

OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL ISSUES

1. The faithful representation of the balance of Accrued Expenses (AE) account amounting to P44.873 million as at December 31, 2021 was not established due to unreconciled variance of P11.292 million between the payable to LBP in OFB books and receivable from OFB in LBP books.

1.1 Paragraph 15 of the PAS 1, Presentation of Financial statements, states:

15. Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Conceptual Framework for Financial Reporting (Conceptual Framework). X x x

1.2 The reconciliation of the intragroup account balances of Overseas Filipino Bank (OFB) and Land Bank of the Philippines (LBP) books is necessary to ensure that transactions are properly recorded and account balances are faithfully represented in the separate financial statements of OFB and the consolidated financial statements of LBP group.

1.3 The financial statements of OFB, as a subsidiary of LBP, are being consolidated with LBP. The balance of each account of LBP and its subsidiaries are added together and thereafter the account balances and transactions between LBP and its subsidiaries or the intragroup balances and transactions are eliminated to come up with the consolidated financial statements of the LBP Group.

1.4 Review disclosed that the balance of Accrued Expenses account amounting to P44,873,153 includes payables to LBP amounting to P31,776,921.57 as at December 31, 2021. However, the balance of receivable from OFB in the LBP books amounted to P21,666,144.01, net of the P7,105,103.54 Accounts Payable in OFB books, hence a variance of P11,291,832.80. Details are summarized as follows:

Particulars	OFBI Books		LBP Books		Variance (In Absolute Value)
	Account	Amount	Account	Amount	
Management and Other Professional fees	AE	11,457,054.85	Accounts Receivable	11,558,049.80	100,994.95
Security	AE	675,045.30	Accounts Receivable	675,045.30	0
Information Technology Expense	AE	13,852,904.00	Accounts Receivable	7,716,864.00	6,136,040.00
Fuel	AE	6,628.24	Accounts Receivable	15,607.53	8,979.29
IT Equipment		0	Accounts	463,053.38	463,053.38

Particulars	OFBI Books		LBP Books		Variance (In Absolute Value)
	Account	Amount	Account	Amount	
Gender and Development (GAD) expenses			Receivable Accounts Receivable	17,500.00	17,500.00
Advertising and publicity	AE	5,334,177.00	Accounts Receivable	1,198,400.00	4,135,777.00
Fees and commission	AE	367,461.00		0	367,461.00
Stationery and supplies	AE	83,651.18	Accounts Receivable	21,624.00	62,027.18
Total		31,776,921.57		21,666,144.01	11,291,832.80

1.5 Verification of records disclosed that the variance of P11,291,832.80 pertains to the following:

- The variance in the Management and Other Professional fee of P100,994.95 pertains to Mobile Communication Allowance recorded as receivable in LBP books but not recorded as payable in the OFB books.
- The variance under information technology expense of P6,136,040.00 represents the payables recorded by OFB based on the last billing received from LBP but LBP asserts that no billing was prepared, hence no receivable from OFB was recorded in LBP books.
- The total variance of P489,532.67 under fuel consumption, IT equipment and GAD expense pertains to the expenses billed by LBP but not recorded as payables in OFB books.
- A payable of P4,800,000 recorded by OFB represents 80 per cent of the approved budget of a Contract Agreement but the amount recorded as receivable in the LBP books amounted to only P1,198,400 corresponding to the actual payment to the contractor, hence, a variance of P3,601,600. The payment milestones of the contract started in June 2021 but the Notice to Proceed was received by the contractor on September 28, 2021. The audit team was not provided with the actual accomplishments of the contractor as at December 31, 2021.

The remaining variance amounting to P534,177 refers to the expenses of the OFB's launching in 2018 and 2020 billed by LBP on November 24, 2021 and recorded as payable by OFB on December 31, 2021 but the corresponding receivable was not recorded in the LBP books. The total variance for advertising and publicity amounted to P4,135,777.00.

- The variance of P367,461 for fees and commission refers to the switch fee of Instapay transactions which was not recorded in the LBP books but OFB recorded a payable to LBP based on the statement of account as of October 31, 2021 received from LBP.

