



REPUBLIC OF THE PHILIPPINES  
**COMMISSION ON AUDIT**  
Commonwealth Avenue, Quezon City

**CORPORATE GOVERNMENT AUDIT SECTOR**  
**CLUSTER 1 – BANKING AND CREDIT**

March 20, 2024

**Mr. ROY C. OSCILLADA**

Executive Director

Officer-in-Charge

LANDBANK Countryside Development Foundation, Inc.

26th Floor LANDBANK Plaza

Malate, Manila

**LCDFI**  
**Received by:** *R. D. B. B. B.*  
Date: March 21, 2024  
Time: 4:17 pm

Dear Executive Director Oscillada:

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 **LANDBANK Countryside Development Foundation, Inc. (LCDFI)** for the years ended December 31, 2023 and 2022.

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

The Auditor rendered an unmodified opinion on the fairness of presentation of the financial statements of the LCDFI for the years ended December 31, 2023 and 2022.

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

Funds transferred to eight State Universities and Colleges (SUCs) and five cooperatives for the Financial Literacy Program (FLP) of LCDFI, amounting to P2,341,260.70 and P2,966,000.00, respectively, were not liquidated or returned as of December 31, 2023, despite completion of targets, discontinuance of projects and/or end of project timelines, contrary to COA Circular Nos. 94-013 and 2007-001.

We recommended and Management agreed to:

- a. Require the concerned SUCs and cooperatives to submit liquidation documents or return unused balances of transferred funds amounting to P2,341,260.70 and P2,966,000.00, respectively, as at December 31, 2023, pursuant to COA Circular Nos. 94-013 and 2007-001 and the provisions of the Memorandum of Agreement (MOA);
- b. Revisit the Guidelines of the FLP of LCDFI to include processes and timelines on the liquidation and collection of unused balances of funds from training partners, and the conditions on the granting of extension of project timelines; and
- c. Align the provisions of the MOA under FLP with the provisions of COA Circular Nos. 94-013 and 2007-01, as well as the documentary requirements on fund transfers and liquidation prescribed under COA Circular No. 2012-001 dated June 14, 2012.

The audit observation together with the recommended courses of action, which were discussed by the Audit Team with concerned Management officials and staff during the exit conference on March 7, 2024, are presented in detail in Part II of the report.


In a letter of even date, we requested the Executive Director, LCDFI, that the recommendations contained in Part II 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:

  
**MILAGROS B. SONIDO**  
OIC-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

**CORPORATE GOVERNMENT AUDIT SECTOR**  
**CLUSTER 1 – BANKING AND CREDIT**

March 20, 2024

**THE BOARD OF TRUSTEES**  
LANDBANK Countryside Development Foundation, Inc.  
26th Floor LANDBANK Plaza  
Malate, Manila

**LCDFI**  
**Received by:** *RIZZO D. BAYSA*  
Date: March 21, 2024  
Time: 4:17 pm

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 **LANDBANK Countryside Development Foundation, Inc. (LCDFI)** for the years ended December 31, 2023 and 2022.

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The audit observation together with the recommended courses of action, which were discussed by the Audit Team with concerned Management officials and staff during the exit conference on March 7, 2024, are presented in detail in Part II of the report.


We respectfully request that the recommendations contained in Part II 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:

  
**MILAGROS B. SONIDO**  
**OIC-Director IV**  
**Cluster Director**

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The President of the Philippines  
The Vice President  
The President of the Senate  
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The UP Law Center



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

# **ANNUAL AUDIT REPORT**

**on the**

**LANDBANK COUNTRYSIDE  
DEVELOPMENT FOUNDATION, INC.**

For the years ended December 31, 2023 and 2022

## **EXECUTIVE SUMMARY**

### **INTRODUCTION**

The LANDBANK Countryside Development Foundation, Inc. (LCDFI), formerly Land Bank of the Philippines (LBP) Educational Foundation, Inc. is a non-stock, non-profit foundation that was incorporated in 1983 under the provisions of the Corporation Code. The amended Articles of Incorporation was registered with the Securities and Exchange Commission on January 5, 1993 under Registration No. 110790, embodying Land Bank of the Philippines' commitment to spur development in the countryside particularly among its priority sectors such as the small farmers and fisherfolks, agrarian reform beneficiaries (ARBs), Countryside Financial Institutions, small and medium enterprises and Overseas Filipino Workers (OFWs).

The initial seed money of the Foundation came from the donation of the LBP in the amount of five million pesos (P5,000,000) which must be kept intact and invested in safe and high yield securities and only the earnings thereof shall be used for the purpose of which the Foundation was created. Substantial donations came from the Bangko Sentral ng Pilipinas.

The affairs and business of the Foundation are directed by the Board of Trustees which, as at December 31, 2023 is composed of the Chairman and seven trustees as members.

The corporate officers of the Foundation are composed of a President, an Executive Director, a Corporate Secretary and a Corporate Treasurer.

As at December 31, 2023, one of the seven members of the Board of Trustees and two corporate officers of LCDFI are officers of LBP.

The Foundation has 19 regular employees as at December 31, 2023.

### **SCOPE OF AUDIT**

The audit covered the examination, on a test basis, of the accounts and financial transactions of LCDFI for the period January 1 to December 31, 2023 in accordance with the International Standards of Supreme Audit Institutions, to enable us to express an opinion on the fairness of presentation of the financial statements for the years ended December 31, 2023 and 2022. Also, we conducted our audit to assess compliance with pertinent laws, rules and regulations, as well as adherence to prescribed policies and procedures.

## FINANCIAL HIGHLIGHTS (In Philippine Peso)

### 1. Comparative Financial Position

Particulars	2023	2022	Increase/ (Decrease)
Assets	75,955,142	74,800,425	1,154,717
Liabilities	9,679,370	7,741,923	1,937,447
Net Assets/ Equity	66,275,772	67,058,502	(782,730)

### 2. Comparative Results of Operations

Particulars	2023	2022	Increase
Revenues	38,523,462	29,120,250	9,403,212
Expenses	37,330,738	34,798,311	2,532,427
Net Surplus/(Deficit)	1,192,724	(5,678,061)	6,870,785

### 3. Comparison of Budget and Actual Expenditures

	Approved Budget	Actual Expenditures	Difference
A. LCDFI Personnel Services	25,655,360	16,565,302	9,090,058
B. LCDFI Maintenance and Other Operating Expenses	31,230,738	25,296,359	5,934,379
C. Financial Expense	20,000	18,304	1,696

## AUDITOR'S OPINION

The Auditor rendered an unmodified opinion on the fairness of presentation of the financial statements of the LCDFI as at December 31, 2023 and 2022.

## SIGNIFICANT AUDIT OBSERVATION AND RECOMMENDATIONS

Funds transferred to eight State Universities and Colleges (SUCs) and five cooperatives for the Financial Literacy Program (FLP) of LCDFI, amounting to P2,341,260.70 and P2,966,000.00, respectively, were not liquidated or returned as of December 31, 2023, despite completion of targets, discontinuance of projects and/or end of project timelines, contrary to COA Circular Nos. 94-013 and 2007-001.

We recommended and Management agreed to:

- a. Require the concerned SUCs and cooperatives to submit liquidation documents or return unused balances of transferred funds amounting to P2,341,260.70 and P2,966,000.00, respectively, as at December 31, 2023, pursuant to COA Circular Nos. 94-013 and 2007-001 and the provisions of the Memorandum of Agreement (MOA);

b. Revisit the Guidelines of the FLP of LCDFI to include processes and timelines on the liquidation and collection of unused balances of funds from training partners, and the conditions on the granting of extension of project timelines; and

c. Align the provisions of the MOA under FLP with the provisions of COA Circular Nos. 94-013 and 2007-01, as well as the documentary requirements on fund transfers and liquidation prescribed under COA Circular No. 2012-001 dated June 14, 2012.

#### **SUMMARY OF TOTAL SUSPENSIONS, DISALLOWANCES AND CHARGES**

As of December 31, 2023, LCDFI had an outstanding audit disallowance of P561,000. There were no outstanding audit suspensions and charges at the end of the year.

#### **STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS**

There were no audit recommendations in the prior year's Annual Audit Report.

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**PART I**  
**AUDITED FINANCIAL STATEMENTS**



REPUBLIC OF THE PHILIPPINES  
COMMISSION ON AUDIT  
Corporate Government Audit Sector  
Cluster 1 – Banking and Credit

**INDEPENDENT AUDITOR'S REPORT**

**The Board of Trustees**

LANDBANK Countryside Development Foundation, Inc.  
14<sup>th</sup> Floor, LANDBANK Plaza  
1598 M. H. Del Pilar cor. Dr. J. Quintos Sts.  
Malate, Manila 1004

**Report on the Audit of the Financial Statements**

*Opinion*

We have audited the financial statements of **LANDBANK Countryside Development Foundation, Inc. (LCDFI)**, a non-stock, non-profit organization, which comprise the statements of financial position as at December 31, 2023 and 2022, and the statements of financial performance, statements of changes in net assets/equity, statements of cash flows for the years then ended, and statement of comparison of budget and actual amount for the year ended December 31, 2023, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the LCDFI as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended, and comparison of budget and actual amount for the year ended December 31, 2023 in accordance with International Public Sector Accounting Standards (IPSASs).

*Basis for Opinion*

We conducted our audits in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the LCDFI in accordance with the Revised Code of Conduct and Ethical Standards for Commission on Audit Officials and Employees (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IPSASs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the LCDFI's ability to continue as going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the LCDFI or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the LCDFI's financial reporting process.

