to Item 10.c, Part V (D) of Annex H as cited above. Moreover, the estimated amount for POL reflected in the APP for 2021 is not consistent with the approved budget of NDC for FY 2021.*

Section 7.2 of the same RIRR provides that: "No procurement shall be undertaken unless it is in accordance with the approved APP. **The APP must be consistent with the duly approved yearly budget** of the Procuring Entity xxx…xx.

Review of the APP for FY 2021, including the updated APP submitted to GPPB on January 28, 2022, disclosed that the amount for POL as reflected in the APP to support the proposed budget for FY 2021 was P0.800 million only whereas the amount of POL per approved COB was P0.960 million while actual expenses for POL amounted to P1.133 million.

Further review also revealed that changes and revision of the consolidated APP were not undertaken in accordance with the guidelines set forth in this RIRR. Changes in the APP shall be submitted to the GPPB in July of the current budget year, and in January of the following budget year. Likewise, the procurement method for POL indicated in the APP was direct contracting instead of Negotiated Procurement – Direct Retail Purchase of POL products.

14.6 **We recommended that Management comply with the requirements and procedures set forth under Section 53.14 of the RIRR of RA No. 9184 such as:**

a. The officer/employee assigned to conduct procurement of POL products should be properly authorized or delegated with authority by the BAC through a Resolution approved by the HOPE; and

b. Procurement of POL products under the Direct Retail Purchase should be included in the APP in its entirety/estimated amount in full. Changes during the current budget year should be reflected in the APP-2021 Updated.

14.7 Management commented that procurement of fuel for NDC service vehicles is already inherent function of the Administrative Unit. However, they committed to adhere with the recommendation to ensure compliance with salient provisions of Annex H of the RIRR of RA No. 9184 and GPPB Resolution No. 24-2019.

14.8 Management informed that an approved 2021 budget realignment dated February 4, 2022 includes the adjusted budget for POL.

14.9 Further, the Administrative Unit will coordinate closely with Budget Unit in monitoring the amount of actual expenses for POL, and use it as basis in updating the amount reflected in the APP.

14.10 The Audit Team emphasized that the conduct of procurement of POL products be delegated to specific official, personnel or office by the BAC or HOPE through a resolution as provided under Section 53.14-Direct Retail Purchase (Part IV J – Annex H of the RIRR of RA No. 9184).

15. Procurement of POL products by Direct Retail Purchase was not covered with a valid contract or agreement which is not in accordance with pertinent regulations applicable to financial transactions.

15.1 Based on the Policy Considerations provided under the above-cited Item 10, Part V (D) of Annex H, NDC has adopted the Direct Retail Purchase as the modality for the procurement of non-bulk POL products. However, such procurement was not supported by a contract or agreement to document the award of transaction to the selected supplier or service station which is in contravention with the requirement to immediately report all awards supported with documents to the HOPE, through the BAC.

15.2 The Disbursement Vouchers (DVs) covering payments to the selected supplier for the period January to December, 2021 were supported with Statement of Account (SOA), Trip Tickets, Receiving Report, Material Requisition and Purchase Order (PO). The POs were prepared only after the receipt of the billing/statement of account (SOA) from the supplier. For CY 2021, 11 POs were prepared and dated on the subsequent month after receipt of the SOA as shown in Table 12 below:

Table 12 – Summary of Payment for the Procurement of POL products

Date	DV Number	Purchase Order		Consumption Period	Amount (in Php)
		Date	No.		
Feb.16, 2021	101-21-02-40	02/09/21	00714	January 2021	78,958
April 12, 2021	101-21-04-18	03/17/21	00725	February 2021	70,972
May 3, 2021	101-21-05-07	04/20/21	00730	March 2021	85,573
May 19, 2021	101-21-05-77	05/17/21	00743	April 2021	74,559
June 12, 2021	101-21-06-72	06/14/21	00754	May 2021	79,090
July 19, 2021	101-21-07-39	07/12/21	00758	June 2021	125,639
Sept. 1, 2021	101-21-09-11	08/16/21	00765	July 2021	106,430
Sept. 15, 2021	101-21-09-57	09/13/21	00766	August 2021	89,423
Oct. 20, 2021	101-21-10-61	10/15/21	00776	September 2021	76,441
Nov.16, 2021	101-21-11-42	11/11/21	00786	October 2021	100,669
Dec. 29, 2021	101-21-12-130	12/20/21	00810	November 2021	121,325
Feb. 3, 2022	101-22-02-05	01/27/22	00820	December 2021	124,115
Total					**1,133,194**

15.3 Procurement by Direct Retail Purchase under the Negotiated Procurement modality, fleet cards may not be necessarily supported with a Purchase Order (PO).

PO is a written authorization, authorizing the supplier to deliver to the buyer at the price, quantity, delivery date and other terms specified in the agreement. Likewise, it is legally binding after the supplier accepted or counter-signs it. However, in this case, POs were prepared after delivery which were not served to and accepted by the supplier. Similarly, the "conforme" portion under the terms and conditions in the PO was not duly signed. Apparently, POs were prepared only as a supporting document for attachment to the DV.