- For stationery and supplies, the variance of P62,027.18 pertains mostly to the unrecorded receivable for corporate giveaways in the LBP books but recorded as payable by OFB based on the billing statement dated November 24, 2021 received from LBP.

1.6 Management explained that the reconciliation of intragroup accounts between LBP and OFB is being undertaken monthly. However, LBP books differs from OFB books due to timing difference on the recognition of transactions. LBP records receivables from OFB upon payment to the Service Provider/ Supplier/ Contractor while OFB records payables to LBP based on the latest available billings. Billings of LBP were received after one to two months from date of payment to the Service Provider/ Supplier/ Contractor, hence the difference. Also, OFB does not record billings with lacking particulars.

1.7 In view of the unreconciled variance between the payables to LBP in OFB books and the receivables from OFB in LBP books, the faithful representation of the balance of Accrued Expenses account amounting to P44.873 million as at December 31, 2021 was not established.

1.8 We recommended and Management agreed to reconcile the variance between the payable to LBP in the OFB books and the receivable from OFB in LBP books, and prepare the necessary adjusting entries to correct the balances of the Accrued Expenses and other affected accounts as at December 31, 2021.

2. The faithful representation of the balance of Miscellaneous Assets account amounting to P 10.839 million as at December 31, 2021 was not established due to the inclusion of assets amounting to P3.051 million not supported with documents to ascertain its existence.

2.1 Paragraph 15 of the PAS 1, Presentation of Financial statements, states:

15. Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Conceptual Framework for Financial Reporting (Conceptual Framework). X x x

2.2 As at December 31, 2021, the balance of Miscellaneous Assets amounted to P10,838,880.50. Review showed that the account included the following which were not supported with original lease contracts, official receipts or other proof of receipt of payments and documents evidencing the existence OFB's right to receive cash or generate economic benefits:

	Particulars	Amount
1.	Security Deposit - lease transferred from closed OFB branches	2,070,623.06
2.	Advance Rentals - transferred from closed OFB branches	573,924.58
3.	Security Deposit on utilities transferred from closed OFB branches	132,461.72
4.	Reclassification of entry as per comment sheet no. 1-4 dated 11/21/05	274,170.00
	Total	3,051,179.36

2.3 Inquiry with the Head of FMU disclosed that the supporting documents of the security deposits to utility companies and advances to lessors totaling P2,777,009.36 (items 1 to 3 in the above table) were not turned over by the closed branches.

2.4 The advance rental payments totaling P735,980 pertains to lease contracts which were terminated from September 2019 to December 2021 due to the closure of the OFB branches, as follows:

Branch	Lessor	Date of Contract Termination	Amount
Tarlac	Lessor A	October 5, 2020	265,734.15
Mabalacat	Lessor B	August 31, 2021	213,355.14
Tuguegarao	Lessor C	November 30, 2019	162,055.58
Dipolog	Lessor D	January 31, 2020	69,835.29
Himamaylan	Lessor E	November 30, 2019	25,000.00
Total			735,980.16

2.5 The advance rental payments above were not supported with original lease contracts, except for Tuguegarao Branch. These were found not applied to the rental at the beginning or end of the lease term contrary to the lease contracts.

2.6 Management explained that the miscellaneous assets without supporting documents pertain to transactions booked at OFB branches' level covering the years 1995 to 2000. In 2018, the tasks of reconciling these items were given to the then Heads of the concerned departments, however, related documents were not provided by the branches to the Head Office.

2.7 Management further informed that the advance rental payments were not applied since the closure of the branches were made before the end of the lease term and notices of pre-termination were not provided to the lessor within the period stipulated in the lease contract. Also, some of the lessors did not agree that the advance rental payments be applied to the monthly rental before closure. The demand letters for the refund of the security deposits and advance rentals were already sent to the lessors and utility companies and some lessors replied to reconcile with any unpaid utility bills. Continuous demands are being made to collect the security deposits/advanced rentals. They also stated that any refusal or passivity of lessors in making the refund of security deposits and advance rentals will be referred to LBP Legal Services Group for appropriate action.

