

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 2022 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 2022 Annual Audit Report									
A. FINANCIAL AUDIT									
1	The current impairment model adopted by the SB Corporation for financial assets is not aligned with the requirements of the Philippine Financial Reporting Standards (PFRS) 9 – <i>Financial Instruments</i> . Thus, the reported total carrying amounts of financial assets subject to impairment of P15.437 billion is overstated, while the total cumulative expected credit loss (ECL) thereon of P2.555 billion is understated as at December 31, 2022, both by	We reiterated with modifications our prior year's recommendations that Management, through the Controllership Group (CG) and the Enterprise Risk Management Group (ERMG): a. Formulate a revised impairment model that is aligned with PFRS 9 which shall serve as basis by the SB Corporation in the estimation of ECL on its financial assets. Such model should address the several deficiencies noted in the existing Policy on Loan Loss Estimation Methodology;	a. SB Corporation will resume its engagement with P&A Grant Thornton for the latter's presentation of their report to the Management Committee within August 2023.	Controllership Group (CG) and Enterprise Risk Management Group (ERMG) CG	August 2023	January 2024	Not Implemented (with actions to be undertaken)		a. The Management has constituted the ECL Development team which includes the President/CEO to develop an in-house ECL for portfolio-related assets. The probability of default simulation being done by the machine-based learning shall include establishment of probability of default and aging of portfolio to determine expected credit losses

Agency sign-off:


Robert C. Bastillo
President and Chief Executive Officer

AUG 24 2023

Date

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	undetermined amounts, contrary to the fair presentation mandated by Paragraph 15 of Philippine Accounting Standards (PAS) 1 – Presentation of Financial Statements	<p>b. Based on the revised impairment model, determine and record the reasonable amount of ECL to fairly state the affected account balances; and</p> <p>c. Ensure that the following measures are in place to ensure the effective and efficient implementation of the revised 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 as process flow of ECL computation; and</p>	<p>b. The recommendation will be considered after the formulation of the revised impairment model.</p> <p>c. The recommended measures will be included in the formulation of the revised impairment model.</p>	CG and ERMG	August 2023	January 2024	Not Implemented (with actions to be undertaken)	consistent with BSP Circular 1011 and PFRS 9.	
					August 2023	Onwards	Not Implemented (with actions to be undertaken)	<p>Moreover, additional accounting clerks will be hired to assist the CG in its related work.</p> <p>For Other Financial Assets, the ECL Development Team will develop an impairment model after the PFRS training, without precluding the hiring of a third-party consultant.</p> <p>The in-house impairment models to be developed shall undergo third-party validation.</p> <p>The PFRS training is schedule in September 2023.</p> <p>b. SB Corp will comply with the determination and recording of the reasonable amount of ECL after the formulation of the revised impairment model not later than January 2024.</p>	

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Robert C. Bastillo *LM*
 President and Chief Executive Officer

AUG 24 2023

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		<p>iii. Subsequent audit, independent model validation, back-testing and recalibration of the revised impairment model.</p> <p>Considering that there appears to be delays on the part of the third-party validator, we further recommend that Management strongly demand from the third-party validator the immediate completion and submission of the latter's deliverables under the engagement. Other remedies as allowed under the engagement and law on contracts should be exhausted for the same purpose.</p>	<p>The third-party validator, P&A Grant Thornton, has provided SB Corp with the report. As noted in letter "a", SB Corporation will resume its engagement with P&A Grant Thornton for the latter's presentation of their report to the Management Committee.</p>	CG and ERMG	August 2023	March 2024	Implemented (third-party validator's submission of the report)	<p>c. SB Corp will comply with the recommendation.</p> <p>Please refer to reply under "a".</p>	
2.	<p>Non-elimination of the Intra-agency Receivables and Payables accounts as at December 31, 2022 and 2021 in the final FS overstated, as at even dates, the total assets by P97.488 million and P83.470 million, respectively, as well as</p>	<p>We reiterated with modifications our prior years' recommendations that Management, through the CG:</p> <p>a. Prioritize/Fast track the analysis and reconciliation of the noted variances in the intra-agency accounts to pave</p>	<p>a. SB Corp will comply with the recommendation.</p>	Controllership Group (CG)	July 2023	December 2023	Not Implemented (with ongoing actions)	<p>a. Per Board Resolution No. 2023-08-3478, (Annex "A") the analysis and reconciliation of the noted variances in the intra-</p>	

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Robert C. Bastillo *AMB*
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	the total liabilities by P143.619 million and P91.590 million, respectively, contrary to the fair presentation mandated by Paragraph 15 of PAS 1 – <i>Presentation of Financial Statements</i> .	<p>the way for the elimination thereof in the final FS;</p> <p>b. Based on the results of such analysis and reconciliation, effect the necessary adjustments in the books to adjust and eliminate the intra-agency accounts;</p> <p>c. Set reasonable timeline, milestones and accountabilities for the recommended analysis and reconciliation to properly evaluate and monitor progress and accomplishments;</p> <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 NTFS the accounting policy on the</p>	<p>b. SB Corp, through the CG, will effect the necessary adjustments in the books upon completion of the reconciliation.</p> <p>c. SB Corp will comply with the recommendation.</p> <p>d. SB Corporation, through the CG, will formulate a policy on the proper recording of intra-agency transactions within January to March 2024.</p> <p>e. This recommendation will be considered once the</p>			<p>July 2023</p> <p>December 2023</p> <p>Not Implemented (with ongoing actions)</p> <p>July 2023</p> <p>December 2023</p> <p>Not Implemented (with ongoing actions)</p> <p>January 2024</p> <p>March 2024</p> <p>Not Implemented (with actions to be undertaken)</p> <p>2024</p> <p>Onwards</p> <p>Not Implemented</p>	<p>agency accounts are currently being done and shall be completed not later than December 2023.</p> <p>b. The books shall be accordingly adjusted not later than December 2023 after the completion of analysis and reconciliation.</p> <p>In line with this, additional personnel are being hired to help fast-track the analysis and reconciliation.</p> <p>c. Analysis and reconciliation shall be effected based on the following milestones: Q3 2023: 50% completed Q4 2023: 100% completed</p> <p>d. Based on the results of the analysis of the noted variances, CG will formulate a policy on the recording of intra-agency</p>		

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		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.						also undergo the needed PFRS training within September 2023. b. The concerned groups will be required to timely provide the required information to the CG.	
4.	The realizability of the reported Deferred Tax Asset (DTA) as at December 31, 2022 of P776.248 million is not duly supported by convincing evidence that would show sufficiency of future taxable profits against which the related deductible temporary differences can be utilized as required by pertinent provisions of PAS 12 – Income Taxes. Thus, the accuracy and reliability of the reported DTA as	We recommended that Management, through the CG in coordination with the Operating Groups: a.1. Recognize DTA only to the extent of its total taxable differences as at December 31, 2022, and disclose the excess DTA in the NTFS; and a.2. Reassess at the end of each year the derecognized/	a.1. CG is reviewing the DTA to determine the appropriate amount to be recognized. a.2. Derecognized/ unrecognized DTA will be reassessed at the	Controllership Group (CG)	July 2023 August 2023	December 2023 Onwards	Not Implemented <i>(with ongoing actions)</i> – all recommendations	a.1. The recognition of the total taxable differences up to November 2022 has been done. For the rest of the DTA recognition (December 2022), it will be completed not later than December 2023 .	

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	at even date are doubtful, contrary to the fair presentation mandated by Paragraph 15 of PAS 1 – Presentation of Financial Statements.	<p>unrecognized DTA and recognize the same only to the extent that it has become probable based on the result of such reassessment that future taxable profit will allow the DTA to be recovered; or</p> <p>b.1. Submit justification for the continued recognition of its DTA of P776.248 million which must be objective and well-documented, including a breakdown and timing of projected taxable profits, as well as a determination of the level of probability thereof; and</p> <p>b.2. Disclose in the NTFS the nature of the evidence supporting the recognition of its DTA as required by PAS 12.</p>	<p>end of each year. The same will be recognized up to the extent allowable.</p> <p>b.1. This recommendation will be considered based on the results of the review of the DTA.</p> <p>b.2. The disclosure in the NTFS will be considered based on the review of the DTA</p>					<p>a.2.-b.2. Based on the results of the review, the CG will implement the audit recommendations, as may be necessary, through the following actions:</p> <ul style="list-style-type: none"> Determine the appropriate amount to be recognized; Reassess the derecognized/unrecognized DTA and recognize the same; Submit justification for the recognition of the DTA including the breakdown and timing of projected taxable profits, as well as a determination of the level of probability thereof; and Disclose in the NTFS the nature of evidence supporting the recognition of the DTA. 	