15.4 As provided in Item 10.d, Part V (D) of Annex H (2016 RIRR of RA No. 9184) as amended, usual trade and business practices observed in the industry may well be considered in the adoption of processes and requirements in conducting Direct Retail Purchase of POL products. We gathered from our inquiries with other government offices that Fuel Card Agreement or any other similar agreements are executed by the procuring entity and the service station.

15.5 **We recommended that Management execute an agreement with the selected service station and come up with a feasible terms and condition to meet the requirement of obtaining the most advantageous price for the government. Purchase of POL products shall be done through Direct Retail Purchase of POL under Negotiated Procurement.**

15.6 Management commented that they requested from Pilipinas Shell Petroleum Corp. (PSPC) a copy of the existing agreement covering NDC's arrangement on the use of fleet cards. In case PSPC is unable to provide a copy of the requested document, NDC will coordinate with them on the execution of a new contract in accordance with Annex H of the RIRR of RA No. 9184 and GPPB Resolution No. 24-2019.

15.7 The Audit Team will monitor Management's compliance in the execution of contract with PSPC.

16. Use of NDC Motor Vehicles was not properly controlled and regulated resulting in fuel expenses amounting to P1.118 million in CY 2021, which is 50.74 per cent or P376,425 higher than prior year's consumption.

16.1 COA Circular No. 77-61 dated September 26, 1977 prescribes the use of the Manual on Audit for Consumption of Government Motor Vehicles in order to minimize wasteful, excessive and unnecessary expenditures for fuel consumption of government motor vehicles.

16.2 Specific rules and regulations in the Manual on Audit for Fuel Consumption of Government Motor Vehicles provides that:

1. *xxx.*
2. *Use of government vehicles shall be properly controlled and regulated.*

   - *The use of government motor vehicles should be controlled through properly accomplished and duly approved Driver's Trip Tickets (Appendix A) which should be serially numbered, a summary of* *which shall be made at the end of the month in a Monthly Report of Official Travels (Appendix F), for audit purposes.*

Xxx

3. *Fuel consumption of government motor transportation shall be properly controlled and accounted for through approved Requisition and Issue Voucher or equivalent (Appendix B).*

4. *Monthly Report of Fuel Consumption of government motor transportation (Appendix G) shall be submitted to the Auditor for verification purposes to determine the reasonableness of fuel consumed during the period.*

16.3 Shown below is the table presenting the average fuel expenses for the five-year period, details are as follows:

Table 13 – Average fuel expenses for five-year period

Year		Number of Liters Consumed	Amount (in Php)
2017		14,038.153	662,452.51
2018		14,890.640	844,733.39
2019		14,815.497	784,678.66
2020		14,451.500	675,211.65
Sub-Total	(A)	58,195.790	2,967,076.21
Average	(B{A/4})	14,548.948	741,769.05
2021	(C)	19,868.430	1,118,194.00
Increase	**(C-B)**	**5,319.482**	**376,424.95**

16.4 NDC availed the services of Pilipinas Shell Petroleum Corporation using fleet cards which allows cashless transactions for fuel requirements of its motor vehicles. As of December 31, 2021, a total of 11 fleet cards are active for the ten motor vehicles and one generator set.

16.5 NDC has a total of ten motor vehicles (MV), three were assigned to officials authorized to use government motor vehicle and seven were stationed at the Motor pool for use by authorized employees on official trips/travels.

16.6 Civil Service Commission (CSC) Memorandum Circular (MC) No. 10 dated May 7, 2020, Revised Interim Guidelines for Alternative Work Arrangements and Support Mechanisms for Workers in the Government during the period of State of National Emergency Due to COVID-19 Pandemic as amended under CSC MC No. 18 dated October 15, 2020 provides that, *the agency head shall ensure that all* ***employees assigned as skeleton workforce*** *are provided* ***with reasonable transportation facilities*** *and housing quarters subject to accounting and auditing rules and regulations.*

16.7 Relative to the afore-mentioned guidelines, transport services were provided for all NDC employees scheduled to report for work as skeleton workforce. In 2021, the same transport arrangement continued, however we noted significant increase in fuel consumption compared to CY 2020.

16.8 Documentary requirements such as Purchase Order, Material Requisition, Sales Invoices and Driver's Trip Tickets were attached to the disbursement vouchers for payment of fuel purchases. Driver's trip ticket is a prescribed document used as a tool to properly control and monitor the use of government vehicles as provided in the above-cited Manual.

16.9 Detailed review of the Driver's Trip Tickets (DTTs) disclosed that DTTs for MVs assigned to three authorized users were properly accomplished, whereas, DTTs for seven MVs in the Motor Pool were not properly and completely accomplished, with the following deficiencies:

a. Recording of odometer reading in the DTTs of various MVs is incorrect.

b. The distance of the places visited as indicated in the DTT is not consistent with the distance travelled based on odometer reading reflected in the same DTT.