## *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the LCDFI's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the LCDFI's ability to continue as a going concern. If we conclude that a material uncertainty

exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the LCDFI to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### **Report on Other Regulatory Requirements**

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under the Revenue Regulations 15-2010 in Note 25 and Revised Securities Regulation Code Rule 68 in Note 28 to the CY 2023 financial statements are presented for purposes of filing with the Bureau of Internal Revenue and the Securities and Exchange Commission, respectively, and are not a required part of the basic financial statements. Such supplementary information are the responsibility of management and have been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

### **COMMISSION ON AUDIT**

  
**MARIE FRANCES HAZEL S. ACEBEDO**  
Supervising Auditor

March 7, 2024

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**

The Management of LANDBANK Countryside Development Foundation, Inc. is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the year(s) ended December 31, 2023 and 2022, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing LANDBANK Countryside Development Foundation, Inc.'s ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the LANDBANK Countryside Development Foundation, Inc. or to cease operations, or has no realistic alternative to do so.

The Board of Trustees is responsible for overseeing LANDBANK Countryside Development Foundation, Inc. financial reporting process.

The Board of Trustees reviews and approves the financial statements including the schedules attached therein, and submits the same to the members.

The Commission on Audit has audited the financial statements of the LANDBANK Countryside Development Foundation, Inc. in accordance with International Standards of Supreme Audit Institutions, and its report to the Board of Trustees, has expressed its opinion on the fairness of presentation upon the completion of such audit.

  
**CONSUELO N. PADILLA**

Chairperson of the Board

February 8, 2024

  
**ROY C. OSCILLADA**

Executive Director

February 8, 2024

  
**ANNALENE M. BAUTISTA**

Corporate Treasurer

February 8, 2024

**LANDBANK COUNTRYSIDE DEVELOPMENT FOUNDATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**As at DECEMBER 31, 2023 and 2022**  
(In Philippine Peso)

	Note	2023	2022
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	4	1,874,931	9,481,948
Receivables	5	34,081,609	16,321,956
Inventories	6	13,440	13,560
Financial Assets - Held-to-maturity	8	16,598,220	0
Other Current Assets	7	85,683	59,575
<b>Total Current Assets</b>		<b>52,653,883</b>	<b>25,877,039</b>
<b>Non-Current Assets</b>			
Financial Assets - Held-to-maturity	8	22,482,820	48,132,317
Receivables	5	457,250	541,335
Intangible Assets	9	50,667	66,667
Property and Equipment, net	10	310,522	183,067
<b>Total Non-Current Assets</b>		<b>23,301,259</b>	<b>48,923,386</b>
<b>Total Assets</b>		<b>75,955,142</b>	<b>74,800,425</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Financial Liabilities	11	5,529,681	3,282,252
Inter-Agency Payables	12	309,431	242,303
Provisions	13	3,840,258	4,205,407
Other Payables	14	0	11,961
<b>Total Current Liabilities</b>		<b>9,679,370</b>	<b>7,741,923</b>
<b>Total Liabilities</b>		<b>9,679,370</b>	<b>7,741,923</b>
<b>Net Assets</b>		<b>66,275,772</b>	<b>67,058,502</b>
<b>NET ASSETS/EQUITY</b>			
Accumulated Surplus/(Deficit)	15, 23	25,757,279	26,684,845
Retained Earnings	16, 23	40,518,493	40,373,657
<b>Total Net Assets/ Equity</b>		<b>66,275,772</b>	<b>67,058,502</b>

The Notes on pages 10 to 35 form part of these financial statements.

**LANDBANK COUNTRYSIDE DEVELOPMENT FOUNDATION, INC.**  
**STATEMENTS OF FINANCIAL PERFORMANCE**  
**For the years ended DECEMBER 31, 2023 AND 2022**  
(In Philippine Peso)

	<b>Note</b>	<b>2023</b>	<b>2022</b>
<b>REVENUE</b>			
Grants and Donations	17	37,075,100	27,333,102
Business Income	18	1,448,362	1,787,148
<b>Total Revenue</b>		<b>38,523,462</b>	<b>29,120,250</b>
<b>EXPENSES</b>			
Personnel Services	19	16,565,302	20,189,388
Maintenance and Other Operating Expenses	20	20,683,392	14,570,719
Non-Cash Expenses	21	63,540	34,474
Financial Expenses	22	18,504	3,730
<b>Total Expenses</b>		<b>37,330,738</b>	<b>34,798,311</b>
<b>Net Surplus/(Deficit) for the Period</b>		<b>1,192,724</b>	<b>(5,678,061)</b>

The Notes on pages 10 to 35 form part of these financial statements.

**LANDBANK COUNTRYSIDE DEVELOPMENT FOUNDATION, INC.**  
**STATEMENTS OF CHANGES IN NET ASSETS/EQUITY**  
**For the years ended DECEMBER 31, 2023 AND 2022**  
(In Philippine Peso)

	<b>Accumulated Surplus/ (Deficit) (Notes 15 &amp; 23)</b>	<b>Retained Earnings (Notes 16 &amp; 23)</b>	<b>Total</b>
<b>BALANCE AT JANUARY 1, 2022</b>	<b>43,209,620</b>	<b>40,204,173</b>	<b>83,413,793</b>
Add/(Deduct):			
Net Deficit for the Year	(5,678,061)	0	(5,678,061)
Appropriation of Retained Earnings	(169,329)	169,329	0
Other Adjustments	(10,677,385)	155	(10,677,230)
<b>BALANCE AT DECEMBER 31, 2022</b>	<b>26,684,845</b>	<b>40,373,657</b>	<b>67,058,502</b>
Add/(Deduct):			
Net Deficit for the Year	1,192,724	0	1,192,724
Appropriation of Retained Earnings	(144,836)	144,836	0
Other Adjustments	(1,975,454)	0	(1,975,454)
<b>BALANCE AT DECEMBER 31, 2023</b>	<b>25,757,279</b>	<b>40,518,493</b>	<b>66,275,772</b>

The Notes on pages 10 to 35 form part of these financial statements.

**LANDBANK COUNTRYSIDE DEVELOPMENT FOUNDATION, INC.**  
**STATEMENTS OF CASH FLOWS**  
**For the years ended DECEMBER 31, 2023 AND 2022**  
(In Philippine Peso)

	Note	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash Inflows</b>			
Cash receipts from donors		25,970,226	41,373,355
Cash receipts from advances of employees		1,059,700	632,425
Cash Receipts from Employees		8,821	20,778
Income from trainings		0	285,285
Collections - Other Receivables		672,646	0
<b>Total Cash Inflows</b>		<b>27,711,393</b>	<b>42,311,843</b>
<b>Cash Outflows</b>			
Cash payment to Government, suppliers and employees		(45,610,554)	(40,242,098)
<b>Total Cash Outflows</b>		<b>(45,610,554)</b>	<b>(40,242,098)</b>
<b>Net Cash provided by/(used) in Operating Activities</b>		<b>(17,899,161)</b>	<b>2,069,745</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Cash Inflows</b>			
Proceeds from matured investments	8	25,000,000	10,438,559
Interest Received		467,139	496,789
<b>Total Cash Inflows</b>		<b>25,467,139</b>	<b>10,935,348</b>
<b>Cash Outflows</b>			
Purchase of machinery and equipment	10	(174,995)	0
Placements in investments	8	(15,000,000)	(10,000,000)
<b>Total Cash Outflows</b>		<b>(15,174,995)</b>	<b>(10,000,000)</b>
<b>Net Cash provided by Investing Activities</b>		<b>10,292,144</b>	<b>935,348</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>		<b>(7,607,017)</b>	<b>3,005,093</b>
<b>Cash and Cash Equivalents, January 1</b>	<b>4</b>	<b>9,481,948</b>	<b>6,476,855</b>
<b>Cash and cash Equivalents, December 31</b>	<b>4</b>	<b>1,874,931</b>	<b>9,481,948</b>

The Notes on pages 10 to 35 form part of these financial statements.

**LANDBANK COUNTRYSIDE DEVELOPMENT FOUNDATION, INC.**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT**  
For the year ended December 31, 2023

	Budgeted Amounts		Actual Amounts on Comparable Basis	Difference Final Budget and Actual (Note 24)
	Original	Final		
<b>RECEIPTS</b>				
Donation	39,000,000	40,313,446	19,500,000	20,813,446
Interest Income	1,000,000	1,000,000	467,139	532,861
	<b>40,000,000</b>	<b>41,313,446</b>	<b>19,967,139</b>	<b>21,346,307</b>
<b>PAYMENTS</b>				
Personnel Services	24,539,345	25,655,360	16,565,302	9,090,058
Maintenance and Operating Expenses	31,240,738	31,230,738	25,296,359	5,934,379
Financial Expense	10,000	20,000	18,304	1,696
	<b>55,790,083</b>	<b>56,906,098</b>	<b>41,879,965</b>	<b>15,026,133</b>
<b>NET RECEIPTS/(PAYMENTS)</b>	<b>(15,790,083)</b>	<b>(15,592,652)</b>	<b>(21,912,826)</b>	<b>6,320,174</b>

The Notes on pages 10 to 35 form part of these financial statements.

**LANDBANK COUNTRYSIDE DEVELOPMENT FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2023 and 2022

(Amounts in Philippine Peso unless otherwise stated)

**1. GENERAL INFORMATION**

LANDBANK Countryside Development Foundation, Inc. (LCDFI) formerly Land Bank of the Philippines (LANDBANK) Educational Foundation, Inc. is a non-stock, non-profit foundation that was incorporated in 1983 under the provisions of the Corporation Code. The amended Articles of Incorporation was registered with the Securities and Exchange Commission on January 5, 1993 under Registration No. 110790, embodying Land Bank of the Philippines' commitment to spur development in the countryside particularly among its priority sectors such as the small farmers and fisherfolks, agrarian reform beneficiaries (ARBs), Countryside Financial Institutions, small and medium enterprises and Overseas Filipino Workers (OFWs).

