OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL ISSUES

1. Reconciling items from the Inter-Branch Transactions Online System (IBTOLS) batch processing errors with a net amount of P740.768 million were temporarily closed to Accounts Payable, hence, understating the balance of the account by the same amount and overstating/understating the balances of other related accounts by undetermined amounts in the financial statements as at December 31, 2020.

1.1 Paragraph 15 of Philippine Accounting Standard (PAS) 1 on Presentation of Financial Statements 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. The application of IFRSs, with additional disclosure when necessary is presumed to result in financial statements that achieve a fair presentation.*

1.2 The Due from/to Head Office/Branch accounts are essentially clearing accounts of inter-branch transactions between Head Office (HO) and Field Units (FUs) (i.e., Branch and Extension Office) or transactions between FUs. These are reciprocal accounts which are eliminated upon consolidation with the accounts of LBP, the Parent, and any unresponded/outstanding transactions are closed to the proper accounts as at year-end. The transactions that pass through the Due from/to HO/Branch accounts are:

- Investments of HO in its FUs
- Advances of HO to its FUs
- Transfer of Loan and other asset accounts
- Responses to other debit/credit advices of FUs/HO
- Other receipts/payments made for accounts of FUs/HO
- Advances made by FUs for the account of HO or vice versa
- Remittances of FUs to HO
- Other inter-branch transactions not specified above

1.3 The accounting and monitoring of inter-branch transactions such as originating, responding and clearing are handled in the Inter-Branch Transactions Online System (IBTOLS), a centralized database and online mainframe-based system.

1.4 LPB Executive Order (EO) No. 071, series of 2014 stipulates the implementing guidelines on IBTOLS, and the relevant provisions state:

> *"E. DUTIES AND RESPONSIBILITIES OF UNIT CONCERNED*
>
> 1. *xxx*
> 2. *Data Center Management Department (DCMD) shall:*

a. Act as System Administrator.
b. Be responsible in archiving/sending of IBTOLS reports in the IDRARS
c. Perform necessary backup procedures to ensure recovery of transactions and reports to avoid unnecessary interruption in the day-to-day operations.

3. Enterprise System Department (ESD) shall handle system errors encountered by HO Booking Units and FU thru Administrative Accounting Department (AAD) and System Implementation Department (SID), respectively.

4. xxx
5. xxx
6. AAD shall:

a. xxx
b. xxx
c. Consolidate the Commission on Audit (COA) year-end adjustments affecting the "Due to/from HO/Branches" account in coordination with all HO/Field booking units concerned.
d. Prepare monthly Status Report on Inter-Office Float items and other related reports for submission to management and regulatory bodies.
e. Monitor the submission of monthly Reconciliation Schedule of the IBTOLS Due from HO/Branches GL/SL balances by accounting units.

1.5 The Due from/to HO/Branch accounts as at December 31, 2020 showed a net debit balance of P3.815 billion. Details as follows:

Accounts	Head Office	Field Units	Total
Due from/to HO/Br	(1,505,312,523,683.63)	1,509,288,569,680.68	3,976,045,997.05
Due from/to HO/Br-FX Regular	34,276,408.75	(13,698,932.20)	20,577,476.55
Due from/to HO/Br-FCDU/EFCDU	(93,805,030,051.21)	93,623,734,459.93	(181,295,591.28)
	(1,599,083,277,326.09)	1,602,898,605,208.41	3,815,327,882.32

1.6 Review of the 2020 year-end adjustments on Due from/to HO/Branch accounts submitted by the Financial Accounting Department (FAD) disclosed that the outstanding balance or float items totaling P3.815 billion were closed to various specific accounts. This was reported in the Mapping schedule of float items for CY 2020 provided by Administration Accounting Department (AAD) which served as the working paper supporting the journal entry of the year-end adjustments.

1.7 The Mapping schedule of float items is a consolidated report generated from IBTOLS (the Subsidiary Ledger) and its balance tallied with the balance of Due to/from HO/branch in the FMS-GL as at year end. Review, however, showed that the float items with the same originating and responding unit amounting to P740.768 million were closed to AP as 2020 year-end adjustments. Details are as follows:

Particulars	Debit	Credit	Net Amount
BATCH SIBT TRANSACTION SL ONLY [1]	2,812,631,067.50	921,033,130.93	1,891,597,936.57
BATCH SL RECON ITEM ONLY [2]	63,576,285,527.92	90,325,239,726.49	(26,748,954,198.57)
BATCHING ERROR 1/2/2020 [3]	41,785,598.53		41,785,598.53
SIBT TRANSACTION [4]	25,820,922,243.10	264,583,186.14	25,556,339,056.96
	92,251,624,437.05	**91,510,856,043.56**	**740,768,393.49**

[1, 2 & 4] *Various Branches – Same Originating/Responding Unit*
[3] *Odiongan Branch – Same Originating/Responding Unit*

1.8 Inquiry with concerned personnel of AAD disclosed that the P740.768 million pertains to reconciling items due to IBTOLS batch processing errors, wherein the December 27, 2019 transactions were inputted in the January 02, 2020 summary report generated by Data Center Management Department (DCMD) from the IBTOLS. The AAD temporarily closed the reconciling items to AP in the 2020 year-end adjustments which are still subject to resolution.

1.9 It was also informed that the batch processing errors were reported to Enterprise System Department (ESD) being the department concerned in handling system errors encountered by the Booking Units thru AAD. The appropriate adjustments shall be recognized only upon completion of the ongoing reconciliation/validation of transactions affected and identification of the proper accounts where the reconciling items will be recorded. However, as at December 31, 2020, the accounts affected by the batch processing errors were not identified and the necessary adjustments were not made.

1.10 Various transactions pass thru the Due to/from HO/Branches account affecting assets, liabilities, income and expense accounts. The recording as debit/credit to AP account of all reconciling items due to the batch processing errors will result either to the understatement/overstatement of the affected asset/expense/income and AP accounts, hence, not appropriate.

1.11 The temporarily closing to AP of reconciling items from IBTOLS batch processing errors with a net amount of P740,768,393.49 resulted in the net understatement of the balance of AP by the same amount, and overstatement/understatement of balances of other related accounts by undetermined amounts in the financial statements as at December 31, 2020.

1.12 We were not able to apply alternative audit procedures to determine the amount of overstatement/understatement of balances of other related accounts in the absence of a thorough identification/validation by Management of the affected transactions.

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

a. Require the AAD in coordination with ESD and other booking units to identify the transactions affected by the batch processing errors; and

b. Accordingly, prepare the adjusting entries to close the reconciling items to the proper accounts.

