

27 August 2024

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DATE: VOY 8/27/2024

DIGNA CRESCENCIA G. FILLER
Officer-in-Charge
Corporate Government Audit Sector
Cluster 2 – Social Security
COMMISSION ON AUDIT
Commonwealth Avenue
Quezon City

Thru: **ATTY. MOHAMMAD MUARIFF S. BALANG**
State Auditor IV
OIC Supervising Auditor
Audit Group E – PhilGuarantee/SB Corporation

ATTY. VAN JOHN C. MAGALLANES
Attorney IV
OIC Audit Team Leader
Audit Group E – Audit Team SB Corporation

Dear OIC Filler:

We are pleased to submit to your office the Agency Action Plan and Status of Implementation (AAPSI) on the Audit Observations and Recommendations as contained in Parts II and Parts III of the Annual Audit Report for CY 2023 on Small Business Corporation.

We hope you find everything in order.

Very truly yours,


ROBERT C. BASTILLO
President and CEO 

SMALL BUSINESS CORPORATION
17th to 18th Floors, 139 Corporate Center, Valero Street, Salcedo Village, Makati City

AGENCY ACTION PLAN AND STATUS OF IMPLEMENTATION
Audit Observations and Recommendations
For the Calendar Year 2023 and Prior Years

Ref. (No. in the AAR)	Audit Observations	Audit Recommendations	Agency Action Plan			Status of Implementation	Reason for Non- implementation, if applicable	Action Taken/Action to be Taken	
			Action Plan	Person/Dept. Responsible	Target Implementation Date				
					From				To
CY 2023 Annual Audit Report									
A. FINANCIAL AUDIT									
1.	While SB Corporation has commendably adopted the Expected Credit Loss (ECL) model for the impairment of its Notes Receivable, there remain policy gaps in its implementation, which runs counter to the requirements of Philippine Financial Reporting Standard (PFRS) 9 – <i>Financial Instruments</i> . Thus, the reported total carrying amounts of the financial assets subject to impairment of P15.122 billion is overstated, while the total cumulative ECL thereon of P3.831 billion is understated as at December 31, 2023 both by undetermined amounts, contrary	We reiterated with modification our prior years' recommendations that Management, through the LASCS Project Team and the Controllership Group (CG): a. Enhance its ECL model to take into account the time value of money in computing ECL on its financial assets subject to impairment, as well as the use of qualitative and forward-looking information in assessing significant increases in credit risk; b. Apply the ECL model in providing allowance for credit	SB Corporation will comply with the recommendations.	Loan Account Status and Classification System (LASCS) Project Team	August 2024	October 2024	Not Implemented (with ongoing actions)	In response to the audit recommendations, the ECL model has been enhanced to incorporate the time value of money, ensuring more accurate calculations of credit losses in line with financial reporting standards. Ongoing enhancements to improve predictive accuracy by identifying trends and seasonal patterns in the data are being done thereby enhancing the model's reliability, with anticipated completion in October 2024.	

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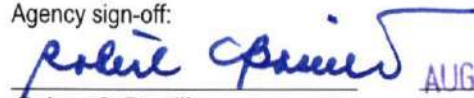

Robert C. Bastillo
 President and Chief Executive Officer
 Date AUG 27 2024



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	to the fair presentation mandated by Paragraph 15 of Philippine Accounting Standard (PAS) 1 – <i>Presentation of Financial Statements</i>	<p>losses to all its financial assets subject to impairment;</p> <p>c. Based on the enhanced impairment model, adjust the recorded ECL to reflect accurate account balances as at December 31, 2023, 2022 and 2021;</p> <p>d. Ensure that the following measures are in place and are documented to warrant the effective and efficient implementation of the impairment model:</p> <p>i. Relevant procedures and steps as to the governance of the whole ECL process to control the management of data assets;</p> <p>ii. Detailed accountabilities of each personnel involved in the ECL process, including timelines for completion of required activities as well</p>						Additionally, the documentation for the ECL processes and accountabilities is expected to be completed in November 2024.	

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		<p>as the process flow of ECL computation; and</p> <p>iii. Subsequent audit, independent model validation, back testing and recalibration of the ECL model.</p>							
2.	Several material information required to be disclosed by PFRSs in the Notes to Financial Statements (NTFS), including quantitative disclosures required under PFRS 7 – <i>Financial Instruments: Disclosures</i> , were not presented therein, thus, the fair presentation of the financial statements of SB Corporation for the years ended December 31, 2023 and 2022, is materially affected	<p>We recommended that Management:</p> <p>a. Disclose all the foregoing information in the NTFS as required or encouraged by pertinent PFRSs; and</p> <p>b. Require the concerned Operating Groups to assist and promptly provide the required information to the CG to enable the latter to timely prepare the NTFS sufficient in form and substance and to submit the same to the Audit Team within the set deadline.</p>	<p><u>For both recommendations:</u> The required disclosures have been substantially complied in the CY 2023 NTFS.</p> <p>For CY 2024, the remaining required disclosures, i.e. quantitative information on risks, will be included in the NTFS for CY 2024.</p>	CG, ERMG, Financing Sector, Treasury Department	October 2024	December 2024	Not Implemented (for implementation for the CY 2024 FS)	Although the audit recommendations have been substantially implemented in the CY 2023 NTFS, CG will meet with the concerned groups for the required quantitative disclosures on risks within the 4 th Quarter of 2024 and this information will be included in the NTFS for CY 2024.	

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3.	Undistributed Collections (UC) totaling P21.476 million as at December 31, 2023 lodged under Other Payables are not yet identified and properly credited to the appropriate accounts, thereby overstating Other Payables by the same amount and misstating Notes Receivable, Interest Receivable, Retained Earnings, Interest Income and other related accounts by undetermined amounts as at even date or for the year then ended, contrary to the fair presentation mandated by Paragraph 15 of PAS 1 – <i>Presentation of Financial Statements</i> . Notably, UC increased by P4.901 million, or 29.57 per cent, from the previously reported amount of P16.575 million as at December 31, 2022.	<p>We reiterated with modification our prior years' recommendations that Management, through the concerned Groups:</p> <p>a. Prioritize/Fast track the analysis and identification of the loan accounts to which the UCs apply. The responsible Groups, i.e., CG, Credit Support and Asset Recovery Group (CSARG), Financing Sector, Treasury Group (TG) and Information Technology Group (ITG), must continually enhance and streamline their coordination for this purpose;</p> <p>b. Based on the results of the analysis, adjust the UC to the appropriate receivable and/or income accounts, and immediately update the subsidiary ledgers (SL) of the concerned borrowers to come up with the correct individual loan account balances;</p>	<p>For recommendations "a" and "b":</p> <p>Continuous actions and coordination are being taken by the concerned groups for the analysis and identification of the loan accounts for the UCs and adjustments of the same to the appropriate accounts.</p>	Financing Sector, CSARG, CG, ITG	January 2024	February 2025	Not Implemented (with continuous actions)	<p>For recommendations "a" and "b":</p> <p>Continuous reconciliation and adjustment/booking of application of payment on identified UCs are being made.</p> <p>SB Corporation will continue to address the issues on UC with the remaining payment partners, i.e. Bayad Center and USSC, through the integration via the API.</p>	

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		<p>c. Follow-up with the remaining intermediaries the implementation of the CAN requirement for loan borrowers' payments, and orient the concerned borrowers on the importance and strict usage of this code when making payments; and</p>	<p>c. The orientation of the concerned borrowers on the usage of the CAN is already being practiced by SB Corporation even prior to this updated audit recommendation.</p> <p>As for the remaining intermediaries, Bayad Center and USSC, the CANs supplied by the borrowers in the remittance of their loan payments are accepted and captured in the Daily Collection Reports submitted to SB Corporation, thereby, complying to the audit recommendation on the implementation of CAN requirement for loan payments.</p> <p>The Treasury Department will closely coordinate with the said intermediaries for the integration in their systems of the CAN through API.</p>	<p>Loan Releasing Team</p> <p>Treasury Department</p>			Implemented	<p>c. Prior to the electronic signing of the documents, the loan releasing staff calls the borrowers to discuss and confirm their approval on the terms of the loan, among others. In the same call, the borrowers are also oriented on the available payment methods and the use of the CAN for loan payments.</p> <p>Copies of the Daily Collection Reports from Bayad Center and USSC attached as Annexes "A" and "B" contain details of the payment including the CAN supplied by the borrower in the remittance of their loan payments (captured under the Account Number column for Bayad Center and Order No. column for USSC).</p>	

