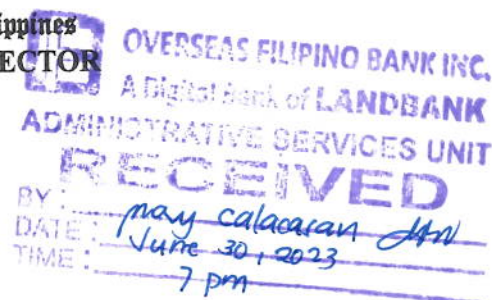




Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City, Philippines
CORPORATE GOVERNMENT AUDIT SECTOR
Cluster 1 –Banking and Credit

June 30, 2023

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, 2022 and 2021.

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 an unmodified opinion on the fairness of presentation of the financial statements of the OFB for the years ended December 31, 2022 and 2021.

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

1. The faithful representation of Property and Equipment account amounting to P283.004 million as at December 31, 2022, was not established due to: (a) unreconciled variance amounting to P42.020 million between the Report on the Physical Count of Plant, Property and Equipment (RPCPPE) and accounting records; and (b) derecognition of Furniture, Fixture and Equipment (FFE) amounting to P9.334 million not supported with documents.

We recommended and Management agreed to:

- a. Reconcile the variance in balances between the RPCPPE and the accounting books to establish the existence of properties and propriety of recorded amounts;
- b. Support the derecognition of FFE amounting to P9.333 million with complete documents to establish the propriety of recorded amounts;
- c. Prepare the necessary adjusting entries to correct the balance of the Property and Equipment account in the financial statements as at December 31, 2022; and
- d. Consider one-time cleansing of fixed assets and perform the necessary procedures, including, among others, the disposition of non-existing/ missing properties, pursuant to COA Circular No. 2020-006 dated January 31, 2020.

The 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, 2023, are presented in detail in Part II of the report.

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:



ROCHIE J. FELICES

OIC - Director III

Officer-in-Charge, Cluster 1, CGAS

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 AUDIT SECTOR
Cluster 1 –Banking and Credit

OVERSEAS FILIPINO BANK INC.
ADMINISTRATIVE SERVICES UNIT
RECEIVED
BY: Mary Cabacaran
DATE: June 30, 2023
TIME: 7 pm

June 30, 2023

Mr. RANDOLPH L. MONTESA
President and CEO
Overseas Filipino Bank, Inc.
Manila

Dear President Montesa:

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, 2022 and 2021.

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 an unmodified opinion on the fairness of presentation of the financial statements of the OFB for the years ended December 31, 2022 and 2021.

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

1. The faithful representation of Property and Equipment account amounting to P283.004 million as at December 31, 2022, was not established due to: (a) unreconciled variance amounting to P42.020 million between the Report on the Physical Count of Plant, Property and Equipment (RPCPPE) and accounting records; and (b) derecognition of Furniture, Fixture and Equipment (FFE) amounting to P9.334 million not supported with documents.

We recommended and Management agreed to:

- a. Reconcile the variance in balances between the RPCPPE and the accounting books to establish the existence of properties and propriety of recorded amounts;
- b. Support the derecognition of FFE amounting to P9.333 million with complete documents to establish the propriety of recorded amounts;
- c. Prepare the necessary adjusting entries to correct the balance of the Property and Equipment account in the financial statements as at December 31, 2022; and
- d. Consider one-time cleansing of fixed assets and perform the necessary procedures, including, among others, the disposition of non-existing/ missing properties, pursuant to COA Circular No. 2020-006 dated January 31, 2020.

The 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, 2023, 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:


ROCHIE J. FELICES
OIC - Director III
Officer-in-Charge, Cluster 1, CGAS

Copy Furnished:

The President of the Philippines
The Vice President
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The Speaker of the House of Representatives
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