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Robert C. Bastillo AUG 24 2023
 President and Chief Executive Officer Date

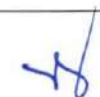
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5.	Charges qualifying as loan origination costs and service fees charged to borrowers were amortized as interest income over the terms of the related loans instead of the effective interest method, contrary to pertinent provisions of PFRS 9 – Financial Instruments, 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>We recommended that Management:</p> <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>a. We will implement the determination of the appropriate effective interest rate for each loan prospectively.</p> <p>b. This recommendation may no longer applicable relative to the action plan noted in letter "a".</p> <p>c. This recommendation may no longer applicable relative to the action plan noted in letter "a".</p>	Controllership Group (CG)	2024	Onwards	Not Implemented (see actions to be undertaken)	<p>a-c:</p> <p>In a discussion with COA on 15 August 2023, SB Corp requested for consideration that compliance with these recommendations will be prospectively implemented for 2023 financial statement pertaining to Notes Receivable, Retained Earnings and Service and Business Income.</p> <p>Nevertheless, recommendations a, b, and c relating to loans outstanding as of 2022 and 2021 was addressed using straight line method.</p> <p>d. The revision of accounting policy will be completed in March 2024.</p>	

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		<p>d. Revise its accounting policy on the treatment of evaluation, processing, service and similar fees which must be consistent with pertinent provisions of PFRS 9 and to include, among others, relevant procedures, accountabilities, and timelines;</p> <p>e. Conduct the necessary training and/or orientation of concerned personnel on PFRS 9 requirements, particularly on the proper treatment of evaluation, processing, service and similar fees;</p> <p>f. Where necessary, update the current Loan Management Module 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>d. The revision of the accounting policy, as recommended, will be included in the policy formulation/revision to be undertaken by CG which shall be done within January to March 2024.</p> <p>e. SB Corp will comply with the recommended training on PFRS.</p> <p>f. SB Corp will comply with the recommendation.</p>	<p>Controllership Group (CG)</p> <p>Controllership Group (CG)</p> <p>Controllership Group (CG)</p>	<p>January 2024</p> <p>September 2023</p> <p>Implemented</p>	<p>March 2024</p> <p>September 2023</p> <p>Implemented</p>	<p>Not Implemented (with actions to be undertaken)</p> <p>Not Implemented (with actions to be undertaken)</p> <p>Not Implemented (with actions to be undertaken)</p>	<p>e. The PFRS training will be conducted in September 2023.</p> <p>f. The Loan Management Module has been modified such that automation/creation of JV entries for the (1) Reversal of entry from Other Income Service Fee to Discount on Notes Receivable and (2) Recognition of Amortized Portion of Service Fees from Discount on Notes Receivable to Interest Income on Loans are already added. Attached as Annex "C" is a screenshot from Open Project which contains the details of the serviced request.</p> <p>g. CG will include the appropriate control mechanisms in the revision of the accounting policy.</p>	

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		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.	g. The appropriate control mechanisms will be included in the revision of the accounting policy as noted in the action plan, letter "d".	Controllership Group (CG)	January 2024	March 2024	Not Implemented (with actions to be undertaken)		
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 – Presentation of Financial Statements.	We recommended that Management, through the CG, 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.	Reconciliation of records for this recommendation shall be completed not later than December 2023.	Controllership Group (CG)	September 2023	December 2023	Not Implemented (with actions being undertaken)	Reconciliation of records for this recommendation shall be completed not later than December 2023 (Please see Annex "A")	

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7.	SB Corporation was not able to formally conduct the required assessment of its ability to continue as a going concern. As a result, information on its recurring negative cash flows and operating losses, which collectively indicate the existence of material uncertainty related to going concern, was not disclosed in the NTFS, contrary to Paragraph 25 of PAS 1 – Presentation of Financial Statements. Further, such material uncertainty when left unmitigated may cause substantial disruption in the effective delivery of the Corporation's mandate.	<p>We recommended that Management, through the CG and other concerned Groups:</p> <p>a. Make the appropriate disclosures in the NTFS as regards the noted material uncertainties, i.e., negative cash flows and recurring operating losses (subsidy income excluded), relating to the SB Corporation's ability to continue as a going concern;</p> <p>b. Develop plans for future actions in relation to the material uncertainties noted and likewise disclose the same in the NTFS. Such plans shall be feasible under the circumstances and their outcomes must likely improve the situation;</p> <p>c. Thereafter, regularly conduct at each reporting date a formal and documented assessment</p>	SB Corp will comply with recommendations a to d.	Going Concern Committee	August 2023	March 2024	Not Implemented (with actions to be undertaken) – a to c Implemented - d	<p>Per Board Resolution No. 2023-08-3479, attached as Annex "D", the Management Committee shall directly handle the Going Concerns. Pursuant thereto, Management has constituted the Going Concern Committee comprised of Office of the President/CEO, Planning Unit under the Office of Strategy Management, CG and Financing Sector to perform the following actions:</p> <ul style="list-style-type: none"> Assess the impact of taking extraordinary risks in the implementation of all its loan programs and isolate the effects of extraordinary risk events e.g. national pandemic situation, wide-ranging disaster situation 	

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		of the SB Corporation's ability to continue as a going concern as required by PAS 1; and d. Consider creating a Permanent Committee, which must include the Head of the CG, to spearhead the conduct of the going concern assessment and the development of pertinent plans relative to the results thereof.						from recurring, operational/ and other risks, • Develop detailed financial projections using machine learning-based simulations based on historical data for project revenues, cost and income. • Determine likely credit cost or provisioning using the model and tools used in developing the ECL. • Determine the Going Concern Index by isolating the effects of the extraordinary taking on risks to the core business capital.	
8.	The retrospective application or restatement of changes in accounting policy and errors prescribed under PAS 8 – Accounting Policies, Changes in	We recommended that Management, through the CG: a. Analyze in detail the items consisting the prior period		Controllership Group (CG)	September 2023	December 2023		a-c:	

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	Accounting Estimates and Errors 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 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 – Presentation of Financial Statements.	<p>adjustments, including their nature and the period to which they relate, and classify them as either correction of errors or effects of changes in accounting policy;</p> <p>b. Based on the results of the analyses, adjust the presentation of the prior period adjustments in the SCE and other affected statements consistent with the retrospective application and/or retrospective restatement prescribed by PAS 8;</p> <p>c. Submit to the Audit Team the results of its analyses as well as the adjustments made, including supporting schedules and documents, for verification and audit;</p> <p>d. Disclose in the NTFS the relevant information as regards</p>	Reconciliation of records for this recommendation shall be completed not later than December 2023.			September 2023	December 2023		<p>Reconciliation of records, adjustments in SCE and other affected statements, and submission of analysis results shall be completed not later than December 2023 (Annex "A").</p> <p>d. SB Corp will comply with the recommendation.</p>
						September 2023	December 2023		
						2024	Onwards		

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		<p>the prior period adjustments pursuant with the requirements of PAS 8 and with due regard to their nature as either change in accounting policy or correction of errors; and</p> <p>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 presented in the FS strictly in accordance with PAS 8.</p>							
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	<p>We recommended that Management, through the CG:</p> <p>a. Revise its policy as regards the accounting for loan restructurings which must be consistent with the requirements of PFRS 9, and</p>	<p>a. The revision of the policy as regards the accounting for loan restructuring will be among the actions to be undertaken after the conduct of engagement with the PFRS9 consultant.</p>	Controllership Group (CG)	January 2024	March 2024		<p>a, b, c:</p> <p>SB Corp shall incorporate the PFRS 9 requirements in the revised accounting policy on loan restructuring.</p>	

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	value of the restructured cash flows as required by Paragraph 5.4.3 of PFRS 9 – Financial Instruments. 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 years then ended are understated all by undetermined amounts.	<p>re-orient the concerned personnel on the same;</p> <p>b. Analyze the items consisting the Deferred Credits/Unearned Income as at December 31, 2022 and 2021, including the related restructured loans in order to determine the necessary adjustments to be made;</p> <p>c. Based on the results of the analyses, adjust the recorded Deferred Credits/Unearned Income, Loans Receivable, net, Retained Earnings, Interest Income and Modification Gain or Loss as at or for the years ended December 31, 2022 and 2021, to fairly state the accounts; and</p> <p>d. Install appropriate control mechanisms, e.g., use of pro-forma documents, update seminar on PFRSs, and</p>			<p>January 2024</p> <p>March 2024</p> <p>January 2024</p> <p>March 2024</p> <p>January 2024</p> <p>March 2024</p>			<p>However, such revisions will be finalized after the following:</p> <p>a) Conduct of PFRS 9 training,</p> <p>b) Further guidance from the Resident COA Auditor, and</p> <p>c) Possible hiring of a subject matter expert/consultant</p> <p>d. CG will apply its learnings from the slated PFRS training to employ the necessary controls.</p>	