   The distance in kilometer (km) recorded in the DTT is not accurate or not reflective of the equivalent kilometric distance of the places visited. The computed discrepancies totaled 8,522 kms. representing excess in the accounted distance travelled per DTT.

c. Employees availing of transportation services were not grouped according to proximity of their residences, indicating that the carpooling scheme was not well-planned.

d. The fuel and engine oil consumption of two MVs were not within the normal consumption in terms of fuel efficiency of vehicles of the same make and model.

   d.1 Toyota Revo (Plate No. SGH 886) travelled in 2021 a total distance of 2,177 kilometers and consumed 592.537 liters of diesel fuel which translate to 3.674 km/liter fuel efficiency.

   d.2 Hyundai Starex (Plate No. SKC 255) travelled for the period April 5-30, 2021, a total distance of 1,064 kilometers and consumed 368.418 liters of diesel fuel which translate to 2.888 km/liter fuel efficiency.

16.10 Pursuant to AO 239, all government agencies and officer shall limit the use of government vehicles to essential activities and shall review their travel program and schedule to minimize unnecessary trips. Relative thereto, proper scheduling of daily trips is necessary by taking into account pooling of passengers of the same or proximate originating point/destination and reasonable waiting time.

16.11 In addition, the Monthly Report of Official Travels and Fuel Consumption attached as supporting documents to disbursement vouchers were not accomplished in accordance with the prescribed form under COA Circular No. 77-61.

16.12 **We recommended Management to:**

a. Strictly comply with the proper and complete accomplishment of DTTs by:

i. **Instructing all drivers to accurately and fully accomplish DTT; and**

ii. **Requiring the Administrative Department to: a) review, monitor and reconcile discrepancies in the data/information supplied in the DTTs and b) require concerned drivers to explain discrepancies between distance travelled per odometer and per audit;**

b. **Require the Administrative Department to come up with a comprehensive travel program and schedules on the use of transport services in order to minimize fuel expenses and ensure efficient utilization of government vehicles;**

c. **Refrain from using the MV due for disposal in order to avoid excessive fuel and engine oil consumption; and**

d. **Prepare the correct Monthly Report of Official Travels and Fuel Consumption using the prescribed form under COA Circular No. 77-61.**

16.13 During the exit conference, Management commented that the increase in fuel consumption may be attributed to several factors such as: more employees were being serviced due to more relaxed restrictions in 2021 and that transport service was provided for the whole year in 2021 while for CY 2020 transport service was provided only from May to December (eight months). Moreover, they acknowledged the improper and incomplete accomplishment of DTTs and assured to comply with the recommendations.

16.14 The Audit Team does not agree with Management's reply/comment that increase in fuel expenses in 2021 was mainly due to the provision of transport services for the whole year of CY 2021. The discrepancies between the distance travelled shown in the odometer and the computed distance travelled per audit, as well as the incorrect odometer readings reflected in several DTTs are most likely due to unauthorized trip/travel or use of government vehicle.

17. The GAD Plan and Budget (GPB) for CY 2021 of NDC was not endorsed by the Philippine Commission on Women (PCW).

17.1 Section 8.2 of PCW-NEDA-DBM JC 2012-01 states that, *The GAD Focal Point System (GFPS) shall then submit the final GPBs and the corresponding GAD Accomplishment Reports (ARs) to PCW for review and endorsement to DBM.*

17.2 Moreover, Section 8.5 of PCW-NEDA-DBM JC 2012-01 provides that, PCW shall endorse agency GPBs only under the following conditions:

i. if they are reviewed by the mother or central office;
ii. if the requested revisions or additional information in answer to questions about the GPB are accepted by PCW within the prescribed deadlines; and
iii. if they are accompanied by the GAD Accomplishment Report (AR).

17.3 Review of the approved annual GPB submitted by NDC to PCW showed that the Corporation allocated a total of P246.214 million or 5.13 per cent of its approved operating budget of P4.797 billion.

17.4 However, further review of the GPB for CY 2021 revealed that it was not endorsed by PCW since the conditions provided under Section 8.5 of the above-mentioned Circular were not complied.

17.5 Records showed that the GPB for CY 2021 of NDC was initially submitted by the GFPS to PCW on November 10, 2020. Thereafter, the reviewed GPB, together with the comments and recommendations for revision was returned by PCW to the GFPS on February 5, 2021. On May 21, 2021, the GFPS submitted the revised GPB, but the same was not endorsed by OCW and again returned the reviewed GPB with comments on June 18, 2021.

17.6 Finally, on December 6, 2021, NDC resubmitted its 3rd and final GPB for review, however, PCW still did not endorse it because some of the revisions were not reflected such as: a) inclusion of P240.000 million budget for provision of income opportunity to women under the organization-focused activity/program and b) salary of employees as well as livelihood programs meant for employees are not allowed to be included in the GPB.

17.7 The non-endorsement by the PCW of NDC's GPB for CY 2021 may have resulted from the lack of evaluation whether the programs, activities and projects (PAPs) contained in the GPB were responsive and clear on the gender issue being addressed by PAPs.

17.8 **We recommended and Management agreed to:**

a. **Require the GFPS-TWG to prepare GPB in accordance with Section 8.5 of PCW-NEDA-DBM Joint Circular 2012-01 and to comply with the recommendations or comments made by PCW; and**

b. **Henceforth, ensure that planned PAPs aim to address GAD issues.**

18. The GPB and GAD Accomplishment Report (AR) for CY 2021 of NDC were not submitted to the COA Audit Team within the prescribed period as required under Item V of COA Circular No. 2014-001 dated March 18, 2014.

