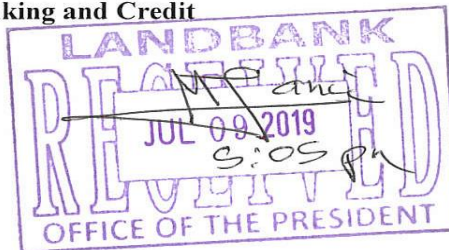




Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City, Philippines

CORPORATE GOVERNMENT SECTOR
Cluster 1- Banking and Credit



July 5, 2019

Mrs. CECILIA C. BORROMEIO
President and CEO
Land Bank of the Philippines
Manila

Dear President Borromeo:

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, 2018 and 2017.

The report consists of the Independent Auditor's Report, Audited Financial Statements, Observations and Recommendations, and 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, 2018 and 2017.

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

1. The faithful representation of the investments in equity securities recorded under Financial Assets (FA) at Fair Value through Profit or Loss (FVTPL), Fair Value through Other Comprehensive Income (FVTOCI) and Hold-to-Collect (HTC) accounts amounting to P45.753 million, P104.594 million and P11.448 million, respectively, could not be established due to their valuation which are not compliant with the requirements of paragraphs 4.1.4 and B5.2.3 of the Philippine Financial Reporting Standards (PFRS) 9.

We recommended and Management agreed to:

- a. Expedite the validation of the valuation models to be applied for the marking-to-market of investments in equity securities of the Bank; and
- b. Adjust the investments recorded under FA-FVTPL and FA-FVTOCI accounts amounting to P45.75 million and P104.594 million, respectively, at fair value and HTC amounting to P11.448 million at amortized cost less allowance for losses in accordance with PFRS 9.

2. 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.

We recommended and Management agreed to:

- a. Prepare monthly reconciliation between the GL and SL using the automated "TOTALOS" balance of the Daily Due Report for the subsidiary ledger of the Credit Card Receivable account and record the necessary adjusting entries for faithful representation of the CCR account in the financial statements; and

b. 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.

The other 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 June 7, 2019, are presented in detail in Part II of the report.

We respectfully request 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



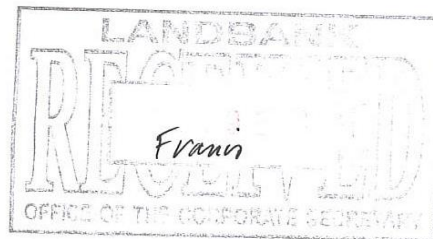
Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City, Philippines

CORPORATE GOVERNMENT SECTOR
Cluster 1- Banking and Credit

July 5, 2019

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, 2018 and 2017.

The report consists of the Independent Auditor's Report, Audited Financial Statements, Observations and Recommendations, and 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, 2018 and 2017.

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

1. The faithful representation of the investments in equity securities recorded under Financial Assets (FA) at Fair Value through Profit or Loss (FVTPL), Fair Value through Other Comprehensive Income (FVTOCI) and Hold-to-Collect (HTC) accounts amounting to P45.753 million, P104.594 million and P11.448 million, respectively, could not be established due to their valuation which are not compliant with the requirements of paragraphs 4.1.4 and B5.2.3 of the Philippine Financial Reporting Standards (PFRS) 9.

We recommended and Management agreed to:

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We recommended and Management agreed to:

- a. Prepare monthly reconciliation between the GL and SL using the automated "TOTALOS" balance of the Daily Due Report for the subsidiary ledger of the Credit Card Receivable account and record the necessary adjusting entries for faithful representation of the CCR account in the financial statements; and

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The other 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 June 7, 2019, 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

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