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		regular review and monitoring, to ensure that subsequent loan restructurings are appropriately accounted for in accordance with PFRS 9.							
10.	UC reported under Other Payables as at December 31, 2022 totaling P16.575 million are not yet credited to the appropriate accounts, thereby overstating Other Payables by the same amount while misstating the Notes Receivable, Interest Receivable, Retained Earnings, Interest Income and other related accounts all 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 – Presentation of Financial Statements.	We reiterated with modifications our prior years' recommendations that Management, through the concerned Groups: a. Prioritize/Fast track the analysis and identification of the loan accounts to which the UCs apply. For this purpose, the responsible Groups should be reminded of their responsibilities in the endeavor as well as to continually coordinate with each other;	a. Management has approved the following: 1. Reconstitution/reactivation of the UC Adhoc Team per ManCom Resolution No. 2022-1201-08 [attachment to the Status of Implementation of Prior Years (SIPYAR) submitted to the COA SB Corporation Team last April 27, 2023]; 2. Setting up of the Billing and Collection Unit to handle	UC Adhoc Team, Credit Support and Asset Recovery Group (CSARG), Financing Sector-Account Management Department (FS-AMD), Controllership Group (CG), Treasury Department,	Continually	Continually	a, b and c – Implemented d – Not Implemented (with ongoing actions) e, f, g – Implemented	a & b: The Terminal Report on Undistributed Collections (UC) as of December 31, 2022, per Mancom Resolution via Routing No. 2023-0615-058 and BPIT Resolution No. 2023-0608-006 (Annexes "E" and "F") was presented to the 363 rd Board Meeting held on July 27, 2023. The report contains the actions taken to comply with the recommendation to prioritize/fast track the analysis and	

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					From				To
		<p>b. Based on the results of the analysis, adjust the UC to the appropriate receivable and/or income accounts, and immediately post the payments in the SL of the concerned</p>	<p>billing and payment-related concerns especially UCs per ManCom Resolution No. 2023-0309-005 (attachment to the SIPYAR submitted to the COA SB Corporation Team last April 27, 2023);</p> <p>3. Constitution of a Project Team for the Application of Payment System (APS) which shall be composed of representatives from all stakeholders and resource persons from other groups (same ManCom Resolution as noted in the preceding item).</p> <p>b. The adjustment of the UC to the appropriate receivable and/or income accounts posting of the payments in the SL of the concerned borrowers are done on a continuing basis.</p>	Information Technology Group (ITG)			<p>identification of loan accounts under UC.</p> <p>A more detailed discussion was held during the August 2023 meeting of the Finance and Risk Oversight Committee.</p> <p>With the combined efforts of all stakeholders (as noted in the aforementioned report), there was a significant decrease in UCs (84%) from Php 104.865 M to Php 16.575 million (initial GL balance as of end of December 2022 vs OB as of April 13, 2023).</p> <p>In terms of the number of transactions/ORs, there was also a significant decrease from 6,943 to 2,971 ORs (57% decrease).</p> <p>c. The significant decrease in the UCs as presented in the report is attributable to the strict implementation of established</p>		

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Robert C. Bastillo
 President and Chief Executive Officer

AUG 24 2023
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		<p>borrowers to come up with the correct individual loan account balances;</p> <p>c. Ensure the strict implementation of the established policies, guidelines, and measures to eliminate UC through regular review and monitoring, among others;</p> <p>d. Complete the creation of unique borrowers' account code for each borrower to be indicated in the PIS, and the briefing of the concerned borrower as to the importance of and strict usage in making payments of said unique code; and</p> <p>e. Inform/Remind/Require the Collecting Officers and Payment Partners to exhaust all available means to get complete details from the</p>	<p>c. In the continuing identification of UCs, the Policies, Guidelines and Measures to eliminate UCs in BR No. 2020-12-3024 as well as other related issuances are strictly implemented.</p> <p>d. Continual coordination with the payment partners for the integration of the CAN in their respective systems.</p> <p>e. The Payment Partners are duly informed of the need to get complete details from the</p>				<p>policies and guidelines as well as the implementation of other measures to eliminate or at least minimize UCs.</p> <p>d. Aside from GCASH, the CAN can now be used for loan payments via Palawan Pawnshop and Maya. Attached are the following:</p> <ul style="list-style-type: none"> • Annex "G" – Copy of the social media card posted in SB Corporation's Facebook and Instagram accounts containing instructions on paying loan amortization via Palawan Pawnshop using CAN. • Annex "H" – Instructional poster on how to pay loan amortization through the Maya app using CAN. <p>Further, the BPIT Resolution as noted in letter "a" instructed the full implementation of the Application</p>		

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 President and Chief Executive Officer

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		<p>borrowers before accepting payments.</p> <p>We further recommended that Management:</p> <p>f. Set reasonable timeline, milestones and accountabilities for the recommended analysis and identification of loan accounts to properly evaluate and monitor progress and accomplishments; and</p> <p>g. Revisit the continued relevance, effectiveness and efficiency of its adopted measures to minimize, if not eliminate, the UC and prevent its accumulation, and make the necessary enhancements thereof, where warranted.</p>	<p>borrowers before accepting payments.</p> <p>f. The recommendation for the setting of timelines, milestones and accountabilities are covered in the Terminal Report on UC as of December 31, 2022, approved via ManCom Resolution via Routing No. 2023-0615-058 and BPIT Resolution No. 2023-0608-006.</p> <p>g. The recommendation for the revisiting the relevance, effectiveness and efficiency of its adopted measures to minimize, if not eliminate, the UC shall be continually monitored.</p>					<p>Programming Interface (API) in the system of each of the payment partners. Maya has implemented the API while GCash has implemented the Check Digit Algorithm (CDA). For the other payment partners, the representatives from CSARG, Treasury Department and ITG met with the other payment partners (Landbank, Palawan Pawnshop, Bayad Center and USSC) in June and July 2023. The said payment partners will implement the API or CDA which will include the validation of the CAN. Attached are the following:</p> <ul style="list-style-type: none"> • Annex "I" – Email to Landbank containing the requirements for the development of validation using the CDA for the CAN. • Annex "J" – Letter to Palawan Pawnshop and 	

RBC

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Robert C. Bastillo **AUG 24 2023**
 Robert C. Bastillo *RMB* Date
 President and Chief Executive Officer

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								<p>emails regarding CDA for CAN.</p> <ul style="list-style-type: none"> • Annex "K" – Letter to Bayad Center and emails regarding API for CAN • Annex "L" – Letter to USSC and emails regarding API for CAN <p>The full implementation of CDA/API for the use of the CAN will ensure that all prospective payments will be properly identified and automatically applied to the borrower's loan account, thus will minimize, if not eliminate, the temporary booking to UC.</p> <p>With regard to the briefing of the concerned borrower, Office Order No. 027, series of 2023 was issued to operationalize the guidelines on the automated sending of SMS and email payment reminders to SB Corporation borrowers. The SMS</p>	

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Robert C. Bastillo *RMB* AUG 24 2023
 President and Chief Executive Officer Date

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								<p>and email templates are provided in the said document, attached as Annex "M".</p> <p>e. SB Corp respectfully reiterates the information it provided in the SIPYAR submitted to the COA Team last April 27, 2023 relative to the complete and mandatory information to be obtained by the payment partners for loan payments.</p> <ul style="list-style-type: none"> Landbank, Bayad Center and USSC – the PN No. is a mandatory information in the online form in the Landbank LinkBiz Portal, the payment slip/form of Bayad Center and the digital form of USSC accessed via a tablet. Copies of the forms were attached to the SIPYAR. CAN is a mandatory information for payments made via GCash. 	

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Robert C. Bastillo 
 President and Chief Executive Officer

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								<p>In addition to GCash and as mentioned in letter "d", CAN is now implemented as a mandatory information to be supplied for payments made via Palawan Pawnshop and Maya app.</p> <p>f. Updates on the actions taken relative to the instructions in the aforementioned ManCom and BPIT Resolutions shall be submitted to COA.</p> <p>In addition, updates on the implementation of API and CDA by the remaining payment partners will be provided to the COA Team once available.</p> <p>Please note that the determination of the timeline for the system development shall be solely upon the payment partners.</p> <p>g. Compliance to the recommendation to revisit the</p>	

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Robert C. Bastillo *AWB*
 President and Chief Executive Officer

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					From				To
								relevance, effectiveness and efficiency of its adopted measures to minimize, if not eliminate, the UC is an inevitable consequence of the aforementioned actions. Moving forward, additional staff will be hired to process all UCs and update the SOAs for account reconciliation	
11.	There is an unreconciled variance of P3.697 million noted between the recorded balances and the adjusted balances per bank reconciliation statements (BRS) for seven deposit accounts. Moreover, the monthly BRS to support the recorded balances of 11 deposit accounts were either belatedly or not prepared and/or submitted to the Audit Team, contrary to Section 2.0 of COA Circular No. 92-125A dated March 4, 1992 in relation to	We recommended that Management, through the CG: a. Promptly analyze and reconcile the noted variances between the reported balances and the adjusted balance per BRS for seven deposit accounts, and where necessary, effect appropriate adjustments in the books; b. For the BRS of the other deposit accounts which were not submitted to the Audit	a. The analysis and reconciliation of the noted variances as well as the necessary effecting of appropriate adjustment in books are being undertaken on a continuing basis.		June 2023	December 2023	Not Implemented <i>(with ongoing actions)</i>	a. As per BR No. 2023-08-3478 (see Annex "A"), the bank reconciliation for both the Corporate and P3 accounts started in June 2023 and shall be completed not later than December 2023 . b. CG shall submit to the COA all the pending BRS and other deposit accounts not later than December 2023 .	
					July 2023	December 2023			