18.1 Item V of COA Circular No. 2014-001 dated March 18, 2014 requires the Audited agency to submit to the Audit Team a copy of:

i. Annual GAD Plan and Budget (GPB) within five (5) working days from receipt of approved plan from the PCW; and
ii. Corresponding Accomplishment Report within five (5) working days from the end of January of the preceding year.

18.2 Moreover, Section 10.4 of PCW-NEDA-DBM Joint Circular 2012-01, states that: *The annual GAD AR shall be accompanied by the following: (1) brief summary of the reported program or project; (2) copies of reported policy issuances; (3) results* *of HGDG tests, if any; and (4) actions taken by the agency on the COA audit findings and recommendations, if any.*

18.3 Inquiry with Management disclosed that the GPB and GAD AR for CY 2021 was encoded and submitted to PCW thru GMMS on November 10, 2020 and March 4, 2022, respectively. However, NDC submitted the Annual GPB and GAD AR for CY 2021 only on April 25, 2022, we noted that the GPB was not endorsed by PCW due to non-revision of corrections and comments in the final submission of GPB for review. The GAD AR was not properly supported with the required documents in compliance with the provisions of the above-mentioned Joint Circular. Hence, the Audit Team was precluded from verifying and making thorough audit of GAD accomplishments.

18.4 **We reiterated our previous year's recommendation and Management agreed to instruct the GFPS-TWG to comply with the prescribed deadlines on the submission of GPB and GAD AR with attached required documents enumerated in Section 10.4 of PCW-NEDA-DBM Joint Circular 2012-01 to the COA Audit Team for further evaluation.**

19. The amount appropriated for GAD PAPs in CY 2021 was not fully utilized, leaving an unused balance of P243.460 million at year-end, resulting in non-implementation of GAD-related PAPs and attributed programs which may have affected the agency's efficiency in addressing gender related issues.

19.1 Audit of the utilization of GAD funds disclosed that out of P246.214 million of CY 2021 GAD budget for client and organizational focused GAD PAPs, only 1.12 per cent or P2.754 million was used during the year, as shown on the table below:

Table 14 – Details of the utilization of GAD fund (in Php)

PAPs	Budget		Utilized		Over (Under) Utilization	
	No. of Activities	Amount	No. of Activities	Amount	Amount	%
Client Focused	2	1,264,800	1	51,439	(1,213,361)	0.02%
Organizational Focused	6	244,949,455	3	2,703,038	(242,246,417)	1.10%
	8	**246,214,255**	**4**	**2,754,477**	**(243,459,778)**	**1.12%**

19.2 Review of the GAD AR for CY 2021 disclosed that only four out of eight PAPs included in the CY 2021 GPB were fully implemented by NDC.

19.3 The underutilization of GAD budget indicated that Management may not have totally addressed the gender issues included in the CY 2021 GPB, thereby depriving the intended beneficiaries of the benefits that may be derived from GAD PAPs conducted.

19.4 **We reiterated our previous year's recommendation and Management agreed to maximize the utilization of the GAD funds and create an effective monitoring tool to ensure proper implementation of identified GAD PAPs in order to attain the objectives for which funds were provided.**

20. The essential elements in NDC's GAD Planning and Budgeting were not present contrary to Section 4 of PCW-NEDA-DBM JC 2012-01.

20.1 Section 4 of PCW-NEDA-DBM JC 2012-01 states that:

> *The following are essential elements in GAD planning and budgeting as they enable agencies to more effectively plan and implement their sectoral programs on GAD. If these are not present or need to be strengthened, agencies shall include them in their GPBs.*
>
> *4.1 Creation and/or Strengthening of the GAD Focal Point System*
> *4.2 Capability Building on Gender and Development*
> *4.3 Conduct of Gender Audit*
> *4.4 Institutionalizing GAD Database/Sex-disaggregated Data*

20.2 The proper and efficient GAD planning and budgeting was not attained due to lack or absence of the essential elements in NDC's GAD planning and budgeting in accordance with Section 4 of PCW-NEDA-DBM JC 2012-01.

20.3 The GFPS members should have regularly undertaken orientations and capacity development on GAD including GAD-related laws and commitments for their employees. Trainings should include gender mainstreaming, gender analysis and gender-responsive planning and budgeting.

20.4 Inquiry with GFPS member revealed that Harmonized Gender and Development Guidelines (HGDG) tool was not properly utilized in the conduct of gender analysis by assessing the gender-responsiveness of GAD PAPs implementation to ensure that the different concerns of women and men are addressed equally and equitably in their PAPs.

20.5 Also, gender audit was not conducted which could be a basis of capacity development programs that must be implemented and in enhancing the gender-responsiveness of agency policies and PAPs.

20.6 The GFPS members did not integrate in its existing database GAD information to include gender statistics and sex-disaggregated data that have been systematically produced or gathered as inputs or bases for planning and budgeting.

20.7 The non-utilization of the HGDG tool, non-institutionalizing GAD database/sex-disaggregated data and non-conduct of gender audit was due to lack of expertise of the GFPS members.