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		<p>d. Ensure the strict implementation of established policies, guidelines, and measures to eliminate UCs through the preparation of year-end closure instructions, regular review, and monitoring, among other actions.</p> <p>We further recommended that Management continuously inform and/or remind the borrowers to provide complete and correct details when paying over-the-counter or through the APS.</p>	<p>d. Strict implementation of the established policies and guidelines are being done by SB Corporation.</p> <p>The further recommendation is likewise addressed by the action noted in "c".</p>			<p>Not Implemented (with continuous actions)</p> <p>Implemented</p>			
4.	<p>Receivables with account balances totaling P12.268 billion as at December 31, 2023 are inaccurate due to the presence of abnormal or negative balances in the said accounts totaling P46.598 million, contrary to the fair presentation mandated by Paragraph 15 of PAS 1 – <i>Presentation of Financial Statements</i>.</p>	<p>We reiterated with modification our prior years' recommendations that Management, through the CG and in coordination with the ITG:</p> <p>a. Evaluate and reconcile the accounts with abnormal or negative balances, and effect the necessary adjustments in the books;</p>	<p>a. Continuous evaluation and reconciliation are being done on the accounts with negative balance.</p>	CG, Financing Sector – Account Management Department (FS-AMD)	January 2024	February 2025	Not Implemented (with continuous actions)		<p>a. As of December 2023 closing, the negative balances amounting to P9.27 million were temporarily lodged under AP-Others. Continuous reconciliation is being done by the Branch accountants to properly apply the negative balances to the proper accounts, or may be subject for</p>

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		<p>b. Develop a workplan that defines accountabilities and sets a reasonable timeline and milestones for the evaluation, reconciliation and adjustment of the abnormal or negative balances to properly evaluate progress and accomplishments;</p> <p>c. Ensure, through appropriate control mechanisms, both manual and programmed, that every credit to receivable account for payments received has a corresponding prior-set-up; and</p> <p>d. Regularly monitor the existence of negative or abnormal balances to eliminate, or at least minimize, these balances in the books.</p>	<p>b. The development of a workplan for the evaluation and reconciliation will be complied with.</p> <p>c. Same as noted in "b".</p> <p>d. The development of the aforementioned workplan will likewise address this recommendation.</p>	<p>CG, FS-AMD, Information Technology Group (ITG)</p> <p>CG, FS-AMD, ITG</p> <p>CG, FS-AMD, ITG</p>	<p>October 2024</p> <p>September 2024</p> <p>October 2024</p>	<p>December 2024</p> <p>December 2024</p> <p>December 2024</p>	<p>Not Implemented (with action to be taken)</p> <p>Not Implemented (with action to be taken)</p> <p>Not Implemented (with action to be taken)</p>	<p>refund, in case of excess payment by the borrowers.</p> <p>b. CG will meet with the FS – AMD and ITG within October 2024 for the development of the recommended workplan.</p> <p>c. Same as the action to be taken noted in "b". SB Corporation is planning to outsource a Core Banking System which will address this recommendation.</p> <p>d. Same as the action to be taken noted in "b".</p>	

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5.	Various liabilities recorded under Other Payables account totaling P29.890 million as at December 31, 2023 remained non-moving for at least nine years, thus, casts doubt on the validity and reliability of the pertinent claims, contrary to the fair presentation mandated by Paragraph 15 of PAS 1 – <i>Presentation of Financial Statements</i>	<p>We recommended that Management, through the CG and other concerned Groups:</p> <p>a. Review, validate, and analyze the documents and other available records supporting the non-moving Other Payables, including confirmation with debtors, where appropriate, to determine which accounts are or remain valid;</p> <p>b. Develop a workplan that defines accountabilities and sets a reasonable timeline and milestones for the review, validation, and analysis of the accounts to properly evaluate progress and accomplishments;</p> <p>c. Submit to the Audit Team the results of its review, validation and analysis, including copies of relevant and complete supporting schedules and documents, for verification and audit;</p>	<p><u>For all recommendations:</u></p> <p>SB Corporation will continue the reconciliation being done on the Equitable PCI Bank (now BDO) account and consult COA on the writing off of the remaining five (5) accounts.</p> <p>Further, SB Corporation will comply with the recommendation by coming up with a policy for payables not to exceed two years in aging.</p>	CG	August 2024	February 2025	Not Implemented (with ongoing actions and actions to be taken)	<p><u>For all recommendations:</u></p> <p>Reconciliation with Equitable PCI Bank (now BDO) is ongoing.</p> <p>For the rest of the accounts, SB Corporation, thru the CG, will consult with the COA Team on the possibility of writing off the same and the documentary requirements. In the meantime, CG will develop a workplan for the continuation of its review, validation and analysis of available documents/records of the non-moving other payables.</p> <p>SB Corporation will come up with a policy to comply with the recommendation to reverse non-moving payables for two or more years to Retained Earnings.</p>	

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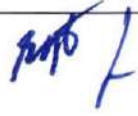
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		<p>d. Effect payment where the liability has been determined to be valid to reduce the administrative burden of the Corporation; and</p> <p>e. Consider the reversion of non-moving payables which remain unliquidated and outstanding for two or more years to Retained Earnings as allowed under Section 98 of PD No. 1445.</p>							
6.	The accuracy and reliability of the reported non-current Other Assets of P5.295 million as at December 31, 2023 are doubtful due to the continued recognition and inclusion thereof of acquired properties that were already conveyed and/or surrendered to the Department of Agrarian Reform (DAR) with carrying amount of P2.088 million as at even date, contrary to the fair presentation mandated by Paragraph 15 of the PAS 1 – Presentation of Financial Statements	<p>We recommended and Management, through the CG and other concerned Groups, agreed to:</p> <p>a. Review and evaluate the transactions involving the acquired properties that were conveyed/surrendered to the DAR, in order to determine the validity of continued recognition thereof as Other assets;</p> <p>b. Based on the results of such review and evaluation, adjust the Other Assets and other appropriate accounts as at December 31, 2023, including</p>	<p>a. Consultation with the DAR on the matter will be made.</p> <p>b. Adjustments will be made as necessary depending on the results of the consultation with the DAR.</p>	<p>Credit Support Asset Recovery Group (CSARG), Mindanao Group (MG)</p> <p>CG</p>	<p>October 2024</p> <p>October 2024</p>	<p>December 2024</p> <p>February 2025</p>	<p>Not Implemented (with actions to be taken)</p> <p>Not Implemented (with actions to be taken)</p>	<p>For all recommendations:</p> <p>Please note that these are not ROPA. Nonetheless, SB Corporation will consult with the DAR thru CSARG within 2024, who will coordinate with the Mindanao Group (MG) considering that the properties are located in Mindanao.</p> <p>As per record, the Norton Resources Development Corp is being processed for cancellation of <i>lis pendens</i>. For the other three (3)</p>	

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		possible write-offs, to fairly state the account balances;							
		c. Where appropriate, take the necessary actions to ultimately recover from the subject acquired properties to include collecting their value from LBP as provided under EO No. 407;	c. Same as noted in "a".	CG	December 2024	February 2025	Not Implemented (with actions to be taken)		properties, efforts are being made to retrieve documents. Only thereafter will any necessary adjustments be made by the CG in the books.
		d. Develop a workplan that defines accountabilities and sets a reasonable timeline and milestones for the review and analysis of the transactions, as well as recovery from the properties, to properly evaluate progress and accomplishments; and	d. Same as noted in "a".	CG, CSARG	October 2024	December 2024	Not Implemented (with actions to be taken)		
		e. Submit to the Audit Team the results of the review and evaluation, including copies of relevant documents, for verification and audit.	e. Compliance to this recommendation will be a subsequent action after the consultation with the DAR.	CG	December 2024	February 2025	Not Implemented (with actions to be taken)		

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7.	The reported carrying amounts of some Investment Property totaling P10,579 million as at December 31, 2023, or 20.90 per cent of the total, is unreliable due to outdated appraised values which serve as SB Corporation's basis in determining any impairment losses, contrary to pertinent provisions of PAS 36 – <i>Impairment of Assets</i> and the fair presentation mandated by Paragraph 15 of PAS 1 – <i>Presentation of Financial Statements</i> .	<p>We reiterated with modification our prior years' recommendations that Management, through the CG and CSARG:</p> <p>a. Perform completely the required impairment testing under PAS 36 as at December 31, 2023 and 2022 on the ROPAs without updated appraisal reports, and based on the results thereof, recognize (or reverse) impairment losses for the year, if any, as appropriate;</p> <p>b. Submit to the Audit Team adequate documentation of its conduct of impairment testing, including, at a minimum, a detailed listing of each item under Investment Property together with their corresponding FVLCD and, where necessary, the VIU information, as well as significant assumptions used; and</p>	<p>a. This recommendation has been implemented.</p> <p>b. This recommendation has been implemented.</p>	<p>CSARG</p> <p>CSARG</p>			<p>Implemented</p> <p>Implemented</p>	<p>For recommendations "a" and "b":</p> <p>The impairment testing for CYs 2022 and 2023 have been completed.</p> <ul style="list-style-type: none"> CY 2022 – The impairment loss was recorded by CG via JV Code JV-22-12-868-C and JV-22-12-869-C based on the Memorandum of CSARG to CG dated 12 May 2023, attached as Annex "C". CY 2023 <ul style="list-style-type: none"> Documentation for the first batch of impairment testing was attached to the Status of Implementation of Prior Years' Audit Recommendation (submitted to the COA Team last 14 February 2024). Attached as Annex "D" is a copy of the Memorandum to CG dated 05 June 2024 for 	

