

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

Out of the 68 audit recommendations embodied in the prior years' Annual Audit Reports, 48 were fully implemented and 20 were partially implemented, of which six are reiterated in Part II of this report. The observations with the partially implemented audit recommendations are presented below.

**OBSERVATIONS AND
RECOMMENDATIONS**

ACTIONS TAKEN

2018

1. 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.

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.

Validation and testing of the GL Module and sample report are on-going and awaiting response from MasterCard Technology Private Limited on the latest feedback/test results.

For the reported income on Past Due, the full data dump was already provided to Central MIS Department (CMISD). The required data/reports were requested to be developed by end user to the CMISD.

For Mastercard accounts, the variance between the GL and SL has been further reduced by 89.12 per cent as at March 31, 2020.

For VISA accounts, validation and checking of individual SL balances is ongoing by both Credit Card Administration Department and Loans Implementation Department with the assistance of one Branch Banking Support Department personnel to eliminate the reconciling items.

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2. Unrecorded Unconditional Cash Transfer (UCT)/ Tax Reform Cash Transfer (TRCT) service fees receivable, and reimbursable expenses, resulted in the understatement of Accounts Receivable-Government Entity (AR-GE) and Fees and Commission Income accounts by approximately more than P25.811 million in all LBP Branches as at December 31, 2018.

Concerned Servicing Branches personnel to:

- a. Properly fill out the necessary data (dates, signatures of the beneficiaries, LBP and DSWD authorized representatives, etc.) in the liquidation documents to attest its completeness and correctness; and

Partially Implemented.

Some of the concerned branches have complied with the preparation of liquidation documents/ reports. However, there are liquidation reports on UCT/TRCT Program such as Payroll Lists and its attached Payment Slips of other LBP branches that are still not completely filled up and not consistently signed by DSWD and LBP representatives.

- b. Maintain scanned copy of the liquidation documents and softcopy of the Payroll File (CSV/Excel File) with Date Paid as indicated in the memorandum from CCT-PMD for reconciliation purposes.

Partially Implemented.

CCT-PMD continuously reminds the concerned branches to comply with the policy on maintaining the scanned copy of the liquidation documents. The concerned branches, specifically the Isulan and Tacurong branches, already started the scanning of the necessary liquidation documents. However, due to its time-consuming nature, the same has not yet been completed.

3. Automated Teller Machine (ATM) shortages and overages totaling P10.008 million and P10.188 million, respectively, remained unadjusted in the books of various LBP Branches, contrary to LBP Executive Order No. 037 series of 2017 and affected the

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faithful representation of the Shortages and Overages accounts in the financial statements.

Require the concerned personnel of LBP Branches to expedite the evaluation of the long outstanding shortages and overages resulting from ATM Reconciliation and Balancing and adjust the affected accounts.

Partially Implemented.

The Branches conduct ATM Reconciliation and Balancing. As at April 30, 2020, ATM shortages and overages were reduced by 74 per cent or P7.357 million and 72 per cent or P7.307 million, respectively.

4. Sundry Debits and Credits accounts aggregating P2.405 million and P4.724 million, respectively, as at December 31, 2018, remained unadjusted to the proper debit and credit accounts for more than the required number of days contrary to the BSP Financial Reporting Package (FRP) for Banks and LBP Manual of Field of Accounting Units on Handling of Specific Accounts, and further affected the fair presentation of the accounts in the financial statements.

- a. Expedite the verification and analysis of the long outstanding Peso Visa collections amounting to P2.413 million, and effect the necessary adjusting entries to the Sundry Credits-Domestic-Non-Deposit, AP-Variou-Resident-Non-Deposit and Credit Card Receivable accounts; and

Partially Implemented.

The total outstanding balance of accounts reclassified from Sundry Credits to AP has been reduced further by 82.22 per cent or P1.984 million as at March 31, 2020.

- b. Require the LID to consistently use the AP-Variou-Resident-Non-Deposit account for collections received from credit cardholders.

Partially Implemented.

Out of the 19 remaining APs, 17 have been addressed and raised to concerned units, and awaiting replies for proper disposition. The other two remaining APs on the other hand, are subject to further validation and reversal.

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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.

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.

Partially Implemented.

Out of 34 past due EHL accounts, 13 accounts are still for transfer of titles from developer's name to borrower.