20.8 **We recommended and Management agreed to prioritize and strengthen capacity building of GFPS members in order to effectively plan and implement its GPB.**

COMPLIANCE WITH RULES ON GOVERNMENT MANDATORY DEDUCTIONS AND REMITTANCES

21. For CY 2021, the appropriate premium contributions and loan amortizations were deducted from salaries of the employees of NDC. Employees' share together with the government share as well as the loan amortizations of employees were remitted to the Government Service Insurance System (GSIS), Philippine Health Insurance Corporation (PHIC) and Home Development Mutual Fund (HDMF) within the prescribed period. The remittances for CY 2021 are as follows:

Table 15 – GSIS, PHIC and HDMF amortizations and remittances

Particulars	Amount (in Php)
GSIS contribution and loan amortization	6,709,381
PHIC contribution	510,359
HDMF contribution and loan amortization	525,657
Total	**7,745,397**

STATUS OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

22. As of December 31, 2021, the details of Notices of Suspension, Disallowance and Charge issued upon the effectivity of the COA Rules and Regulations on the Settlement of Accounts (RRSA) are as follows:

Table 16 – Summary of Audit Suspensions, Disallowances and Charges (in Php)

	Balances as of January 1, 2021	Issued during the year	Settled during the year	Balances as of December 31, 2021
Notice of Suspension	0	0	0	0
Notice of Disallowance	20,845,002	0	0	20,845,002
Notice of Charge	0	0	0	0
	20,845,002	0	0	20,845,002

22.1 The details of the NDs are shown below:

Table 17 – Details of Notice of Suspensions (in Php)

Date	ND No.	Amount	Settled	Balance
April 26, 2019	2019-001(2018)*****	581,250	0	581,250
August 30, 2017	2017-001(2014-2016)****	1,447,085	0	1,447,085
August 12, 2013	2013-001(2012)****	1,375,000	0	1,375,000
August 14, 2013	2013-002(2012)***	725,000	0	725,000
July 7, 2010	2010-001-101(07)*	399,999	0	399,999
July 7, 2010	2010-002-101(07)*	333,334	0	333,334
July 13, 2010	2010-003-101(08)*	266,667	0	266,667
July 13, 2010	2010-004-101(08)*	83,333	0	83,333
July 13, 2010	2010-005-101(08)*	233,334	0	233,334

Table 17 – Details of Notice of Suspensions (in Php)

Date	ND No.	Amount	Settled	Balance
July 13, 2010	2010-006-101(09)*	233,333	0	233,333
July 13, 2010	2010-007-101(09)*	166,667	0	166,667
May 20, 2003	2003-001-001**	15,000,000	0	15,000,000
		20,845,002	0	20,845,002

***** With Petition for Review on Certiorari filed with Supreme Court on May 9, 2011

****** With COA Order of Execution dated February 6, 2014

******* With COA Order of Execution dated July 26, 2017 and with Petition for Review dated October 5, 2017 to COA Commission Proper

******** Pending resolution by the COA Commission Proper pursuant to Rule V, Section 7 of the Revised Rules of Procedure of COA

********* With Corporate Government Sector Cluster 4 Decision No. 2020-07 dated June 19, 2020

PART III

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the 36 audit recommendations embodied in prior years' Annual Audit Reports (AAR), 12 were fully implemented/reconsidered, 16 were partially implemented and 8 were not implemented, as shown below:

REFERENCE	OBSERVATIONS	RECOMMENDATIONS	ACTIONS TAKEN
CY 2020 AAR Observation No. 1, page 61	1 Receivables amounting to P1.240 billion which was already provided with 100 per cent allowance for impairment, remained dormant and have been outstanding in the books for more than 10 years were classified as current assets which is not compliant with Paragraph 66 of Philippine Accounting Standard (PAS) 1 and COA Circular No. 2016-005 dated December 19, 2016.	a. Reclassify Due from subsidiaries/associates /affiliates/National Government (NG) and loans and interest receivables to non-current assets in order to comply with the provisions of Paragraph 66 of PAS 1;	Implemented Adjusting entry was already prepared to reclassify Due from subsidiaries/ associates/affiliates/ NG and loans and interest receivables to non-current assets per JV No. 08-43-21 dated August 31, 2021 and JV No. 10-29-21 dated October 31, 2021.
		b. Intensify effort to collect/recover the dormant accounts; and	Implemented Demand letters were already sent via registered mail.
		c. Require the Accounting Department in collaboration with the Legal Department to file requests for write-off of dormant accounts with the COA, duly supported with documents pursuant to COA Circular No. 2016-005 dated December 16, 2016 on the proper disposition/closure of the dormant accounts.	Partially Implemented The submitted request for write-off on December 13, 2021 was returned due to incomplete supporting documents.