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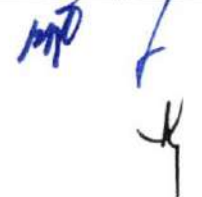
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		c. Install appropriate control mechanisms, such as inclusion in year-end closure instructions, and regular review and monitoring, among others, to ensure that the required appraisal, and impairment testing are regularly performed.	c. This recommendation has been implemented.	CSARG, CG			Implemented	<p>the booking of accumulated impairment loss amounting to P968,412.56, which covers six (6) accounts. This was recorded by CG via JV Code JV-24-05-134.</p> <p>- Appraisal reports of the other Investment Property (IP) subject to audit were completed and found to have no impairment losses. Attached as Annex "E" is the Summary of ROPA Appraisal as of December 2023.</p> <p>c. CSARG has implemented a monitoring system to track expiry dates of appraisal reports, among others. Further, the Policy and Procedures on the Conduct of Impairment Testing for PPEs and ROPA under ManCom Resolution No. 2024-0424-003 includes regular review and monitoring to ensure regular conduct of appraisal and impairment</p>	

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		We further recommended that Management, where practicable, retroactively restate the CY 2022 financial statements to recognize the impairment losses on Investment Property as at December 31, 2022.	The restatement of the IP as of December 31, 2022 will be included in the recording by yearend 2024.	CG	December 2024	February 2025	Not Implemented (for implementation for the CY 2024 FS)	<p>testing (Refer to the Memorandum from the Office of the Chief Compliance Officer to COA dated 02 May 2024).</p> <p>CG will include in its year-end closure instructions starting CY 2024 the required submission of the impairment testing on ROPA and its supporting documents.</p> <p>CG will include in the recording by yearend 2024 the restatement of the IP as of December 31, 2022.</p>	
B. OTHERS									
8.	The total number of investees and accumulated investments under the Innovation Fund is only two and P10.000 million, respectively, which are significantly lower than the 21 investees and P64.000 million targeted in the CY 2022 Annual Workplan and Budget (AWB). Consequently, the stated	We recommended that Management, through the InAG: a. Promptly develop appropriate and effective strategies to address changes in the operating environment and challenges encountered in managing the Innovation Fund,	<u>For recommendations "a" and "b":</u> Company Prospecting, Creation of the RAPID Venture Capital Group	Innovation and Advocacy Group (InAG)	April 2024	December 2024	Implemented (with continuous actions for "a")	a. Since the start of the year, a total of additional 7M has been released to Green Nurture Corporation and Malagos Agri-Ventures Corporation.	

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	objective of the said Fund to provide incentives for private equity and venture capital firms to engage with small and medium enterprises (SMEs) is adversely affected and not fully realized.	<p>to ensure that the stated objectives of the Fund are fully realized; and</p> <p>b. Enhance current and subsequent workplans for the Innovation Fund by detailing in sequence how the Corporation will reach its targets and ensure that the results of monitoring and any remedial actions undertaken are documented.</p>		SB Corporation Management	October 2024		Not Implemented (with actions to be taken for "b")	<p>Starting January 2024, SB Corporation consistently implemented an improved prospecting strategy to find more qualified investee companies. Through Earthman Consulting and Development Company, a new list of potential investees was generated. Regular coordination activities were undertaken with these companies, ensuring needed assistance in completing documentary requirements, among others to ensure ability to receive SB Corporation investment of qualified companies. The list is being continuously updated as deals in each company are originated.</p> <p>b. As one of its key strategies, SB Corporation shall create a dedicated RAPID Venture Capital Group that focuses on ensuring effective management of the Corporation's Equity Investment Program. The unit is slated to be operational by October 2024.</p>	

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9.	The "Gantimpala Agad Award" for CYs 2021 and 2022 totaling P4.057 million were paid to all regular employees of SB Corporation, irrespective of their individual performance, innovative ideas and exemplary behavior, contrary to pertinent provisions of Civil Service Commission (CSC) Memorandum Circular (MC) No. 1, series of 2001.	<p>We recommended that Management, through the concerned Groups:</p> <p>a. Submit proof showing Presidential approval for granting the "Gantimpala Agad Award" to all regular employees of SB Corporation based on the institution's milestones and achievements during CYs 2021 to 2022;</p> <p>b. Subsequently, grant the "Gantimpala Agad Award" selectively to employees who exhibit outstanding individual</p>	<p>a. Item 14 of the Civil Service Commission (CSC) MC No. 01, s. 2001 only requires the submission of the PRAISE to the CSC Regional Office (NCR in the case of SB Corporation), thus, no Presidential approval has been sought.</p> <p><u>For recommendations "b" and "c":</u> This recommendation will be addressed through the</p>	Human Resource Management and Development Group (HRMDG)	August 2024	December 2024	Implemented	<p>a. The PRAISE of SB Corporation was approved by the CSC via its letter dated November 14, 2002 (attached to the SB Corporation's reply to the AOM No. 2024-002 (2020-2022)). SB Corporation anchored its authority to grant the Gantimpala Agad Award to all employees, under V. Types of Awards, B. SBGFC Awards, item 7 of the CSC-approved PRAISE of SB Corporation which states "Other incentives which the PRAISE Committee may recommend on the basis of special achievements, innovative approaches to assignment, exemplary service to the public and recognition by an outside group of a particular achievement."</p> <p><u>For recommendations "b" and "c":</u> The enhanced PRAISE will be presented to the Management</p>	

Agency sign-off:


Robert C. Bastillo
 President and Chief Executive Officer

AUG 27 2024
Date





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		<p>performance, innovative ideas, and exemplary behavior consistent with CSC MC No. 1, series of 2001; and</p> <p>c. Submit Office Order Nos. 2003-009 and 2009-011, as well as subsequent amendments to the PRAISE of SB Corporation, to the CSC Regional Office for its evaluation and approval</p>	enhancement of the PRAISE including the incorporation of the provisions of the subject Office Orders in the revised/enhanced PRAISE of SB Corporation and submission of the same to CSC once approved by the Management and the Board.					Committee within August 2024 and thereafter to the Board. The revised program will be submitted to the CSC for approval on or before December 2024.	
10.	Goods and services totaling P718,289 were acquired in CYs 2022 and 2023 through Negotiated Procurement – Small Value Procurement (NP-SVP) even though the procurement thereof is not indicated in the Annual Procurement Plan (APP), including any approved supplements and changes thereto, contrary to Section 7.2 of the 2016 Revised Implementing Rules and Regulations (IRR) of RA No. 9184. Thus, the amount may constitute an irregular expenditure as contemplated under Section 3.1 of COA Circular	<p>We recommended that Management, through the BAC:</p> <p>a. Moving forward, if a procurement project is not included in the APP, prepare BAC Resolution recommending the use of alternative method, for approval by the HoPE, and issue a supplemental APP or an amendment thereto before proceeding with the procurement; and</p>	<p>a. The BAC acknowledges the recommendation of COA that in the event of non-inclusion of procurement project in the APP, a BAC resolution will be prepared, for approval of the HoPE, indicating therein the alternative method to be used and to issue a supplemental or amended APP prior to the actual procurement.</p>	BAC, BAC Secretariat and Procurement Unit (Administrative Services Unit)	January 2024	Onwards	Implemented		<p>a. Issuance of an amended or supplemental APP is already being implemented since January 2024 for item/s not originally included in the APP but later requested by concerned group/office while the issuance of BAC resolution prior to the conduct of procurement activities will be implemented starting August 2024 in compliance with COA's recommendation under 10.8.</p>

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	No. 2012-003 dated October 29, 2012.							<p>Copies of amended and supplemental APPs issued by BAC and duly approved by the HoPE are attached herewith as Annexes "F," "G," and "H," respectively, showing the additional items previously not included in the APP but were subsequently requested by concerned group/office.</p> <p>To fully implement COA's recommendation, specifically the issuance of BAC resolution prior to commencement of procurement activities, the BAC will issue the corresponding resolution starting August 2024 for each item specifying therein the mode of procurement to be utilized and the amount involved before proceeding to actual procurement. The said resolution is in addition to the amended or supplemental APP which is currently issued wherever the item/s requested is/are not included in the original APP.</p>	