2. LBP does not have written criteria, parameters and policy guidelines on the application of "matched deal close out" method for the selection of the book value from a group of similar financial assets used as basis in the computation of realized and unrealized gains and losses from the part derecognized and the remaining part that continues to be recognized in investments in debt securities. Hence, consistency of application of the method used was not established, while the faithful representation of the balances of Gain or Loss from sale of non-trading Financial Assets and Net Unrealized Gain or Loss accounts of P1.789 billion and P14.274 billion, respectively, as at December 31, 2020 were also not ascertained.

2.1 Paragraph 13 of Philippine Accounting Standards (PAS) 8 on consistency of accounting policy states:

> *An entity shall select and apply its accounting policies consistently for similar transactions, other events and conditions, unless a PFRS specifically requires or permits categorisation of items for which different policies may be appropriate. If a PFRS requires or permits such categorisation, an appropriate accounting policy shall be selected and applied consistently to each category.*

2.2 As at December 31, 2020, the balances of the Financial Assets at Fair Value through Other Comprehensive Income (FA-FVOCI) and Hold-to-Collect (HTC) Financial Assets accounts of the Bank amounting to P511,149,487,484.35 and P455,763,560,181.37, respectively, include investments in debt securities issued by both government institutions and private corporations. The balances of Gain or Loss from sale of non-trading Financial Assets and Net Unrealized Gain or Loss accounts amounted to P1,789,642,014.30 and P14,274,275,383.08, respectively.

2.3 The realized gain or loss on sale of investment is the difference between the selling price and the book value of the investment on date of sale while the unrealized gain or loss is the difference between the fair value and book value of outstanding investments as of date of recording. The book value of investment in debt securities recorded under FA-FVOCI and HTC is the acquisition cost plus amortization of discount or minus amortization of premium.

2.4 Under the present system of the Bank, for investment in debt securities with the same tenor purchased in different dates, the trader who manages the portfolio selects the deal number from among the outstanding investment in debt securities. With this, the book value of disposed investment in debt securities is measured from the deal number with the lowest or highest book value.

2.5 It is worth mentioning that for equity securities, the bank consistently uses the weighted average cost method, which is an acceptable accounting method in determining the cost of equity securities partially sold in 2020 and in prior periods.

2.6 Management explained that:

a. Specific identification method or the "matched deal close-out" is applied in the measurement of realized and unrealized gain or loss on sale of debt securities wherein the book value of the specific deal in the inventory is allocated for the sale in order to have the flexibility in managing interest rate gaps to attain a specific result or objective;

b. The Integrated Treasury System, the treasury system of the bank, is a fully integrated system that seamlessly connects the front, middle and back offices. It is a globally accepted treasury management system and is compliant to International Accounting Standards. The specific identification or "matched deal close out" method in the sale of financial assets is a functionality embedded in the system and as such, being utilized in the booking of debt securities; and

c. With this method, once the deal is encoded and approved in the system, it automatically computes the corresponding book value and accordingly generates the corresponding accounting entries. Further, the system has a separate module for equity securities as the treatment in the measurement of their costs/ fair values is different from those of debt securities. While the accounting treatment differs, both are accepted financial accounting standards.

2.7 The Bank also disclosed in Note 2.5 to the Financial Statements for CY 2020 that *as practiced, the specific identification method or the "matched deal close-out" is applied in the measurement of realized and unrealized gain or loss on sale of debt securities wherein the book value of the specific deal in the inventory is allocated for the sale.*

2.8 However, it was noted that the specific identification method or matched deal close-out applied by the Bank for investments in debt securities is not indicated in its Manual of Operations. There are no existing written parameters, criteria and policy guidelines on the methodology in selecting from among similar deal transactions with the corresponding book value as basis in the computation of the gain or loss for the part to be derecognized and the remaining part continued to be recognized in investments in debt securities. Hence, verifiability of consistent application of the method used in accordance with established criteria and parameters was not made.

2.9 Paragraph 6.45 of the Conceptual Framework for Financial Reporting provides that:

> *The information provided by a measurement basis must be useful to users of financial statements. To achieve this, the information must be relevant and it must faithfully represent what it purports to represent. In addition, the information provided should be, as far as possible, comparable, verifiable, timely and understandable.*

2.10 Considering the numerous transactions on the sale of investment in debt securities during the year, the presence of written criteria, parameters and policy guidelines in the application of the specific identification or matched deal closed-out method from among similar securities and allocating the book value of that part of investments sold and retained, promotes best practice, among others, in a more transparent and consistent measurement of gain or loss from investment in debt securities.

2.11 In the absence of Bank written specific guidelines, we were not able to establish the faithful representation of the Gain or Loss from sale of non-trading Financial Assets and Net Unrealized Gain or Loss for the remaining part continued to be recognized in investments in debt securities amounting to P1.789 billion and P14.274 billion, respectively, as at December 31, 2020.

2.12 We recommended that Management consider the inclusion in the LBP's Operations Manual specific criteria, parameters, and policy guidelines in applying the selection from among similar deal transactions with the corresponding book value as basis in the computation of the gain or loss for the part to be derecognized and the remaining part continued to be recognized in investments in debt securities for a more transparent and consistent application.

2.13 Management commented that:

a. The matched deal close out is a more conservative and realistic method of calculating the gains /losses as it considers the duration/yield of the debt securities at the time of acquisition/purchase.

b. Management asserted that specific identification is applied to have flexibility in managing the interest gaps.

2.14 The matched deal close-out is appropriate if there is a policy providing specific guidelines on its application, and not at the discretion of the dealer, for a more transparent and consistent application in the measurement of the realized and unrealized gains or losses from investment in debt securities. Thus, we maintain our recommendation.

3. The balance of Salary Based General Consumption Loan (SLR) account in the Financial Management System-General Ledger and Subsidiary Ledger showed an unreconciled difference amounting to P497.324 million, hence, the faithful representation of the balance of the account amounting to P2.596 billion and balances of other related accounts as at December 31, 2020 were not ascertained.

3.1 Paragraph 15 of the Philippine Accounting Standards 1 on Presentation of Financial Statement 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.*

3.2 LBP System Advisory Memorandum from Systems Implementation Department (SID) dated March 2, 2020 issued to all branches and all field accounting centers states:

PRODUCT*: Land Bank Mobile Loan Saver (LMLS) System*

ACTION TO BE TAKEN BY CONCERNED BRANCHES

1. *Hold ALL posting of payment application in LMLS until further notice and temporarily book all payments received as Accounts Payable.*

2. *Meantime, based on the Remittance List and Schedule of Amount Due and Collectible Report, manually prepare a journal ticket to book the "SHOULD BE" payment application.*

3. *Forward all loan payment documents (journal ticket, copy of Remittance list) to concerned Field AC for booking in FMS.*

ACTION TO BE TAKEN BY CONCERNED FIELD ACCOUNTING CENTERS

Based on the forwarded documents of concerned branch, the Accounting Center then must book the transaction accordingly in FMS.