REFERENCE	OBSERVATIONS		RECOMMENDATIONS	ACTIONS TAKEN
CY 2020 AAR Observation No. 2, page 62	2	Confirmation with the Bureau of the Treasury (BTr) of the loans and interest payable accounts disclosed an unreconciled difference of P89.691 million casting doubt on the accuracy of the balance of the account, contrary to the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities.	Continuously coordinate with BTr to reconcile the noted discrepancy and adjust the balances in the books of accounts, to arrive at the correct balances of Loans and Interest Payable to BTr in the financial statements.	Partially Implemented Management sent a letter to the Department of Budget and Management requesting for clarification on the application of the amount returned by NDC representing excess payment of National Irrigation Administration's loan.
CY 2020 AAR Observation No. 3, page 64	3	Investment properties amounting to P58.970 million with an aggregate area of 30,930 square meters are not titled in the name of NDC thereby negating management's assertion on its rights and obligations pertaining thereto.	Take appropriate action to expedite titling of these land in NDC's name.	Partially Implemented Management will prepare a revised action plan to continue with the processing of the transfer of titles to NDC. Reiterated in Observation No. 1 of this Report.
CY 2020 AAR Observation No. 4, page 66	4	The validity and reliability of the Rental Receivable account amounting to P57.927 million is doubtful due to: a) existence of dormant and past due accounts of P21.297 million which have been outstanding for several years; and b) variance between	a. Coordinate with the inactive lessees whose accounts are not yet deemed dormant and discuss the settlement of their long outstanding balances; b. Document all the efforts exerted to collect/recover the dormant accounts and collate all available	Implemented Collection letters were sent to various lessees. Implemented Collection letters were sent for dormant accounts of lessee-

REFERENCE	OBSERVATIONS	RECOMMENDATIONS	ACTIONS TAKEN
	the balance per books and confirmed balances in the amount of P14.427 million.	documents in case request for approval to write-off pursuant to COA Circular No. 2016-005 on the proper disposition/closure of the dormant accounts is warranted;	companies which are still existing, while for the non-existing Companies, securing Securities and Exchange Commission certification for non-registration is still in process.
		c. Coordinate with the representatives of Department of Trade and Industry (DTI), Lepanto Mining Corporation (LMC), Governance Commission for GOCCs (GCG), and San Miguel Yamamura Packaging Corp. (SMYPC) to discuss the settlement of their outstanding obligations;	Implemented Management coordinated with LMC and DTI for the reconciliation of their accounts while the GCG and SMYPC accounts were already paid and adjusted under OR No. 31560 dated October 26, 2021 and JV No. 11-36-21 dated November 30, 2021.
		d. Coordinate and reconcile with Phil. Associated Smelting & Refining Corp. (PASAR), LIDE Management Corporation, and Panay Railways, Inc. (PRI) to determine the cause of the large discrepancy in the recorded rental receivables and adjust the balances accordingly;	Implemented Management coordinated with PASAR and LIDE Management Corporation for the reconciliation of their accounts while for PRI, collection letter was sent on December 6, 2021.
		e. Gather supporting documents on the accounts of Al Amanah Islamic Bank of the	Implemented Collection letters were sent to Al

REFERENCE	OBSERVATIONS	RECOMMENDATIONS	ACTIONS TAKEN
		Phils., Senate of the Philippines, and Spectrum Engineering & Consultancy and request for write-off, if warranted; and	Amanah Islamic Bank of the Phils. and Spectrum Engineering & Consultancy on December 6, 2021 while for Senate of the Philippines account, it is included in NDC's request for write-off.
		f. Analyze the variances noted from the confirmation, reconcile with the corresponding lessees and prepare adjusting entry, if necessary.	Implemented Management sent collection letters to various lessees, coordinated with them for reconciliation of their accounts and prepared journal vouchers for adjusting entries.
CY 2020 AAR Observation No. 5, page 69	5 The accuracy, reliability and existence of Property and Equipment (PE) costing P1.330 billion with carrying amount of P49.969 million as of December 31, 2020 is doubtful due to: a) unreconciled variance of P10.451 million between the accounting records and the physical inventory report; b) incomplete physical count of PE, wherein only P36.639 million or 2.75 per cent were included in the	a. Perform regular reconciliation of the accounting records and property records with the RPCPPE. Prepare reconciliation report and submit to Accounting Department for necessary adjustments in the books to reflect the correct balances of the account; b. Conduct complete periodic count of all property and equipment of NDC. Strictly comply with the regulation on the conduct of the annual physical count of PEs as required under	Partially Implemented Management reconciled the balances per count with the accounting records for the PE partially counted as of December 31, 2021. Reiterated in Observation No. 2 of this Report. Partially Implemented The physical count of all property and equipment of NDC conducted in December 2021 is still incomplete.

REFERENCE		OBSERVATIONS		RECOMMENDATIONS	ACTIONS TAKEN
		periodic physical count as at year end; and c) inclusion of unserviceable ICT equipment amounting to P2.321 million which remained undisposed and still recorded in the books.		Section 58 of Presidential Decree 1445, with the report submitted to the Auditor not later than January 31 of the following year;	Reiterated in Observation No. 2 of this Report.
			c.	Derecognize unserviceable property and related accounts in the books upon disposal or when no future economic benefits are expected from its use or disposal;	Not Implemented Management has not yet disposed its unserviceable properties. Reiterated in Observation No. 2 of this Report.
			d.	Instruct the Disposal Committee to report the identified unserviceable properties in the IIRUP. Expedite the disposal of idle and unserviceable property to avoid exposing the same to further deterioration; and	Partially Implemented On-going identification of unserviceable properties. Reiterated in Observation No. 2 of this Report.
			e.	Address the deficiencies noted in the conduct of physical inventory count.	Partially Implemented The deficiencies noted in the conduct of physical inventory count was not yet fully complied. Reiterated in Observation No. 2 of this Report.
CY 2020 AAR Observation No. 6, page 73	6	NDC had already incurred P23.542 million for various expenses on three projects which are under project	a.	Revisit and update existing guidelines on the conduct of project development to include applicable procedures where NDC intends to	Partially Implemented Management shall update its existing guidelines on the conduct of project