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 **AUG 27 2024**
Robert C. Bastillo Date
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		b. Install appropriate control mechanisms, e.g., use of checklists, and regular review and monitoring, among others, to ensure that such BAC Resolutions and supplemental or amended APPs are prepared and duly approved.	As contained in the previously submitted APPSI dated 22 December 2024, the BAC through the Administrative Services Unit will implement control mechanism through the use Checklist of Documentary Requirement and Conditions starting January 2024 to ensure that all necessary documents especially the BAC Resolutions and amended/supplemental APP are prepared and duly approved.	BAC and BAC Secretariat			Implemented	b. In compliance with the said APPSI, the BAC issued BAC Resolution No. 2024-01-001 dated 04 January 2024, attached as Annex "I" , requiring the procurement unit, including the regional offices, to implement the use of checklist for alternative modes of procurement. Copies of checklist for three (3) different modes of procurement which are attached herewith as Annexes "J," "K," and "L" , were provided to the concerned as proof of the implementation of COA's recommendation under this item.	
11.	Procurement through NP-SVP rather than Shopping of ordinary or regular office supplies in CYs 2022 and 2023 totaling P149,420 is contrary to Sections 52.1, 52.2 and 53.9, and Annex "H" of the 2016 Revised IRR of RA No. 9184. Thus, said amount may constitute irregular expenditures	a. Reiterate to concerned personnel that items which are considered ordinary or regular office supplies and equipment cannot be acquired through NP-SVP; and	a. Concerned personnel, in compliance with the recommendation under 11. a, is consistently reminded and guided by her supervisor and Group Head through coaching and mentoring on the different requirements and conditions of shopping, SVP	BAC and Administrative Services Unit			Implemented	a. To enhance and update the knowledge and skills of the concerned personnel, as well as those of the BAC, Secretariat, TWG and even the end-users, relative to procurement under RA 9184 and other procurement related issuances/procedures, a	

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	as contemplated under Section 3.1 of COA Circular No. 2012-003.	<p>b. Install appropriate control mechanisms, e.g., use of checklists, and regular review and monitoring, among others, to ensure that NP-SVP are not resorted to in the acquisition of ordinary or regular office supplies and equipment.</p>	<p>b. The BAC, through the Administrative Services Unit, has implemented a control mechanism through the use Checklist of Documentary Requirement and Conditions.</p>	BAC through the Administrative Services Unit			Implemented	<p>procurement training was conducted on 14 & 15 May 2024 as evidence by the Special Order No. 048 series of 2024, which is attached herewith as Annex "M".</p> <p>b. The BAC through the Administrative Services Unit, has implemented the control mechanism using Checklist of Documentary Requirements and Conditions. Through this mechanism, the concerned employee can easily assess which mode of procurement will be proper given the conditions and requirements contained therein subject to the review and approval of her supervisor and Group Head.</p>	

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12.	The BAC lacks documentation of its validation that the procurement of goods in CYs 2022 and 2023 totaling P9.679 million does not fall under Shopping in Section 52 of the 2016 Revised IRR of RA No. 9184 to justify resorting to NP-SVP. As a result, the Corporation is deprived of a mechanism that helps ensure consistent compliance with the provisions of the said Revised IRR, contrary to the sound internal control principles under the Internal Control Standards for the Philippine Public Sector (ICSPPS).	We recommended and Management, through the BAC, agreed to adequately document its validation of the existence of the conditions justifying in resorting to NP-SVP and other alternative modes of procurement, using a checklist or other suitable means.	The BAC, through the Administrative Services Unit, has implemented a control mechanism through the use Checklist of Documentary Requirement and Conditions.	BAC through the Administrative Services Unit			Implemented	To adequately document the existence of conditions justifying the resort to NP-SVP and other modes of procurement, the Checklist of Documentary Requirements and Conditions (as mentioned under 10.b above) has been implemented by BAC through the Administrative Services Unit. Through this checklist, the procurement unit can easily determine the appropriate method of procurement to be used in a particular transaction taking into consideration the conditions indicated therein subject to review/evaluation by the BAC and approval by the HoPE.	
13.	SB Corporation was not able to claim the redemption price of its investments in PLDT preferred stocks totaling P260,217 within the allowable period resulting in the loss or wastage of government funds, contrary to the declared policy of the State on the effective and efficient use of government resources under Section 2 of PD No. 1445.	We recommended that Management, through the CG and LSG: a. Determine whether the accountable officers and/or employees were negligent in discharging their duties, and where appropriate, hold them liable for the loss incurred as a result of the failure to claim the redemption price of the	a. The Ad Hoc Team created per ManCom Resolution No. 2024-0216-002 was tasked to investigate and identify the responsible officers/employees in the oversight negligence on the investments in PLDT shares	Investigation Team for the Unredeemed PLDT Shares (Chaired by the LSG Head, Atty. Candice A. Cabrido)	February 2024	February 2025	Not Implemented (with ongoing actions)	a. The Ad Hoc Team, led by the LSG Head, submitted a detailed investigation report to the President and CEO. Based on the investigation report, the person found to be accountable is already deceased.	

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		investments in PLDT preferred stocks within the allowable period; and b. Install appropriate control mechanisms, i.e., enhanced investment management policies, and appropriate review and monitoring, among others, to ensure that invested funds are utilized efficiently and effectively, and losses thereof are avoided.	and submit the results of investigation to the President and CEO. b. SB Corporation will comply with the recommendation.	SB Corporation Management			Not Implemented (with ongoing actions)	SB Corporation will consult the Securities and Exchange Commission (SEC) for other possible remedies on the redemption of the shares. b. The appropriate control mechanisms to be installed will be considered based on the recommendations adopted.	
14.	The preliminary financial statements contained several misstatements, which, even though fully adjusted in the final financial statements, indicate a lack of and/or inadequate policies and internal control measures ensuring consistent compliance with relevant PFRSs and the fair presentation mandated by Paragraph 15 of PAS 1 – <i>Presentation of Financial Statements</i> .	We reiterated our prior years' recommendations and Management, through the CG, agreed to: a. Formulate/Update its policies regarding the accounting, reporting, and handling of affected accounts, ensuring alignment with applicable PFRSs. These policies should include relevant procedures, accountabilities and timelines; and	a. A policy on financial period closing will be formulated to address this recommendation.	CG	September 2024	December 2024	Not Implemented (for implementation for the CY 2024 FS)	a. CG is in the process of drafting a policy on financial period closing. Upon completion and its review, it will be implemented for the CY 2024 FS.	

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		b. Install appropriate control mechanisms, such as update seminars on PFRSs, inclusion in the year-end closing instructions, use of checklists, records reconciliation, and regular review and monitoring, among others, to ensure that the transactions of SB Corporation are properly recognized and reported in accordance with the relevant PFRSs.	b. The year-end closure instructions will include the implementation of the aforementioned policy. Coordination between CG and HRMDG will be done to ensure update seminars on PFRS are provided to CG personnel.	CG	September 2024	December 2024	Not Implemented (with ongoing actions)	b. CG will include in its year-end closure instructions starting CY 2024 the requirements of the aforementioned policy. CG will coordinate with HRMDG to ensure update seminars on PFRS are provided as part of the continuing professional development of CG personnel.	
15.	Out of the P4.891 billion approved budget for Gender and Development (GAD) Projects, Activities and Programs (PAPs) for CY 2023, only P1.568 billion or 32.05 per cent was utilized/attribution for actual GAD activities. Thus, SB Corporation was not able to fully carry out its mandate to benefit the women of MSMEs under RA No. 9710 and PCW-NEDA-DBM Joint Circular (JC) No. 2012-01.	We recommended that Management, through the GFPS: a. Adopt the necessary measures to ensure the effectiveness and gender-responsiveness of its GAD PAPs and thus improve its HGDG score and attributable GAD budget utilization; and	a. Necessary measures adopted are as follows: • Complete the enhanced Gender Mainstreaming Evaluation Framework (GMEF) tool (PCW MC No. 2016-03 and PCW Advisory dated 08 March 2024) to assess the gender mainstreaming implementation of SB Corporation.	GFPS GFPS-TWG			Implemented	Attached as Annex "N" is the proof of submission via email of the Accomplished Gender Mainstreaming Evaluation Framework (GMEF) tool. Digital copies of the submission may be submitted via email for the COA Team's validation. Addressing the performance gaps identified using the baseline information from the GMEF tool is expected to help improve the HGDG	

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		<p>b. Maximize the utilization of the non-attributed budget allocated for GAD PAPs in order to attain the objectives for which the funds were provided.</p>	<ul style="list-style-type: none"> Identify the performance gaps in gender mainstreaming implementation of SB Corp using the baseline information gathered from the GMEF tool. The information shall become the basis of the GFPS-TWG to improve the HGDG score and attributable GAD budget utilization <p>b. For 2024, SB Corporation has undertaken the following activities and set these targets as part of its Gender and Development (GAD) Plan and Budget for the year:</p> <ul style="list-style-type: none"> Conduct of Client Satisfaction Survey to solicit/determine the feedback of women customers on SB Corporation products, 	GFPS GFPS-TWG			Implemented	<p>score and attributable GAD budget utilization.</p> <p>Attached are the supporting documents relative to the implementation of the recommendation:</p> <ul style="list-style-type: none"> Annex "O" – copies of pages from the Client Satisfaction Measurement Report for CY 2023 for the Overview, Scope, Methodology and Data Interpretation (which includes Table 6: Demographic Profile for Age and Sex/Gender) 	

