

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

Out of the 83 audit recommendations embodied in the prior years' Annual Audit Reports, 51 were implemented, 30 were partially implemented, and two were not implemented, of which 20 are reiterated in Part II of this report. The unimplemented and partially implemented audit recommendations are presented below.

<b>OBSERVATIONS AND RECOMMENDATIONS</b>	<b>ACTIONS TAKEN</b>
<b>2017</b>	
<p>1. Delayed completion of the centralization of booking of Real and Other Properties Owned and Acquired (ROPA) in the ROPA Manager System (ROPA MS) and the abnormal credit balances totaling P6.222 million resulted in the variance amounting to P35.530 million between the balances of Financial Management System General Ledger and the ROPA MS/Master List of ROPA, thereby affecting the faithful representation of the ROPA account as at year end.</p> <p>The LID, Special Assets Department (SPAD) and Agricultural and Development Lending Sector (ADLS) to reconcile the Financial Management System-General Ledger (FMS-GL) and ROPA MS balances to identify the cause/s of the variance in the reported balance of the ROPA account and make the appropriate adjustment/s to bring the balances in agreement, if necessary.</p>	<p>Partially implemented.</p> <p>The discrepancy between ROPA MS and FMS was reduced to P4.0 million or 0.08 per cent of the total ROPA Portfolio as of 31 March 2019.</p> <p>Reconciliation of ROPA MS and FMS is still ongoing.</p>
<p>2. 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.</p>	

OBSERVATIONS AND RECOMMENDATIONS	ACTIONS TAKEN
<p>a. 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; and</p>	<p>Not Implemented.</p> <p>For CY 2018, the actual MOOE exceeded the approved budget by P4.760 billion.</p>
<p>b. In case the approved budget is no longer sufficient to cover the necessary expenditures to be incurred/paid, secure an approved supplemental budget from the Board of Directors and DBM as an authority to incur and pay them.</p>	<p>Partially Implemented.</p> <p>The LBP Board of Directors approved the supplemental budget for CY 2018 which was submitted to DBM for approval on 30 April 2019 together with the Corporate Operating Budget of the Bank for CY 2019.</p> <p>The Bank's request for dividend relief was adjusted from 50 per cent to 10 per cent for its CY 2017 Net Income. The Bank also requested Department of Finance for the deferment of payment of the 10 per cent dividend, and in its letter dated December 20, 2018, gave consideration that the 10 per cent dividend be remitted in CY 2019.</p> <p>The DBM, in its reply to COA's request dated 1 February 2019, clarified that the budget for dividend payment cannot be utilized for other MOOE items.</p>
<p>3. Long outstanding Service Fees Receivable from Department of Social Welfare and Development (DSWD) for services rendered by 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</p>	

OBSERVATIONS AND RECOMMENDATIONS	ACTIONS TAKEN
<p>Conduits due to late/ non-submission of the required response files by the latter.</p>	
<p>a. Coordinate and enforce the submission of liquidation documents, including the response files and the service fees billing statements, immediately after pay-out to the LBP Servicing Branches pursuant to the Memorandum of Agreement (MOA) between LBP and CCT Conduits. Thereafter, LBP shall promptly endorse the service fees billing statements to DSWD, as the basis for recording in the latter's books of accounts;</p>	<p>Partially Implemented.</p> <p>As of 31 March 2019, the outstanding unpaid service fees covering CY 2016 and prior years' payouts was reduced to P279 million.</p> <p>Continuous close coordination/ communication with DSWD are being made to fully resolve the long outstanding service fees receivable.</p>
<p>b. Immediately send the required Memorandum to LBP Batasan Branch on the proper application of monies received from the DSWD, including the 1st Petition for Money Claim, upon receipt of the response files from the CCT Conduits. Require the LBP Batasan Branch to effect the payments of unpaid service fees to the CCT Conduits; and</p>	<p>Partially Implemented.</p> <p>As of 24 May 2019, P154.139 million out of P262.572 million, net of tax, were credited to the corresponding account of the Conduits, including the LBP Branches for over-the-counter pay-outs. The status of the remaining balance of P108.433 million of Conduits are as follows:</p> <ul style="list-style-type: none"> <li>• GXI – P76.034 million, net of tax, is due to reimbursement obligation to DSWD for pay-out conducted in CAR.</li> <li>• MASSPEC – P1.238 million, net of tax, due to discrepancy in response files submitted.</li> <li>• MLHUILLIER – P31.161 million net of tax, due to discrepancy in response files submitted.</li> </ul>
<p>c. Enforce collection of the remaining and succeeding service fees pursuant to the MOA between LBP and DSWD.</p>	<p>Partially Implemented.</p> <p>Conditional Cash Transfer- Program Management Office (CCT-PMO) is constantly coordinating and communicating with DSWD for the</p>