2017

6. Actual Maintenance and Other Operating Expenses (MOOE) exceeded the DBM-approved budget for CY 2017 by P1.304 billion contrary to the fundamental principles on the utilization of government funds set forth under Section 29(1) Article VI of the 1987 Constitution and Section 4(1) of Presidential Decree (PD) No. 1445.

Evaluate the cause(s) of the variance and determine the significant considerations in estimating the reasonable amounts of expenses in the Corporate Operating Budget (COB) for proper allocation and prioritization in the utilization of funds and further ensure the disbursements are within the authorized amounts.

Partially Implemented.

The actual MOOE exceeded the approved budget by P5.842 billion in CY 2019, mainly for financial cost, insurance, rent, litigation and taxes and licenses expenses.

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7. 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. 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.

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

Partially Implemented.

Conditional Cash Transfer-Program Management Department (CCT-PMD) has already received the 2nd Petition for Money Claim granted by COA and is still waiting for the DSWD payment of the said petition.

For every endorsement of billing statement, CCT-PMD constantly remind the DSWD Field Offices to pay the remaining unpaid service fees for the previous payout/s.

2016

8. The absence of periodic reconciliation between the records of LBP and its subsidiaries caused the unreconciled differences on the balances of receivables and payables accounts in LBP's books with that of subsidiaries by approximately P81.821 million and P394.997 million, respectively, as at December 31, 2016.

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Require the Financial Accounting Department and other concerned accounting units to perform reconciliation of the balances of receivables and payables in LBP books with that of subsidiaries books to present the balances of accounts in accordance with IFRS 10 in the financial statements.

Partially Implemented.

As at year-end 2019, the unreconciled differences on the balances of receivables and payables accounts amounted to P108.211 million and P716.830 million, respectively. There is an ongoing reconciliation between LBP and LBP Leasing and Finance Corporation. The concerned units/departments of other subsidiaries have been requested to perform periodic reconciliation.

The request for subsidiaries to submit the schedules of receivables and payables as at December 31, 2019 were sent in January 2020 which will be used in the reconciliation with their respective records.

Financial Accounting Department will prepare a consolidated Reconciliation Statement upon receipt of reconciliation statements/schedules submitted by units concerned. The target completion of the reconciliation is not later than 4th quarter of CY 2020.

9. Delayed preparation and reporting of the results of Information Security Risk Assessment (ISRA) to Management resulted in the inability to project future information security risks within the prescribed period in order to come up with timely risk strategies appropriate for the Bank's business requirements.

Prepare the ISRA in accordance with the timeline provided under LBP Executive Order No. 039, Series of 2016, to come up with timely risk strategies appropriate for the Bank's business requirements.

Partially Implemented.

The Information Security and Technology Risk Management Office (ISTRMO) had collected 677 out of 749 assessments from Business Units for CY 2019.

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Validation and consolidation of accomplished templates is ongoing.

10. The LBP has no automated monitoring system linked to the other systems of the Bank, for the Funding, liquidation and related Service Fee (SF) of cash grants distribution through CCT Conduits despite being the depository and disbursing bank of the CCT Program for more than five years. Thus, monitoring of said transactions was prepared manually which entails tedious processes that are prone to human error.

Develop an automated monitoring system for the CCT Program Fund and the CCT Conduits service fees receivable from DSWD, that is extracted or linked to the Bank CASA system to generate accurate and complete report as at a given date or period.

Partially Implemented.

The User Acceptance Testing for Information Switching Technology Project on the automation of the system is ongoing and target completion is end of 3rd quarter of 2020.

2015

11. Parcels of land where the office buildings and warehouses were erected were not yet transferred/registered in the name of the Bank, thus, no conveyance of ownership, which puts the interest of LBP at risk.

Exert effort to secure titles for the above-mentioned parcels of land in the name of LBP to acquire legal ownership.

Partially Implemented.

A legal review is being conducted for possible Usufruct Agreement between LBP and the Branch.

Titling of the lot of the other branch was already completed.

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2014

12. 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.

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

Partially Implemented.

The missing and unlocated assets were already derecognized in the books on April 27, 2017. However, some of the unlocated assets in prior years amounting to P5.819 million remained unlocated/missing in the physical inventory conducted in CY 2019, hence their accountabilities were not yet settled.