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Robert C. Bastillo
 President and Chief Executive Officer

AUG 27 2024
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			services and customer support experience <ul style="list-style-type: none"> Conduct of Gender Equality Capacity Assessment in February 2024 where 135 personnel completed the survey questionnaire Participation of SB Corporation officers and employees to the National Women's Month Celebration (NWMC) in March 2024 					<ul style="list-style-type: none"> Annex "P" – copy of the Memorandum to All SB Corporation Officers and Employees dated 06 February 2024 for the Survey on Gender Equality Capacity Assessment Annex "Q" – copy of the Memorandum to All SB Corporation Officers and Employees dated 07 March 2024 containing the various activities for the 2024 National Women's Month Celebration (NWMC). <p>Also, for reference of the COA Team, stipulated in the attached 2024 PCW-endorsed GAD Plan and Budget of SB Corporation, attached as Annex "R", are the non-attributed activities slated for the year.</p>	
Prior Years' Annual Audit Reports									
1. (CY 2022 – No. 2)	Non-elimination of the Intra-agency Receivables and Payables accounts as at December 31, 2022 and 2021 in the final Financial Statements	a. ... (Implemented) b. ... (Implemented) c. ... (Implemented)							

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 **AUG 27 2024**
Robert C. Bastillo Date
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	overstated, as at even dates, the total assets by P97.488 million and P83.470 million, respectively, as well as the total liabilities by P143.619 million and P91.590 million, respectively, contrary to the fair presentation mandated by Paragraph 15 of PAS 1.	<p>d. Formulate a policy regarding the proper recording of intra-agency transactions, to include, among others, relevant procedures, accountabilities, and timelines;</p> <p>e. Disclose in the Notes to Financial Statements (NTFS) the accounting policy on the consolidation and elimination of the reciprocal intra-agency accounts, as appropriate; and</p> <p>f. Install appropriate control mechanisms, e.g., inclusion in the year-end closure instructions, records reconciliation, and regular review and monitoring, among others, to ensure that intra-agency transactions are properly recorded and variances in the intra-agency accounts are minimized, if not eliminated.</p>	<p>d. The draft policy on the recording of intra-agency transactions is under review.</p> <p>e. Recommendation will be complied with starting CY 2024 FS.</p> <p>f. The year-end closure instructions will include the implementation of the aforementioned policy.</p>	CG	CG	CG	<p>August 2024</p> <p>December 2024</p> <p>December 2024</p> <p>February 2025</p> <p>February 2025</p>	<p>Not Implemented (with ongoing actions)</p> <p>Not Implemented (for implementation for the CY 2024 FS)</p> <p>Not Implemented (for implementation for the CY 2024 FS)</p>	<p>d. The policy will be implemented upon completion of the review.</p> <p>e. CG will include in the CY 2024 NTFS the accounting policy on the consolidation and elimination of the reciprocal intra-agency accounts.</p> <p>f. CG will include in its yearend closure instructions starting CY 2024 the requirements of the aforementioned policy.</p>

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2. (CY 2022 – No. 5)	Charges qualifying as loan origination costs and service fees charged to borrowers were amortized as interest income over the terms of the related loans instead of the effective interest method, contrary to pertinent provisions of PFRS 9, thus, the reported Notes Receivable and Retained Earnings are both overstated, while the reported Service and Business Income are misstated, all by undetermined amounts, as at or for the years ended December 31, 2022 and 2021.	<p>a. Analyze in detail the loans outstanding as at December 31, 2022 and 2021 as well as loans released for the years then ended with the primary objective of determining the appropriate effective interest rate for each loan;</p> <p>b. Review the initial adjusting entries made and the underlying analysis done in order to determine the causes and the actual amounts of the remaining misstatements;</p> <p>c. Based on the results of the analyses, adjust the recorded Notes Receivable, Retained Earnings and Service and Business Income as at December 31, 2022 and 2021, or for the years then ended to fairly state the accounts;</p> <p>d. Revise its accounting policy on the treatment of evaluation, processing, service and similar</p>	<p>For recommendations "a" to "c":</p> <p>Adjustments on CY 2021 loan releases are no longer applicable as these are auto-corrected already.</p> <p>For CY 2022, restatements will be made, whenever applicable.</p>	CG			Not Implemented (with ongoing actions to be taken for CY 2022)	For possible reconsideration of COA	<p>For recommendations "a" to "c":</p> <p>Per consultation with the COA auditor, prior years' loan origination costs and services fees were no longer adjusted as the loan terms of these accounts are about to end already, thus adjustments/restatements may no longer be applicable.</p>
		d. Revise its accounting policy on the treatment of evaluation, processing, service and similar	d. The revised accounting policy has been drafted and is under review.	CG	August 2024	December 2024	Not Implemented		d. CG will review the draft policy and ensure that it is consistent with the requirements of PFRS

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		<p>fees which must be consistent with pertinent provisions of PFRS 9 and to include, among others, relevant procedures, accountabilities, and timelines;</p> <p>e. ... (Implemented)</p> <p>f. Where necessary, update the current LMM to ensure that evaluation, processing, service and similar fees are recognized as integral part of the effective interest and are amortized over the life of the related loans; and</p> <p>g. Install appropriate control mechanisms, e.g., IT application controls, inclusion in the year-end closure instructions, regular review and monitoring, to ensure that evaluation, processing, service and similar fees are recognized in accordance with pertinent provisions of PFRS 9.</p>	<p>f. Updating of the current LMM has been requested.</p> <p>g. The year-end closure instructions will include the review of the transactions to ensure that the EIR method is appropriately applied.</p>	<p>CG, ITG</p> <p>CG</p>	<p>June 2024</p> <p>January 2025</p>	<p>(for implementation for the CY 2024 FS)</p> <p>Not Implemented (with ongoing actions)</p> <p>Implemented</p>		<p>9. Upon completion of the review, said policy will be implemented for CY 2024 FS.</p> <p>f. CG has provided ITG with a sample computation of EIR to be applied to the LMM for the latter's review.</p> <p>g. With the application of the EIR method for CY 2023, control mechanisms have been put in place. The same method will be used going forward thru the LMM.</p>	

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 AUG 27 2024
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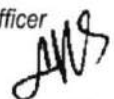


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3. (CY 2022 – No. 6)	The various deficiencies previously noted in the reported Prepaid Income Tax, DTA, Current Income Tax Expense, and Deferred Income Tax Benefit as at or for the year ended December 31, 2021 were not adjusted and the necessary restatement of the CY 2021 balances as presented in the CY 2022 FS were not made, contrary to the fair presentation mandated by Paragraph 15 of PAS 1.	Retroactively restate the reported CY 2021 balances of the Prepaid Income Tax, DTA, Current Income Tax Expense, and Deferred Income Tax Benefit in the CY 2022 FS to fairly present the said accounts.		CG			Not Implemented (For reconsideration of the COA)	For possible reconsideration of COA – Reotractive restatement for CY 2021 is no longer implementable/ applicable for CY 2024 Yearend FS. The necessary adjustments and reconciliation have been completed. As a result, CG had a consultation meeting with the COA Audit Team Leader last January 5, 2024 on the impact of restating the CY 2021 balances considering a Letter of Authority (LOA) was already issued by BIR for the said year. Further, SB Corporation has been issued a Tax Clearance Certificate for CY 2021 having satisfied all criteria set forth by the BIR.	
4. (CY 2022 – No. 8)	The retrospective application or restatement of changes in accounting policy and errors prescribed under PAS 8 – <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> were not observed in presenting the net effects of prior period adjustments for the year ended December 31, 2022 of P207,845. Moreover, the nature and other relevant information on the prior period adjustments for the years ended December 31, 2022 and	a. ...(Implemented) b. ...(Implemented) c. ...(Implemented) d. ...(Implemented) e. Install appropriate control mechanisms, e.g., inclusion in the year-end closing instructions, and regular review and monitoring, among others, to ensure that subsequent adjustments affecting prior periods are accounted for and	Compliance will be done through inclusion in the yearend closing instructions of the proper accounting of subsequent adjustments affecting prior periods.	CG	December 2024	January 2024	Not Implemented (for implementation for the CY 2024 FS)	CG will include in its yearend closure instructions for CY 2024 the regular review and monitoring of subsequent adjustments affecting prior periods and proper accounting of the same.	