3.3 The Electronic Salary Loan (eSL) is a new electronic-based salary loan product of LANDBANK that offers eligible employees of government agencies and private institutions a facility to apply for salary loan, inquire loan details, inquire loan payment history and conduct loan payment through LANDBANK's electronic banking channels, such as the Mobile Banking Application and receive notifications through SMS or email.

3.4 As a system, the eSL automatically calculates fees and loan amortization, process both bulk and single payment transactions, and generate reports either monthly or as needed. Reports generated from the eSL serve as the SL or source documents in booking the salary loans in the FMS by the Accounting Centers.

3.5 Verification of the SLR accounts of 87 National Capital Region (NCR) Branches disclosed that the balances between the FMS-GL and the Schedule of Outstanding Livelihood Loans or the SL generated from eSL as at December 31, 2020 did not reconcile. Further review showed that the balances of current and past due loans in the FMS-GL and the SL in 39 NCR branches have a difference of P170,649,919.30 and P326,674,282.35, respectively, or a total of P497,324,201.65 as summarized below and details are shown in Annex A:

ACCOUNTING CENTERS (No. of Branches)	GL	SL	DIFFERENCE (e)	GL	SL	DIFFERENCE (f)	TOTAL DIFFERENCE
	SALARY-BASED GEN PURP CONS LOANS- CURRENT	SCHEDULE OF OUTSTANDING LIVELIHOOD LOAN CURRENT		PAST DUE PERFORMING/NON-PERFORMING-SALARY-BSD GEN PURP CONS	SCHEDULE OF OUTSTANDING LIVELIHOOD LOAN PAST DUE		
	(a)	(b)	(a-b) (b-a)	(c)	(d)	(c-d) (d-c)	(e+f)
West Avenue (9)	495,339,713.99	482,047,281.27	16,171,737.02	29,095,042.46	39,138,427.77	14,958,094.19	31,129,831.21
Tayuman (7)	577,519,194.74	533,010,700.68	44,540,121.66	41,005,222.65	36,586,980.11	5,166,789.58	49,706,911.24
Cash Plaza (4)	322,176,162.85	257,119,647.14	65,063,896.79	266,274,688.80	25,276,882.43	274,737,631.23	339,801,528.02
Cubao (2)	145,381,505.34	142,397,915.17	2,983,590.17	1,589,508.56	4,383,438.91	2,793,930.35	5,777,520.52
Makati (8)	326,572,094.29	319,804,708.83	6,768,185.46	27,410,694.97	30,733,879.53	3,323,194.56	10,091,380.02
Burgundy (6)	198,095,837.35	173,628,632.53	31,237,931.42	51,378,283.15	63,524,169.79	21,810,236.66	53,048,168.08
Pasig (3)	108,720,626.48	105,015,390.48	3,884,456.78	5,573,481.45	9,278r,666.45	3,884,405.78	7,768,862.56
39 Branches	2,173,805,135.04	2,013,024,276.10	**170,649,919.30**	422,326,922.04	208,922,444.99	**326,674,282.35**	**497,324,201.65**

3.6 Inquiry with concerned branch personnel revealed that the difference between the FMS-GL and the Schedule of Outstanding Livelihood Loans (SL) balances presented in the table above are attributed to the following:

Unposted salary loan collections from borrowers

a. The salary loan collections amounting to P145,104,234.59 received on February 7 to March 4, 2020, in the LANDBANK Mobile Loan Saver Facility (LMLS-Old System) and transferred to the Electronic Salary Loan (eSL-new system) were temporarily lodged in AP-Resident-Various-Non-Deposit and Miscellaneous Income accounts of the branches. Thus, the salary loan collections were not timely posted.

b. Inquiry with SID confirmed that the LMLS salary loan collections were temporarily lodged under AP-Resident-Various-Non-Deposit and Miscellaneous Income accounts in the FMS during the migration from LMLS to eSL. However, the Branches did not manually adjust/apply the collections to SLR and Interest Income accounts as at December 31, 2020 due to lack of details on interest and penalty of accounts, contrary to *Item e* of the SID Memorandum dated March 2, 2020, on actions to be taken by concerned branches after eSL migration.

Past due loans from OFB not migrated to eSL

c. The Past Due Salary Loans amounting to P254,492,086.96 transferred from OFB to LBP was recorded in the FMS but not migrated to the new eSL System or SL. The OFB past due loans are only manually handled through excel file by the LBP Intramuros Branch.

d. Review of the Schedule of Past Due Salary Loans prepared by OFB disclosed limited information and no details as to when the accounts became past due, the amount of penalties, interest and allowance for credit losses.

e. The concerned branch personnel further informed that the Promissory Notes and the Loan folders of borrowers were not completely transferred by OFB to LBP.

Misclassification of loan account status in the eSL

f. Accounts of various borrowers who availed of the loan payment moratorium were classified by the eSL System as past due loans for missed payments, instead of current accounts. The posting of loan payments from February to December 2020 amounting to P77,220,881.38 is still on hold due to the ongoing system enhancement initiated by the System Implementation Development (SID) to properly apply the payments.

3.7 The variance between the GL and SL balances of the SLR account was not reconciled as at year end.

3.8 Due to the unreconciled difference between the GL and SL balances of SLR account amounting to P497.324 million, the faithful representation of the balance of the account amounting to P 2.596 billion and other related accounts as at December 31, 2020 were not ascertained.

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

a. Require the concerned NCR Branches to:

a.1 Reconcile the variance in the current and past due balances of SLR between the GL and SL and record the necessary adjusting entries for faithful representation of the balances of affected accounts in the financial statements; and

a.2 Strictly comply with the policies and procedures for eSL Migration activities issued by SID to ensure that the generated reports from eSL are correct, valid, protected, and conforming with the FMS-GL balance;

b. Require the OFB to submit all the loan folders of past due loans transferred to LBP; and

c. Require SID to fast track the system enhancement to resolve the misclassification of loan account status.