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	Section 74 of PD No. 1445. As a result, the accuracy and reliability of the reported Cash in Bank balance as at December 31, 2022 of P514.539 million is doubtful, contrary to the fair presentation mandated by Paragraph 15 of PAS 1 – Presentation of Financial Statements.	<p>Team, ensure that these are likewise analyzed and reconciled, and where necessary, appropriate adjustments in the books are effected of any variance noted;</p> <p>c. Set reasonable timeline, milestones and accountabilities for the evaluation, reconciliation and adjustment of the accounts to properly evaluate progress and accomplishments;</p> <p>d. Submit to the Audit Team results of its analysis and reconciliation, including copies of supporting documents, for verification and reference in audit;</p> <p>e. Moving forward, promptly and regularly prepare and/or submit to the Audit Team the monthly BRS of all the deposit accounts as required by COA</p>						<p>c. Appropriate analysis and adjustments are currently being undertaken by CG. It shall be completed not later than December 2023 with the following milestones:</p> <p>Q3 2023: 50% completed Q4 2023: 100% completed</p> <p>d. The output of CG's analysis and reconciliation as well as the supporting documents shall be submitted to COA not later than December 2023.</p> <p>e. CG will duly comply with the recommendation.</p> <p>f. With the recent hiring of replacement staff in the Controllership Group, stricter implementation of control mechanisms such as monthly submission of BRS will be undertaken.</p>	
					June 2023	December 2023			
					June 2023	December 2023			
					2023	Onwards			

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		<p>Circular No. 92-125A and Section 74 of PD No. 1445; and</p> <p>f. Install appropriate control mechanisms, e.g., inclusion in the year-end closing instructions, records reconciliation, and regular review and monitoring, to ensure that subsequent Cash in Bank transactions are appropriately recorded in the books, and pertinent reports are timely prepared.</p>		Controllership Group (CG)	August 2023	Onwards			
12.	<p>SB Corporation has neither assessed at the end of each reporting period whether there is any indication that its Property and Equipment may be impaired, nor considered the estimation of their recoverable amounts despite indications that they may be impaired from CYs 2020 to 2022, contrary to pertinent provisions of PAS 36 –</p>	<p>We recommended that Management, through the concerned Groups:</p> <p>a. Formulate a policy as regards the conduct of impairment testing, to include, among others, relevant procedures, accountabilities, and timelines;</p>	<p>a. The HR/ Administrative Services Group, in coordination with the CG, will formulate a policy as regards to the conduct of impairment testing, including procedures, accountabilities and timelines.</p>	HR/ Administrative Services Group	August 2023	December 2023	<p>Not Implemented (with actions to be undertaken) – all recommendations</p>	<p>a. A proposed policy on impairment testing shall be presented to Mancom not later than December 2023</p> <p>SB Corp is exploring the option of hiring a third-party expert to</p>	

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	Impairment of Assets. As a result, the reported carrying amount of Property and Equipment and Impairment Losses as at or for the years ended December 31, 2022 and 2021, are not reliable, contrary to the fair presentation mandated by Paragraph 15 of PAS 1 – Presentation of Financial Statements.	<p>b. Perform completely the required impairment testing as at December 31, 2022 and 2021 under PAS 36, and based on the results thereof, recognize impairment loss for the years, if any, as appropriate;</p> <p>c. Where practicable, retroactively restate the CY 2021 FS to recognize the impairment losses on the Property and Equipment as of December 31, 2021;</p> <p>d. Submit adequate documentation of its conduct of impairment testing, to include, as a minimum, detailed listing of each item under Property and Equipment together with their corresponding FVLCD and where necessary, the VIU information, as well as significant assumptions used; and</p>	<p>The proposed policy will be presented to the Management Committee within Q4 2023.</p> <p>b. Impairment testing for IT equipment and furniture and fixtures, representing 28% of the total PEs, shall be performed within not later than December 2023.</p> <p>c. SB Corporation will comply with the recommendation upon completion of the aforementioned impairment testing.</p> <p>d. SB Corporation will comply with the recommendation.</p> <p>e. The HR/Administrative Services Group, in coordination with the CG, will install appropriate control mechanisms i.e., inclusion in year-end closure instructions, review, monitoring among</p>	<p>HR/ Administrative Services Group</p> <p>Controllership Group</p> <p>HR/ Administrative Services Group</p> <p>HR/ Administrative Services Group</p>	<p>October 2023</p> <p>December 2023</p> <p>December 2023</p> <p>December 2023</p> <p>October 2023</p> <p>December 2023</p> <p>October 2023</p> <p>December 2023</p>			<p>guide SB Corp in crafting its impairment testing policy in accordance with PAS. In this regard, an exploratory meeting with an matter expert-entity was held on 8 August 2023.</p> <p>b. Preparations have been laid down by HRASG to completely perform the required impairment testing of Property and Equipment of SB Corp, to wit:</p> <ul style="list-style-type: none"> With on-going conduct of inventory of SB Corp unserviceable property and equipment for purposes of disposal which is expected to be completed by end of September 2023. Impairment testing of the 28% Property and Equipment will come next once appraisal of the same will be 	

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		e. Install appropriate control mechanisms, e.g., inclusion in year-end closure instructions, and regular review and monitoring, among others, to ensure that the required impairment testing is regularly performed.	others, ensuring the testing of PE is regularly performed. The appropriate control mechanisms will be included in the policy to be drafted on the conduct of impairment testing which will be presented to the Management Committee within the 4 th Quarter of 2023.					<p>completed within the Q4 2023.</p> <p>The impairment testing shall be completed not later than December 2023.</p> <p>c. The restatement of the CY 2021 FS to recognize the impairment losses on the Property and Equipment, if applicable, will be considered upon completion of the impairment testing.</p> <p>d. Documentation on the conduct of impairment testing for Property and Equipment will be submitted once the disposal of unserviceable properties materializes by end of September and appraisal of the remaining 28% property and equipment.</p> <p>Timeline: December 2023</p> <p>e. Appropriate control mechanism will be included in the design in</p>	

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					From	To			
								coming up with Impairment Policy to be presented to MANCOM for approval. We maintain the timeline for submission within December 2023 .	
13.	The reported carrying amount of depreciable Investment Property as at December 31, 2022 of P1.827 million is unreliable due to the non-assessment for impairment of some Real and Other Properties Acquired (ROPA) with carrying amounts totaling P208,383, contrary to pertinent provisions of PAS 36 – Impairment of Assets and the fair presentation mandated by Paragraph 15 of PAS 1 – Presentation of Financial Statements.	<p>a. Formulate or update its policy as regards the conduct of impairment testing of ROPAs, to include, among others, establishing relevant procedures, determining accountabilities, and setting timelines;</p> <p>b. Perform completely the required impairment testing under PAS 36 on the ROPAs without appraisal reports, and based on the results thereof, recognize impairment loss for the year, if any, as appropriate;</p> <p>c. Regularly submit to the Audit Team adequate documentation of its conduct of</p>	<p>a. Submit the proposed policies and guidelines on the Impairment Testing for ROPA for approval of the Management and the Governing Board.</p> <p>b. SB Corporation will comply with this recommendation.</p> <p>c. Review and/or update the impairment testing of Investment Property accounts.</p>	<p>Credit Support and Asset Recovery Group (CSARG)</p> <p>CSARG</p> <p>CSARG</p>	<p>July 2023</p> <p>July 2023</p> <p>July 2023</p>	<p>September 2023</p> <p>September 2023</p> <p>September 2023</p>	<p>Not Implemented (with actions to be undertaken)</p> <p>Not Implemented (with actions to be undertaken)</p> <p>Not Implemented</p>	<p>a. CSARG has conducted the impairment testing on all ROPA accounts as shown in the inventory of ROPA portfolio (Annex "N").</p> <p>b. But CSARG will again review and update the expired appraisal reports of ROPA accounts and the adjustment of impairment loss, if any. The output shall be submitted to CG not later than September 2023.</p> <p>c. The proposed policies and guidelines on Impairment Testing that will be submitted by CSARG to the Management Committee not</p>	

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		<p>impairment testing, to include, as a minimum, 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>d. Install appropriate control mechanisms, e.g., inclusion in year-end closure instructions, and regular review and monitoring, among others, to ensure that the required impairment testing is conducted as required by PAS 36.</p>	d. This recommendation will be included in the proposed policies and guidelines on the Impairment Testing of ROPA that will be submitted for approval of the Management and the Governing Board.	CSARG	July 2023	September 2023	(with actions to be undertaken) Not Implemented (with actions to be undertaken)	later than September 2023 . shall include control mechanisms and regular monitoring of the required impairment testing.	
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	<p>We recommended that Management, through the CG:</p> <p>a. Promptly reconcile and analyze the variances noted between the reported Prepaid Income Tax and the</p>		Controllership Group (CG)	July 2023	December 2023	Not Implemented (with actions to be undertaken)	a and b: Annex "O" shows the corrected portion of the subject-variance.	