2.8 The OFB branches were not required to turn-over all supporting documents of accounts transferred to OFB Head Office, hence proper monitoring and disposition of the accounts were not made. Further, the OFB branches did not require the lessors to apply the advance rental payments on the leased properties before the termination of contracts. As such, the recoverability of the advance rentals and security deposits recorded under Miscellaneous Assets is already doubtful.

2.9 The reclassification entry amounting to P274,170.00 was recorded to comply with an audit recommendation but the details of the transaction are unknown because the supporting documents could not be located.

2.10 It was also noted that unserviceable properties of P100,476.99 transferred from the closed OFB branches in September 2019, recorded under Miscellaneous Assets, were identified as properties for disposal in the Inventory of Unserviceable Property and/or schedules submitted by accountants of the OFB branches. The Officer In-charge of the Administrative Services Unit informed that the physical existence of the unserviceable assets was not established. According to the Head of FMU, these assets will be removed from the books after the completion of the physical inventory since these were already approved to be disposed at the branch level. OFB shall include the unserviceable properties to be proposed for derecognition pursuant to COA Circular No. 2020-06 dated January 31, 2020.

2.11 In view of the absence of documents to prove the validity of assets recorded under the account amounting to P3.051 million, the faithful representation of the balance of Miscellaneous Assets account amounting to P10,838,880.50 as at December 31, 2021 was not established.

2.12 **We recommended that Management:**

a. **Sustain representation efforts and other appropriate actions taken for the refund to OFB of the payments of security deposits and advance rentals to the lessors and utility companies amounting to P3.051 million;**

b. **Assess the recoverable amount of the advance rentals and recognize impairment loss, if any, pursuant to PAS 36, *Impairment of Assets*, to faithfully represent the balance of Miscellaneous Assets account as at December 31, 2021; and**

c. **Perform the necessary procedures for the disposition of non-existing/missing properties included under Miscellaneous Assets pursuant to COA Circular No. 2020-06 dated January 31, 2020.**

B. NON-FINANCIAL ISSUES

3. **Accounts Payables- Others totaling P6.376 million were left outstanding from over one year to 15 years and against which no actual claim, administrative or judicial, has been filed or for some payables are not covered by perfected contracts on record due to the absence of guidelines on their settlement or disposition, contrary to Section 98 of Presidential Decree (PD) No. 1445.**

3.1 PD No. 1445 states among others that:

Section 98. Reversion of unliquidated balances of accounts payable. The Commission upon notice to the head of agency concerned may revert to the unappropriated surplus of the general fund of the national government, any unliquidated balance of accounts payable in the books of the national government, which has been outstanding for two years or more and against which no actual claim, administrative or judicial, has been filed or which is not covered by perfected contracts on record. This section shall not apply to unliquidated balances of accounts payable in

trust funds as long as the purposes for which the funds were created have not been accomplished.

3.2 As at December 31, 2021, the balance of AP-Others amounting to P16,462,152.44 included outstanding payables aged over one year to 15 years totaling P6,375,945.97 as summarized below:

Particulars	Over 1 year to 2 years	Over 2 years to 5 years	Over 5 years to 10 years	Over 10 years	Total
HMO payments	1,110,305.05	1,714,906.70			2,825,211.75
Rebates/Overpayments	439,098.52	925,602.81			1,364,701.33
Performance Bond/Bid Security		7,000.00	374,622.05	673,800.00	1,055,422.05
Stale MCs	415,674.80	23,824.94	246,749.96		686,249.70
Tax Refund	34,980.01	72,084.27	59,586.45		166,650.73
Salary Loan Payments	146,364.39	9,838.18			156,202.57
HMO Medicine allowance			70,655.25		70,655.25
Productivity Enhancement Incentive (PEI)		10,000.00			10,000.00
Various	5,982.35	34,870.24			40,852.59
Total	2,152,405.12	2,798,127.14	751,613.71	673,800.00	6,375,945.97