The registered office of the Foundation is located in 14<sup>th</sup> floor LANDBANK Plaza, M.H. Del Pilar cor Dr. J. Quintos Sts., Malate, Manila.

**2. STATEMENT OF COMPLIANCE WITH INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSASs)**

The financial statements have been prepared in compliance with IPSASs prescribed for adoption by the Commission on Audit through COA Resolution No. 2014-003 dated January 24, 2014.

The financial statements of LCDFI were authorized for issue by the Board of Trustees on January 26, 2024 and were signed on February 8, 2024 by the LCDFI Chairperson of the Board of Trustees, Executive Director and Corporate Treasurer as shown in the Statement of Management Responsibility for Financial Statements.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**3.1. Basis of Financial Statements Preparation**

The financial statements have been prepared based on historical cost, unless stated otherwise. The Statements of Cash Flows are prepared using the direct method. The financial statements are prepared on an accrual basis in accordance with the IPSASs.

The financial statements are presented in Peso (P) which is also the country's functional currency. Amounts are rounded off to the nearest peso, unless otherwise stated.

**3.2. Presentation of Financial Statements**

The financial statements are presented in accordance with IPSAS -1, *Presentation of Financial Statements*.

### **3.3. Financial Instruments**

#### **Initial recognition**

The LCDFI recognizes a financial asset or a financial liability in its statements of financial position when, and only when, the LCDFI becomes a party to the contractual provisions of the instrument.

#### **Financial Assets**

##### **i. Initial measurement**

The LCDFI measure a financial asset at its fair value plus or minus transaction costs that are directly attributable to the acquisition of the financial asset.

The LCDFI's financial assets include: cash and cash equivalents, receivables and held-to-maturity investments.

##### **ii. Classification and Subsequent measurement**

The LCDFI recognizes financial assets in accordance with IPSAS 41, Financial Instruments. Financial assets are subsequently measured at amortized cost.

##### **iii. Impairment of financial assets**

The LCDFI assesses impairment of financial assets measured at amortized cost in accordance with IPSAS 41. Impairment occurs when there is objective evidence of a loss event, such as a significant financial difficulty of the issuer or borrower, default, or significant adverse changes in the financial position of the issuer or borrower.

The LCDFI uses the following methodology to assess impairment of financial assets measured at amortized cost:

- Upon initial recognition, LCDFI measures the loss allowance for the financial asset at an amount equal to 12-month expected credit losses (ECLs), unless there has been a significant increase in credit risk since initial recognition, in which case lifetime ECLs are recognized.
- At each reporting date, LCDFI reassesses the credit risk associated with each financial asset and updates the loss allowance accordingly. The loss allowance is measured at an amount equal to the lifetime ECLs if the credit risk has increased significantly since initial recognition.

Impairment losses are recognized in profit or loss and are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the original effective interest rate of the financial asset.

The LCDFI provides the following disclosures related to impairment of financial assets measured at amortized cost:

- The carrying amount of impaired financial assets.

- The amount of impairment losses recognized during the period.
- The basis for determining expected credit losses.
- Any significant changes in the credit risk since initial recognition.
- A reconciliation of changes in the loss allowance for the period.

iv. Derecognition

The LCDFI derecognizes a financial asset or, where applicable, a part of financial asset of LCDFI of similar assets when:

1. The contractual rights to the cash flows from the financial asset expire or are waived; and

2. The LCDFI has transferred its contractual rights to receive the cash flows of the financial assets; or retained the contractual rights to receive the cash flows of the financial assets, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement that meets the conditions set forth in IPSAS 29-Financial Instruments: Recognition and Measurement; and either the LCDFI has:

- transferred substantially all the risks and rewards of ownership of financial asset;
- retained substantially all the risks and rewards of ownership of the financial assets; or
- neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but transferred the control of the financial asset

On derecognition of a financial asset in its entirety, the difference between:

- a. The carrying amount (measured at the date of derecognition); and
- b. The consideration received (including any new asset obtained less any new liability assumed)

Shall be recognized in surplus or deficit.

**Financial Liabilities**

i. Initial measurement

LCDFI measure its financial liability at its fair value plus or minus transaction costs that are directly attributable to the issue of the financial liability.

The LCDFI's financial liabilities include the Accounts Payable, Inter-Agency Payable and Other Payables.

## ii. Classification and Subsequent measurement

LCDFI classify all financial liabilities as subsequently measured at amortized cost except for:

a. Financial Liabilities at fair value through surplus or deficit. Such liabilities including derivatives that are liabilities, shall be subsequently measured at fair value.

b. Financial liabilities that arise when a transfer of financial asset does not qualify for the derecognition or when the continuing involvement approach applies.

LCDFI may at initial recognition, irrevocable designate a financial liability as measured at fair value through surplus or deficit when permitted or when doing so results in more relevant information, because either:

a. It eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them in different bases.

b. It is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the LCDFI's key management personnel.

## iii. Derecognition

A financial liability is derecognized when the obligation specified in the contract is discharged, waived, cancelled or expires.

An exchange between an existing borrower and lender of debt instruments with substantially different terms shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability or part of it (whether or not attributable to the financial difficulty of the debtor) shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed shall be recognized in surplus or deficit. Where an obligation is waived by the lender or assumed by a third party as part of a non-exchange transaction, LCDFI applies IPSAS 23.

If LCDFI repurchases a part of the financial liability, LCDFI shall allocate the previous carrying amount of the financial liability between the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts on the date of repurchase. The difference between the carrying amount allocated to the part derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, for the part derecognized shall be recognized in surplus or deficit.

## **Offsetting a financial asset and financial liability**

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is currently enforceable legal right to offset the recognized amounts and there is an intention to settle a net basis or to realize the assets and settle the liabilities simultaneously.

The conditions set out are generally not satisfied and offsetting is usually inappropriate when several different financial instruments are used to emulate the features of a single financial instrument, financial assets and financial liabilities arise from financial instruments having the same primary risk exposure but involve different counterparties, financial or other assets are pledged as collateral for non-recourse financial liabilities, financial assets are set aside in trust by a debtor for the purpose of discharging an obligation without those assets having been accepted by the creditor in settlement of the obligation or obligations incurred as a result of events giving rise to losses are expected to be recovered from a third party by virtue of a claim made under an insurance contract.

## **Fair value of financial instruments**

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

### **3.4. Cash and Cash Equivalents**

Cash and cash equivalents in the Statements of Financial Position comprise cash in bank and cash on hand.

### **3.5. Inventories**

Inventory is measured at cost upon initial recognition.

Inventories are recognized as an expense when consumed in the ordinary course of operations.

### **3.6. Property, Plant and Equipment**

#### **a. Recognition**

An item is recognized as property, plant and equipment (PPE) if it meets the characteristics and recognition criteria as PPE.

The characteristics of PPE are as follows:

- i. Tangible items;
- ii. Are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- iii. Are expected to be used during more than one reporting period.

An item of PPE is recognized as an asset if:

- i. it is probable that future economic benefits or service potential associated with the item will flow to the entity;
- ii. the cost of fair value of the item can be measured reliably; and
- iii. the cost is at least P50,000.00.

**b. Measurement at recognition**

An item recognized as property, plant and equipment is measured at cost.

A PPE acquired through non-exchange transaction is measured at its fair value as at the date of acquisition.

The cost of the PPE is the cash price equivalent or, for PPE acquired through non-exchange transaction, its cost is its fair value as at recognition date.

Cost includes the following:

- i. Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- ii. Expenditures that is directly attributable to the acquisition of the items; and

Initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired, or as a consequence of having used the item during a particular period for a purpose other than to produce inventories during that period.

**c. Subsequent Measurement**

After recognition, all PPE are stated at cost less accumulated depreciation and impairment losses.

When significant parts of PPE are required to be replaced at intervals, the LCDFI recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major repair/replacement is done, its cost is recognized in the carrying amount of the PPE as a replacement if the recognition criteria are satisfied.

All other repair and maintenance costs are recognized as expense in surplus or deficit as incurred.

**d. Depreciation**

Each part of an item of PPE with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognized as expense.

Depreciation of an asset begins when it is available for use such as when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

For simplicity and to avoid proportionate computation, the depreciation is for one month if the PPE is available for use on or before the 15<sup>th</sup> of the month. However, if the PPE is available for use after the 15<sup>th</sup> of the month, depreciation is for the succeeding month.

The straight-line method of depreciation is adopted.

The LCDFI uses the life span of PPE prescribed by COA in determining the specific estimated useful life (EUL) for each asset based on its experience, details below:

<b>Classification</b>	<b>EUL</b>
1. Office Equipment	
* IT- Equipment, Furniture and Fixtures	5
* Furniture and Fixtures	10
2. Leasehold Improvements	
* Land	10
* Building	
- Wood	10
- Mixed	20
- Concrete	30
3. Transportation Equipment	
* Motor Vehicles	7

The LCDFI uses a residual value equivalent to at least 10 per cent of the cost of the PPE.

#### **e. Impairment**

An asset's carrying amount is written down to its recoverable amount, or recoverable service amount, if the asset's carrying amount is greater than its estimated recoverable amount or recoverable service amount.

#### **f. Derecognition**

The LCDFI derecognizes items of PPE and/or any significant part of an asset upon disposal or when no future economic benefits or service potential is expected from its continuing use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the surplus or deficit when the asset is derecognized.

### **3.7. Budget Information**

The annual budget is approved on a cash basis and is published in the government website.

In preparing the Statement of Comparison of Budget and Actual Amounts (SCBAA) the following were observed:

- a. In cases where there is no estimated revenue reflected on the approved budget, the actual collections shall be considered as the estimated revenue (Final).
- b. Only those collections pertaining to current year's revenue/income shall be considered.
- c. Only disbursements pertaining to current year's utilizations shall be considered.

### **3.8. Related Parties**

The LCDFI regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the LCDFI, or vice versa.