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Robert C. Bastillo
 President and Chief Executive Officer

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	reflected in the Annual ITR for said taxable years as filed with the 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 – Presentation of Financial Statements.	<p>corresponding amounts thereof reflected in the Annual ITRs as filed with the BIR;</p> <p>b. Based on the results of the recommended reconciliation and analyses, adjust the recorded Prepaid Income Tax as at December 31, 2022 and 2021 to fairly state the accounts and/or file an amended Annual ITR, where appropriate; and</p> <p>c. Install appropriate control mechanisms, e.g., inclusion in 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>			July 2023	December 2023	Not Implemented (with actions to be undertaken)	<p>Reconciliation for the remaining balance will be completed upon clarification with BIR regarding unused creditable withholding tax. It shall be completed not later than December 2023.</p> <p>c. For all the subsequent annual FS, CG will comply with the recommendation.</p>	
				2024	Onwards	Not Implemented (with actions to be undertaken)			

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Robert C. Bastillo
 President and Chief Executive Officer

AUG 24 2023


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B. OTHERS									
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, 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.	We recommended that Management, through the concerned Groups: 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; 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 ad hoc committee may be established for this purpose; c. Based on the results of such investigation, hold the concerned employee/s liable for the tax penalties paid	SB Corporation Management shall investigate on the matter.	Controllership Group (CG)/ Management	September 2023	December 2023	Not Implemented (with actions to be undertaken)		SB Corp Management shall formally investigate on the matter.
							Not Implemented (with actions to be undertaken)		
							Not Implemented (with actions to be undertaken)		

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		<p>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>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</p>					<p>Not Implemented (with actions to be undertaken)</p> <p>Not Implemented (with actions to be undertaken)</p> <p>Not Implemented</p>		

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Robert C. Bastillo
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					From	To			
		recommended investigation and analysis to properly evaluate and monitor progress and accomplishments.					(with actions to be undertaken)		
16.	The authenticity and reliability of the electronic collection (e-Collection) and electronic payment (e-Payment) reports provided by the various electronic payment gateway providers (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.	We recommended that Management, through the Treasury Group and in coordination with the LSG and OBSCCO: 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; b. Submit the amended or newly executed contracts, as appropriate, within five working days from execution thereof together with its supporting documents; c. Ensure the submission by the EPGPs of the certifications, reports and documents	As contained in the reply to AOM No. 2023-012(2022) _EPGP submitted to COA last April 18, 2023: a. SB Corporation has already reviewed the contracts with its Electronic Gateway Provider and Intermediaries (EPGPs) and has likewise notified its providers of the required amendments to the contracts in compliance with COA Circular No. 2021-014 dated 22 December 2021 (Please see copies of the Letters/Notices hereto attached as Annexes "A" to "E"). b. SB Corporation will comply with this recommendation. It	Legal Services Group (LSG) and Treasury Department (TD), Office of the Chief Compliance Officer (OCCO)	July 2023	Onwards	Not Implemented (with ongoing actions for all recommendations)	For recommendations "a" and "b", below are the actions that have been taken for each EPGPs following SB Corporation's letter dated April 13, 2023 requesting for the amendment of the contract: 1. USSC – the Treasury Department had a meeting with USSC officers last July 6, 2023 to discuss the same. (Annex "P") 2. Bayad Center – Last July 12, 2023, SB Corporation received an inquiry from Bayad Center Account Officer	

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RCB

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					From				To
		<p>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 MRL attesting 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.</p>	<p>should be noted however that the timing of the execution of said new/amended contracts will depend on the availability of the reviewed/approved draft of said contract issued by the OGCC.</p> <p>c. SB Corporation will comply with the recommendation after the execution of the amended contracts.</p> <p>d. SB Corporation will submit the MRL as soon as the EPGPs have complied with the relevant provisions of COA Circular No. 2021-014 and the full development of the entire process of internal control and procedures.</p>			<p>Within 5 days from execution of the amended contract</p> <p>Timelines for the implementation of "c" and "d" to follow after the execution of the amended contracts</p>		<p>regarding the annexes in the said COA Circular. The Treasury Department provided feedback on the inclusion of the pertinent provision in the amended contract. (Annex "Q")</p> <p>3. Palawan Pawnshop – last July 25, 2023, the Treasury Department sent an email to Palawan Pawnshop regarding the inclusion of the compliance with the COA Circular in their amended contract. (Annex "R")</p> <p>4. GCash – Treasury Department followed up the amendment of the contract. (Annex "S")</p> <p>5. Landbank (LinkBiz) – A follow-up email was sent to Landbank on 23 Aug 2023 (Annex "T") on the requested</p>	

Agency sign-off:


Robert C. Bastillo
 President and Chief Executive Officer

AUG 24 2023

Date



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								<p>amendment of SBCorp-Landbank MOA re Link.bizPortal</p> <p>For recommendations "c" and "d", compliance of SB Corporation shall be dependent on the completion of the system enhancements by the EPGPs based on the requirements of COA Circular No. 2021-014 and the final revision of the contracts.</p>	
17.	<p>Non-submission to the Bangko Sentral ng Pilipinas (BSP) of the required notice and certifications relative to the write-off of 168 Notes Receivable accounts amounting to P80.029 million within 30 business days after the write-off is contrary to Section 143-Q of the Manual of Regulations for Non-Bank Financial Institution (MORNBF), and SB Corporation's Write-off Policies, and defeats the purpose for which the said notice and</p>	<p>We recommended that Management, through the CSARG and the OBSCCO:</p> <p>a. Fast track and/or prioritize the preparation of the required notices and certifications relative to the subject written-off Notes Receivable accounts and promptly submit the same to BSP upon completion thereof, copy furnished the Audit Team for verification; and</p> <p>b. Install appropriate control mechanisms, e.g., use of pro-</p>	<p>a. SB Corporation has already complied with the required submission to the BSP.</p>	OBSCCO	-	-	Implemented	<p>a. The OBSCCO, in its Memo to the COA ATL, [REDACTED] dated 15 May 2023 has submitted the copy of the SB Corporation's submission of the Notice for Write-off of Loans for the Years ending December 31, 2021 and December 31, 2022. A copy of the BSP's acknowledgement receipt letter was later on submitted to the COA Team via email dated 19 May 2023.</p>	

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	certifications are required by the BSP.	forma documents, and appropriate review and monitoring, among others, to ensure that required notices and certifications for subsequent write-offs of problem credits are submitted to the BSP within the prescribed period.	<p>b. Appropriate control mechanisms are being implemented by SB Corporation through the following:</p> <p>1. Use of the BSP's proforma document for the Notice of Write-off of Loans:</p> <ul style="list-style-type: none"> Once accomplished by the CSARG, the Notice for Write-off of Loans is submitted to the Office of the Board Secretary and Chief Compliance Officer (OBSCCO) for review; Thereafter, once it has been signed by the Head of the Agency, the OBSCCO submits the same to the appropriate department of the BSP. <p>2. The OBSCCO undertakes to monitor the following</p>	CSARG and OBSCCO				<p>b. The appropriate control mechanisms were applied in the SB Corporation's submission of the Notice of Write-off of Loans for the Year ending December 31, 2022, as evidenced by the use of the prescribed form and the submission within the prescribed timeline (the write-off of loans was journalized on 9 April 2023 and the Notice of Write-off of Loans was submitted to the BSP on 15 May 2023 which is within 30 banking days after the write-off).</p> <p>Further, the Revised Write-Off Policy contains the procedure for the writing-off of loans which includes, among others, the use of pro-forma documents and mechanisms for appropriate review and monitoring (the copy of the Board Resolution for the policy was attached to the Status of Implementation of Prior Years' Audit Recommendation)</p>	

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			necessary actions to ensure timely submission to the BSP: <ul style="list-style-type: none"> • Upon release of the Board Resolution, coordinate with CSARG to ensure its timely request for CG's recording of the write-off; • CG's recording in the books; • CSARG's preparation of the Notice of Write-off and submission to OBSCCO before the deadline. 					submitted to the COA Team on 27 April 2023).	
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 SB Corporation Venture Capital Program Operating Policy	We recommended that Management, through the concerned Groups: <p>a. Promptly obtain the required documents, e.g., financial reports, quarterly performance reports, and copies of minutes of meetings, which should</p>	As contained in the reply to AOM No. 2023-014(2022) submitted to COA last May 10, 2023: <p>For recommendations a, b and c: We will comply with all the recommendations.</p>	Financing Sector-Regional Lending Group (FS-RLG)	June 2023	December 2023	Not Implemented (with actions to be undertaken)	For recommendations a, b and c: Project visits have been conducted for Binhi, Inc. and Elbitech, Inc. on April 20, 2023 and June 20, 2023.	