3.10 Management informed that of the unreconciled difference of P497.324 million as at December 31, 2020, adjustments amounting to P227.212 million were already made as at July 23, 2021, reducing the balance to P270.112 million. They further explained that the unreconciled balances pertain to manually handled accounts which were not practicable to migrate in the system, and is composed of the OFB variance and others for reconciliation amounting P254 million and P16 million, respectively, that are maintained in excel based format. However, the adjustments made were only recognized in 2021.

4. The intra-group receivables and payables accounts showed a balance of P122.338 million and P251.132 million, respectively, as at December 31, 2020, representing unreconciled variances between the books of LBP and its subsidiaries, contrary to PAS 1 and PFRS 10.

4.1 Paragraph 15 of Philippine Accounting Standard (PAS) 1 provides:

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. (Underscoring ours)

4.2 Application Guidance of the Philippine Financial Reporting Standard (PFRS) 10 states that:

B86. Consolidated financial statements:

a. *x x x*
b. *x x x*
c. *Eliminate in full intragroup assets and liabilities, equity, income expenses and cash flows relating to transactions between entities of the group (profit or losses resulting from intragroup transaction that are recognized in assets, such as inventory and fixed assets, are eliminated in full). xx x*

4.3 The intragroup assets consist of Accounts Receivable (AR), Accrued Interest Receivable, Miscellaneous Asset-Others, Contracts Receivable (CR), Retention Receivable (RR) and Loans/Lease Receivable, while the intragroup liabilities consist of Accounts Payable (A/P), Miscellaneous Liabilities, Finance Lease Payable Accrued & Other Expense Payable, Bills Payable, Accrued Interest Payable, Customers Deposit Payable, Advances from Clients, Deposit on Lease Contracts, and Retention Payable in either LBP or subsidiaries' books of accounts.

4.4 Based on the schedules/reports provided by Auditors assigned to audit the LBP subsidiaries, there were variances between the balances of receivables and payables recognized in LBP books with the balances in the subsidiaries books or intragroup transactions amounting to P122.338 million and P251.132 million, respectively, as at December 31, 2020. The details are shown below:

Table 1

	Subsidiaries	Receivable in LBP's Book	Payable in Subsidiary's Book	Variance (In absolute Value)
1	OFB	72,668,159.84	193,172,198.23	120,504,038.39
2	LLFC	1,200,915,809.12	1,199,294,811.08	1,620,998.04
3	LBRDC	17,320,014.73	17,533,436.36	213,421.63
		1,290,903,983.69	**1,410,000,445.67**	**122,338,458.06**

	Subsidiaries	Payable in LBP's Book	Receivable in Subsidiary's Book	Variance (In absolute Value)
1	OFB	0	30,920.00	30,920.00
2	LLFC	340,626,855.02	292,297,180.70	48,329,674.32
3	LBRDC	118,559,530.37	306,351,272.32	187,791,741.95
4	MSI	4,973,615.00	19,953,177.26	14,979,562.26
		464,160,000.39	**618,632,550.28**	**251,131,898.53**

4.5 Reconciliation statements on the variances between the LBP and subsidiary books were submitted except for LBP's receivable from LBRDC with LBRDC payable to LBP, which was not prepared by FAD due to non-submission of the reconciliation report by LBRDC. Presented are some of the causes of variances in the accounts:

Receivables from/payables to OFB

- The variance between LBP receivables and OFB payable amounting to P120,504,038.39 pertains to transactions recorded in OFB books but not recorded in LBP books. As at December 31, 2020, OFB recognized as payable to LBP the salaries of detailed/seconded personnel (involving cost of outsourced legal and accounting services), IT system services, provision of IT equipment, cost of initial ATM cards, overpayment of Real and Other Properties Acquired, repainting and minor repairs of OFB main building, and maintenance of OFB mobile banking application. However, these were not recorded as receivable by LBP.

- Review of the reconciliation submitted further disclosed that the expenses for the repainting and minor repairs of the main building were only recognized in LBP's book on February 11, 2021, and collected on June 10, 2021. Other reconciling items identified are for adjustment either in the LBP or OFB books in 2021.

- Management informed that there is a MOA executed by and between LANDBANK and OFB based on the LBP Executive Order (EO) No. 103 on the outsourcing of IT systems and support services that granted a three-year grace period in the settlement of services, hence, the billing and recognition of AR started only effective July 16, 2021.

- We agree with the three-year grace period in the settlement of services by OFB based on the LBP EO No. 103. However, the services have been rendered and the cost of services rendered is already determinable or measurable as at December 31, 2020, thus, the non-recognition of receivable in the books of LBP is not appropriate.

- On the other hand, the variance in the payables to OFB totaling P30,920 pertains to the cost of office repairs/maintenance incurred by OFB chargeable to LBP, but no billing statement was received, hence, not recorded as payable in LBP books as at year-end.

Receivables from /payables to LLFC

- With regard to the P1,620,998.04 variance between LBP Payables and LLFC Receivables, P273,587.33 pertains to insurance proceeds on the finance lease vehicles not recognized as AR in LBP books due to the absence of supporting documents. The variance of P109,843.17 pertains to salary of seconded personnel and administrative expenses not booked by LLFC; P2,000 pertains to the account of LBP Trust Banking Group inadvertently included as payable to LBP; P367,489.55 pertains to cost of repair/maintenance/emission testing/registration, etc. still for reconciliation of LBP Field Units. The remaining variance of P1,419,252.65 is still for reconciliation of LLFC and LBP-Loan Operations Management Department.

- Further, review of reconciliation disclosed that of the P48,329,674.32 variance between LBP Payables and LLFC Receivables, P17,436,265.64 pertains to transactions related to operating lease which was set up to lease liability in compliance with PFRS 16, but has no effect in the books of LBP, as the lessor. The remaining variance is still for reconciliation of LBP AAD and LLFC.

Payable to LBRDC

- Of the total variance of P187,791,741.95 shown in Table 1, P13,061,062.23 pertains to the renovation projects in CY 2020 which was recognized as receivable in the LBRDC books in the same year but not recognized as payable in LBP books because payments to LBRDC were made from January 12, 2021 to May 24, 2021. Further, P120,656.00 pertaining to payment of LBP to LBRDC on October 29, 2020 was not recorded in LBRDC books, hence, still for adjustment in LBRDC books.

- Also, the list of items for accrual or the basis of recording payables to LBRDC submitted by the Project Management and Engineering Department (PMED) to AAD on December 15, 2020 has cut-off date of December 10, 2020, while the LBRDC's cut-off date in recording the receivables is December 31, 2020. The timing difference contributed to the variance.