REFERENCE		OBSERVATIONS		RECOMMENDATIONS	ACTIONS TAKEN
		development stage since 2009. Delay in the implementation of the projects could result in continuous incurrence and piling up of expenses and wastage of government funds and resources in the event that these projects will not materialize.		implement the project on its own. It is suggested that timetable for each process be provided to ensure accomplishment/ completion of projects within the targeted period;	development to include applicable procedures where NDC intends to implement the project on its own, providing timetable for each process.
			b.	Fast track the conduct of activities/works relative to the project development of the NDC Administrative and Commercial Complex Project (NACCP) and Davao Food Complex (DFC) as basis of NDC Board and Management in arriving at sound decisions on the implementation of the said projects which are still on hold; and	Partially Implemented For the NACCP, the Management will secure NDC Board directive whether to proceed with the development of the property with or without DTI project or possible sale. While for the DFC Project, NDC offered the sale of the Toril Property to Davao City Local Government Unit and waiting for its response.
			c.	Expedite the pending review of bid evaluation and award of contract to the winning bidder of NDC Industrial Estate (NDCIE) project.	Implemented The Board approved the award of the project on November 3, 2021 and the Notice of Award was received by the winning bidder on December 16, 2021.
CY 2020 AAR Observation No. 7, page 78	7	The grant of time extension equivalent to 338 days for the general repair of NDC Building with a	a.	Compute and impose liquidated damages for the delay in the completion of work; and	Implemented On August 31, 2021, a notice of termination of

REFERENCE		OBSERVATIONS	RECOMMENDATIONS	ACTIONS TAKEN
		contract time of 300 days is not in accordance with Section 10 of Annex E of the RIRR of RA 9184, which resulted in non-imposition of liquidated damages for failure to complete the project within the specified contract time contrary to Section 8 of the same Annex and stipulations under the Contract.	b. Henceforth, comply with the guidelines on the extension of contract time as prescribed under Section 10 of Annex E of the RIRR of RA 9184.	contract was issued by NDC to the contractor and a copy of decision ordering the latter to pay NDC for the liquidated damages and other deductibles. Reconsidered Management is currently looking for another contractor to continue the repair of NDC Building.
CY 2020 AAR Observation No. 8, page 83	8	NDC's various Investment Properties were occupied by illegal occupants for residential, commercial and personal purposes, thus depriving NDC of the fruits (civil, natural and industrial) that could have been derived therefrom.	Review the plans of actions and provide the Audit Team with updates on the actions taken to improve and monitor the condition of these properties.	Partially Implemented Management will dispose its residential lots occupied by informal settlers through the Community Mortgage Program of the Social Housing and Finance Corporation.
CY 2020 AAR Observation No. 9, page 87	9	Several Investment Properties remained idle/vacant, depriving NDC of income from the prospective use of such properties while incurring expenses for security services and real property taxes.	Prioritize the conversion of these land assets to income-generating properties and expedite the process of disposing the properties scheduled for disposal.	Partially Implemented Ongoing collation of necessary supporting documents required for titling.
CY 2020 AAR Observation	10	The escrow fund held in trust by NDC was not distributed to	a. Expedite the distribution of the full amount of escrow fund to the	Partially Implemented

REFERENCE		OBSERVATIONS	RECOMMENDATIONS	ACTIONS TAKEN
No. 10, page 90		the former shareholders of Mindanao Textile Corporation (Mintex) in light of the expiration of the Trust and Management Agreement which consequently authorized NDC to distribute the full amount of escrow fund as stated in Office of the Government Corporate Counsel (OGCC) Opinion No. 041, series of 2020.	former shareholders of Mintex through execution of a new agreement, taking into consideration the terms of the present investments: a.1 The escrow fund under short term investments may be distributed to Southern Philippines Development Authority (SPDA) and Human Settlements Development Corporation (HSDC) and NDC, wherein SPDA and HSDC will receive their share in full. a.2 The escrow fund invested in retail treasury bonds may be transferred to NDC as full settlement of NDC's share; and	Management prepared the new Memorandum of agreement (MOA) for the distribution of the fund. However, the comments from SPDA and HSDC on the said MOA was not yet received.
			b. Record the settlement and adjust accordingly the books of NDC to reflect the correct balances of accounts.	Not Implemented Pending execution of new MOA for the distribution of the fund.
CY 2020 AAR Observation No. 11, page 92	11	NDC failed to comply with the mandatory requirement of allocating at least five per cent of the total appropriations for Gender and	Allocate at least five percent of the DBM approved budget to its GAD Plan and Budget (GPB) by mainstreaming gender perspectives in its major PAPs or attributing	Implemented Allocated five per cent of their 2021 DBM approved budget for the 2021 GAD PAPs, however

