

**STATUS OF IMPLEMENTATION OF PRIOR YEARS'
AUDIT RECOMMENDATIONS**

Out of the 38 audit recommendations embodied in the prior years' Annual Audit Reports, 30 were fully implemented and eight were partially implemented. Of the eight partially implemented, one is reiterated in Part II of this report and the remaining seven are presented below:

**OBSERVATIONS AND
RECOMMENDATIONS**

STATUS/ACTIONS TAKEN

2019

Finding:

1. Bank service fees for Cash Card distribution and withdrawal transactions under the Unconditional Cash Transfer/Tax Reform Cash Transfer (UCT/TRCT) Program were not properly recognized contrary to PFRS 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.

Recommendation:

Partially Implemented.

The concerned LBP Servicing Branches to timely submit the required liquidation documents/reports of the UCT/TRCT program funds as per MOA/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.

As of May 31, 2021, service fees totaling P25.924 million was already booked by the servicing branches. Preparation of liquidation reports/ documents on the remaining P31.509 million is ongoing.

Finding:

2. The Bank's acquired properties located in the regions with an aggregate book value of P679.843 million were not properly

administered, protected and maintained, contrary to the Special Assets Department Operations Manual, thus the Bank is exposed to higher risk of losses and may not recover its exposure of investments on these properties.

Recommendation:

Partially Implemented.

Collect lease rental on properties occupied by informal settlers and former owners

The status of the 23 properties occupied by informal settlers and former owners are as follows:

- a. Two properties were disposed, one of which is for collection of back rentals in the amount of P672,988.75;
- b. One property is with ongoing lease contract, with rental of P55,000.00 per month;
- c. Two properties with Certificates of Sale are still for annotation due to legal issues; and
- d. Eighteen properties are for filing of Writ of Possession before collection of back rentals.

Finding:

3. The monthly Automated Teller Machine (ATM) availability rate of 96 per cent was not maintained by the Third Party Service Provider (SP) engaged by the Bank to handle the outsourcing of its ATM Cash Loading and First Level Maintenance functions, and the related penalties were not collected on time, contrary to the Terms of Reference (TOR) of the contract, hence, depriving the bank client/customers of continuous period of ATM uptime service.

Recommendation:

Partially Implemented.

Require the SP to maintain the monthly Total Uptime Maintenance Rate of 96 per cent and the minimum downtime level of four per cent per month as provided in the

Review and analysis of the SP ATM Availability Report for calendar year 2020 showed the SP performance of 96 per cent availability for the months of January to March, June to

Terms of Reference to mitigate the complaints from Branches, Bank clients and customers deprived of the benefits of longer ATM uptime service.

September and December 2020.

Similar to the result of the Quarterly Performance Assessment Report (QPAR) in CY 2019, the respondent branches have rated the SP below satisfactory performance or Needs Improvement in most of the performance categories within the function and responsibilities of the SP except the "Courteousness of G4S Personnel" where the SP was rated satisfactory in CY 2020.

2018

Finding:

4. The faithful representation of Credit Card Receivables (CCR) account amounting to P401.929 million as at December 31, 2018 cannot be ascertained due to the variance between the General Ledger (GL) and Subsidiary Ledger (SL) balances in the aggregate amount of P734.971 million.

Recommendation:

Ensure timely and proper recording of credit card transactions to reflect the correct balances of CCR and the related income accounts in the FMS or GL.

Partially Implemented

The variance between GL and SL balances aggregated to P853.961 million as at December 31, 2020, compared with P770.174 million and P734.971 million, in CY 2019 and CY 2018, respectively.

Partial reconciliations were made but the increase in the amount of variance in CY 2020 is due to the cardholder's payments temporarily lodged in Accounts Payable pending the System Feedback Form (SFF) resolutions and payment applications subject for validation, and the booking of chargeback transactions.

Prospectively, the availability of the GL Module and implementation of the Payment Apportionment Report after

it's testing and sign-off by Loans Operations Management Department (LOMD) in March 2021 will ensure proper booking of MasterCard credit card transactions.

Finding:

5. Forty-four (44) Easy Home Loan (EHL) accounts past due for 192 days or more totaling P69.593 million were not transferred to Loan Recovery Department for remedial action and/or foreclosure of collaterals; and TCTs/CCTs of 34 past due EHL accounts were not delivered to the Bank, contrary to LBP Credit Manual and Deed of Undertaking, thus, the Bank is exposed to high risk of loss and non-recovery of its loan exposure.

Recommendation:

Partially implemented.

Demand from the Developer/Seller of the past due EHL accounts the immediate turnover of the TCTs/CCT registered in the names of the Purchasers/ Borrowers to the Bank.

Out of the 34 accounts/borrowers with undelivered TCTs/CCTs, 15 TCTs were consolidated in the borrower's name, 11 TCTs were bought back by the developers, and the remaining eight accounts/borrowers are still to be transferred from developer's to borrower's name.

2017

Finding:

6. Long outstanding Service Fees Receivable from Department of Social Welfare and Development (DSWD) for services rendered by Conditional Cash Transfer (CCT) Conduits and LBP in the distribution of cash grants to CCT beneficiaries from 2016 and prior years' pay-outs had accumulated to P746 million as at December 31, 2017. Also, payments made by DSWD to LBP totaling P174.377 million were not yet transferred/ credited to the respective bank accounts of CCT Conduits due to late/ non-

submission of the required response files by the latter.

Recommendation:

Partially Implemented.

Enforce collection of the remaining and succeeding service fees pursuant to the MOA between LBP and DSWD.

The outstanding service fees as at December 31, 2020 amounted to P132.244 million compared to P746 million as at December 31, 2017. The 2nd Petition for Money Claim amounting to P82.719 million shall be included in the FY 2022 DSWD budget proposal while the 3rd Petition for Money Claim amounting to P49.525 million was filed on June 30, 2021.

LBP is closely coordinating with DSWD for the collection of payment for the said petition and unpaid service fees.

2014

Finding:

7. The accuracy, completeness and existence of the carrying value of Property and Equipment accounts of P5,478.999 million could not be ascertained due to the: (a) absence of physical inventory report and the results of reconciliation with the accounting records or inability of some LBP branches/offices to conduct actual physical count for CY 2014, and (b) inclusion of missing/unlocated items of P60.236 million.

Recommendation:

Partially Implemented.

Identify the persons accountable for the missing/unlocated properties and require them to settle their accountabilities.

As of December 31, 2020, non-existing/missing properties with acquisition cost and carrying value of P6.896 million and P1.619 million are still included in the Property and Equipment account.

The Bank personnel accountable for the non-existing/missing properties were all identified and notified/informed of their accountabilities. However, Administrative

Accounting Department has not yet recognized the corresponding receivables from concerned accountable personnel due to the ongoing formulation of the guidelines on the one-time cleansing of Property and Equipment account pursuant to COA Circular No. 2020-06.