- Management informed that LBRDC recognizes receivables as soon as billing statements for accomplished/ completed construction/ renovation projects are sent to LBP thru PMED. On the part of LBP, billing statements received by PMED are still subject for validation. The validated percentage of accomplishment of the project shall then be reflected in the Project Inspection and Update Report (PIUR) which is being submitted to LBP AAD together with the Disbursement Order for processing of payment. The accomplished/ completed projects not included in PMED's summary/list recommended for accrual at year end are treated as direct debit to Bank Premises, Building Under Construction or Leasehold Rights and Improvement, whichever is applicable and credit to Deposit Liability account-LBRDC upon payment, hence, the variance in balances.

Payable to MSI

- Of the total variance of P14,979,562.26 shown in Table 1, the amount of P598,202.21 representing LBP's payments from December 7, 2012 to February 10, 2017 were not recognized in MSI's books, hence, still for adjustment . Also, the withholding taxes remitted by LBP for the account of MSI amounting to P1,242,809.15 were not recognized in MSI books. Moreover, an unclaimed tax credit for LCDFI of P828.00 was recognized by MSI as receivable from LBP instead of LCDFI. The remaining reconciling items of P13,137,722.90 are still for further verification.

4.6 In the preparation of consolidated financial statements, the intragroup assets and liabilities relating to transactions between LBP and subsidiaries are supposed to be eliminated in full, hence, the presence of unreconciled variance in the intragroup balances of receivables and payables between the books of LBP and its four subsidiaries amounting to P122.338 million and P251.132 million, respectively, as at December 31, 2020, is contrary to PAS 1 and PFRS 10.

4.7 **We recommended that Management:**

a. Require the FAD to coordinate with concerned units and subsidiaries to reconcile the variances in the intra-group balances of receivables and payables and accordingly undertake elimination procedures in accordance with PFRS 10 and PAS 1; and

b. Require the AAD and other concerned booking units to prepare the necessary adjusting entries to correct the intra-group balances of receivables and payables as at December 31, 2020.

4.8 Management informed and explained that as at December 31, 2020, the necessary adjusting entries and eliminating entries based on the reconciled intra-group balances of receivables and payables have already been effected in the financial statements which were submitted in compliance with the annual audit requirements.

4.9 Adjustments effected in the 2020 financial statements have been considered. However, the remaining variance in the intra-group receivables and payables accounts of P122.338 million and P251.132 million, respectively, were not adjusted in the LBP's separate and consolidated financial statement as at December 31, 2020, hence, we maintain our recommendations.

5. The transfer of ownership on equity shares of the Northern Foods Corporation (NFC) with cost of P84.905 million from National Livelihood Development Corporation (NLDC) pursuant to Section 2 of Memorandum Order (MO) No. 85, series of 2015, was not undertaken, thus, the equity investment in NFC together with the corresponding Allowance for credit losses of the same amount were not recognized in the books of the Bank, and the required disclosure of the investment in NFC was not provided in the Notes to the Financial Statements as at December 31, 2020, contrary to PAS 27, PAS 36 and Philippine PFRS 12.

5.1 Section 2 of MO No. 85, series of 2015, issued by the Malacañang provides:

> *Transfer of Assets and Liabilities of NLDC to LBP. The assets and liabilities of NLDC shall be transferred to the LBP. The net worth of NLDC shall represent additional capital infusion to LBP by the National Government, for which LBP shall issue the corresponding number of shares in favor of the National Government.*

5.2 Relevant accounting standards are as follows:

a. Paragraph 10 of PAS 27, Separated Financial Statements

> *10. When an entity prepares separate financial statements, it shall account for investments ins subsidiaries, joint ventures, and associates either:*
>
> *i. at cost;*
> *ii. in accordance with IFRS 9; or*

iii. using the equity method as described in IAS 28

X x x

b. Paragraph 10 of PFRS 12, Disclosure of Interests in Other Entities

10. An entity shall disclose information that enables users of its consolidated financial statements

(a) to understand:

(i) The composition of the group; and
(ii) The interest that non-controlling interests have in the group's activities and cash flows (paragraph 12); and

(b) to evaluate:

(i) the nature and extent of significant restrictions on its ability to access or use assets, and settle liabilities, of the group (paragraph 13);
(ii) the nature of, and changes in, the risks associated with its interests in consolidated structured entities (paragraph 14-17);
(iii) the consequences of changes in its ownership interest in a subsidiary that do not result in a loss of control (paragraph 18); and
(iv) the consequences of losing control of a subsidiary during the reporting period (paragraph 19).

c. Paragraph 110 of PAS 36

110. An entity shall assess at the end of each reporting period whether there is any indication that an impairment loss recognised in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable amount of that asset.

5.3 On the other hand, Note 2.5 to the financial statements (FS) for CY 2020 discloses among others that:

Investment in Subsidiaries

The Parent's investments in subsidiaries in which the Parent has control are accounted for under the cost method of accounting in the separate financial statements. <u>These are carried in the statement of financial position at cost less any impairment in value.</u> (Emphasis ours)

5.4 By virtue of Executive Order (EO) No. 681 and 681-A dated November 22, 2007 and February 1, 2008, respectively, the Livelihood Corporation (LIVECOR) and National Livelihood Support Fund (NLSF) were merged and a new corporation named National Livelihood Development Corporation (NLDC) was created.

5.5 Pursuant to MO No. 85 dated September 15, 2015, the NLDC was abolished and all its assets and liabilities were transferred to the LBP. As provided therein, the net assets value is considered as additional capital infusion of the National Government (NG) to LBP. Accordingly, LBP issued the corresponding number of shares in favor of the NG.

5.6 The last audited FS of NLDC as at December 31, 2017 reported net assets amounting to P4.95 billion, inclusive of the equity Investment in NFC with a cost of P84.905 million and carrying amount of zero due to the recognized 100% impairment loss on the investment. The transferred net assets of NLDC based on its last audited FS were recorded in the books of LBP in 2018. However, the transfer of the ownership on the equity shares of NFC was not undertaken by LBP. Hence, the equity investment with cost of P84.905 million and its corresponding Allowance for credit losses were not recognized in the LBP books, and the required disclosure of the equity investment in NFC was not provided in the Notes to the FS.

5.7 Management confirmed that the LBP Board of Directors has approved the LBP nomination of a director in the NFC under its Board Resolution No. 20-447C of June 2020. However, the LBP's representation in the BOD of NFC was not pursued because of a letter of Governance Commission for GOCCs (GCG) to NFC dated July 3, 2020 informing that NFC remains attached to the Department of Agriculture (DA). In the GCG letter, it is stated that the DA has the supervision and control over NFC since the NFC shares of stocks were not transferred to LBP.