### **3.9. Employee Benefits**

The LCDFI employees are now part of the Government Service Insurance System (GSIS), offering life and retirement insurance coverage. The transition from Social Security System (SSS) membership for LCDFI employees began in January 2023.

The LCDFI recognizes the undiscounted amount of short-term employee benefits, like salaries, wages, bonuses, allowance, etc., as expense and as a liability after deducting the amount paid.

### **3.10. Measurement Uncertainty**

The preparation of financial statements in conformity with IPSAS requires management to make estimates and assumptions that affect the reporting amount of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenue and expenses during the period. Items requiring the use of significant estimates include the useful life of a capital asset, estimated employee benefits, and rates of amortization.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

### **3.11. Changes in Accounting Policies and Estimates**

The LCDFI recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

The LCDFI recognizes the effects of changes in accounting estimates prospectively through surplus or deficit.

The LCDFI corrects material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by:

- a. Restating the comparative amounts for prior period(s) presented in which the error occurred; or
- b. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

### **3.12. Revenue from Non-exchange Transactions**

- a. Recognition and measurement of assets from non-exchange transactions

An inflow of resources from non-exchange transaction, other than services in-kind that meets the definition of an asset are recognized as asset if the following criteria are met:

- i. It is probable that the future economic benefits or service potential associated with the asset will flow to the entity; and
- ii. The fair value of the asset can be measured reliably.

An asset acquired through a non-exchange transaction is initially measured at its fair value as at the date of acquisition.

- b. Recognition of revenue from non-exchange transactions

An inflow of resources from a non-exchange transaction recognized as an asset is recognized as revenue, except to the extent that a liability is also recognized in respect of the same inflow.

As LCDFI satisfies a present obligation recognized as a liability in respect of an inflow of resources from a non-exchange transaction recognized as an asset, it reduces the carrying amount of the liability recognized and recognizes an amount of revenue equal to that reduction.

- c. Measurement of revenue from non-exchange transactions

Revenue from non-exchange transactions is measured at the amount of the increase in net assets recognized by the entity, unless a corresponding liability is recognized.

- d. Measurement of liabilities on initial recognition from non-exchange transactions

The amount recognized as a liability in a non-exchange transaction is the best estimate of the amount required to settle the present obligation at the reporting date.

- e. Gifts and donations

The LCDFI recognizes the assets and revenue from gifts and donations when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Goods in-kind are recognized as assets when the goods are received, or there is a binding arrangement to receive the goods. If goods in-kind are received without conditions attached, revenue is recognized immediately. If conditions are attached, a liability is recognized, which is reduced and revenue recognized as the conditions are satisfied.

On initial recognition, gifts and donations including goods in-kind are measured at their fair value as at the date of acquisition, which are ascertained by reference to an active market, or by appraisal. An appraisal of the value of an asset is normally undertaken by a member of the valuation profession who holds a recognized and relevant professional qualification. For many assets, the fair values are ascertained by reference to quoted prices in an active and liquid market.

f. Transfers

The LCDFI recognizes an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset, except those arising from services in-kind.

g. Services in-kind

Services in-kind are not recognized as asset and revenue considering the complexity of the determination of and recognition of asset and revenue and the eventual recognition of expenses.

h. Transfers from other government entities

Revenue from non-exchange transactions with other government entities and the related assets are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the LCDFI and can be measured reliably.

### **3.13. Revenue from Exchange Transactions**

Revenue is measured at the fair value of the consideration received or receivable.

The LCDFI recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labor hours incurred to date as percentage of total estimated labor hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

### 3.14. Events After the Reporting Date

Events after the reporting date are those events, both favorable and unfavorable, that occur between the reporting date and the date between the financial statements are authorized for issue, even if those events occur after the publication of announcement of the net surplus/deficit, the authorization of the financial statements or publication of other selected information relating to the financial statements

These events will be evaluated and disclosed if they provide further evidence of conditions that existed at the end of the reporting period and could materially affect the financial statements.

### 4. CASH AND CASH EQUIVALENTS

This comprises the following:

	2023	2022
Cash in bank- Local Currency	1,844,992	9,461,948
Petty cash fund	20,000	20,000
Cash collecting officer	9,939	0
	<b>1,874,931</b>	<b>9,481,948</b>

### 5. RECEIVABLES

This comprises the following:

	2023			2022		
	Current	Non-Current	Total	Current	Non-Current	Total
Inter-Agency Receivables	26,102,696	0	26,102,696	12,135,009	0	12,135,009
Other Receivables	7,978,913	457,250	8,436,163	4,186,947	541,335	4,728,282
<b>Total</b>	<b>34,081,609</b>	<b>457,250</b>	<b>34,538,859</b>	<b>16,321,956</b>	<b>541,335</b>	<b>16,863,291</b>

Inter-Agency Receivables

	2023	2022
<b>Current</b>		
Due from Parent Corporation	17,574,377	6,469,503
Due from NGAs	8,528,319	5,595,506
Due from Government Corporation	0	70,000
<b>Total</b>	<b>26,102,696</b>	<b>12,135,009</b>

## Other Receivables

	2023			2022		
	Current	Non-Current	Total	Current	Non-Current	Total
Receivables-Disallowances/Charges	0	457,250	457,250	0	457,250	457,250
Due from Officers and Employees	73,801	0	73,801	21,047	48,145	69,192
Other Receivables	7,905,112	0	7,905,112	4,165,900	35,940	4,201,840
<b>Total</b>	<b>7,978,913</b>	<b>457,250</b>	<b>8,436,163</b>	<b>4,186,947</b>	<b>541,335</b>	<b>4,728,282</b>

## Aging/Analysis of Receivables

*As at December 31, 2023*

Accounts	Total	Not Past Due	Past Due		
			<30 days	30-60 days	>60 days
Due from Parent Corporation	17,574,377	17,574,377	0	0	0
Due from NGA	8,528,319	5,877,840	0	0	2,650,479
Receivables-Disallowances/Charges	457,250	0	0	0	457,250
Due from Officers and Employees	73,801	4,609	0	0	69,192
Other Receivables	7,905,112	4,692,095	0	0	3,213,017
<b>Total</b>	<b>34,538,859</b>	<b>28,148,921</b>	<b>0</b>	<b>0</b>	<b>6,389,938</b>

## 6. INVENTORIES

This comprises the following:

	2023	2022
Accountable Forms	13,440	13,560
	<b>13,440</b>	<b>13,560</b>

## 7. OTHER CURRENT ASSETS

This pertains to the deposit to DBM-PS amounting to P85,683 and P59,575 in CY 2023 and CY 2022, respectively.

## 8. FINANCIAL ASSETS- HELD TO MATURITY (FA-HTM)

This comprises the following:

	2023	2022
HTM	39,057,380	48,096,195
Interest Receivable	23,660	36,122
	<b>39,081,040</b>	<b>48,132,317</b>

Breakdown of the HTM, including interest receivable

	2023	2022
HTM- Investment in Trust	30,457,820	34,502,200
HTM- Investment in Bonds- Local	8,623,220	13,630,117
	<b>39,081,040</b>	<b>48,132,317</b>

	2023			2022		
	Current	Non-Current	Total	Current	Non-Current	Total
HTM- Investment in Trust	7,975,000	22,482,820	30,457,820	0	34,502,200	34,502,200
HTM- Investment in Bonds- Local	8,623,220	0	8,623,220	0	13,630,117	13,630,117
<b>Total</b>	<b>16,598,220</b>	<b>22,482,820</b>	<b>39,081,040</b>	<b>0</b>	<b>48,132,317</b>	<b>48,132,317</b>

Reconciliation of carrying amounts of FA-HTM:

Particulars	Amount
<b>Beginning Balance as at January 1, 2023</b>	<b>48,132,317</b>
Additional investment	15,000,000
Collection of matured investment	(25,000,000)
Amortization of discount /(premium) on the acquisition of investment	925,063
Interest Receivable	23,660
<b>Balance as at December 31, 2023</b>	<b>39,081,040</b>

Particulars	Amount
<b>Beginning Balance as at January 1, 2022</b>	<b>47,559,479</b>
Additional investment	10,000,000
Collection of matured investment	(10,438,559)
Amortization of discount on the acquisition of investment	975,275
Interest Receivable	36,122
<b>Balance as at December 31, 2022</b>	<b>48,132,317</b>

## 9. INTANGIBLE ASSETS

In February 28, 2022, the LCDFI's website in the amount of P80,000.00 was purchased and became operational. The amortization expense amounting to P16,000 and P13,333 in CY 2023 and CY 2022, respectively.