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AUG 27 2024
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	2021 aggregating P101.395 million are not adequately disclosed in the NTFS. Thus, the reported changes in equity for the years then ended are inaccurate, contrary to the fair presentation mandated by Paragraph 15 of PAS 1.	presented in the FS strictly in accordance with PAS 8.							
5. (CY 2022 – No. 9)	Capitalized interest on restructured loans totaling P24,163 million and P24,334 million as at December 31, 2022 and 2021, respectively, were recognized as Deferred Credits/Unearned Income rather than including the same in the computation of the present value of the restructured cash flows as required by Paragraph 5.4.3 of PFRS 9. As a result, the Deferred Credits/Unearned Income as at December 31, 2022 and 2021 are overstated by the said amounts, respectively, while the Loans Receivable, net, Retained Earnings, Interest Income and Modification Gain or Loss as at even dates or for the	<p>a. Revise its policy as regards the accounting for loan restructurings which must be consistent with the requirements of PFRS 9, and re-orient the concerned personnel on the same;</p> <p>b. ... (Implemented)</p> <p>c. ... (Implemented)</p>	<p>a. The draft policy is under review.</p>	CG	August 2024	December 2024	Not Implemented (for implementation for the CY 2024 FS)	<p>a. The policy, upon completion of the review, will be implemented for CY 2024 FS.</p>	
		<p>d. Install appropriate control mechanisms, e.g., use of pro-forma documents, update seminar on PFRSs, and regular review and monitoring, to ensure that subsequent loan restructurings are appropriately</p>	<p>d. The year-end closure instructions will include the necessary actions to ensure that subsequent loan restructurings are appropriately accounted for.</p>	CG	December 2024	January 2025	Not Implemented (for implementation for the CY 2024 FS)	<p>d. CG will include in its yearend closure instructions for CY 2024 the proper accounting of subsequent loan restructurings.</p>	

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Robert C. Bastillo
 President and Chief Executive Officer

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					From				To
	years then ended are understated all by undetermined amounts.	accounted for in accordance with PFRS 9.							
6. (CY 2022 – No. 14)	The reported Prepaid Income Tax as at December 31, 2022 and 2021 varies by P213,630 and P402,476, respectively, from the outstanding excess of quarterly income tax payments over the current tax due reflected in the Annual ITR for said taxable years as filed with the Bureau of Internal Revenue (BIR). Thus, the reported Prepaid Income Tax as at even dates are inaccurate, contrary to the fair presentation mandated by Paragraph 15 of PAS 1.	<p>a. ...(Implemented)</p> <p>b. ...(Implemented)</p> <p>c. Install appropriate control mechanisms, e.g., inclusion in the year-end closure instructions, records reconciliation, and regular review and monitoring, among others, to ensure that the reported Prepaid Income Tax is accurate and agrees with the relevant amounts in the Annual ITRs.</p>	<p>c. Appropriate control mechanism will include 1) attendance to necessary trainings as part of the continuing professional development and 2) year-end closure instructions.</p>	CG			Not Implemented (for implementation for the CY 2024 FS)	<p>c. A training on Comprehensive Taxation was conducted last March 7-8, 2024 and was attended by CG personnel. Attached as Annex "S" is a copy of the attendance sheet.</p> <p>CG will adopt as part of the yearend closure instructions for CY 2024 the necessary measures to ensure accuracy of the Prepaid Income Tax.</p>	
7. (CY 2022 – No. 15)	No reasonable efforts were exerted to exact and/or determine accountability over the tax penalties paid relative to deficiency tax assessments in taxable years 2016 and 2019 amounting to P3.665 million and P1.627 million, respectively.	<p>a. Collect from the employee/s responsible for the non-withholding and/or non-remittance of the deficiency expanded withholding taxes the tax penalties paid relative thereto totaling P500,461;</p>	<p>a. Implementation of this recommendation will depend on the result of the final investigation report.</p>	SB Corporation Management			Not Implemented (with actions to be taken)	<p>a. Updates will be provided to the COA Team on the actions to be taken after the issuance of the Final Investigation Report.</p>	

Agency sign-off:



AUG 27 2024

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President and Chief Executive Officer



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	contrary to Section 247 of the NIRC, as amended, Sections 38 and 39 of Chapter 9, Book I of Executive Order (EO) No. 292, and Section 103 of PD No. 1445. As a result, the Corporation is deprived of significant amount of funds for use in its operations to carry out its mandate.	<p>b. For deficiency taxes other than withholding taxes, investigate if there was bad faith, malice or gross negligence on the part of the concerned employee/s which resulted in the deficiency tax assessments. An <i>ad hoc</i> committee may be established for this purpose;</p> <p>c. Based on the results of such investigation, hold the concerned employee/s liable for the tax penalties paid relative to the non-payment thereof totaling P4.792 million;</p> <p>d. Follow-up with the tax consultant the result of his analysis and determination of the causes that resulted in the deficiency taxes, including the significant weaknesses in existing tax-related processes and controls. In the meantime, perform a similar analysis and determination as a temporary measure;</p>	<p>b. An Ad Hoc Investigation Committee has been established per Special Order No. 020 Series of 2024 (Creation of an Ad Hoc Investigation Committee on Deficiencies Tax Penalties).</p> <p>c. Same as action plan noted in "a"</p>	<p>Ad Hoc Investigation Committee</p> <p>SB Corporation Management</p> <p>CG</p>		<p>Implemented</p> <p>Not Implemented (with actions to be taken)</p> <p>Not Implemented (For reconsideration of the COA)</p>	<p>Recommendations "d" and "e" are no longer implementable as the engagement with the tax consultant which started in 2019 no longer progressed. Efforts were exhausted to</p>	<p>b. The initial draft of the investigation report was discussed in the Ad Hoc Committee's meeting on 20 June 2024. The report was further discussed on 16 August 2024 to incorporate pertinent comments and recommendations.</p> <p>c. Same as noted in "a"</p> <p>In lieu of the recommendations "d" and "e", CG will start to scout for tax consultant services for which the engagement may begin within September 2024.</p>	

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 AUG 27 2024
 Robert C. Bastillo Date
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		<p>e. Based on the results of the analysis, develop and implement the necessary measures to address the identified causes, including the significant weaknesses in existing tax-related processes and controls; and</p> <p>f. Set reasonable timeline, milestones and accountabilities for the recommended investigation and analysis to properly evaluate and monitor progress and accomplishments.</p>	<p>f. By the holding of the meetings of the Ad Hoc Team, this recommendation has been complied.</p>			Implemented	<p>contact the same but to no avail.</p> <p>f. The Ad Hoc Investigation Team convened on the following dates:</p> <ul style="list-style-type: none"> • 21 February 2024 – review of the AOM, its key points and the investigation methodology • 14-15 March and 2 April 2024 – interviews with various personnel • 17 May 2024 – discussion of various items as follows: <ul style="list-style-type: none"> - Taxpayer remedy if a Letter of Authority graduates to a tax 		

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Robert C. Bastillo
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AUG 27 2024
 Date





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								deficiency assessment - Actions taken to settle tax deficiencies in 2016 and 2019 - Directives issued by the Board on preventive measures - Operational risks on accounting, reporting and disclosures - Assessment and recommendations of the Committee relative to the investigations. • 20 June 2024 – discussion of the initial draft of the investigation report • 16 August 2024 – discussion for the finalization of the report.	

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Robert C. Bastillo
 President and Chief Executive Officer

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AMS

AMS

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					From				To
								The Final Report will be submitted to the President and CEO by the end of August 2024.	
8. (CY 2022 – No. 16)	The authenticity and reliability of the electronic collection (e-Collection) and electronic payment (e-Payment) reports provided by the various EPGPs of the SB Corporation are not assured due to non-compliance with pertinent provisions of COA Circular No. 2021-014 dated December 21, 2021.	<p>a. Promptly make the necessary amendments, remedies and other required activities to ensure that its contracts with EPGPs comply with COA Circular No. 2021-014;</p> <p>b. Submit the amended or newly executed contracts, as appropriate, within five working days from execution thereof together with its supporting documents;</p>	<p>For recommendations "a" and "b":</p> <p>SB Corporation will continue to follow up with GCash and Bayad Center the finalization of the amended contracts. The same will be submitted to the COA Team upon execution.</p>	Treasury Department, Legal Services Group (LSG)	August 2024	Onwards	<p>Implemented - Maya, Palawan Pawnshop and Palawan Express Pera Padala and Landbank of the Philippines, USSC</p> <p>Not Implemented (with ongoing actions) – GCash, Bayad Center</p>	<p>For recommendations "a" and "b":</p> <ul style="list-style-type: none"> USSC – the amended contract was submitted to the COA Team via a Memorandum from the Office of the Chief Compliance Officer (OCCO) dated 9 August 2024. GCash – the amended contract was forwarded by GCash to SB Corporation last 7 August 2024 and the comments of the LSG thereto were provided on 14 August 2024. Attached as Annex "T" is a copy of the email thread as proof of SB Corporation's continuous coordination with GCash on the matter. Bayad Center – the draft amended contract with 	

