



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City, Philippines
CORPORATE GOVERNMENT SECTOR
Cluster 1 –Banking and Credit

Overseas Filipino Bank, Inc.
A Savings Bank of Landbank
OFFICE OF THE PRESIDENT

Received By: mealacasan
Date: July 29, 2021
Time: 3:30 AM

July 28, 2021

THE BOARD OF DIRECTORS

Overseas Filipino Bank, Inc.
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 Overseas Filipino Bank, Inc. (OFB) for the years ended December 31, 2020 and 2019.

The report consists of the Independent Auditor's Report, Audited Financial Statements, Observations and Recommendations, and the Status of Implementation of Prior Years' Audit Recommendations.

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements of OFB for the years ended December 31, 2020 and 2019 because the balances of Accrued Expense Payable (AEP) and Accounts Payable (AP) amounting to P174.106 million and P41.983 million, respectively, or an aggregated of P216.089 million as at December 31, 2020, included payables to LBP of P193.172 million which did not reconcile with the corresponding amount of receivables recognized in LBP's books showing a total variance of P121.284 million. Further, out of the total recognized payables to LBP of P193.172 million, the amount of P121.314 million payables were not supported with complete documents. Hence, the faithful representation of the balances of AEP and AP as at December 31, 2020, were not established.

For the above audit observation, which caused the rendition of a qualified opinion, we recommended the following:

- a. Identify the nature of transactions composing the variance in the payable accounts in order to reconcile the discrepancy of P121.284 million between OFB and LBP books as at December 31, 2020;
- b. Support the recognized liabilities to LBP amounting to P121.314 million with complete documents to establish the validity of the recognized obligation; and
- c. Accordingly, prepare the necessary adjusting entries to faithfully represent balances of the AEP and AP accounts as at December 31, 2020.

In a letter of even date, we requested the President and CEO of OFB that the recommendations contained in Parts II and III of the report be implemented and that

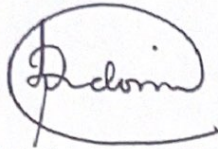
this Commission be informed of the actions taken thereon by submitting the Agency Action Plan and Status of Implementation within 60 days from date of receipt.

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:

A handwritten signature in black ink, appearing to read 'Adela L. Dondonilla', enclosed within a hand-drawn oval.

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



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OFFICE OF THE PRESIDENT

Received By: *mcalacasan*

Date: *July 29, 2021*

Time: *3:30 PM*

July 28, 2021

Ms. LEILA C. MARTIN
President and CEO
Overseas Filipino Bank, Inc.
Manila

Dear President Martin:

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 Overseas Filipino Bank, Inc. (OFB) for the years ended December 31, 2020 and 2019.

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- b. Support the recognized liabilities to LBP amounting to P121.314 million with complete documents to establish the validity of the recognized obligation; and
- c. Accordingly, prepare the necessary adjusting entries to faithfully represent balances of the AEP and AP accounts as at December 31, 2020.

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 4, 2021, are presented in Part II of the report.

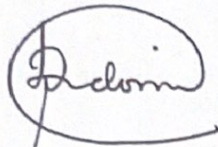
We respectfully request that the recommendations contained in Parts II and III of the report be implemented and that this Commission be informed of the actions taken thereon by submitting the Agency Action Plan and Status of Implementation within 60 days from date of receipt.

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:

A handwritten signature in black ink, appearing to read 'Adela L. Dondonilla', enclosed within a circular stamp or seal.

ADELA L. DONDONILLA
Director IV
Cluster Director

Copy Furnished:

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