5.8 Management further explained that:

a. Prior to LBP's take-over of NLDC in October 2015 in compliance with Memorandum Order No. 85, series of 2015, the value of NFC in NLDC books was already zero. Hence, the equity investment in NFC was not carried in the books of LBP at the time of transfer of the assets and liabilities of NLDC;

b. There was no recorded impairment loss for the said investment per general ledger and schedules provided by NLDC to LBP;

c. During the validation/verification of NLDC accounts prior to the transfer to LBP, the NLDC's Chief Accountant indicated that the investment in NFC was zeroed-out in the books of NLDC in recognition of the accumulated losses it incurred in the past years following the advice of the then COA Auditor-in Charge of NLDC;

d. The equity investments of NLDC in NFC constitute a major investment as defined under the Manual of Regulations for Banks (MORB). Since this is a major investment, LANDBANK cannot transfer ownership thereof without the prior approval of the Bangko Sentral ng Pilipinas (BSP);

e. The equity investment will also constitute an investment in a non-allied undertaking where the BSP limits a universal bank's investment to not more than 35% of NFC equity nor more than 35% of the voting stock in that enterprise. In no case shall the total investments in a single non-allied enterprise amount to 50% or more of the voting stock of that enterprise;

f. Since the NFC shares were never transferred to LBP when the NLDC was completely abolished, LBP did not become the owner of the NFC shares of NLDC;

g. Even assuming that the BSP's approval of the major investment and exemption from the limits in investment in a non-allied undertaking will be secured, LBP cannot, on its own, transfer the shares in its name because the Governance Commission for GOCCs is the agency tasked to implement the provisions of Memorandum Order No. 85, Series 2015; and

h. The Department of Finance has already taken initiatives to privatize NFC.

5.9 The audit team is of the view that the GCG's letter granting DA the supervision and control of NFC cannot outweigh the ownership right of LBP transferred from NLDC pursuant to MO No. 85 issued by the Office of the President. Thus, the ownership of LBP on the shares of NFC is not transferred to DA or to other government agencies unless there is another directive from the Office of the President.

5.10 Moreover, while we agree that the transfer of ownership on equity investment in NFC to LBP requires the approval of BSP, the ownership on equity investment in NFC remains with LBP by virtue of MO No. 85 since it is not superseded yet by another directive issued from the Office of the President of the Philippines. Note 5 to the financial statements for 2017 of NLDC disclosed that the investment in NFC was reduced to zero due to losses incurred by NFC. As such, NLDC did not derecognize its investment in NFC as an asset.

5.11 Since the transfer of the ownership on the equity shares of NFC was not undertaken by the Bank by virtue of MO No. 85, the equity investment at cost and the corresponding Allowance for credit losses both amounting to P84.905 million were not recorded in the books of LBP and complete disclosure on the investment in the Notes to FS of LBP was not made, contrary to pertinent provisions of PAS 27, PFRS 12 and PAS 36; and contradicts the management representation under Note 2.5 to the CY 2020 FS.

5.12 **We recommended that Management:**

a. Coordinate with the GCG, BSP and Department of Finance for the transfer of ownership on the equity shares of NFC to LBP pursuant to MO No. 85;

b. Recognize the correct cost of equity investment in NFC and the corresponding allowance for credit losses in the LBP books; and

c. Provide sufficient and required disclosures in the Notes to financial statements.

5.13 Management commented that:

a. All outstanding account balances of NLDC transferred and recognized in LBP's books were in accordance with the Terminal Audit Report as of December 31, 2017 issued by COA;

b. Although the equity investment in NFC was mentioned in the said COA Terminal Audit Report, said investment was valued at zero. The trial balance of NLDC as of the same date did not reflect any balance of Equity investment and corresponding valuation reserves pertaining to NFC; and

c. Since no stock certificate or document evidencing ownership was conveyed to LBP by NLDC, the Bank has no basis to recognize the investment in NFC.

5.14 As a rejoinder, while the stock certificate in the name of NLDC was not turned-over to LBP, NFC may be requested to issue new stock certificate in the name of LBP as replacement of the previously issued stock certificate by virtue of MO No. 85. Further, in the Notes to the Financial Statements of NFC for CY 2020, it is disclosed that NFC is a subsidiary of NLDC. Thus, we maintain our recommendations.

6. Sundry Debits and Sundry Credits amounting to P27.777 million and P45.877 million, respectively, in several LBP Branches remained unadjusted/not reversed to the proper debit/credit accounts for more than the required number of days, contrary to LBP Executive Order (EO) No. 039, series of 2019, thus affecting the faithful representation of the balances of affected accounts in the financial statements as at December 31, 2020.

6.1 Paragraph 15 of Philippine Accounting Standards (PAS) 1 on Presentation of Financial Statements provides that "*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 expense set out in the Framework*".

6.2 In 2019, LBP EO No. 039, Series of 2019 on the Guidelines on Monitoring and Reporting of Sundry Accounts was issued in order to address the recurring observation/notation on long outstanding balances in the Sundry Debits and Credits, and to further strengthen the monitoring and ensure immediate reversal of these accounts, hereunder quoted are some provisions thereof:

B. Definition of Terms

Sundry Credits	*Items/transactions which cannot be immediately classified under any credit account*
Sundry Debits	*Items/transactions which cannot be immediately classified under any debit account*

C. *General Guidelines*

1. *Sundry Debits and Sundry Credits shall only be used if, at the time of recording/booking, the transactions cannot be immediately classified to any debit or credit account in the Financial Management System-General Ledger (FMS-GL).*

2. *All transactions booked under the Sundry Accounts shall be properly accounted and monitored by the Accounting Units.*

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4. *Transactions booked in the Sundry accounts shall be cleared within five (5) banking days from the date of entry in the FMS-GL (e.g. Sundry booked on April 01, 2019 shall be cleared/reversed on or before April 08,2019).*

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7. *Sundry Credits shall be booked as Miscellaneous Income after one year from the date of Booking. Reconciled accounts previously charged to income shall be reclassified/adjusted accordingly subject for approval per Codified Approving/Signing Authorities.*

6.3 Review and analysis of the Schedules of Sundry Debit and Sundry Credit accounts as at December 31, 2020 disclosed that several LBP Branches have sundry debits and credits totaling P27.777 million and P45.877 million, respectively. These were not classified/adjusted to the proper debit or credit account in the FMS-GL for more than five days to more than one year, breakdown as follows and details are in Annex B:

	Outstanding > 5 days		
Region (Branches)	**Sundry Debits**	**Sundry Credits**	**TOTAL**
NCRBG (40)	1,981,207.35	31,033,783.05	33,014,990.40
SNCRBG (37)	10,426,888.29	2,755,323.02	13,182,211.31
CAR (6)	209,120.04	416,135.33	625,255.37
V (6)	1,013,111.59	640,991.95	1,654,103.54
VIII (13)	325,744.56	303,408.13	629,152.69
IX (6)	5,694,225.90	1,666,887.95	7,361,113.85
X (3)	98,467.75	30,950.00	129,417.75
XII (3)	595,777.17	285,027.19	880,804.36
XIII (8)	7,432,117.21	8,744,045.30	16,176,162.51
TOTAL (122)	**27,776,659.86**	**45,876,551.92**	**73,653,211.78**

6.4 Review of the schedules also disclosed the following transactions in the Sundry Debits and Credits:

PARTICULARS	**SUM OF DEBITS**	**SUM OF CREDITS**	**TOTAL**
Current Account and Saving Account (CASA) to CASA fund transfer transaction/ ATM transactions/Summary of Inter Branch Transaction (SIBT) difference fund	11,796,119.85	15,559,243.75	27,355,363.60

PARTICULARS	SUM OF DEBITS	SUM OF CREDITS	TOTAL
transaction/Interbranch transactions/Electronic fund transfer difference/Unaccounted Transaction/Unresponded Inter Office Advice (IOA)			
SWIP discrepancies	-	19,850,943.76	19,850,943.76
Check encashment/accommodation by other branches/Modified Disbursement System (MDS) transactions/ Check transaction/Charge slip/Returned Checks and Other Cash Items(RCOCI)	9,264,851.09	7,248,211.96	16,513,063.05
Unaccounted cardless withdrawals	6,204,013.77	2,966,991.23	9,171,005.00
Unposted transactions/Transaction misrouted to other branch/E-BANKING transaction/difference/EGPS payment/Others	190,434.52	251,161.22	441,595.74
Salary loan transaction	321,240.63	-	321,240.63
TOTAL	**27,776,659.86**	**45,876,551.92**	**73,653,211.78**

6.5 Inquiry with the Branch/Accounting Center personnel revealed that these outstanding sundry accounts were not reversed within the prescribed period due to the following:

a. Electronic fund transfers using LBP ATM and Bancnet (Other Bank ATMs) terminals totaling P27,355,363.60 that were misposted in the Summary of Inter Branch Transaction (SIBT) and awaiting IOA from LBP Branch and ATM Operations Support Department (AOSD) as basis to adjust/reverse the sundry accounts;

b. MDS or check encashments amounting to P16,513,063.05 with pending IOA from the accommodating branches;

c. Discrepancies amounting to P9,171,005.00 due to unreconciled Inter-Branch Transactions (IBT) that originated from cardless transactions using ATMs of LBP branches. The accommodating branches were advised by the LBP Head Office to coordinate with the issuing branch for the reconciliation of misposted transactions through IOA;

d. The Sweep (SWIP) electronic banking transaction discrepancies amounting to P19,850,943.00 booked by Cash Plaza Branch from October 1 to December 29, 2020 were not yet reclassified to the proper credit account and temporarily recorded as Sundry Credit account. To date, Electronic Products Department (EPD) investigation on the causes of the discrepancy is still ongoing;

e. Other unposted/misrouted/unaccounted e-banking transactions amounting to P441,595.74 are for reconciliation/investigation prior to reversal/adjustment to proper accounts; and

f. Salary loan transactions amounting to P321,240.63, temporarily booked in the Sundry account, is due to the ongoing conversion to the new eSL system.

6.6 The Sundry Debits and Credits amounting to P27.777 million and P45.877 million, respectively, were not adjusted/reversed to the proper debit/credit accounts for more than the required number of days, contrary to LBP EO No. 039, Series of 2019, hence, affecting the faithful representation of the balances of affected accounts in the financial statements as at December 31, 2020.

6.7 We recommended that Management require the Units concerned (LBP Branches/AOSD/EPD/SID) to expedite the verification and resolution of the outstanding Sundry Debits and Credits and record the necessary adjustments to the proper accounts as at December 31, 2020.

6.8 Management informed that out of the P27.777 million outstanding sundry debits and P45.877 million sundry credits, P20.866 million and P36.050 million, respectively, were reversed and booked to proper debit/credit accounts in 2021, and the remaining P6.911 million and P9.827 million are pending for resolution.

6.9 We acknowledge the immediate actions undertaken by Management, however, since the adjustments were made in 2021, the balances of the affected accounts remained uncorrected as at December 31, 2020, hence, we maintain our recommendation.

B. OTHER ISSUES

Gender and Development (GAD)

7. LBP was able to attribute COVID-19 response programs amounting to P41.463 billion in the Gender and Development (GAD) Plans and Budget (GPB) for CY 2020 in compliance to PCW Memorandum Circular 2020-03. However, the institutionalization of GAD database and sex-disaggregated data was not fully carried out, contrary to Section 4.4 of the PCW-NEDA–DBM Joint Circular No. 2012-001.

7.1 Section 4.1 of the PCW Memorandum Circular No. 2020-03 states that:

> *All national government agencies and instrumentalities are enjoined to review and revise, as necessary, their FY 2020 Gender and Development (GAD) Plan and Budget (GPB) to implement measures to address gender issues and concerns arising from the unequal status of their women and men stakeholders due to the COVID-19 situation.*

7.2 The pertinent provisions of the PCW-NEDA-DBM Joint Circular No. 2012-01 are quoted hereunder.

a. Section 3.0 General Guidelines in GAD Planning and Budgeting

> *3.5 Agency GAD Focal Point Systems (GFPS) shall take the lead in mainstreaming gender in agency PAPs. As such they shall coordinate the preparation of the agency GPB and the GAD AR, monitor its implementation and report on its results. In the process, they shall provide technical assistance to offices or units within their agency on gender* mainstreaming*. To enable them to perform their roles, it is important that the GFPS members are*

provided with the required gender capacity, such as application of gender analysis tool.

b. Section 4.0 Essential Elements in GAD Planning and Budgeting

4.3 Conduct of Gender Audit: Gender audit is an examination of the agency's level of gender mainstreaming or extent of the gender responsiveness of its policies, programs and projects, the level of gender awareness and competence of its personnel and the presence or absence of enabling mechanisms that support gender mainstreaming. The result of the gender audit could be a basis of capacity development programs that must be implemented and in enhancing the gender-responsiveness of agency policies and PAPs.