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Robert C. Bastillo
 President and Chief Executive Officer

AUG 27 2024

Date

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		<p>c. Ensure the submission by the EPGPs of the certifications, reports and documents required by COA Circular No. 2021-014 through appropriate control mechanisms such as regular review and monitoring, among others; and</p> <p>d. Regularly submit to the Audit Team the Management Representation Letter attesting</p>	<p>c. This recommendation is partially implemented as the EPGPs have been submitting Daily Collection Reports to SB Corporation. The EPGPs are aware of the Acknowledgement Receipts and Certification of Deposit as required by the said COA Circular, however, the full implementation shall be dependent on the completion of the enhancements to their systems/process.</p> <p>d. SB Corporation has complied with this recommendation.</p>	<p>Treasury Department</p> <p>Office of the Chief Compliance Officer (OCCO) and</p>			<p>Not Implemented (Partially Implemented, with actions to be taken)</p> <p>Implemented</p>	<p>comments was sent by the Treasury Department to Bayad Center via email last 18 June 2024 and was acknowledged by the latter on 21 June 2024. A follow-up email has been sent on 13 August 2024. Attached as Annex "U" is a copy of the email thread on the matter.</p> <p>c. SB Corporation, thru the Treasury Department will send a letter to the EPGPs within August 2024 to follow up on their compliance on the required Acknowledgement Receipts and Certification of Deposit.</p> <p>d. The Management Representation Letter dated 29 April 2024 for the use of e-</p>	


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Robert C. Bastillo Date
 President and Chief Executive Officer

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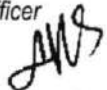
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					From				To
		compliance with the requirement to design, implement and continuously review appropriate internal controls and procedures over the use of e-Collection and e-Payment systems.		Internal Audit Group (IAG)				Collection and e-Payment systems was submitted to the COA Team last June 6, 2024.	
9. (CY 2022 – No. 18)	Recent equity investments totaling P10,000 million under the VCF Program were inadequately monitored by the Special Program Unit (SPU) and the Southern Luzon Group (SLG), contrary to the <i>SB Corporation Venture Capital Program Operating Policy Manual</i> approved under Board Resolution No. 2019-03-2704 dated March 7, 2019, as partly modified under VCMC Resolution No. 0713-01 dated July 13, 2022. Thus, the risks attendant to the said investments are not effectively monitored and managed, which may result in future investment losses.	<p>a. Promptly obtain the required documents, e.g., financial reports, quarterly performance reports, and copies of minutes of meetings, which should have been regularly submitted by the investee-corporations or prepared by the SPU or SLG;</p> <p>b. ...(Implemented)</p>	a. Continuous monitoring of the accounts will be done to ensure prompt submission of the required documents.	Southern Luzon Group (SLG)	September 2024	Continuous	Not Implemented (with ongoing actions)	<p>a. The Financial Statements of Elbitech, Inc. and Binhi, Inc. as of December 31, 2023 have been submitted to SB Corporation.</p> <p>Attached as Annex "V" is a copy of the Venture Capital Management Committee (VCMC) Resolution No. 0315-01 which contains the latest updates on the operational and financial status of the said accounts.</p> <p>SLG to provide an update within September 2024 on the monitoring of the regular submission of the required documents.</p> 	



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		<p>c. Analyze said documents and the project visit report to determine whether corrective actions are necessary to immediately address any pressing issues or deficiencies pertaining to the investee-corporation; and</p> <p>d. Install appropriate control mechanisms, e.g., re-orientation of concerned personnel, utilization of checklists, appropriate review and monitoring, and internal audits, to ensure that the prescribed monitoring activities are regularly performed and are well-documented.</p>	<p>c. The analysis of the said documents was covered in the Special Audit conducted by the Internal Audit Group.</p> <p>d. Process flow to include appropriate control mechanisms will be proposed.</p>	<p>Southern Luzon Group (SLG)</p> <p>SLG</p>	<p>October 2024</p> <p>February 2025</p>	<p>Implemented</p> <p>Not Implemented (with actions to be taken)</p>		<p>c. Attached as Annex "W" is a copy of the VCMC Resolution No. 0624-02 for the Results of the Special Audit on Venture Capital Accounts.</p> <p>d. SLG will formulate a process flow to include appropriate control mechanisms for the monitoring activities and submit the same to the Management Committee.</p> 	
10. (CY 2022 – No. 21)	The amounts of the Petty Cash Fund (PCF) of four Accountable Officers (AOs) are significantly above the average monthly petty operating expenses disbursed therefrom, thus, excessive, contrary to Section 4.3.1 of COA Circular No. 97-002 dated February 10, 1997, as amended. As a result, a significant amount of	Reduce the amounts of the PCFs of the four AOs to balances that approximate their actual monthly petty operating expenses, pursuant to COA Circular No. 97-002, as amended.	SB Corporation has complied with this recommendation for three out of the four AOs subject to the examination. The Report of Cash Examination on the remaining AO was transmitted to SB Corporation on 1 August 2024 and the reply to the	Treasury Department, Legal Services Group (LSG), and Administrative Services Unit	-	-	Implemented		<ul style="list-style-type: none"> The PCF amounts of C.Tarrayo and I.Dumlao have been further reduced from P20,000 to P10,000 and P10,000 to P5,000, respectively. This was communicated to the COA Team via Memorandum from the Office of the Chief Compliance Officer (OCCO) dated 22 April 2024. In addition, 

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Robert C. Bastillo

President and Chief Executive Officer

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	corporate funds is unnecessarily exposed to risk of loss resulting from unlawful deposit, use or application thereof, or from negligence in the keeping thereof.		recommendations was submitted on 19 August 2024.					<p>the following documents were submitted to the COA Team on 29 February 2024 and 6 March 2024, respectively.</p> <ul style="list-style-type: none"> - ManCom Resolution via Routing No. 2024-0213-010 and Special Order Nos. 15 and 16, series of 2024 (also attached to the Reply to the Report of Cash Examination dated 23 February 2024) - A copy of the Memorandum from the Treasury Department to the Head of the Controllership Group dated 29 February 2024 which contains the estimated petty cash expenses <p>As for RBaula, the PCF amount has been reduced from P15,000 to P5,000. Attached as Annex "X" are the copies of the related ManCom Resolution and Special Order.</p>	

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 AUG 27 2024
Robert C. Bastillo Date
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					From				To
								As for B.Lagazo, the reply to the Report of Cash Examination has been submitted to the COA Team for evaluation of the actions to be taken and justification on the PCF amount.	
11. (CY 2022 – No. 26)	Long outstanding disallowances of SB Corporation totaling P235,183 remained unsettled as at December 31, 2022 despite the issued Notice of Finality of Decisions (NFDs) and COA Orders of Execution (COEs), contrary to the pertinent provisions of the Revised Rules on Settlement of Accounts (RRSA) as prescribed under COA Circular No. 2009-006 dated September 15, 2009, as amended.	<p>a. Strictly comply with the provisions of the RRSA, as amended, and the issued NFDs and COEs particularly:</p> <ul style="list-style-type: none"> The settlement of disallowances and charges within the prescribed period; and The withholding of salaries or other compensation due the person liable in satisfaction of the disallowance or charge; <p>b. Exhaust all reasonable efforts to collect the overdue final and executory disallowances from the persons liable pursuant to the RRSA, as amended, and the issued NFDs and COEs, to include, among others:</p>	<p><u>For all recommendations:</u></p> <p>SB Corporation will resend demand letters to the concerned retired employees and officer.</p>	Legal Services Group (LSG)	August 2024	October 2024	Not Implemented (with actions to be taken)	<p>Outstanding balance of the subject disallowances as of June 30, 2024 is P177,577.17.</p> <p>SB Corporation, thru the LSG, will resend demand letters to the concerned retired employee.</p> <p>A letter corresponding to this item was sent to COA in 2023 requesting for the reconsideration on the tax portion of the disallowance.</p>	

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					From				To
		<ul style="list-style-type: none"> Regular monitoring of the status of settlement of the final and executory disallowances; Sending of demand/collection letters to persons liable who are separated from the service and/or no longer connected with the agency; and Initiation of the necessary administrative and/or criminal action in case of unjustified failure/refusal to effect compliance by subordinate officials; and 							
		<p>c. Where appropriate, require the persons liable to submit a request to the Commission Proper, through the Prosecution and Litigation Office, Legal Services Sector, for the installment payments of the disallowances they are liable for</p>							