	2023	2022
Carrying Amount, January 1	66,667	80,000
Amortization	16,000	13,333
Carrying Amount, December 31	<b>50,667</b>	<b>66,667</b>

## 10. PROPERTY AND EQUIPMENT

Reconciliation of carrying amounts:

### As at December 31, 2023

Particulars	Office Equipment	Vehicle	Info & Communication Technology	Total
<b>Carrying Amount, January 1, 2023</b>	<b>0</b>	<b>88,220</b>	<b>94,847</b>	<b>183,067</b>
Additions/Acquisitions	55,000	0	119,995	174,995
<b>Total</b>	<b>55,000</b>	<b>88,220</b>	<b>214,842</b>	<b>358,062</b>
Depreciation	(6,600)	0	(40,940)	(47,540)
<b>Carrying Amount, December 31, 2023</b>	<b>48,400</b>	<b>88,220</b>	<b>173,902</b>	<b>310,522</b>
<b>Gross Cost</b>	<b>55,000</b>	<b>882,200</b>	<b>592,255</b>	<b>1,529,455</b>
Accumulated Depreciation	(6,600)	(793,980)	(418,353)	(1,218,933)
<b>Carrying Amount, December 31, 2023</b>	<b>48,400</b>	<b>88,220</b>	<b>173,902</b>	<b>310,522</b>

### As at December 31, 2022

Particulars	Office Equipment	Vehicle	Info & Communication Technology	Total
<b>Carrying Amount, January 1, 2022</b>	<b>57,121</b>	<b>88,220</b>	<b>368,682</b>	<b>514,023</b>
Additions/Acquisitions	0	0	0	0
Reclassifications	(57,121)	0	(252,694)	(309,815)
<b>Total</b>	<b>0</b>	<b>88,220</b>	<b>115,988</b>	<b>204,208</b>
Depreciation	0	0	(21,141)	(21,141)
<b>Carrying Amount, December 31, 2022</b>	<b>0</b>	<b>88,220</b>	<b>94,847</b>	<b>183,067</b>
<b>Gross Cost</b>	<b>0</b>	<b>882,200</b>	<b>472,260</b>	<b>1,354,460</b>
Accumulated Depreciation	0	(793,980)	(377,413)	(1,171,393)
<b>Carrying Amount, December 31, 2022</b>	<b>0</b>	<b>88,220</b>	<b>94,847</b>	<b>183,067</b>

## 11. FINANCIAL LIABILITIES

This comprises the following accounts:

	2023	2022
Accounts Payable	5,375,058	3,224,911
Due to Officers and Employees	154,623	57,341
	<b>5,529,681</b>	<b>3,282,252</b>

The Payables section in the financial statement encompasses accrued amounts related to Maintenance and Other Operating Expenses. Additionally, it includes payables owed to officers and employees, covering tax refunds and payments to former employees who have not yet submitted their clearance.

## 12. INTER AGENCY PAYABLES

This comprises the following accounts:

	2023	2022
Due to GSIS	175,928	0
Due to BIR	51,593	93,464
Due to PhilHealth	50,095	52,416
Due to Pag-IBIG	18,058	17,464
Due to SSS	13,757	78,959
	<b>309,431</b>	<b>242,303</b>

## 13. PROVISIONS

	2023	2022
Leave Benefits Payable	3,093,511	3,458,660
Retirement Gratuity Payable	746,747	746,747
	<b>3,840,258</b>	<b>4,205,407</b>

The balance of the Retirement Gratuity Payable amounting to P746,747 was based on the actual report considering the data on employee salaries after the implementation of the Compensation and Position Classification System and after additional contributions to the fund in CY 2022.

## 14. OTHER PAYABLES

This represents due to Landbanker's Multi-Purpose Cooperative representing loan of employees.

## 15. ACCUMULATED SURPLUS

This account is the cumulative results of normal and continuous operations of LCDFI including prior period adjustments, effect of changes in accounting policy and other capital adjustments.

The significant adjustment totaling P1,975,454 and P10,677,385 for CY 2023 and 2022 respectively, primarily stems from the submission of the liquidation report by FLP training partners for previous years.

## 16. RETAINED EARNINGS

	2023	2022
Reserve Fund	25,518,493	25,373,657
Restricted Fund	15,000,000	15,000,000
	<b>40,518,493</b>	<b>40,373,657</b>

a. Reserve fund – This represents the 10 per cent portion of earnings from investments set aside as reserve for future technology upgrading and other contingencies.

b. Restricted fund – This represents the seed fund donated by the Land Bank of the Philippines in the amount of Five Million pesos (P5,000,000.00) which must be kept intact and invested in safe and high yield securities and only the earnings thereof shall be used for the purpose for which the Foundation was created. The Bangko Sentral ng Pilipinas also donated Ten Million pesos (P10,000,000.00) as seed fund.

## 17. GRANTS AND DONATIONS

This account represents donations from the following donors:

	2023	2022
Land Bank of the Philippines (LBP)	37,075,100	27,305,406
Masaganang Sakahan Inc.	0	27,696
	<b>37,075,100</b>	<b>27,333,102</b>

The recognition of donation income was in accordance with the provisions of IPSAS 23.

## 18. BUSINESS INCOME

This account comprises Interest Income and collection of fees for customized trainings conducted.

	2023	2022
Interest income	1,448,362	1,693,292
Seminar/Training Fees	0	93,856
	<b>1,448,362</b>	<b>1,787,148</b>

The Interest Income pertains to earnings in the following financial assets:

	2023	2022
Treasury Investments	480,048	485,082
Trust Account	955,621	1,192,642
AR Bonds	10,555	12,230
Current Account	2,138	3,338
	<b>1,448,362</b>	<b>1,693,292</b>

## 19. PERSONNEL SERVICES

This comprises the following:

	2023	2022
Salaries and Wages	10,406,974	12,235,862
Other Compensation	3,631,403	4,493,369
Personnel Benefit Contributions	1,500,312	786,151
Other Personnel Benefits	1,026,613	2,674,006
	<b>16,565,302</b>	<b>20,189,388</b>

### Salaries and Wages

	2023	2022
Salaries and Wages- Regular	10,267,572	11,966,359
Salaries and Wages- Casual/Contractual	139,402	269,503
	<b>10,406,974</b>	<b>12,235,862</b>

### Other Compensation

	2023	2022
Year End Bonus	865,324	1,191,494
Personnel Economic Relief Allowance	481,779	521,818
Clothing/Uniform Allowance	74,880	175,279
Representation Allowance	312,000	429,000

	<b>2023</b>	<b>2022</b>
Transportation Allowance	312,000	429,000
Cash Gift	100,000	112,500
Productivity Incentive Allowance	95,000	101,000
Overtime and Night Pay	47,086	40,478
Mid Year Bonus	903,334	1,090,800
Other Bonuses and Allowances	440,000	402,000
	<b>3,631,403</b>	<b>4,493,369</b>

#### **Personnel Benefit Contributions**

	<b>2023</b>	<b>2022</b>
Retirement and Life Premiums	1,258,723	540,642
PhilHealth Contributions	192,990	210,729
Pag-IBIG Contributions	24,300	27,000
Employees Compensation Insurance Premiums	24,300	7,780
	<b>1,500,313</b>	<b>786,151</b>

#### **Other Personnel Benefits**

	<b>2023</b>	<b>2022</b>
Retirement Gratuity	0	904,072
Terminal Leave Benefits	1,026,613	1,769,934
	<b>1,026,613</b>	<b>2,674,006</b>

#### **Employee Future Benefits**

In compliance with the provisions of the Retirement Law [Republic Act (R.A.) No. 7641] which requires corporation to provide retirement benefits for their employees, and the National Internal Revenue Code (R.A. No. 8424) which allows tax deductibility of employer's contributions for the retirement benefits of its employees, the LCDFI has established a retirement fund pursuant to Board Resolution No. 10-011 dated July 09, 2010.

In July 2010 to June 2016 prior to the opening of an Employee Retirement Plan with LBP-Trust Banking Group (TBG), the LCDFI accrued on a monthly basis 5 per cent of the basic salary of employees and this was taken up as Other Payables. In July 2016 the monthly accrual was increased to 6.3 per cent pursuant to Board Resolution No. 16-021 and 2016 Actuarial Valuation Report.

The LCDFI's retirement plan is a funded non-contributory defined benefit plan with a single lump sum payment covering retirement and ancillary benefits. The normal retirement benefit is a percentage of final monthly salary per year of service equal to one-half month basic salary, where one-half month salary shall mean fifteen days salary based on the latest salary rate, five days of service incentive leaves, and one-twelfth (1/12) of the 13th

month pay or 22.5 days pay for every year of service after satisfying certain age and service requirements.

In March 2022, the LCDFI commissioned the services of an independent appraiser to perform an actuarial valuation on the retirement plan of LCDFI.

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation are as of March 31, 2022. The employee data used in the March 31, 2022 valuation is composed of 23 employees with an average age of 39.4 years, average past service of 7.6 years and average expected future service of 13.5 years. The actuarial valuation report was performed with the objective to recommend a contribution amount for the year following the March 31, 2022 valuation date.

The retirement plan is 45 per cent funded with a deficit of P3.8 million. The figures were obtained by comparing the Accrued Liability and Plan Assets illustrated in the table below.

Valuation Date	March 31, 2022
Accrued Liability	6.9 million
(Plan Asset)	(3.1 million)
Funding Deficit (Surplus)	3.8 million
Funding Ratio	45 per cent

The Accrued Liability of the Projected Unit Credit method is the part of the actuarial present value of benefits allocated to all periods prior to the valuation date.

For the year following the valuation date, the recommended contribution amounts to P1.4 million or 10.5 per cent of payroll. This recommended contribution for the current year is composed of the following:

- a) Normal Cost, amounting to 7.8 per cent of payroll, represents the actuarial present value of benefits allocated to the valuation year.
- b) Amortization cost, amounting to 2.7 per cent of payroll, represents the amount intended to amortize the funding deficit over 14 years – the average expected future service years of the employees.

The table summarizes the composition of the recommended contribution.

	Amount (P)	% Payroll (12 mos.)
Normal Cost	1.0 million	7.8
Amortization Cost	0.4 million	2.7
Recommended Contribution	1.4 million	10.5

## Actuarial cost method and assumptions

### A. Details

1. Valuation Date	March 31, 2022
2. Actuarial Cost Method	Projected Unit Credit Method
3. Retirement Date	Age 60 with at least five years of service
4. Expected Return Rate on Assets	4.00 per cent compounded annually
5. Salary Increase Rate	4.00 per cent compounded annually
6. Currency	Peso (P), unless otherwise specified
7. Mortality Table	2017 Philippine Intercompany Mortality Table – Age Last Birthday Basis, published by the Actuarial Society of the Philippines
8. Disability Table	2013 SS Total Disability Rates (Baseline Scenario), published in the 2015 Actuarial Valuation of the Social Security System of the Philippines
9. Turnover Table	Representative rates:

Service Years	Annual Rate
0	10.0%
1	9.5%
2	9.0%
3	8.6%
4	8.2%
5	7.7%
10	4.6%
15	2.0%
20+	1.0%

The turnover rate is set to one per cent for ages 50 and above

The Projected Unit Credit method or Accrued Benefit Allocation method was used and it complies with the Actuarial Society of the Philippines Guidance Note GN 2016-01. The Accrued Liability or Present Value of Defined Benefit Obligation is the part of the Actuarial Present Value of Benefits allocated to all periods prior to the valuation date. The Normal Cost or Current Service Cost is the part of the Actuarial Present Value of Benefits allocated to the valuation year.