4.4 Institutionalizing GAD Database/Sex-disaggregated Data: The agency shall develop or 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, budgeting, programming, and policy formulation.

c. Section 6.0 Costing and Allocation of the GAD Budget

6.1 At least five percent (5%) of the total agency budget appropriations authorized under the annual GAA shall correspond to activities supporting GAD plans and programs. The GAD budget shall be drawn from the agency's maintenance and other operating expenses (MOOE), capital outlay (CO), and personal services (PS). It is understood that the GAD budget does not constitute an additional budget over an agency's total budget appropriations.

6.4 Attributing agency major programs to the GAD budget

Attribution to the GAD budget of a portion or the whole of the budget of an agency's programs is a means toward gradually increasing the gender responsiveness of government programs and budgets.

6.4.1 If an agency intends to attribute a portion or the whole budget of major programs during the GAD planning and budgeting phase, it may subject the program to gender analysis using the HGDG tool. Xxx

7.3 Review disclosed that the Bank included in the FY 2020 GPB new GAD activity/programs implemented in response to COVID-19 situation pursuant to Section 4.1 of PCW Memorandum Circular No. 2020-03 dated April 27, 2020.

7.4 Review of the GAD Accomplishment Report (AR) for FY 2020 disclosed that the Bank incurred GAD activity expenses amounting to P654,324.77 to capacitate and strengthen its GAD Focal Point System (GFPS) thru the Technical Working Group, including Program Officers, Account Officers and Lending Officers from the Agricultural and Development Lending Sector. This is through attendance in virtual seminars workshops/ webinars on Gender Sensitivity, Gender Analysis and GAD Planning and Budgeting with the use of the Harmonized Gender and Development Guidelines (HGDG) tool, with focus on program development. As a result, the Bank was able to use their learnings on the use of HGDG tool in the preparation of its FY 2021 GPB, adjustment of the its FY 2020 GBP, and attribution of the programs' actual expenses, as reflected in the submitted GAD AR for FY 2020.

7.5 Further review of the GAD AR for FY 2020 disclosed that P77,228,664,707.75 or 25.16 per cent of the CY 2020 DBM-approved Corporate Operating Budget (COB) of P306,937,523,000 was allocated to GAD programs, activities and projects in compliance to at least five per cent allocation of COB to GAD budget, as required under Section 6.1 of PCW-NEDA-DBM Joint Circular No. 2012-01. Of the total GAD budget, P41,462,606,007.30, equivalent to 13.51 per cent of the COB, was utilized in CY 2020.

7.6 The Bank has existing databases of its loan programs and other programs from where HGDG tool was applied to comply with the program attribution in the GAD Budget/AR. However, the GAD Database and Sex-disaggregated data (SDD) is not fully institutionalized or integrated in the existing databases, contrary to Section 4.4 of the PCW-NEDA –DBM Joint Circular No. 2012-001.

7.7 Management informed that an initiative to review existing lending database is part of the training module to identify the gaps between existing data collected and those that are necessary to come up with a more gender responsive database.

7.8 **We recommended and Management agreed to fully develop and integrate in its existing GAD database information to include gender statistics and sex-disaggregated data that have been systematically produced or gathered as inputs or bases for planning, budgeting, programming, and policy formulation.**

Compliance with Republic Act No. 7656

8. Parent

The LBP Board of Directors in its Board Resolution No. 21-324 dated May 12, 2021 approved the request for dividend relief for CY 2020 net income to the Department of Finance (DOF). The letter dated May 14, 2021 requesting for dividend relief was forwarded to DOF on even date.

8.1 Subsidiaries

In compliance with Republic Act No. 7656, three of five subsidiaries declared and remitted cash dividends totaling P278.891 million to the Bureau of the Treasury (BTr) for CY 2020 net income, details as follows:

Name of Subsidiaries	Amount (In million pesos)
LBP Leasing and Finance Corporation	181.325
LBP Insurance Brokerage, Inc.	74.842
LBP Resources and Development Corporation	22.724
	278.891

The other two subsidiaries, Overseas Filipino Bank, Inc. and Masaganang Sakahan, Inc., did not declare and remit dividends due to net loss in 2020.

Compliance with Tax Laws

9. Taxes withheld for the month were remitted on or before the 10th day of the following month, except those withheld for the month of December which were remitted on or before the 15th day of January of the following year.

9.1 In compliance with Tax Laws, information on taxes and licenses paid or accrued during the taxable year 2020 were disclosed in Part I of this report, specifically under Note 26 to the Financial Statements. The taxes withheld from compensation, benefits and other sources amounting to P3.798 billion were remitted to the Bureau of Internal Revenue in accordance with the deadlines on payment/remittance of taxes prescribed by the National Internal Revenue Code.

Philhealth and Pag-ibig Premiums

10. In CY 2020, LBP complied with Title III Rule III, Section 18 of the Implementing Rules and Regulations of Republic Act (R.A) No. 7875 as amended in the payment of national health insurance premium contributions to the Philhealth.

10.1 LBP also complied with Rule VII, Section 3 of the Implementing Rules and Regulations of R.A. No. 9679 in the collection and remittance of contributions to the Pag-ibig Fund.

GSIS Contributions and Remittances

11. In CY 2020, LBP complied with the rules and regulations implementing the GSIS Act of 1997, particularly on the collection and remittance of contributions to GSIS as follows:

a. Mandatory monthly contribution of covered employees and employer in accordance with Section 18; and

b. Remittance of employees' and employer's contributions and employees compensation premium within the due date pursuant to Section 19 of the GSIS Act of 1997.

STATUS OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

12. The total audit suspensions and disallowances as at December 31, 2020 is P2.862 billion, broken down as follows:

		Suspensions		Disallowances		Total
Head Office*	P	-	P	2,824,431,297.32	P	2,824,431,297.32
Regional Offices/Branches		25,806,241.72		12,237,184.49		38,043,426.21
	P	**25,806,241.72**	**P**	**2,836,668,481.81**	**P**	**2,862,474,723.53**

** Included are the NLDC and PCFC disallowances*

12.1. The total disallowances pertain to the P2.811 billion Priority Development Assistance Fund (PDAF) and Development Acceleration Program (DAP) from National Livelihood Development Corporation and payments of benefits and allowances to LBP Board of Directors, officers and employees and other expenses which were not in accordance with existing laws, rules and regulations. Management has pending appeals with the Commission on the Notices of Disallowance, in accordance with the Revised Rules and Procedures, of the Commission on Audit (RRPC).

12.2. The total suspensions of P25,806,241.72 issued by Audit Teams in Regions 6, 7 and 9, pertain to payments of various expenses without complete supporting documents.

12.3. There are no audit charges as at December 31, 2020.