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		as allowed under COA Resolution No. 2015-031, as amended.							
12. (CY 2021 – No. 7)	Non-submission of complete documentary requirements to support the writing-off of 168 receivable accounts totaling P80.029 million as at December 31, 2021, is contrary to Section 28 of PD No. 1445, Section 7.1.1 of COA Circular No. 2009-006, and applicable provisions of BSP Circular No. 855, BSP's MORNBF1, and SB Corporation's Write-off Policies, thus, casting doubt on the accuracy, validity and reliability of the written-off receivable accounts.	a. Strictly comply with the provisions of SB Corporation's Write-off Policies on the write-off of receivable accounts; and b. Submit to the Audit Team the complete documentary requirements to support the write-off of receivable accounts, for review and validation.	SB Corporation has complied with the recommendations.			Implemented		For CY 2021, CSARG submitted to OCCO via Memorandum dated 03 June 2024 transmitted to COA last 13 June 2024 the completion of the documentary requirements to support the write-off of the accounts (with note "CSARG has fully complied with the submission of all written-off accounts with complete documentation.")	
13. (CY 2021 – No. 8)	The non-financial assets (NFA) – chattels portion of acquired assets through dacion en pago, were not disposed immediately after the expiration of their redemption periods, contrary to BR No. 2019-08-2796 dated August 5, 2019, thus, resulted in the non-recovery of SB Corporation's receivables	a. Periodically conduct physical inventory of the acquired NFA – chattels stating the physical condition of the assets, and immediately dispose those that will not be converted and used for SB Corporation's operations pursuant to the policies adopted under BR No. 2019-08-2796;	<u>For recommendations "a" to "b":</u> Continuous actions are being taken to implement these recommendations.	CSARG		Implemented		<u>For recommendations "a" and "b":</u> Attached as Annex "Y" is the copy of the status of the located chattels from the latest physical inventory conducted and the corresponding appraisal reports.	

Agency sign-off:

 AUG 27 2024

Robert C. Bastillo

Date

President and Chief Executive Officer





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	from loan borrowers which further increased losses.	<p>b. Furnish the Audit Team with the complete appraisal reports and Inventory and Inspection Reports of NFAs (IIRNFA) together with the current photographs of the acquired NFA – chattels and other relevant documents for audit;</p> <p>c. Strictly comply with the pertinent provisions, adopted policies and guidelines on the administration of ROPA and other foreclosed properties;</p> <p>d. Revisit the policy and guidelines of the SB Corporation to include the accounting treatment of NFA – chattels acquired through dacion en pago;</p> <p>e. Prospectively, record foreclosed NFAs, such as motor vehicles, machinery, equipment, and furniture and fixtures to the</p>	<p>c. Proposal on the delisting or write-off of unlocated chattel mortgages will be submitted to the Asset Recovery and Collection Committee (ARCCo) and Management Committee.</p> <p>d. The draft policy is under review and will be implemented for CY 2024 FS as applicable.</p> <p>e. The recording of the foreclosed NFAs will be in accordance to the</p>	CSARG	<p>December 2024</p> <p>August 2024</p> <p>December 2024</p>	<p>December 2024</p> <p>December 2024</p> <p>February 2025</p>	<p>Implemented (with further actions to be taken)</p> <p>Not Implemented (for implementation for the CY 2024 FS)</p> <p>Not Implemented</p>	<p>Public bidding was conducted on fourteen (14) chattels consisting of equipment and vehicle on April 26, 2023 and May 3, 2023 with a total net book value of P5,220.41. The same will be included in the disposal thru negotiated sale within 2024 on a best effort basis.</p> <p>c. CSARG will submit to ARCCo and ManCom until December 2024 its proposal on the delisting or write-off of chattel mortgages that are still unlocated.</p> <p>d. The policy, upon completion of the review, will be implemented for CY 2024 FS, as applicable.</p> <p>e. CG will prospectively record foreclosed NFAs to the</p>	

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Robert C. Bastillo
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		appropriate accounts, and provide depreciation and impairment, if applicable; and f. In the absence of appropriate accounts for NFAs, request from COA – Government Accountancy Sector (GAS) the inclusion in the Revised Chart of Accounts (RCA) of the new account.	aforementioned policy, as applicable. f. This recommendation is no longer applicable as per CG's review, there is an appropriate account in the RCA for NFAs [Acq. Assets – Chattels/Equipment (NGAS) and Investment Property, Buildings (RCA)].			(for implementation for the CY 2024 FS) Implemented		appropriate accounts, as applicable.	
14. (CY 2021 – No. 8)	The Real Estate Mortgages (REMs) and Deeds of Assignment (DOAs) executed by the borrowers/mortgagors in favor of the SB Corporation with total loan balance of P385,258 and P5.702 million, respectively, were neither annotated in the titles nor registered with the Registry of Deeds (RD), contrary to Sections 51, 54 and 113 of PD No. 1529 or the Property Registration Decree, the terms and conditions of the REM and Article 2125 of the Civil Code of the Philippines, thus, the rights and interests of the	a. Strictly enforce the right of SB Corporation to demand the annotation of the REMs or DOAs in the titles or the registration with the RDs to protect the Corporation from losses and/or undue claims from third parties; b. Consolidate the REMs or DOAs in the name of SB Corporation, if ownership warrants; c. Dispose the ROPA with DOA; and d. ...(Implemented)	<u>For recommendations "a" to "c":</u> Continuous actions are being taken to implement these recommendations.	CSARG	January 2024	December 2024	Not Implemented (with ongoing actions)	<u>For recommendations "a" and "b":</u> CSARG shall facilitate payment of taxes until December 2024 prior to the annotation of REM and/or DOAs. Simultaneously, CSARG shall emanate its effort to visit the subject properties for proper assessment and negotiation on disposal. c. Out of the forty-one (41) DCB accounts, there are eight (8) accounts or 16 properties that were already disposed as of June 2024.	

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Robert C. Bastillo
 President and Chief Executive Officer
 Date AUG 27 2024



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Ref. (No. in the AAR)	Audit Observations	Audit Recommendations	Agency Action Plan			Status of Implementation	Reason for Non- implementation, if applicable	Action Taken/Action to be Taken	
			Action Plan	Person/Dept. Responsible	Target Implementation Date				
					From				To
	Corporation over the properties cannot be protected against third parties.							For the disposal of ROPA with DOA being referred (T-35606 now T- 3131), property is included in the ROPA Disposal Plan for CY 2024. The same was included in the properties for Negotiated Sale Basis published via Philippine Star last May 25-27, 2024, attached as Annex "Z" .	
15. (CY 2020 – No. 3)	SB Corporation has incurred delays in the submission of various required reports, schedules and supporting documents for CY 2020 annual reporting, contrary to the pertinent provisions of Sections 41 and 122 of PD No. 1445 and Sections 7 and 3 of COA Circular Nos. 2009-006 and 2015-004, respectively, precluding the timely audit of the accounts and transactions, thus, transparency and accountability of information and data is not fully attained.	a. Prioritize and expedite the submission of the required financial reports and schedules, DVs and JVs and its underlying documents in compliance with the pertinent provisions of PD No. 1445 and COA issuances; b. ... (Implemented)	SB Corporation will comply with this recommendation.	CG and Treasury Department	October 2024	December 2024	Implemented (with ongoing actions)	CG and the Treasury Department will comply with the submission of the lacking Journal Vouchers and Disbursement Vouchers, respectively, up to 4 th Quarter of 2024. CG will closely coordinate with COA on the updated list of unsubmitted documents.	

Agency sign-off:


Robert C. Bastillo
 President and Chief Executive Officer
 Date AUG 27 2024



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Ref. (No. in the AAR)	Audit Observations	Audit Recommendations	Agency Action Plan			Status of Implementation	Reason for Non- implementation, if applicable	Action Taken/Action to be Taken	
			Action Plan	Person/Dept. Responsible	Target Implementation Date				
					From				To
15. (CY 2020 – No. 4)	Four foreclosed properties valued at P3.894 million under the account of one borrower are still recorded in the books despite having a court's finality of decision dated October 24, 2016 which indicates loss on the part of the SB Corporation.	<p>a. Consult the LSG on how to recover the lost amount brought about by the unfortunate event of foreclosing the borrower's account, and identify the liable personnel who examined and accepted the assigned mortgaged documents presented by the assigning bank in behalf of SB Corporation; and</p> <p>b. xxx (Implemented)</p>	LSG and CSARG will secure approval from the Asset Recovery and Collection Committee (ARCCO) to write-off the debt.	LSG and CSARG	August 2024	September 2024	Not Implemented (with actions to be taken)	The borrower is untraceable and the demand letter sent to the address on record was returned unserved. LSG does not recommend filing of a case against the borrower due to the potential additional expenses. As such, LSG and CSARG will secure approval from the Asset Recovery and Collection Committee (ARCCO) to write-off the debt.	

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Agency sign-off:

Robert C. Bastillo
Robert C. Bastillo
 President and Chief Executive Officer
ANS

AUG 27 2024
 Date

Note: Status of Implementation may either be (a) Implemented (I), (b) Not Implemented (NI)