



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

July 29, 2022

**THE BOARD OF DIRECTORS**

Land Bank of the Philippines  
Manila

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 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, 2021 and 2020.

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, 2021 and 2020.

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

1. The Interest income/Miscellaneous income derived from the payments of finance charges and late payment fees of credit cardholders with past due accounts; and the succeeding installment payments under the LANDBANK Credit Card Easy Pay Program were not recognized to the proper account since 2017 resulting in the understatement of the Credit Card Receivable (CCR), Interest Income, and Miscellaneous Income accounts in an undetermined amount as at December 31, 2021.

We recommended and Management agreed that: (a) Pending the completion and availability of the Payment Apportionment Report, consider other alternative means such as manual computation of the Interest income/Miscellaneous income derived from payments of finance charges and late payment fees of credit cardholders with past due accounts; and the interest from succeeding credit card installment payments under the LANDBANK Easy Pay program and accordingly recognize the same in the books to faithfully represent the balances of the CCR, Interest Income, and Miscellaneous Income accounts as at December 31, 2021. Manual computation of interest/miscellaneous income should consider the workback method in case the Payment Apportionment Report will only cover prospective transactions; (b) Follow up be made with the MasterCard Technology Private Limited to expedite the system enhancement on the generation of the Payment Apportionment Report to provide the correct breakdown of income and CCR derived from the payments of credit cardholders with past due accounts from the start of the use of MasterCard Credit Card and the installment payments under the Easy Pay Program; and (c) Reconciliation on a periodic basis of the General Ledger and Subsidiary Ledger balances of CCR account be continuously conducted.

2. Unclaimed private deposit accounts in 22 LBP Branches amounting to P14.292 million and \$885.43 have been recognized in "Other Credits - Unclaimed Balances" account from 1994 to 2020 but not yet reported to the Treasurer of the Philippines for escheatment in favor

of the government, contrary to Presidential Decree No. 679, and LBP Executive Order Nos. 083 and 012, Series of 2017 and 2020, respectively.

We recommended and Management agreed to require: (a) The concerned LBP branches to prepare the Sworn Statement of Unclaimed Balances (SSUB) to support the transfer of Other Credits – Unclaimed Balances amounting to P14.292 million and \$885.43 to the Administrative Accounting Department for peso accounts and Foreign Domestic Remittance Department for foreign currency deposit accounts, respectively; and (b) The Administrative Accounting Department to facilitate the filing of the SSUB to the BTr for the escheatment of dormant accounts in favor of the government.

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 July 1, 2022, are presented in detail in Part II of the report.

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.

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  
The UP Law Center





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**COMMISSION ON AUDIT**  
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Cluster 1 –Banking and Credit

July 29, 2022

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

Dear President Borromeo:

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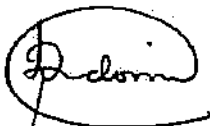
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LANDBANK  
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