3.3 Verification of long outstanding AP-Others disclosed the following:

- HMO payments of P2,825,211.75 pertains to the amount deducted from the separation/last pay of former Bank's officers and employees for the premium of HMO coverage covering the period of February 10, 2016 to August 9, 2016 for remittance to the Service Provider (SP), which were not yet remitted up to now. Inquiry with the Head of the FMU disclosed that letters were sent to former officers and employees informing that the amounts deducted from their separation or last pay shall be applied to the disallowance of payments for Health Maintenance Program under ND No. 16-002-000 (2015) dated December 20, 2016 once OFB receives the Notice of Finality of Decision.
- Rebates/overpayments of P1,364,701.33 pertains to payments for salary loans granted to employees of various government agencies. Inquiry with the E-Business Unit (EBU) personnel disclosed that some are overpayments by borrowers and others are collections for salary loans retained with OFB or for transfer to LBP pending the completion of their validation from records and supporting documents.
- The Performance Bond/Bid Security amounting to P1,055,422.05 refers to the performance bond of telecommunication companies recorded in CY 2006 and the bid security paid by bidders for the procurement from CYs 2007 to 2019. These were not yet refunded to the bidders.
- The staled manager's checks of P686,249.70 pertain to payments for capital gains tax on ROPA, filing fee of the Petition for Extra-Judicial Foreclosure and various expenses transferred from the closed OFB branches to Head Office.

- The tax refund of P166,650.73 are the excess taxes withheld by the Bank from the salaries and benefits paid to its former officers and employees for years 2015-2019. These payables remained outstanding because the employees did not secure clearance from the Bank.
- The salary loan payments of P156,202.57 are loan collections that remained unapplied to loans receivable. Inquiry with EBU personnel revealed that these collections were unapplied due to the absence of supporting documents such as SRTs, Loan Folders & Ledgers and Proofsheets which were not properly turned-over by the separated personnel responsible for the loan operation of the Bank.
- The HMO medicine allowance of P70,655.25 is the balance of the medicine allowance given by the former HMO provider of the Bank for the procurement of medicine for use of bank employees.
- The payable of P10,000.00 pertains to the unclaimed Productivity Employee Incentive (PEI) for CY 2017 of two former employees. These employees did not secure clearance from the Bank thus the PEI is unclaimed.
- The various payables of P40,852.59 represent the overpayment of a former employee for the operational lapses committed in processing a returned check, unclaimed SSS pension when OFB was still an authorized government partner Bank of SSS, excess amount debited from depositor's account, unrefunded cost of checkbook, and payables originating from closed departments of the Bank.

3.4 Inquiry with the Head of the FMU revealed that OFB has no existing guidelines on the handling of long outstanding payables, hence the above accounts were not settled.

3.5 Further, there were payables with negative balances recorded under AP- Others account totaling P17,079.71 that pertain to loan payments of borrowers.

3.6 The absence of guidelines in the settlement and disposition of payables resulting in the accumulation of long outstanding AP-Others from one year to 15 years is not consistent with Section 98 of PD 1445.

3.7 **We recommended and Management agreed to:**

- Complete the validation of records and supporting documents of salary loan payments, performance bond/bid security and other payables, including payables with negative balances, and process their disposition or settlement; and**
- Formulate guidelines on the handling of payables to include the proper disposition or settlement of the long outstanding payables consistent with Section 98 of PD 1445; and**

c. Consider the reclass to miscellaneous income, collections temporarily recognized under accounts payable whose refund or payment to counterparties proved to be futile after due notice within a reasonable time.

4. Receivables amounting to P1.463 million aged over one year to 21 years were not collected due to the absence of OFB policies and guidelines in handling receivables contrary to Section 2 of Presidential Decree (PD) No. 1445 and COA Circular No. 2016-005.

4.1 Relevant provisions of PD No. 1445 and COA Circular No. 2016-005 dated December 19, 2016 are as follows:

a. Section 2 of PD No. 1445

Section 2. Declaration of Policy. It is the declared policy of the State that all resources of the government shall be managed, expended or utilized in accordance with law and regulations, and safeguarded against loss or wastage through illegal or improper disposition, with a view to ensuring efficiency, economy and effectiveness in the operations of government. The responsibility to take care that such policy is faithfully adhered to rests directly with the chief or head of the government agency concerned.

b. Items 5.4, 6.1 and 8.2 of COA Circular No. 2016-005 dated December 19, 2016

5.4 Dormant Receivable Accounts - accounts which balances remained inactive or non-moving in the books of accounts for ten (10) years or more and where settlement/collectability could no longer be ascertained.

