

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Out of the 21 audit recommendations embodied in the prior years' Annual Audit Reports, 13 were fully implemented, six were partially implemented, one of which is reiterated, and two were not implemented. The observations with the corresponding partially implemented and not implemented recommendations are presented below:

References	Audit		Status of Implementation
	Observations	Recommendations	
2020			
CY 2020 AAR/ AOM No. 03/ Pages 94 to 96	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.	Consider the revision of the specific criteria, parameters, and policy guidelines on the Sale and Derecognition of Debt Securities under Sector Order No. 88, Series of 2021 that would be consistent and transparent in the selection of the investment to be derecognized from among similar investments and the measurement of the gains or losses from transactions.	Partially implemented Sector Order No. 88, Series of 2021 entitled Guidelines on the Sale and Derecognition of Debt Securities was issued on December 28, 2021. However, the parameters under Sector Order No. 88 for the selection of the investment to be derecognized from among similar investments are still at the discretion of the traders and the measurement of the gains or losses from transactions would not be consistent.

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	Observations	Recommendations	
CY 2020 AAR/ AOM No. 01/ Pages 103 to 107	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, 2021, contrary to PAS 27, PAS 36 and Philippine PFRS 12.	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.	Partially Implemented. Memorandum Order (MO) No. 58 dated December 01, 2021 was issued by the Office of the President of the Philippines directing the abolition of the NFC and the creation of the Technical Working Group (TWG) that included LBP. The MO No. 58 provides that one of the powers, duties and functions of the TWG is to resolve issues on the transfer of equity investment in the NFC from the NLDC to the LBP in relation to MO No. 85, series of 2015. As of June 9, 2022, the TWG has yet to convene. Not Implemented. Not Implemented.
2019			
CY 2019 AAR/	Bank service fees for Cash Card distribution	The concerned LBP Servicing Branches to	Partially Implemented.

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	Observations	Recommendations	
AOM No. 3/ Pages 97 to 102	and withdrawal transactions under the Unconditional Cash Transfer (UCT) Program were not properly recognized contrary to PFRS 15 and PAS 1, resulting in the overstatement of Accounts Receivable-Government Entities (AR-GE), and understatement of Net Income by P57.433 million as at December 31, 2019.	timely submit the required liquidation documents/reports of the UCT/TRCT program funds as per MOA/IRR/guidelines, prepare Journal Tickets on the remaining accrued service fee receivable totaling P11.586 million plus reimbursable expenses, and submit to respective Accounting Centers for booking.	Of the P57.433 million unrecognized accrual of service fees in CY 2019, P31.321 million service fees was already booked by the servicing branches as at December 31, 2021. As of June 10, 2022, the remaining balance was further reduced to P11.586 million. The preparation of liquidation reports/documents on the remaining P11.586 million of service fees is ongoing.
CY 2019 AAR/ AOM No. 7/ Pages 107 to 111	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 (SPAD) Operations Manual, thus the Bank is exposed to higher risk of losses and may not recover its exposure of investments on these properties.	Collect lease rental on 23 properties occupied by informal settlers and former owners.	Partially Implemented. Out of the 23 properties with occupants, two properties were already disposed, one property with on-going lease contract, two properties awaiting status of the Bank's Petition from LRA, and 18 properties are for filing of Writ of Possession before collection of back rentals. As at June 2022, a total of P2.140 million rentals were collected from the property with on-going lease contract.

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	Observations	Recommendations	
2017			
CY 2017 AAR/ AOM No. 12/ Pages 104 to 107	Long outstanding Service Fees Receivable from Department of Social Welfare and Development (DSWD) for services rendered by 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.	Enforce collection of the remaining service fees amounting to P141.537 million, pursuant to the MOA between LBP and DSWD.	Partially Implemented. The outstanding service fees as at December 31, 2021 amounted to P141.537 million compared to P746 million as at December 31, 2017. The 2 nd Petition for Money Claim amounting to P82.719 million shall be included in the FY 2022 DSWD budget proposal, the 3 rd Petition for Money Claim amounting to P49.525 was filed on June 30, 2021, and the 4 th Petition amounting to P9.293 million was filed on October 4, 2021. LBP is closely coordinating with DSWD for the collection of payment for the said petition and unpaid service fees.