## Allocation of Plan Assets

Cash and Cash Equivalents	25.6%
Government Securities	74.6%
Trust Fee Payables	(0.1%)
Other Payables	(0.1%)

The LCDFI's Retirement Fund is being administered by the LBP-TBG who is responsible for the investment strategy of the Plan. The Statement of Financial Position as at December 31, 2023 prepared by LBP-TBG showed that the Net Assets balance of the Retirement Fund amounted to P2,595,333. The Net Assets balance is composed of Principal P2,274,120 and Accumulated Income P321,213 with Net Unrealized Gain amounting to P56,339 as at December 31, 2023.

In 2023, as a result of the implementation of the Compensation and Position Classification System (CPCS) outlined in Executive Order No. 150, s. 2021, LCDFI suspends the accrual and contribution to the employee retirement plan. LCDFI and other LANDBANK Subsidiaries are currently awaiting clarification from the Governance Commission for GOCCs (GCG) regarding this issue.

## 20. MAINTENANCE AND OTHER OPERATING EXPENSES

This comprises of the following expenses:

	2023	2022
Training and Scholarship Expenses	17,442,489	11,183,485
Confidential, Intelligence and Extraordinary Expenses	555,356	708,000
Communication Expenses	428,942	389,668
Supplies and Materials Expense	865,550	772,646
Travelling Expenses	65,215	440,001
Survey Expense	116,558	287,085
Professional Services	477,015	83,415
Repairs and Maintenance	27,971	56,990
Taxes, Insurance Premiums and Other Fees	52,636	48,384
Other Maintenance and Operating Expenses	651,660	601,045
	<b>20,683,392</b>	<b>14,570,719</b>

### Communication Expenses

	2023	2022
Telephone Expenses	246,848	254,847
Internet Subscription Expenses	156,518	117,808
Postage and Courier Services	25,576	17,013
	<b>428,942</b>	<b>389,668</b>

### Supplies and Materials Expense

	2023	2022
Office Supplies Expense	410,136	224,669
Semi-Expendable Machinery and Equipment	341,564	522,490
Fuel, Oil and Lubricants Expense	2,700	12,195
Accountable Forms Expenses	4,920	9,940
Other Supplies and Materials	106,230	3,352
	<b>865,550</b>	<b>772,646</b>

### Professional Services

	2023	2022
Auditing Services	426,544	0
Consultancy Services	0	9,520
Legal Services	16,971	10,075
Other Professional Services	33,500	63,820
	<b>477,015</b>	<b>83,415</b>

### Repairs and Maintenance

	2023	2022
Repairs and Maintenance-Transportation Equipment	10,192	14,700
Repairs and Maintenance-Machinery and Equipment	17,779	42,290
	<b>27,971</b>	<b>56,990</b>

### Taxes, Insurance Premiums and Other Fees

	2023	2022
Taxes, Duties and Licenses	23,296	27,913
Fidelity Bond Premium	20,457	10,469
Insurance Expenses	8,883	10,002
	<b>52,636</b>	<b>48,384</b>

### Other Maintenance and Operating Expenses

	2023	2022
Membership Dues and Contributions to Organizations	25,000	25,000
Representation Expenses	441,363	406,885
Major Events and Conference	175,857	100,584
Subscription Expense	8,410	9,474
Documentary Stamp Expense	30	0
Transportation and Delivery	0	180

	<b>2023</b>	<b>2022</b>
Other Maintenance and Operating Expenses	1,000	58,922
	<b>651,660</b>	<b>601,045</b>

## 21. NON-CASH EXPENSES

	<b>2023</b>	<b>2022</b>
Depreciation Expense	47,540	21,141
Amortization- Intangible Assets	16,000	13,333
	<b>63,540</b>	<b>34,474</b>

## 22. FINANCIAL EXPENSES

This represents the bank charges amounting to P18,504 and P3,730 in CY 2023 and 2022, respectively.

## 23. FUND BALANCES

	Accumulated Surplus/ (Deficit)				Retained Earnings			
	Program Dev't. Fund	Gen & Admin Fund	Program Fund	Total Acc. Surplus/ (Deficit)	Reserve Fund	Restricted fund	Total RE	Total
<b>Revenues</b>								
Donation	0	0	37,075,100	37,075,100	0	0	0	37,075,100
Interest Income	869,017	434,509	0	1,303,526	144,836	0	144,836	1,448,362
<b>TOTAL</b>	869,017	434,509	37,075,100	38,378,626	144,836	0	144,836	38,523,462
<b>Expenses</b>								
PS	4,662,972	1,998,417	9,903,913	16,565,302	0	0	0	16,565,302
MOOE	2,312,143	612,745	17,758,504	20,683,392	0	0	0	20,683,392
Financial expense	13,804	0	4,700	18,504	0	0	0	18,504
Non-cash Expense	63,540	0	0	63,540	0	0	0	63,540
<b>TOTAL</b>	7,052,459	2,611,162	27,667,117	37,330,738	0	0	0	37,330,738
<b>Excess of revenue over expenses</b>	(6,183,442)	(2,176,653)	9,407,983	1,047,888	144,836	0	144,836	1,192,724
Fund Balance, 12/31/2022	7,977,008	(1,986,416)	20,694,253	26,684,845	25,373,657	15,000,000	40,373,657	67,058,502
Prior Period Adjustment	642,055	(446,420)	(2,171,089)	(1,975,454)	0	0	0	(1,975,454)
Transfer	0	5,000,000	(5,000,000)	0	0	0	0	0
<b>Fund Balance, End 12/31/2023</b>	<b>2,435,621</b>	<b>390,511</b>	<b>22,931,147</b>	<b>25,757,279</b>	<b>25,518,493</b>	<b>15,000,000</b>	<b>40,518,493</b>	<b>66,275,772</b>

## 24. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT

The difference between the final budget and actual amounts are presented as follows:

### a. Donation

The variation stems from the actual donation receipt differing from the expected amount from the donor. A receivable of P17,574,377 and P3,239,069 representing the unused budget, will denote the remaining variance upon the actual receipt of the donation. Additionally, the variance signifies cost savings as LCDFI surpasses its target by maximizing the available funds.

### b. Interest Income

Interest to be earned from financial assets held to maturity for the year was over projected by P532,861.23.

### c. Personnel Services

19 out of 25 budgeted plantilla were filled as of December 31, 2023.

### d. Maintenance and Other Operating Expenses

In CY 2023, cost savings were achieved through the simultaneous scheduling of activities (such as training and monitoring on the same date), and certain events were conducted online, contributing to reduced expenses.

## 25. SUPPLEMENTARY INFORMATION ON REVENUE REGULATION

In compliance with the requirements set forth by Revenue Regulation No. 15-2010, hereunder are the information on taxes, licenses and fees paid or accrued during the taxable year:

### A. Local

	2023	2022
Mayor's permit	19,986	19,944
Barangay clearance	0	500
	<b>19,986</b>	<b>20,444</b>

### B. National

	2023	2022
BIR registration	500	500
Registration of Vehicle	6,703	6,829
	<b>7,203</b>	<b>7,329</b>

C. Withholding taxes paid/accrued for the year:

	<b>2023</b>	<b>2022</b>
Taxes on compensation and benefits	877,510	1,620,300
Creditable withholding Tax	276,371	164,450
Final VAT and Percentage Tax	154,155	84,326
	<b>1,308,036</b>	<b>1,869,076</b>

## 26. RISK DISCLOSURE

The LCDFI management maintains the same investment policy.

a. Credit risk

LCDFI's credit risk exposures emanated from its placements. With investments limited to fixed income securities and other financial instruments issued by the Government and its instrumentalities, the risk of non-collection is very remote.

b. Liquidity Risk

Liquidity risk is likewise insignificant as investments can easily be liquidated when the need arises to meet maturing or current obligations.

## 27. RELATED PARTY DISCLOSURES

The LCDFI is a corporate foundation whose parent bank is the LBP. The following table provides the total amount of transactions which have been entered into with related parties for CY 2023:

<b>Related Party</b>	<b>Transactions</b>	<b>Amount</b>
Land Bank of the Philippines	Donations	37,075,100
LBP-Trust Banking Group	Investments in government securities	30,457,820
LBP-Treasury Operations Dept.	Investments in government securities	8,019,511
LBP- Landowners Assistance Policy Department	Investment in 10-year Agrarian Reform bonds	603,709

## Allowances and other benefits of Key Management Personnel

	2023	2022
Board of Trustees (BOTs)		
Extraordinary and Miscellaneous (Reimbursable Expenses)	327,331	209,435
Corporate Officers		
Representation and Transportation Allowance	504,000	624,000
Extraordinary and Miscellaneous (Reimbursable Expenses)	243,762	199,040
Other Benefit and Bonuses	889,503	917,304
	<b>1,964,596</b>	<b>1,949,779</b>

## 28. SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

RATIO	FORMULA	2023	2022
Current ratio	Current assets / Current Liabilities	5.44	3.34
Acid Test ratio	(Cash + Short Term Investments + A/R)/ Current Liabilities	5.43	3
Solvency Ratios	(Net Income + Non-Cash Expense)/Total Liabilities	0.13	(0.73)
Debt-to-equity ratio	Total Liabilities/Total Equity	0.15	0.12
Asset-to-equity ratio	Total Assets/Total Equity	1.15	1.12
Return on equity	Net Income/Total Equity	2%	(8%)
Return on Assets	Net Income/ Total Assets	2%	(8%)
Net profit margin	Net Income / Revenue	3%	(19%)

## **PART II**

# **OBSERVATIONS AND RECOMMENDATIONS**

## OBSERVATIONS AND RECOMMENDATIONS

### NON-FINANCIAL ISSUES

1. **Funds transferred to eight State Universities and Colleges (SUCs) and five cooperatives for the Financial Literacy Program of LCDFI, amounting to P2,341,260.70 and P2,966,000.00, respectively, were not liquidated or returned as of December 31, 2023, despite completion of targets, discontinuance of projects and/or end of project timelines, contrary to COA Circular Nos. 94-013 and 2007-001.**

1.1 LCDFI, a GOCC and a corporate foundation of LANDBANK which provides capacity building services, is empowered to provide Financial Literacy Program (FLP) to individual farmers, fishers and other farm workers to uplift their socio-economic condition by making them productive and bankable.