6.1 All government entities shall conduct regular monitoring and analysis of receivable accounts to ensure that these are collected when these become due and demandable and that cash advances and fund transfers are liquidated within the prescribed period depending upon their nature and purpose; X x x

8.2 The Head of the government entity shall file the request for authority to writeoff dormant receivable accounts, unliquidated cash advances, and fund transfers to the COA Audit Team Leader (ATL) and/or Supervising Auditor (SA). X x x;

4.2 Review of the Accounts Receivable account disclosed that the balance of P203,286,863 as at December 31, 2021, includes receivables totaling P1,463,208.86 aged over one year to 21 years, as summarized below:

Particulars	Over 1 year to 2 years	Over 2 years to 5 years	Over 5 years to 10 years	Over 10 years	Total
Restitutions of deposit liabilities	0	0	0	235,751.44	235,751.44
Erroneous Encashment of check	0	0	190,235.74	0	190,235.74
Withdrawals in excess of deposit balance	54,003.75	12,519.84	0	0	66,523.59
Receivables from former OFB Officers and employees	0	153,192.69	27,485.18	39,179.89	219,857.76
Loan related receivables	0	117,172.01	6,041.00	223,918.33	347,131.34
Others	100,920.00	9,119.81	0	293,669.18	403,708.99
Total	154,923.75	292,004.35	223,761.92	792,518.84	1,463,208.86

4.3 Verification of records disclosed the details of the long outstanding receivables as follows:

a. Restitutions of deposit liabilities

The receivables of P235,751.44, with 100 per cent allowance for credit losses, represents the amount restituted to the premium savings account of a client charged to the former Cashier of OFB Cagayan De Oro Branch which remains unsettled for sixteen years despite a collection letter sent on September 6, 2021. This was a subject of an audit observation reported in the Annual Audit Report (AAR) of OFB in 2018.

b. Erroneous encashment of check

Receivables amounting to P190,235.74 with a 100 per cent allowance for credit losses represents the erroneous encashment of check charged to the former Cashier in OFB Tacloban Branch.

c. Excess withdrawals over deposit balance

The P66,523.59 receivable pertains to the remaining various withdrawals in excess of deposit balance of OFB's depositors that was included in the Part 2 of CY 2020 AAR. OFB is still coordinating with the LBP branches to collect from the concerned depositors.

d. Receivables from former OFB officers and employees

The P219,857.76 receivables with allowance for credit losses amounting to P125,646.23 refers to receivables arising from overpayment of salaries, tax deficiency, penalties and telephone charge of various former OFB officers and employees. All of these employees are no longer connected with OFB. Collection letters for accounts amounting to P41,617.25 were sent to former officers and employees. However, there are no record of actions taken to collect the remaining

P178,240.51, of which P39,179.89 is outstanding for twenty one years. The Head of the FMU explained that some accounts cannot be collected and will be recommended for write-off since their addresses could not be found from OFB records. Also, the notice of penalty was received by the concerned employees after payment of their separation benefits.

e. Loan related receivables

Receivables amounting to P347,131.34 with 100 per cent allowance for credit losses pertains to payments made by OFB for appraisal, insurance, filing fee, taxes, and other expenses that were charged to the borrowers of OFB and included in the audit observation in the 2018 AAR. According to the Head of FMU, these accounts will also be recommended for write-off.

f. Others

Receivables totaling P403,708.99 is comprised of the following:

- The receivable of P289,719.18 with allowance for credit losses of P156,389.15 is from PPC for the renovation expenses of its Head Office and branches when PPC was still the Parent Entity. The OFB is trying to coordinate with the officer of then PPC Accounting Department since their previous contact person already died.
- The amount of P79,119.81 represents a receivable from Social Security System for advanced payments of maternity benefit of employees. The reimbursement from SSS is not processed until now.
- The amount of P30,920.00 is a receivable from LBP recorded in March 20, 2020 for the cost of materials purchased/used such as switch, electric and ethernet cables of the workstations in the 3rd floor of OFB as LBP Backup site. OFB sent the billing statement to LBP on July 23, 2021 and received on July 28, 2021 by the LBP-Facilities Management Department.
- P3,950.00 with 100 per cent allowance for credit losses is a receivable from a Security Agency recorded on December 29, 2010 for the cost of 12 volts battery of then PPSBI Baguio. According to the FMU Head, the supporting documents can no longer be found, hence will be recommended for write-off.