REFERENCE		OBSERVATIONS	RECOMMENDATIONS	ACTIONS TAKEN
		Development (GAD) programs, activities and projects (PAPs) as required under Section 6.1 of Philippine Commission on Women-National Economic and Development Authority-Department of Budget and Management (PCW-NEDA-DBM) Joint Circular 2012-01.	agency major programs to the GAD Budget as required under Section 6.1 of PCW-NEDA-DBM Joint Circular 2012-01.	it was not endorsed by the PCW.
CY 2020 AAR Observation No. 12, page 93	12	The GPB for CY 2020 NDC was not submitted to the COA Audit Team within the prescribed period as required under Item V of COA Circular No. 2014-001 dated March 18, 2014.	Require the GAD-TWG to strictly adhere to Item V of COA Circular No. 2014-001 on the timely submission of the said report to COA Audit Team.	Not Implemented For 2021 Audit, the GPB and GAD Accomplishment Report were still not submitted within the given deadline. Reiterated in Observation No. 18 of this Report.
CY 2020 AAR Observation No. 13, page 93	13	The amount appropriated for GAD PAPs in CY 2020 was not fully utilized despite the fact that the budget of P1.803 million was very minimal, leaving an unused balance of P320,222 at year-end, resulting in non-implementation of GAD-related PAPs and attributed programs which may have affected the agency's efficiency	Maximize the utilization of the GAD funds and create an effective monitoring tool to ensure proper implementation of identified GAD PAPs in order to attain the objective for which funds were provided.	Partially Implemented Continuous attribution of NDC projects to GAD PAPs. Reiterated in Observation No. 19 of this Report.

REFERENCE		OBSERVATIONS	RECOMMENDATIONS	ACTIONS TAKEN
		in addressing gender related issues.		
CY 2019 AAR Observation No. 3, page 61	14	The balances of the car and housing loans granted to former NDC officials and employees aggregating to P0.822 million and P5.969 million, respectively, or a total of P6.791 million as of December 31, 2019, remained outstanding/dormant for more than two to 21 years	a. Require the Legal Department to immediately file complaints against defaulting former NDC officials and employees to recover the loaned amount;	Partially Implemented Cases were filed against three delinquent borrowers and the Regional Trial Court granted foreclosure for the same.
			b. Strictly enforce sanctions provided in the housing loan agreements thru the Legal Department; and	Partially Implemented Case against one delinquent borrower is ready for filing for foreclosure.
			c. Revisit the policies on car and housing loans. Stricter control measures have to be adopted in case officers and employees resign or separate from the Corporation.	Not Implemented Policies on car and housing loans were not revisited to improve control measures in case officers and employees resign or separate from the Corporation.
CY 2019 AAR Observation No. 7, page 73	15	The Corporation incurred P3.467 million for the continuous hiring of consultants for tax related and confidential policy determining matters in CYs 2018 and 2019.	Hire consultants only for jobs requiring technical expertise which cannot be performed by regular employees and consider training qualified regular employees and/or hire new personnel to handle tax related and policy determining matters of the Corporation.	Not Implemented The consultants for tax related and confidential policy determining matters has still existing contract with NDC. Reiterated in Observation No. 8 of this Report.

REFERENCE		OBSERVATIONS	RECOMMENDATIONS	ACTIONS TAKEN
CY 2019 AAR Observation No. 8, page 76	16	Unremitted cost of audit services to the National Government (NG) accumulated to P11.961 million as of December 31, 2019.	a. Reconcile with the Accounting Office, COA-Planning, Finance and Management Sector (PFMS) for any difference between the assessment billed and the actual cost incurred; and	Not Implemented Management is still verifying documents of prior years' remittances necessary for reconciliation of accounts and will set appointment with COA Accounting Unit for reconciliation.
			b. Remit the balance of cost of audit services due to the NG to the BTr and furnish the Accounting Office, COA-PFMS copy of proof of remittance to BTr for easy reference and reconciliation between NDC records and COA-PFMS records.	Not Implemented Management is still locating documents such as copies of billings and disbursement vouchers.
CY 2019 AAR Observation No. 9, page 78	17	Payments for membership fees for inactive club shares amounting to P71,680 were considered unnecessary expenditure under COA Circular No. 2012-003	Dispose immediately the unutilized and/or inactive shares to avoid incurring unnecessary expenses in the form of membership fees.	Not Implemented Management shall secure the approval of the NDC Board for the disposal of the inactive Club shares.
CY 2017 AAR Observation No. 4, page 60	18	Non-operational NDC subsidiaries continue to exist.	Prepare and implement plan of actions with timelines relative to the disposition of non-operational NDC subsidiaries and expedite the dissolution of these non-performing assets once approval is secured.	Partially Implemented During the meeting with Governance Commission for GOCCs (GCG) on December 11, 2019, NDC was informed that GCG had already submitted their

REFERENCE	OBSERVATIONS	RECOMMENDATIONS	ACTIONS TAKEN
			recommendation to the Office of the President (OP); GCG is awaiting approval from OP. NDC will follow up from GCG the OP approval of dissolution.