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	Manual 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>have been regularly submitted by the investee-corporations or prepared by the SPU or SLG;</p> <p>b. Immediately conduct the project inspection to assess the physical situation of the investee-corporation, among others, and prepare the pertinent report on the results thereof;</p> <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</p>	<p>SB Corp representatives attended the Binhi-Elbitech Joint Board Meeting via Zoom last March 24, 2023. Attached as <i>Annex "A"</i> is a copy of the Minutes of the said meeting.</p> <p>For Binhi, Inc., a project visit was conducted by the SLG last April 20, 2023 while for Elbitech Inc., the SLG will conduct the project visit within June 2023.</p> <p>The SLG will provide a report on the status of the projects financed by SB Corporation and the results of the assessment of the financial conditions of the two investee-corporations to the Venture Capital Management Committee.</p> <p>For recommendation "d": SB Corporation will comply with the recommendation.</p>	Management /Venture Cap Committee	July 2023	December 2023	Not Implemented <i>(with actions to be undertaken)</i>	<p>respectively to obtain updates on business operation and financial reports.</p> <p>The report on updates and status of business operations and financial performance of Binhi, Inc., and Elbitech, Inc. will be presented to the Venture Capital Management Committee (VCMC) on its meeting to be scheduled within August 2023. The said report will include information on the required documents submitted by both investee-corporations to SB Corporation.</p> <p>Check updates on the plans to review the Venture Capital Program Operating Policy Manual. Attached as Annex "U" VCRCom Resolution No. 2022-027 designating SB Corp's resource</p>	

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 AUG 24 2023
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		audits, to ensure that the prescribed monitoring activities are regularly performed and are well-documented.						persons in Binhi and Elbitech as investee-companies. Annex "V" Board Resolution No. 2022-3289 designates members of the SB Corp Board as its representatives in the Board of Binhi and Elbitech.	
19.	Investments in convertible PLDT preferred stocks amounting to P146,500 remained unredeemed as at December 31, 2022, or 11 years after the issuance of the pertinent Notice of Redemption thereof, thus, the invested funds were tied in non-earning securities for a significant period of time, contrary to the declared policy of the State on efficient use of government resources under Section 2 of PD No. 1445.	We recommended and Management agreed to immediately cause the redemption by the PLDT of the subject convertible preferred stocks in order to recover the invested funds thereon.	SB Corporation will comply with the recommendation by writing to PLDT to inquire the following: <ul style="list-style-type: none"> Amount of accrued and unpaid dividends up to the redemption date; Process of redemption; and Official redemption of shares indicating the effectivity date 	Treasury Department	May 2023	December 2023	Not Implemented	As noted in the "Action Taken/Action to be Taken" column <p>In the letter to PLDT dated 22 May 2023, attached as Annex "W", SB Corporation inquired and requested for the following:</p> <ol style="list-style-type: none"> Process for redemption of our preferred stock investment; and Total amount of accrued and unpaid dividends due to SBGFC for the Series. <p>In PLDT's response to the letter, attached as Annex "X", they informed SB Corporation that the right of the Guarantee Fund for Small and Medium Enterprises (now SB Corporation) to claim the redemption price had expired.</p>	

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RSC

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								Consequently, the Controllership Group will make the necessary adjustments in the books for the said investment/receivable within the year.	
20.	Sixteen ROPAs costing P6.643 million are not insured with the General Insurance Fund (GIF) of the Government Service Insurance System (GSIS) as at December 31, 2022, contrary to Republic Act (RA) No. 656 and COA Circular No. 2018-002 dated May 31, 2018. Accordingly, the SB Corporation is denied of adequate and reliable protection for a significant amount of assets against damage to or loss of its properties or assets due to fire, earthquake, storm or other fortuitous events.	We recommended that Management, through the CSARG: a. Facilitate the immediate enrollment of the subject ROPAs with the GIF of the GSIS as required by RA No. 656, as amended, and COA Circular No. 2018-002; b. Hold the officials/employees responsible for the insurance of the subject ROPAs for any penalty and other charges that the SB Corporation may be	a. SB Corporation will comply with this recommendation. b. Request reply from CSARG	CSARG CSARG	May 2023 N/A	December 2023 N/A	Implemented: 10 accounts Not Implemented: 4 accounts (with ongoing actions) 2 accounts- no improvement to register with GIF. Not Implemented (with actions to be undertaken)	a. Enrollment with the GIF has been complied for ten (10) out of the sixteen (16) ROPAs. For the remaining six (6) ROPAs, the following actions will be taken: • 1 account - relocation survey done but with issue on ownership, to be referred to LSG for legal advice. • 2 accounts – no existing structure based on latest Appraisal Report-	

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		<p>required to pay due to the belated insurance enrollment; and</p> <p>c. Install appropriate control mechanisms, e.g., regular review and monitoring, among others, to ensure compliance with RA No. 656, as amended, and COA Circular No. 2018-002.</p>	c. Monitoring system to be put in place	CSARG	August 2023	August 2023	Not Implemented (with actions to be undertaken)	<ul style="list-style-type: none"> 3 accounts - no/minimal value for enrollment with the GIF subject to acceptance of GSIS <p>Attached are the following documents:</p> <ul style="list-style-type: none"> Annex "Y" – List of ROPAs with the status of enrollment with the GIF Annex "Z" – copies of insurance policy and official receipts for the eight (8) accounts (<i>Note: the copies of the insurance policy of the 2 accounts, [redacted] and Mercy's Longganisa) were submitted to the COA Team last April 27, 2023 as one of the attachments to the Status of Implementation of Prior</i> 	

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								<p>Years' Audit Recommendations)</p> <ul style="list-style-type: none"> • Annex "AA" – copies of the appraisal reports of the two (2) accounts with no existing structures. <p>b. No penalties were incurred due to late enrollment/renewal of fire insurance of subject properties. Going forward, extra ordinary diligence will be employed.</p> <p>c. CSARG will put in place a monitoring system to track compliance with GSIS Fire Insurance, payment of taxes and Appraisal Report requirement of all ROPA accounts within August 2023.</p>	
21.	The amounts of the Petty Cash Fund (PCF) of four Accountable Officers (AOs) are significantly above the average monthly	We recommended that Management reduce the amounts of the PCFs of the four AOs to balances that approximate their	a. For the Financing Sector-SLG's Petty Cash Custodian (AO No. 1/ [REDACTED] - the amount of the PCFs vis-à-vis the	Financing Sector-SLG, Planning and Policy	-	-	Implemented	<p>Drafted by OCCO, based on the documents provided by the concerned groups:</p>	

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	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 corporate funds is unnecessarily exposed to risk of loss resulting from unlawful deposit, use or application thereof, or from negligence in the keeping thereof.	actual monthly petty operating expenses, pursuant to COA Circular No. 97-002, as amended.	<p>historical disbursements will be assessed, and the necessary reduction will be recommended to the Management.</p> <p>b. For the PPMG's Petty Cash Custodian (AO No. 2/ [REDACTED])</p> <p>c. For the For the Treasury Department's Petty Cash Custodians:</p> <ul style="list-style-type: none"> PCF was already reduced from P40,000.00 to P20,000.00 for AO No. 3/ [REDACTED] Further reduction of the PCF of AO No.4/ [REDACTED] will be proposed to the Management Committee. 	Management Group (PPMG), Treasury Department				<p>a. For the Financing Sector-SLG's Petty Cash Custodian (AO No. 1/ [REDACTED] - attached as Annex "AB" is a copy of ManCom Resolution via Routing No. 2023-0707-073 for the recommendations to distribute the P15,000 Petty Cash Fund among three (3) desk officers (NCR, Quezon and Rizal).</p> <p>b. For the PPMG's Petty Cash Custodian (AO No. 2/ [REDACTED]) - the recommendation to further reduce the PCF was no longer applicable as the PPMG has ceased the charging of expenses for meals and snacks to the Petty Cash Fund. Further, the bond of the designated Petty Cash Custodian was no longer renewed after the issuance of the Report of Cash Examination dated November 29, 2022.</p> <p>c. For the Treasury Department's Petty Cash Custodians:</p>	

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								<ul style="list-style-type: none"> For AO No. 3/ [REDACTED] the copy of the Special Order No. 001, series of 2023 for the reduction of the PCF from P40,000.00 to P20,000.00 was attached to the Memorandum to COA dated April 26, 2023 with subject "COA Cash Examination Report on the Cash Accountability of Mr. [REDACTED] Collecting and Disbursing Officer, and Mr. [REDACTED] Special Disbursing and Collecting Officer, of Treasury Group". For AO No.4/ [REDACTED] attached as Annex "AC" is a copy of ManCom Resolution via Routing No. 2023-0509-043 for the further reduction of PCF from P20,000.00 to P10,000.00. 	