4.4 Moreover, it was noted that the collection or settlement of these receivables were not properly monitored resulting in long outstanding receivables. Management has not considered filing the request for write-off of dormant accounts to the Commission on Audit.

4.5 The Head of the Financial Management Unit informed that OFB has no existing policy guidelines in the handling of long outstanding receivables.

4.6 The absence of policies and guidelines to efficiently monitor the collection or settlement of receivables resulted in the non-collection and delayed disposition of long outstanding receivables totaling P1,463,208.86, contrary to Section 2 of Presidential Decree (PD) No. 1445 and COA Circular No. 2016-005.

4.7 **We recommended and Management agreed to:**

a. **Evaluate and identify dormant receivable accounts in which collectability proved to be futile after exhausting all possible means to collect and file a request for authority to write-off to the Commission on Audit pursuant to COA Circular No. 2016-005; and**

b. **Formulate policy guidelines on the handling of long outstanding receivables and exhaust all remedies to collect the receivables which are not yet dormant pursuant to Section 2 of Presidential Decree (PD) No. 1445, and COA Circular No. 2016-005**

Gender and Development (GAD)

5. **The OFB GAD Agenda 2020-2025 was not prepared contrary to PCW Memorandum Circular No. 2018-04 dated September 19, 2018, hence, the Bank has no strategic framework and plan on gender mainstreaming, and achieving women's empowerment and gender equality.**

5.1 PCW Memorandum Circular No. 2018-04 dated September 19, 2018 provides the guidelines and procedures in the formulation, implementation, monitoring, and evaluation of the multi-year GAD Agenda as basis for the annual GAD Plans and Budgets (GPB) of agencies.

5.2 The same Memorandum Circular provides that the GAD Agenda is the agency's strategic framework and plan on gender mainstreaming, and achieving women's empowerment and gender equality. It shall:

- a. serve as basis in identifying programs, activities, and projects to be undertaken to achieve the GAD goals and outcomes;
- b. provide the monitoring and evaluation (M&E) framework for assessing GAD results and outcomes that shall be the basis for strengthening the mainstreaming of a GAD perspective in the agency's operations and programs; and
- c. be formulated in a participatory, consultative and inclusive process. It shall consider the results from consultations with women target beneficiaries as well women's groups/organizations working on the sector and other concerned stakeholders, and the identified gaps resulting from gender analysis.

5.3 The GAD Agenda is a two-part document consisting of the GAD Strategic Framework (GADSF) and the GAD Strategic Plan (GADSP). The GADSF outlines the

agency's GAD Vision, Mission and Goals anchored on the mandate of the agency, while GADSP defines the strategic interventions, indicators, and targets to be pursued to achieve GAD goals over a period of time. The timeframe of the GAD Agenda is six years. The GAD Focal Point System (GFPS) shall prepare the GAD Agenda for 2020-2025 and upload this through the Gender Mainstreaming Monitoring System (GMMS) in 2019.

5.4 Annex B of PCW Memorandum Circular 2018-04 dated September 19, 2018 prescribed the steps in formulating the GAD Agenda, as follows:

- Step 1: Organize the planning team
- Step 2: Conduct gender analysis
- Step 3: Set the agency's GAD vision and mission
- Step 4: Formulate the GAD goals
- Step 5: Prioritize gender issues and/or GAD mandates per GAD goal
- Step 6: Outline the GAD outcomes, indicators, baseline data, and targets per GAD goal
- Step 7: Translate the GAD outcomes into GAD programs, projects, and/or activities

5.5 OFB has not yet prepared the GAD Agenda 2020-2025. The Head of the Administrative Services Unit informed that the GAD Agenda 2020-2025 was not prepared because they were not aware of the issuance of PCW Memorandum Circular No. 2018-04.