1.2 The FLP involves partnerships designed to provide training and developmental interventions by identified government institutions using a fund created for such purpose and tapping network/linkages with partner agencies/institutions to improve farmer's financial management skills and create "agriprenurship" or improve cooperative's capacity to deliver quality services to its membership, positively impacting to their business performance and operations. The program is geared to contribute to increased and stable household incomes and improved access to economic, social, and financial services.

1.3 In CY 2020, to realize the FLP's objective through a collaborative and holistic intervention, LCDFI started its partnership with government institutions for the identification and mobilization of farmers, fishers and other farm laborers and, with SUCs and cooperatives as training partners who will provide Financial Literacy Trainings in the unbanked municipalities.

1.4 Under the FLP, the LCDFI, as the Source Agency (SA) provides the funds representing training meals, transportation, logistics, goods, and other related expenditures to finance the various components and activities of the program. On the other hand, the training provider, as the Implementing Agency (IA) makes available the services of professional resource speakers and other necessary personnel who shall conduct the financial literacy training, monitoring and evaluation of the program.

1.5 The partnership between LCDFI and the training partners, which includes SUCs and cooperatives, is covered by a Memorandum of Agreement (MOA) which serves as the legal basis for the download of training funds from LCDFI and reportorial requirements. The MOA includes the time schedules for the release of funds, periodic inspection/evaluation, reporting, monitoring requirements, date of commencement and date of completion.

1.6 COA Circular No. 94-013 dated December 13, 1994, on the Rules and Regulations in the Grant, Utilization and Liquidation of Funds transferred to Implementing Agencies, provides the general guidelines on the liquidation and return of unused balance of funds. Items 4.6 and 4.9 thereof state that:

4.6 *Within ten (10) days after the end of each month/end of the agreed period for the Project, the IA shall submit the Report of Checks Issued (RCI) and the Report of Disbursement (RD) to report the utilization of the funds. Only actual project expenses shall be reported. The reports shall be approved by the Head of the IA.*

4.9 *The IA shall return to the SA any unused balance upon completion of the project.*

1.7 The same requirement for cooperatives as IA is echoed in COA Circular No. 2007-01 dated October 25, 2007, the Revised Guidelines in the Granting, Utilization, Accounting and Auditing of the Funds Released to Non-Governmental Organizations/People's Organizations (NGOs/POs). Items 4.5.3 (e) and (m) thereof provide that:

4.5.3 *X x x The project shall be covered by a MOA which shall embody the terms of reference such as:*

*e. Specific period to liquidate funds granted to the NGO/PO, with the GO;*

*Xxx*

*m. The return by the NGO/PO to the granting GO of any amount not utilized to complete the project, including interest, if any.*

1.8 The requirement on the return of funds by the IA is also adopted in the MOA by and between LCDFI and its training partners. Section 6.1.g of Article III, on the Roles and Responsibilities of the parties to the MOA, states that:

*“Return to LCDFI any unused balance and refund of disallowance upon completion of the Program.”*

1.9 Funds transferred to SUCs and cooperatives are recognized under Due to NGAs and Other Receivables accounts. Balances of the accounts as at December 31, 2023 amounted to P8,528,319.13 and P7,905,111.77, respectively.

1.10 Verification revealed that funds transferred to SUCs amounting to P2,341,260.70 and cooperatives amounting to P2,966,000.00 are already due for liquidation/return, however, these remained outstanding as at the end of the year.

*Unliquidated fund transfers to SUCs amounting to P2,341,260.70*

1.11 Review of the various MOA revealed the following funds transferred to SUCs in CYs 2020 to 2023 which remained outstanding as at December 31, 2023:

<b>Training Partner</b>	<b>Date of Fund Transfer</b>	<b>Target Completion Date per MOA</b>	<b>Approved extension</b>	<b>Age (Days) of Fund Transfer</b>	<b>Amount of Fund Transfer</b>	<b>Balance (in Php)</b>
a. Batanes State College	Oct. 23, 2020	November 2021	None	1,164	66,000.00	39,000.00

Training Partner	Date of Fund Transfer	Target Completion Date per MOA	Approved extension	Age (Days) of Fund Transfer	Amount of Fund Transfer	Balance (in Php)
b. Biliran Province State University	Nov. 28, 2023	November 2023	None	33	312,000.00	312,000.00
c. Bohol Island State University	Aug. 8, 2021	November 2022	None	875	832,000.00	755,385.70
d. Catanduanes State University	Nov. 14, 2023	November 2023	None	47	277,500.00	277,500.00
e. Dr. Emilio B. Espinosa Sr. Memorial State College of Agriculture and Technology (DEBESMSCAT)	Feb. 21, 2023	November 2022	no definite deadline	313	148,000.00	148,000.00
f. Ilocos Sur Polytechnic State College (ISPSC)	June 6, 2023	November 2021	no definite deadline	208	346,875.00	346,875.00
g. Kalinga State University	July 5, 2023	November 2022	no definite deadline	179	444,000.00	444,000.00
h. Mariano Marcos State University	Nov. 15, 2022	November 2022	None	411	173,810.62	18,500.00
<b>TOTAL</b>						<b>2,341,260.70</b>

1.12 As presented in the table above and upon verification, we noted the following:

- a. Batanes State College – The balance amounting to P39,000 remained not liquidated or not returned to LCDFI despite the discontinuance of trainings in CY 2022.
- b. Biliran Province State University reached its targets in CY 2023 but was not able to liquidate the funds transferred as of December 31, 2023.
- c. Bohol Island State University - The balance amounting to P755,385.70 remained not liquidated or not returned to LCDFI despite the discontinuance of trainings in CY 2022.
- d. Catanduanes State University reached its targets in CY 2023 but was not able to liquidate the funds transferred as of December 31, 2023.
- e. Dr. Emilio B. Espinosa Sr. Memorial State College of Agriculture and Technology – As indicated in the extension letter between LCDFI and DEBESMSCAT, the distance between the campus and the municipality prevented the training partner from reaching the target in CY 2022. The extension letter was executed to continue the project in CY 2023, however, the target completion date was not indicated. The balance of P148,000, which was transferred on February 21, 2023, pertains to the 2<sup>nd</sup> tranche of funds released in relation to the CY 2022 MOA. This remain not liquidated as at year end.
- f. Ilocos Sur Polytechnic State College – An extension letter was executed in CY 2023 between ISPSC and LCDFI to continue the project in CY 2023 because LCDFI recalibrated the target unbanked municipalities for CY 2023 as ISPSC

have already saturated the desired number of participants relating to the original MOA. However, the target completion date was not indicated in the said extension letter. The balance of P346,875, which was transferred on June 6, 2023, pertains to the 1<sup>st</sup> tranche of funds released in relation to the extension agreed upon. ISPSC reached their targets in CY 2023 but was not able to liquidate the funds transferred as of December 31, 2023.

- g. Kalinga State University – As stated in the extension letter between LCDFI and Kalinga State University, the latter did not reach the target in CY 2022 due to the distance between the campus and the municipality. The extension letter was executed to continue the project in CY 2023, however, the target completion date was not indicated. The balance of P444,000, which was transferred on July 5, 2023, pertains to the 2<sup>nd</sup> tranche of funds released in relation to the CY 2022 MOA. This remain not liquidated as at year end.
- h. Mariano Marcos State University reached its targets in CY 2023 but was not able to liquidate the funds transferred as of December 31, 2023.

Unliquidated fund transfers to cooperatives amounting to P2,966,000.00

1.13 Review of various MOA entered by and between LCDFI and cooperatives as training partners revealed funds transferred which remained unliquidated/unreturned as of December 31, 2023. The details are as follows:

Training Partner	Date of Fund Transfer	Target Completion Date per MOA	Approved extension	Age (Days) of Fund Transfer	Amount of Fund Transfer	Balance
a. Bicol University Development Foundation, Inc.	Sept. 28, 2023	November 2022	Nov. 2023	94	462,500.00	106,500.00
b. Gubat St. Anthony Cooperative	Feb. 10, 2023	November 2023	None	324	1,443,000.00	1,443,000.00
c. Lamac Multi-purpose Cooperative	Aug. 14, 2023	November 2022	CY 2023	139	1,110,000.00	1,110,000.00
d. Quezon Federation Union of Cooperatives	Jan. 25, 2023	November 2022	no definite deadline	340	277,500.00	277,500.00
e. Treasury Link Cooperative Society	Nov. 30, 2022	November 2022	no definite deadline	396	29,000.00	29,000.00
<b>Total</b>						<b>2,966,000.00</b>

1.14 As presented in the table above and upon verification, the following were noted:

- a. Bicol University Development Foundation, Inc. – As stated in the executed extension letter between LCDFI and Bicol University Development Foundation, Inc., the latter did not reach the target in CY 2021 to CY 2022 due to constraints

and the change in leadership due to the local and national elections. The balance of P106,500.00 pertains to the 1<sup>st</sup> tranche of funds released in relation to the extension letter executed in CY 2023. The cooperative reached its targets in CY 2023 but was not able to liquidate the funds transferred as of December 31, 2023.

