



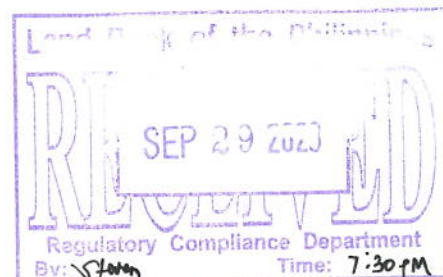
Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City, Philippines
CORPORATE GOVERNMENT AUDIT SECTOR
Cluster 1 –Banking and Credit

September 28, 2023

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, 2022 and 2021.

The report consists of the Independent Auditor's Report, Audited Financial Statements, Observations and Recommendations, and the Status of Implementation of Prior Years' 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, 2022 and 2021.

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

1. Unreconciled intragroup receivable and payable accounts, amounting to P7.069 million and P70.346 million, respectively, were not fully eliminated in the Bank's consolidated financial statements as at December 31, 2022, contrary to paragraph 10 of PAS 1 and Item c of paragraph B86 of the Application Guidance of the PFRS 10, thus affecting the fair presentation of the balances of accounts in the financial statements.

We recommended and Management agreed to:

a. Continue to establish within specified timelines the balances of receivables from and payables to the subsidiaries by various concerned LBP departments/units to reconcile the variances as at December 31, 2022, and to ensure full elimination of intragroup accounts in the next consolidated financial statements; and

b. Formulate and faithfully comply with the guidelines on the periodic reconciliation of intragroup receivables and payables with the subsidiaries, to include the matter also on the exchanges between LBP and its subsidiaries of summary of transactions and supporting documents within specific timelines, to determine a common ground for the booking of the transactions.

2. Pre merger/merger inventory and validations of loan records and accountabilities turned over by UCPB, and verification/ confirmation of the existence of subsidiary ledger (SL) items were not yet completed as at year-end by LBP, contrary to LBP EO Nos. 104 and 109, thus, affecting the faithful representation of the transferred UCPB loans and receivable balances of P92.486 billion and other related accounts in the financial statements as at December 31, 2022.

We recommended and Management agreed to:

- a. Expedite the inventory and validation of credit and loan documents, and collateral security documents pursuant to LBP EO Nos. 104 and 109 and to confirm the existence, completeness, and accuracy of the balance of Loans and Receivable account as presented in the financial statements;
- b. Reconcile inventory of loan/credit folders and collateral with the subsidiary ledger items to establish existence and completeness of the subsidiary ledger items;
- c. Make the necessary adjustments for identified discrepancies, if any, as a result of the verification and confirmation of SL items;
- d. Employ appropriate measures to address manpower issues; and
- e. Consider a revised procedural guideline with specific timelines to complete validation activities pursuant to LBP EO Nos. 104 and 109.

3. The faithful representation of the balance of Bank Property, Furniture, Fixtures and Equipment (BPFPE) transferred from UCPB to LBP, with a net book value amounting to P651.857 million as of December 31, 2022, was not established since properties were not yet completely verified the Bank; the inventory report and SL account balances were not yet reconciled, while discrepancies during the actual merger/migration by the Bank were not yet resolved, contrary to paragraph 2.12 of the Conceptual Framework on Financial Reporting.

We recommended and Management agreed to:

- a. Conduct physical inventory to determine the current actual physical location of properties transferred from the UCPB to the LBP, as reported by the FMD to FAD-ATU in the Schedule of HO Unlocated Fixed Assets, Schedule of HO Vehicles Not Physically Accounted and Schedule of HO Fixed Assets – Equipment Which Existence Were Not Validated;
- b. Reconcile results of physical inspection with the subsidiary ledger balances and prepare necessary adjustments, if any; and
- c. On the accrual of capital expenditures:
 - i. Properties which existence has been verified, compute the corresponding depreciation and/or amortization and make the necessary adjustment; and
 - ii. For payables to be reversed, confirm/coordinate with vendors the non-existence of outstanding balances from UCPB.

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 26, 2023, 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

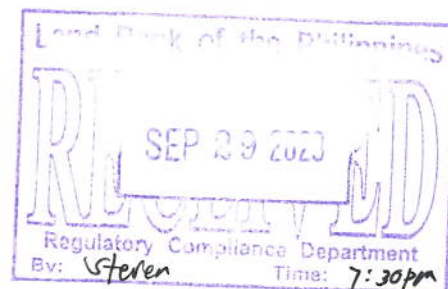


Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City, Philippines
CORPORATE GOVERNMENT AUDIT SECTOR
Cluster 1 –Banking and Credit

September 28, 2023

Ms. MA. LYNETTE V. ORTIZ
President and CEO
Land Bank of the Philippines
Manila

Dear President Ortiz:



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