5.6 The non-preparation of the GAD Agenda 202-2025 is contrary to PCW Memorandum Circular No. 2018-04. Due to the absence of GAD Agenda, the agency has no strategic framework and plan on gender mainstreaming, and achieving women's empowerment and gender equality.

5.7 We recommended that Management require the GAD Focal Point System to prepare the OFB GAD Agenda 2020-2025 following the steps provided under PCW Memorandum Circular No. 2018-04, and submit to PCW.

5.8 Management explained that OFB is continuously coordinating with concerned government agencies (GCG, ARTA, DOE, PCW) for OFB to be considered in terms of the required activities, documentation and compliance be within the ambit of the implementation of LBP Group-wide Compliance Framework since OFB has been fully transitioned into a digital bank model with a very lean manpower complement of seven (7) and back-offices are being outsourced. Likewise, compliance to the requirements of government agencies was anchored on the policies/ documentations/activities of the parent bank, LBP. This set-up will still enable OFB to function as a mechanism for catalyzing and accelerating gender mainstreaming towards the promotion of gender equality and women's empowerment as intended by the OFB GAD Focal Person System (GFPS). A request letter was submitted to PCW on June 8, 2022 through email.

5.9 Unless PCW will approve the request of OFB for the abovementioned set-up, we maintain our audit recommendation.

6. The OFB did not comply with the timely submission of GAD Plans and Budget (GPB) and Accomplishment Report (AR) for CY 2021 to the Philippine Commission on Women (PCW) contrary to PCW Memorandum Circular Nos. 2020-05 and 2021-06 and PCW-NEDA-DBM Joint Circular No. 2012-01.

6.1 PCW-NEDA-DBM Joint Circular (JC) No. 2012-01 prescribes the guidelines and procedures for the formulation, development, submission, implementation, monitoring and evaluation including accounting of results of agency annual GAD Plans and Budget (GPB) and GAD accomplishment reports (AR). The same Joint Circular requires that GAD planning and budgeting shall be conducted annually as part of all programming and budgeting exercises of agencies. The programs, activities and projects in the GPB shall be included in the agency budget proposal and they shall be reflected in the Annual Work and Financial Plan of concerned offices or units within the agency or department. Further, the GAD budget, which is the cost of implementing the GAD plan, shall form part, and is not in addition to the agencies' approved budget.

6.2 PCW Memorandum Circular (MC) No. 2020-05 dated September 11, 2020 provides the Preparation and Online Submission of Fiscal Year (FY) 2021 GPB and that the deadline for encoding and submission of FY 2021 GPBs of GOCCs through the Gender Mainstreaming Monitoring System (GMMS) is November 10, 2020.

6.3 PCW MC No. 2021-06 dated December 10, 2021 requires that:

1.0 Preparation and Submission of the FY2021 GAD AR through the GMMS Version 2 or 3

1.1 Pursuant to Section 36 of Republic Act No. 9710 or the Magna Carta of Women, the utilization and outcome of the GAD budget shall be annually monitored and evaluated. As such, all line departments, constitutional bodies, judicial and legislative bodies, attached agencies/bureaus, other executive offices (OEOs) and government-owned and/or controlled corporations (GOCCs) shall submit their consolidated FY 2021 GAD Accomplishment Reports (ARs) to PCW through the Gender Mainstreaming Monitoring System (GMMS) on or before the following dates:

Xxx

18 March 2022	Deadline of submission of government-owned and/or controlled corporations (GOCCs) to PCW
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6.4 Review of the GPB for CY 2021 prepared by OFB disclosed that it was not approved by the Agency Head and not submitted to the PCW on or before November 10, 2020. Likewise, OFB has not submitted the corresponding GAD Accomplishment Report for same year to the PCW on or before March 18, 2022. The Head of the Administrative Services Unit informed that they have already prepared the GAD AR for CY 2021 but still to be presented to the Management Committee for approval.

6.5 The non-submission of the GPB and GAD AR for CY 2021 to the PCW within the prescribed timelines is contrary to PCW Memorandum Circular Nos. 2020-05 and 2021-06 and PCW-NEDA-DBM Joint Circular No. 2012-01.