- b. Gubat St. Anthony Cooperative reached its targets in CY 2023 but was not able to liquidate the funds transferred as of December 31, 2023.
- c. Lamac Multi-purpose Cooperative – An extension letter was executed to continue the project with new target areas in CY 2023. The balance of P1,110,000.00, which was transferred on August 14, 2023, pertains to the 1<sup>st</sup> tranche of funds released in relation to the extension letter executed in CY 2023. Targets in CY 2023 were not accomplished, hence, the total funds transferred was not utilized as of December 31, 2023.
- d. Quezon Federation Union of Cooperatives –The extension letter between LCDFI and Quezon Federation Union of Cooperatives was executed to continue the project in CY 2023. The balance of P277,500.00, which was transferred on January 25, 2023, pertains to the 1<sup>st</sup> tranche of funds released in relation to the extension letter executed in CY 2023. Quezon Federation Union of Cooperatives did not reach its target in CY 2023, hence, the total funds transferred was not utilized as of December 31, 2023.
- e. Treasury Link Cooperative Society – As stated in the extension letter between LCDFI and Treasury Link Cooperative Society, the latter did not reach the target in CY 2022. Activities were only conducted in the last quarter of the year and only 94 out of the 200 target participants were given trainings. The extension letter was executed to continue the project in CY 2023 but the funds transferred were not utilized as of December 31, 2023.

1.15 Further review disclosed the following deficiencies in the MOA under the FPL and gaps in monitoring of liquidation of funds transferred to training partners:

- a. Funds transferred to training partners in CYs 2020 and 2022 totaling P815,663.25 were only liquidated in CY 2023, or one to two years after the utilization by the cooperatives of funds transferred. Details below:

<b>Training Partner</b>	<b>Date of Fund Transfer</b>	<b>Date of Fund Utilization</b>	<b>Date of liquidation</b>	<b>Amount</b>
Ilocos Sur Polytechnic State College	July 29, 2020	Jan. 2021 - Dec. 2021 Jan. 2022 - Dec. 2022 Jan. 2023 - Dec. 2023	May 11, 2023	153,212.75 57,795.00 163,889.00
Catanduanes State University	September 21, 2020	Jan. 2021 - Dec. 2021	December 29, 2023	279,791.50
Davao del Norte State College	June 12, 2022	Jan. 2022 - Dec. 2022	April 17, 2023	96,500.00
Davao del Sur State College	August 16, 2022	Jan. 2022 - Dec. 2022	July 13, 2023	64,475.00
<b>Total</b>				<b>815,663.25</b>

a.1 LCDFI explained that the reason for the delay in the SUCs' submission of the liquidation documents is that the said documents must first be submitted to the COA auditors assigned to the SUC before these will be submitted to LCDFI. In the case of cooperatives, the reason for the delay is that liquidation documents still need to be checked by their respective accountants.

a.2 We emphasize, however, that COA Circular No. 2016-002, eliminated the requirement on Certification by the Accountant that the funds have been post-audited by the auditor of the Implementing Agencies. For transfer of additional funds, Accountants are required only to certify that the previous funds transferred were fully liquidated and accounted for. Further in COA Circular No. 2012-001 dated June 14, 2012, post-audit reports by COA is not among the documentary requirements for liquidations of funds.

b. The FLP manual of LCDFI does not have guidelines on the monitoring of liquidation of funds transferred to SUCs and cooperatives. The procedures on the collection of long outstanding receivables pertaining to unused balances of funds transferred under the program were also not included in the manual.

c. While it has been the practice of LCDFI to approve the extension of project timelines, upon request of the training partner, when there are areas not covered within the original project timelines, there is no specific guidance in the FLP Manual covering the grant of extension, the limit for such requests and the allowable number of days for the extension to complete projects by the training partners. Likewise, the MOA does not also contain an agreement on the conditions for an extension of project timeline.

d. The provisions of the MOA by and between LCDFI and its training partners are not fully aligned with the requirements of COA Circular Nos. 94-013 and 2007-001 on the liquidation and return of unused funds by implementing agencies and NGOs/POS. While the MOA contains the roles and responsibilities of both LCDFI and the training partners, timelines on the liquidation, return to the LCDFI as Source Agency of the unused balance of the fund received and submission of required reports by the training partners as Implementing Agencies, are not specified.

1.16 The LCDFI's Compliance Officer informed that for CY 2024, LCDFI is aiming to require all the training partners to refund all unexpended balances and submit liquidation documents for outstanding balances as of December 31, 2023. Also, there will be no extension letters to be made in CY 2024 for the existing MOA, instead new MOA will be made to align with LCDFI's targets every year.

1.17 From the foregoing, the granting, utilization, accounting and reporting of funds transferred to SUCs and cooperatives under the FLP are not consistent with COA Circular Nos. 94-013 and 2007-001. As a result, unused balances of funds transferred to SUCs and cooperatives amounting to P2,341,260.70 and P2,966,000.00, respectively, were not returned and liquidation documents were not submitted to LCDFI as of December 31, 2023.

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

- a. **Require the concerned SUCs and cooperatives to submit liquidation documents or return unused balances of transferred funds amounting to P2,341,260.70 and P2,966,000.00, respectively, as at December 31, 2023, pursuant to COA Circular Nos. 94-013 and 2007-001 and the provisions of the MOA;**
- b. **Revisit the Guidelines of the FLP of LCDFI to include processes and timelines on the liquidation and collection of unused balances of funds from training partners, and the conditions on the granting of extension of project timelines; and**
- c. **Align the provisions of the MOA under FLP with the provisions of COA Circular Nos. 94-013 and 2007-01, as well as the documentary requirements on fund transfers and liquidation prescribed under COA Circular No. 2012-001 dated June 14, 2012.**

1.19 LCDFI set April 30, 2024 as the deadline for the training partners to submit liquidation documents or return the unutilized amounts and targets to submit the proposed revised guidelines to the LCDFI Board by the end of the 2<sup>nd</sup> Quarter of 2024.

#### **Gender and Development (GAD)**

2. LCDFI is compliant with Philippine Commission on Women Memorandum Circular No. 2022-03 dated August 31, 2022 on the preparation and submission of FY 2023 GAD Plans and Budgets as well as the required GAD Budget of at least five per cent of the agency's total budget.

#### **Compliance with Tax Laws**

3. The taxes withheld in CY 2023 from the compensation and benefits of LCDFI personnel and from suppliers amounting to P877,510 and P430,526, respectively, as disclosed in Note 25 to the CY 2023 Financial Statements, were remitted to the Bureau of Internal Revenue within the reglementary period.

#### **GSIS Contributions and Remittances**

4. In CY 2023, LCDFI complied with Republic Act (RA) No. 8291 on the collection and remittance of contributions to GSIS as follows:

- a. Mandatory monthly contribution of covered employees and employer in accordance with Section 5; and
- b. Remittance of employees' and employer's contributions and employees' compensation premium within the due date pursuant to Section 6.

## **Philhealth and Pag-ibig Premiums**

5. In CY 2023, LCDFI complied with Title III, Rule III, Section 18 of the Implementing Rules and Regulations of RA No. 7875, as amended, in the payment of national health insurance premium contributions to the Philhealth.

5.1 LCDFI also complied with Rule VII, Section 3 of the Implementing Rules and Regulations of RA No. 9679 in the collection and remittance of contributions to the Pag-ibig Fund.

## **Status of disallowances, suspensions and charges**

6. The balance of disallowance amounting to P5,133,830.02 as at December 31, 2023 pertains to the Notice of Disallowance No. LBP-Subs. 2008-015 (2002-2003) dated August 11, 2008, on the payments of additional allowances and benefits to LBP Officials acting as Officers/Board of Directors of LBP subsidiaries. Of the total amount disallowed, P561,000 pertains to payments to LCDFI Officers/Board of Directors. The disallowance was affirmed under COA Decision No. 2012-018 dated February 16, 2012.

6.1 A Motion for Reconsideration, filed by LBP with COA on March 19, 2012, was denied by the Commission, through its Resolution dated April 4, 2014, for lack of merit. Subsequently, the Legal Services Group, LBP, filed a Petition for Certiorari to the Supreme Court on August 4, 2014 on the subject COA Resolution.

6.2 On October 5, 2021, LBP received the Supreme Court Notice of Judgment with the Decision where the Petition for Certiorari filed by LBP and LIBI, LBRDC, LLFC, MSI and LCDFI (collectively referred to as the "Subsidiaries") was DISMISSED. Further, Supreme Court En Banc Resolution dated April 5, 2022 denied with finality Petitioners' Motion for Reconsideration of the SC Decision dated October 5, 2021 for Petitioners' failure to raise any substantial argument in support thereof. The said Decision affirmed with modification COA Decision No. 2012-018 dated February 16, 2012, thereby holding the members of the LBP Subsidiaries' Board of Directors (BODs) solidarity liable for the return of the disallowed amount under ND No. LBP-Subs. 2008-015 (2002-2003) dated August 11, 2008, relative to the payment of additional allowances and benefits to LBP (the Parent Company) officials acting as officers/members of the BOD of LBP Subsidiaries, amounting to P5,133,830.02, while the payees are individually liable to return the disallowed amounts they respectively received.

## **PART III**

# **STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS**

**STATUS OF IMPLEMENTATION OF PRIOR YEAR'S  
AUDIT RECOMMENDATIONS**

There were no audit recommendations in the prior year's Annual Audit Report.