RSC

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22.	Several misstatements were noted in the preliminary FS submitted to the Audit Team which, even though fully adjusted in the final FS, indicates lack of and/or inadequate policies and internal control measures that would ensure consistent compliance with relevant PFRSs and the fair presentation mandated by Paragraph 15 of PAS 1 – Presentation of Financial Statements.	<p>We recommended and Management agreed to:</p> <p>a. Formulate/update its policies as regards the accounting, reporting and handling of leases, dividends, cash equivalents, post-dated and undelivered or unreleased checks, interest income vis-à-vis final taxes thereon, NCAHS, impairment testing on ROPAs and short-term compensated absences, which must be aligned with applicable PFRSs and should include relevant procedures, accountabilities, and timelines to avoid recurrence of the aforementioned deficiencies; and</p> <p>b. Install appropriate control mechanisms, e.g., update seminars on PFRSs, inclusion in the year-end closing instructions, use of checklists,</p>		Controllership Group (CG)	January 2024	February 2024		<p>For a and b:</p> <p>SB Corp will comply with the recommendation. CG will apply its learnings from the upcoming PFRS training to be conducted in September 2023.</p>	

Agency sign-off:


Robert C. Bastillo AUG 24 2023
 President and Chief Executive Officer Date

W

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		records reconciliation, and regular review and monitoring, to ensure that the transactions of SB Corporation are properly recognized and reported consistent with relevant PFRSs.							
23.	SB Corporation has not formulated and adopted a six-year Gender and Development (GAD) Agenda to serve as basis for its annual GAD Plans and Budgets (GPBs) and merely relied on the GAD Agenda of its mother agency, DTI, contrary to the pertinent provisions of PCW-NEDA-DBM Joint Circular (JC) No. 2012-01 and PCW MC No. 2018-04 dated September 19, 2018. Thus, the ability of its GAD programs, activities, and projects (PAPs) to effectively address identified gender issues in the medium or long-term, and to strengthen gender mainstreaming in the	We recommended that Management, through the GFPS: a. Formulate and adopt a separate six-year GAD Agenda for the SB Corporation which shall serve as basis in the preparation of annual GPBs, and submit the same to PCW for its monitoring and evaluation; and b. Conduct update seminar/s on GAD for employees to keep them abreast of new and updated issuances, and ultimately, enhance compliance with GAD requirements.	a. SB Corporation will prepare and submit to the PCW its own GAD agenda, strategically aligned with the DTI. b. SB Corporation commits to send two (2) GFPS-TWG members to GAD-related training to be apprised of the new guidelines in the implementation of the GAD plan and budget.	GFPS-TWG GFPS-TWG		September 2023 December 2023	Not Implemented (with ongoing actions) Not Implemented (with ongoing actions)	a. The GFPS-TWG is developing and crafting SB Corporation's six-year GAD agenda which shall be completed not later than September 2023 . b. The GFPS-TWG is currently sourcing GAD-related trainings for the GFPS-TWG members to be attended within 2023 .	

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	Corporation is adversely affected.								
24.	The attributed programs in the CY 2022 GPB are not supported by justifications and corresponding means of verification (MOVs) causing the non-endorsement thereof by the PCW, contrary to Sections 2.3 and 7 of PCW-NEDA-DBM JC No. 2012-001.	We recommended that Management, through the GFPS, install appropriate control mechanisms, e.g., regular review and monitoring, among others, to ensure that its GPB submissions to the PCW are accurate and complete, including the required justifications, MOVs, and duly accomplished HGDG checklist.	SB Corporation will comply with the recommendation.	GFPS-TWG	2023	Onwards	Not Implemented (with ongoing actions)	On 07 July 2023, the Chair of GFPS-TWG submitted via email the signed copy of 2023 GAD Plan and Budget of SB Corporation as endorsed by the Phil Commission for Women (PCW). For reference, the same is attached as Annex "AD"	
25.	One GAD activity amounting to P346,250 was incorrectly reported as an actual accomplishment in CY 2022 even though the same was procured in CY 2023 and its implementation is currently in progress. As a result, the actual expenditures reported in the CY 2022 GAR is misstated, contrary to Section 10.1 of PCW-NEDA-DBM JC No. 2012-01.	We recommended that Management, through the GFPS: a. Report only the activities completed until the end of the year as accomplishments in the final GAR of the agency consistent with Section 10.1 of JC No. 2012-01; and b. Install appropriate control mechanisms, e.g., cut-off procedures, inclusion in year-	SB Corporation will comply with the recommendations.	GFPS-TWG	-	-	Implemented Not Implemented	a. The 2022 GAD Accomplishment Report of SB Corporation submitted to PCW reflected the recommendation of the Commission to record GAD-related expenses according to the year which they were incurred/expended. With this, the SB Corporation reported to PCW the accomplishment and expenses incurred for the 2021 client satisfaction survey amounting to P399,000, which	

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		end closure instructions, and regular review and monitoring, among others, to ensure that GAD activities and expenditures relative thereto are reported in the correct period.				(with actions to be undertaken)		was procured and paid in CY 2022. The expenses for the 2022 client satisfaction survey shall be reported for CY 2023 accomplishments. For reference, the same is attached as Annex "AE" . b. To ensure compliance with the recommendation to install control mechanisms on recording of GAD related expenses for a specific year, the GFPS-TWG and CG shall include in the guidelines, to be formulated by October 2023 , the procedures in reporting GAD activities and expenses.	
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	We recommended that Management, through the concerned Groups: a. Strictly comply with the provisions of the RRSA, as amended, and the issued NFDs and COEs particularly:	An update dated May 26, 2023 on the outstanding disallowances was submitted to COA where outstanding balance is only at	Controllership Group		Implemented		An update dated May 26, 2023 on the outstanding disallowances was submitted to COA where outstanding balance is only at P177,557 (for ND 14-001-401000 [13]) as of March 31, 2023. Said amount represents the withheld tax portion of the subject-disallowance as reiterated by SB Corp's in its	

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	on Settlement of Accounts (RRSA) as prescribed under COA Circular No. 2009-006, dated September 15, 2009, as amended.	<ul style="list-style-type: none"> i. The settlement of disallowances and charges within the prescribed period; and ii. The withholding of salaries or other compensation due the person liable in satisfaction of the disallowance or charge; <p>b. Exhaust 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> <ul style="list-style-type: none"> i. Regular monitoring of the status of settlement of the final and executory disallowances; ii. Sending of demand/collection letters 	P177,557 (for ND 14-001-401000 (13)) as of March 31, 2023.					letter to COA dated 10 March 2023 (Annex "AF"),	

Agency sign-off:



AUG 24 2023

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					From	To			
(CY 2021 – No. 7)	receivable accounts totaling P80.029 million as at December 31, 2021, is contrary to Section 28 of Presidential Decree (PD) No. 1445, Section 7.1.1 of COA Circular No. 2009-006, and applicable provisions of BSP Circular No. 855, BSP's Manual of Regulations for Non-Bank Financial Institutions (MORNBFII), and SB Corporation's Write-off Policies, thus, casting doubt on the accuracy, validity and reliability of the written-off receivable accounts.	<p>Write-off Policies on the write-off of receivable accounts; and</p> <p>b. Submit to the Audit Team the complete documentary requirements to support the write-off of receivable accounts, for review and validation.</p>	<p><i>submitted to COA last April 27, 2023 as part of the Status of Prior Years' Audit Recommendations)</i></p> <p>b. For the written-off accounts for both CYs 2020 and 2021, CSARG will recommend actions on other accounts and seek instruction from ARCCO based on the current status of write-off documentation</p>			August 2023	October 2023	Not Implemented (with ongoing actions)	<p>For the written-off accounts for CY 2021, documents for the 36 out of 168 have been submitted to COA while for CY 2020, documents for 23 out of the 104 accounts have been submitted.</p> <p>The documentation of other remaining accounts is still ongoing and status of compliance will be continually reported.</p> <p>CSARG will recommend actions on other accounts and seek instruction from the Asset Recovery and Collection Committee not later than October 2023 based on the current status of write-off documentation.</p>
2.	The non-financial assets (NFA) – chattels portion of acquired assets through dacion en pago,	a. Periodically conduct physical inventory of the acquired NFA – chattels stating the physical	a. Recommend delisting of LSO CHMs	CSARG	August 2023	December 2023	Not Implemented	a. The Management Committee, upon recommendation of CSARG, shall delist LSO CHMs	