6.6 We recommended and Management agreed to observe the timely submission of GAD Plan and Budget and its corresponding GAD Accomplishment Report in accordance with and PCW annual issuances and PCW-NEDA-DBM Joint Circular No. 2012-01.

Compliance with Tax Laws

7. Taxes withheld for the month were remitted on or before the tenth day of the following month, except those withheld for the month of December which were remitted on or before the 15th day of January of the following year.

8.1 Information on taxes and licenses paid or accrued during the taxable year 2021 were disclosed in Note 23 to the Financial Statements. The taxes withheld from compensation, benefits and other sources amounting to P7.316 million were remitted to the Bureau of Internal Revenue in accordance with the deadlines on payment/remittance of taxes prescribed under the National Internal Revenue Code.

SSS Contributions and Remittances

8. In 2021, the Bank complied with Republic Act No. 8282 on the collection and remittance of contributions to SSS as follows:

- a. Mandatory monthly contribution of covered employees and employer in accordance with Section 18; and
- b. Remittance of employee's and employer's contributions and employees' compensation premium within the due date pursuant to Section 19.

Philhealth and Pag-IBIG Premiums

9. In 2021, the Bank complied with Section 18, Rule III, Title III, of the implementing Rules and Regulations of RA No. 7875, as amended, in the payment of national health insurance premium contributions to the Philhealth.

10.1 The Bank also complied with Sections 2 and 3, Rule VII, of the Implementing Rules and Regulations of RA No. 9679 in the collection and remittance of contributions to the Pag-IBIG Fund.

Disallowances and Charges

10. The total disallowances as of December 31, 2021 amounted to P26.790 million, details as follows:

Particulars	Amount	Status
a. Payment of per diems to former board members of the Bank for FY 2010 in violation of Memorandum Order No. 20 dated June 25, 2001 and Administrative Order No. 103 dated August 31, 2004	3,770,587.83	COA Order of Execution was issued to principal persons liable on June 17, 2014. A supplemental Notice of Disallowance was issued on March 11, 2016 to former members of the Board of Directors pursuant to COA Decision No. 2016-01 dated January 22, 2016. A Notice of Finality of Decision No. 2019-190 dated May 21, 2019 was issued approving the Decision No. 2018-417 dated December 21, 2018 and COA CGS Cluster 1 Decision No. 2015-02 dated March 25, 2015 excluding Mr. Victor A. Tantoco as person liable under ND. Nos. 13-01(2010) to 13-05(2010). Also, Notice of Finality of Decision No. 2019-021 dated January 18, 2019 approving Decision No. 2017-314 dated September 22, 2017 and COA CGS Cluster 1 Decision No. 2014-07 dated October 13, 2014 excluding Ms. Alda R. Bañez as person liable under ND. Nos. 13-01(2010) to 13-05(2010), was issued. No collection received as at year end.
b. Payment of basic pay/salary, RATA and other benefits to paid to Officers who are 65 years of age or above under Officers' Employment Contract	13,608,309.47	With CGS Cluster 1 decision for automatic review by the Commission Proper.

Particulars	Amount	Status
exercising direct supervision and control over regular employees contrary to Bank's policy and existing laws, rules and regulations, particularly to Memorandum Circular No. 134 dated October 31, 1995 issued by the Office of the President and COA Circular No. 2012-003 on Irregular Expenditures.		
c. Payment of Health Maintenance Program contrary to COA Circular No. 2012-003 dated October 29, 2012 and COA Resolution No. 2005-001 which prohibits the grant of health care allowance and securing of health care insurance from private insurance agencies, respectively.	8,150,784.50	With CGS Cluster 1 decision for automatic review by the Commission Proper.
d. Payment of Representation Allowance for the period covered January 2016 to February 2017	1,260,000.00	CGS Cluster 1 issued Decision No. 2018-16 denying the appeal of Mr. Cesar N. Sarino. For issuance of Notice of Finality of Decision.
Total	26,789,681.80	

There are no balances of suspensions and charges as at December 31, 2021.