OBSERVATIONS AND RECOMMENDATIONS	ACTIONS TAKEN
	<p>payment of the remaining unpaid service fees.</p> <p>For every endorsed billing statement of the Conduit, there is a follow-up of unpaid service fees to DSWD.</p> <p>On 15th and 20th December 2018, the CCT-PMO issued letters to DSWD for the allocation of budget on the reimbursement of expenses and unpaid service fees.</p>
<p>4. Dormant Customer Information and Specimen Signature Cards (CISSCs) of various LBP branches totaling 1,962 were unlocated during inspection.</p>	<p>Partially Implemented.</p> <p>Out of 1,962 unlocated CISSCs, 679 were already located and properly filed; affidavit of loss was executed to the 230, and the remaining 1,053 are still missing despite efforts to locate.</p>
<p>5. Long outstanding Cash Card rejected transactions due to closed or purged accounts amounting to P3.668 million were not yet returned by the LBP Batasan Branch to Department of Social Welfare and Development (DSWD), contrary to the Implementing Rules and Regulations for the Cash Disbursement of the Pantawid Familyang Pilipino Program (4Ps).</p>	<p>Partially Implemented.</p> <p>As of 24 April 2019, a total of P2.568 million Manager's Checks have been issued by the LBP Batasan Branch in favor of DSWD. The validation/reconciliation on the remaining balance of P1.100 million is on-going.</p>

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6. The 4,566 LANDBANK OFW Cash Cards (LOCC) with an aggregate amount of P3.614 million have been dormant from more than two to nearly ten years from the date of last monetary activity despite the discontinuance of LOCC in 2013 and recorded under the Accounts Payable-Electronic-Money (AP-E-Money) account.

Require Overseas Remittance Marketing and Support Department (ORMSD) to continue sending notices in accordance with item D.4.a of LBP E.O No. 074, Series of 2017.

Partially Implemented.

The Bank continues to post and circulate general notices in the social media accounts of the Overseas Representative Officers.

As of 31 December 2018, dormant LOCC was reduced to 4,288 or an aggregate amount of P3.312 million.

**2016**

7. The absence of periodic reconciliation between the records of Landbank of the Philippines (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.

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.

There is an ongoing reconciliation between LBP and LBP Leasing Finance Corporation (LLFC) and have identified the causes of the variance but still for verification by LLFC.

Concerned units/departments of other subsidiaries have been requested to perform periodic reconciliation.

OBSERVATIONS AND RECOMMENDATIONS	ACTIONS TAKEN
<p>8. 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.</p> <p>a. 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; and</p> <p>b. Require the Business Units (BUs) to submit to the Sector Head concerned the accomplished ISRA on time to facilitate timely consolidation and finalization.</p>	<p>Partially Implemented.</p> <p>Fifty-five out of 123 filled up templates of Head Office units were already submitted to Information Security and Technology Risk Management Office (ISTRMO). The remaining 68 filled up templates of Head Office units were not yet submitted. Moreover, the validation of 652 out of the 728 templates distributed to different Field Units is ongoing.</p> <p>Partially Implemented.</p> <p>The target distribution for the remaining templates is within Q1 2019.</p> <p>Validation is on-going on the BUs submitted templates. The results of the validation are for consolidation and reporting within Q2 2019.</p>
<p>9. 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.</p>	

