



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City, Philippines
CORPORATE GOVERNMENT SECTOR
Cluster 1 –Banking and Credit

September 29, 2020

Ms. CECILIA C. BORROMEIO
President and CEO
Land Bank of the Philippines
Manila

Dear President Borromeo:

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 the Auditor's report on the results of audit of the accounts and transactions of the Land Bank of the Philippines (LBP) for the years ended December 31, 2019 and 2018.

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

The Auditor rendered an unmodified opinion on the fairness of presentation of the financial statements of LBP for the years ended December 31, 2019 and 2018.

The significant observations and recommendations that need immediate action are as follows:

1. Reconciling items totaling P616.36 million were not recognized in the proper accounts and corrected retrospectively as at December 31, 2019 contrary to Philippine Accounting Standard (PAS) 1 and PAS 8, resulting in the understatement of Due from Foreign Banks, Due from Local Banks – Clearing accounts, and liability accounts by P596.38 million, P19.98 million and P617.33 million, respectively, and overstatement of net income by P0.97 million as at December 31, 2019.

We recommended that Management: a) identify the nature of all reconciling items and prepare the necessary adjusting entries in order to faithfully represent balances of all affected accounts in the financial statements as at December 31, 2019; b) include in the policy guidelines the complete recognition of transactions beyond the cut-off date of the General Ledger System up to the last day of the financial period; and c) update the policy guidelines to include the resolution of long outstanding reconciling items of nostro and clearing accounts.

2. The balance of Real and Other Properties Acquired (ROPA) in the ROPA Manager System (ROPA MS) and in the Financial Management System General Ledger (FMS GL) showed an unreconciled difference of P99.887 million, thereby affecting the faithful representation of the ROPA as at year-end.

We recommended that Management require: a) Special Assets Department (SPAD) and Loans Implementation Department to reconcile the discrepancy in the balance of ROPA in the ROPA MS and FMS GL; b) SPAD to effect manual adjustments in the computation of residual value for old ROPA in the ROPA MS to reconcile with the FMS GL; and c) Lending Centers and Lending Units to submit documents required in encoding ROPA to the ROPA MS.

3. Bank service fees for Cash Card distribution and withdrawal transactions under the Unconditional Cash Transfer (UCT) Program were not properly recognized contrary to Philippine Financial Reporting Standard 15 and PAS 1, resulting in the overstatement of Accounts Receivable-Government Entities (AR-GE) and Accounts Payable-Others (AP-Others) by P13.978 million, and P89.057 million, respectively, and understatement of Net Income by P75.079 million as at December 31, 2019.

We recommended that Management require: a) the concerned LBP Servicing Branches to timely submit the required liquidation documents/reports of the UCT/TRCT [Tax Reform Cash Transfer] program funds as per Memorandum of Agreement (MOA)/Implementing Rules and Regulations (IRR)/guidelines, prepare Journal Tickets on the accrued service fee receivable totaling P57,432,810 plus reimbursable expenses, and submit to respective Accounting Centers for booking; b) the CCT-PMD [Conditional Cash Transfer - Program Management Department] to regularly coordinate with the LBP Servicing Branches for the timely submission of reports required in the MOA between DSWD [Department of Social Work and Development] and LBP for the distribution of UCT, and IRR for the cash disbursements for the UCT Programs; and c) the LBP Batasan Branch to prepare an adjusting entry to correct the overstatement of AR-GE, and AP-Others accounts amounting to P71,410,632.20 and P89,057,268.20, respectively, and understatement of Fees and Commission Income account amounting to P17,646,636 to present the correct balances of the accounts as at December 31, 2019.

The audit observations together with the recommended courses of action, which were discussed by the Audit Team with concerned Management officials and staff during the exit conference conducted on August 19, 2020, are presented in detail in Part II of the report.

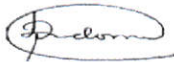
We respectfully request that the recommendations contained in Parts II and III of the report be implemented and that this Commission be informed of the actions taken thereon by submitting the Agency Action Plan and Status of Implementation within 60 days from date of receipt.

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

Very truly yours,

COMMISSION ON AUDIT

By:



ADELA L. DONDONILLA
Director IV
Cluster Director

Copy Furnished:

The President of the Philippines
The Vice President
The President of the Senate
The Speaker of the House of Representatives
The Chairperson – Senate Finance Committee

The Chairperson – Appropriations Committee
The Secretary of the Department of Budget and Management
The Governance Commission of Government-Owned or Controlled Corporation
The National Library
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THE BOARD OF DIRECTORS

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Manila

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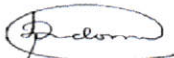
In a letter of even date, we requested the President and CEO of LBP that the recommendations contained in Parts II and III of the report be implemented and that this Commission be informed of the actions taken thereon by submitting the Agency Action Plan and Status of Implementation within 60 days from date of receipt.

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