<b>OBSERVATIONS AND RECOMMENDATIONS</b>	<b>ACTIONS TAKEN</b>
<p>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.</p>	<p>Partially Implemented.</p> <p>The development of the automated monitoring system for the CCT Program Fund and the CCT Conduits is still ongoing.</p> <p>Reports were already submitted to Information Technology Project Management Department and will be included in the implementation of Information Security and Technology (IST) Phase III.</p>
<p><b>2015</b></p>	
<p>10. 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.</p>	
<p>Exert effort to secure titles for the above-mentioned parcels of land in the name of LBP to acquire legal ownership.</p>	<p>Partially implemented.</p> <p>San Isidro Branch</p> <p>The Concerned Group Head has already discussed the issue with San Isidro Mayor on 05 September 2016, however, the resolution of the San Isidro Sangguniang Bayan have not been received.</p> <p>On 27 March 2019, another follow-up letter for the updates of the Sangguniang Bayan resolution was sent to the Office of the Vice Mayor. No reply was received as of this date.</p> <p>Guimba Branch</p> <p>The concerned Branch have submitted the required documents for the petition of reconstitution of the original title and the issuance of the second Owner's duplicate copy of the original title. The last court hearing was on 21 February 2017.</p>

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	As of 31 March 2019, there are still no positive updates on the issuance of owner's duplicate copy according to the Municipal Treasurer and Municipal Accountant. Hence, a letter-request for an appointment was sent on 8 April 2019 and waiting for their reply.
<b>2014</b>	
<p>11. The validity of the obligation of LBP on the balances of Accounts Payable and Accrued Other Expense Payable amounting to P7,419.248 million and P2,748.668 million, respectively, were doubtful due to: a) Accumulation of long outstanding balances amounting to P397.722 million ranging from over one year to fourteen years, and b) temporary booking of loan payments of clients totaling P289.092 million, of which P32.171 million were outstanding for more than one to six years already.</p> <p>Require the departments/ accounting centers concerned to evaluate the nature of long outstanding accounts and take the necessary actions pursuant to LBP Executive Order No. 15, Series of 1991. Accordingly, prepare the necessary adjustments in the books to reflect the correct balances of the affected accounts in accordance with paragraph 69 of PAS 1, and to fairly present the account in the financial statements.</p>	<p>Partially implemented.</p> <p>Awaiting response from Supplier Management Division (SMD) on the proposed amendment of the guidelines.</p> <p>Seventy-six notices of payables to various suppliers and payees were sent on March 2019.</p> <p>For the accounts under the Loans Implementation Department, the remaining payable balance is P527,436.43 as of March 31, 2019.</p>
<p>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</p>	



<b>OBSERVATIONS AND RECOMMENDATIONS</b>	<b>ACTIONS TAKEN</b>
<p>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.</p>	
<p>Non-submission of 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 were not in accordance with COA Circular No. 80-124. Thus, the existence and actual conditions of the Bank's property and equipment could not be determined.</p>	
<p>a. Require those responsible officer/s or employee/s in the LBP Head Office to submit the inventory report and its reconciliation with accounting records and the concerned LBP branches to conduct physical inventory of fixed assets as required under Section 122 of PD 1445 and COA Circular No. 80-124; and</p>	<p>Partially implemented.</p> <p>For CY 2018, the Physical Inventory Report in the Head Office agrees with the accounting records except for the unlocated/missing items that are subject to final settlement.</p> <p>Further, based on the Management Letters (MLs) submitted by regional auditors, there are still branches that have not conducted physical inventory in 2018.</p>
<p>b. Identify the persons accountable for the missing/unlocated properties and require them to settle their accountabilities.</p>	<p>Partially implemented.</p> <p>In the Head Office, FMD had notified the concerned accountable persons to produce the missing/unlocated properties and in case of loss, to settle their accountabilities.</p> <p>Based on the MLs submitted by auditors of Regions I, V and XIII, there were 196 missing items in an aggregate amount of P14.270 million. No information on the settlement of accountabilities by the identified accountable persons with missing properties was provided in 2018.</p>