Agency sign-off:


Robert C. Bastillo
 President and Chief Executive Officer

AUG 24 2023

Date



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(CY 2021 – No. 8)	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 from loan borrowers which further increased losses.	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; 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; c. Strictly comply with the pertinent provisions, adopted policies and guidelines on the administration of ROPA and other foreclosed properties; d. Revisit the policy and guidelines of the SB Corporation to include the accounting treatment of NFA –	b. Copies of the appraisal reports of non-LSO accounts will be submitted. c. SB Corporation will comply with this recommendation.	CSARG CSARG CG/CSARG	August 2023 August 2023 January 2024	September 2023 October 2023 March 2024/ onwards	(with actions to be undertaken) Not Implemented (with actions to be undertaken) Not Implemented (with actions to be undertaken)	that are still unlocated despite diligent efforts not later than December 2023 . Attached as Annex "AG" is the list of CHM Inventory with status. b. CSARG will submit the copies of the appraisal reports of non-LSO accounts within September 2023 . c. CSARG will review the existing Policy on ROPA Administration and Disposal and submit to the Asset Recovery and Collection Committee its recommendations on or before October 2023. d-f:	

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		chattels acquired through dacion en pago; e. Prospectively, record foreclosed NFAs, such as motor vehicles, machinery, equipment, and furniture and fixtures to the 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.						SB Corp will comply with the recommendation.	
3. (CY 2021 – No. 9)	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,	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	For recommendations a to c, continual actions are being done to comply with the recommendations. For recommendation "d": LSG to conduct document verification and	CSARG LSG	July 2023 -	October 2023 -	a, b, c – Not Implemented (with ongoing actions) d – Implemented	For recommendations a to c, below are the status of the accounts and other actions to be taken: 1. ROPA under [REDACTED] – consolidated title; for negotiated sale	

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 AUG 24 2023
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					From				To
								<p>implemented until October 31, 2023.</p> <p>For recommendation "d": As indicated in the Agency Action Plan and Status of Implementation (AAPSI) submitted to COA on October 6, 2022, As indicated in the Status of Implementation of Prior Years' Audit Recommendations submitted to COA last April 27, 2023, LSG found that (3) three of the 29 titles are with annotated DOAs in favor of SB Corporation. These are T-77327 with [REDACTED] as registered owner, T-125422 with [REDACTED] as registered owner and T-77185 with Sps. [REDACTED] as registered owners. The copies of the titles with annotated DOAs in favor of SB Corporation were attached to the said AAPSI).</p> <p>In addition, as indicated in the Status of Implementation of Prior Years' Audit Recommendations</p>	


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								(SIPYAR) submitted to COA last April 27, 2023, the copies of the Deeds of Assignment (DOA) of the remaining twenty-six (26) titles were found from the document verification and record tracing conducted by the LSG, thereby establishing the legality of SB Corporation holding the titles. The copies of the DOAs were attached to the said SIPYAR.	
4. (CY 2021 – No. 10)	One ROPA, with an appraised value of P951,840 is being occupied by its previous owner without the benefit of a lease contract. Moreover, 10 ROPAs, with a total appraised value of P4.696 million, have no perimeter fences and signages indicating SB Corporation's ownership of the property, contrary to Section 2 of PD No. 1445, and SB Corporation Memorandum dated June 23, 2009, thus, proper management, preservation, and	a. xxx (Implemented) b. Adequately secure and preserve the properties against unauthorized occupants by constructing perimeter fences and posting signages or markers indicating that the property is owned by SB Corporation and is available for sale/ lease.	Considering COA's audit rejoinder, SB Corporation will comply with the recommendation to construct posting of signages and markers.	CSARG	August 2023	December 2023	Not Implemented (with actions to be undertaken)	The recommended posting of signages or markers will be presented by CSARG to Asset Recovery and Collection Committee for approval within August 2023 . 	

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	utilization of the acquired ROPAs could not be achieved.								
5. (CY 2021 – No. 13)	The Motor Vehicle Lease Purchase Plan (MVLPP) granted by SB Corporation to one of the Board of Directors (BOD) amounting to P1.595 million is contrary to Section 8 of Executive Order (EO) No. 24, s. 2011, Paragraph 7 of GCG Memorandum Circular (MC) No. 2016-01 and Section 3.1 of COA Circular No. 2012-003.	a. Require the concerned member of the BOD to immediately refund the MVLPP benefit granted by SB Corporation, contrary to EO No. 24, s. 2011, Paragraph 7 of GCG MC No. 2016-01 and Section 3.1 of COA Circular No. 2012-003; and b. xxx (Implemented)	The Outstanding Balance of the MVLPP will be continually paid by the concerned BOD.	Office of the Board Secretary and Chief Compliance Officer	July 2023	January 2024	Not Implemented (with continual action)	As of July 30, 2023, the Outstanding Balance of the MVLPP is Php 214,861.10, as shown in the Subsidiary Ledger Register, attached as Annex "AI" . The concerned BOD is expected to fully pay the remaining balance by the end of January 2024.	
6. (CY 2021 – No. 14)	Hiring of individual Contract of Service (COS) personnel to perform the regular functions of SB Corporation Visayas Group (VG) is contrary to COA – Department of Budget and Management (DBM) Joint Circular (JC) No. 2 dated October 20, 2020.	a. Review the functions, systems, procedures, and organizational structure and staffing pattern of the Corporation to assess the needs and gaps, and determine the appropriate human resource complement for their programs, activities, and projects (PAPs); and propose the creation of permanent positions for regular functions to the Head		HR/ Administrative Services Group	April 2023	March 2024	Not Implemented (with on-going actions)	a. SB Corp representatives met with Governance Commission for GOCC (GCG) on 26 April 2023 requesting guidance on the creation of additional plantilla positions; The Reorganization - Change Management Team (CMT) conducted its first meeting last 28 July 2023 to lay down its deliverables and timelines in	

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		<p>Office in accordance with Section 11.4 of COA-DBM JC No. 2, s. 2020; and</p> <p>b. Consider for appointment to the unfilled regular and/or newly created positions as determined under recommendation (a) above, the existing qualified COS employees, subject to existing civil service laws, rules and regulations as well as the CSC-approved Merit Selection Plan of the Corporation as per Section 11.3 of the same Circular.</p>				December 2023	Not Implemented (with on-going actions)	<p>submission of various documentary requirements to the GCG relative to the planned Reorganization. The objective of the reorganization is to expand the business which would require additional manpower complement. However, the PCEO instructed the MANCOM to make research on the implication on the pronouncement of President Marcos during its SONA on 24 July 2023 regarding rightsizing of government bureaucracy.</p> <p>Timeline of completion is not later than March 2024.</p> <p>b. There were twenty (20) Contract of Service personnel as of August 2023 that were regularized having met the CSC qualification standards, and hiring requirements of SB Corp. The 20 COS personnel include 16 from Head Office and 4 from and</p>	

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								Northern Luzon and Mindanao Group. Preparation of documentary requirements on the possibility of requesting additional plantilla items is on-going. Informed MANCOM on the various requirements for the creation of additional plantilla positions. Per guidelines, letter request to be submitted to GCG must be Board-approved, and endorsed by DTI Secretary and supported by a 5-year financial projection. This shall be completed not later than December 2023 .	
7. (CY 2020 – No. 2- A)	The nine receivable accounts per CSARG's Summary of Accounts Written-Off amounting to P2.853 million differs by P110,000 from what was recorded in the books in the amount of P2.963 million.	a. xxx (Implemented) b. xxx (Implemented) c. Create an effective monitoring system to monitor debts written-off and future recoveries and periodically	A monitoring system will be set up and a staff will be assigned to comply with this recommendation.	CSARG	August 2023	October 2023	Not Implemented (with actions to be undertaken)	CSARG will come up with a separate manual database of written-off accounts not later than October 2023 . This shall be	

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		review the individual loan obligor's information; d. xxx (Implemented) e. xxx (Implemented)						regularly reconciled with the GL balance.	
8. (CY 2020 – No. 3)	The 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. Where warranted by the circumstances, cause the suspension of the payment of salary and other emoluments of the officials and employees responsible for the non-submission of the required reports or data on time.		CG 	December 2023	December 2023		SB Corp will submit the pending documents to COA not later than December 2023 .	
10.	Four foreclosed properties valued at P3.894 million under	a. Consult the LSG on how to recover the lost amount	<u>As contained in the Status of Implementation of Prior Years' Audit</u>	Legal Services Group (LSG)	March 2023	December 2023	Not Implemented	SLG is reviewing its records to get a lead on the possible whereabouts	

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(CY 2020 – No. 4)	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>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>	<p>Recommendations (SIPYAR) submitted to the COA last April 27, 2023:</p> <p>LSG has requested the South Luzon Group (SLG) to conduct another skip tracing for the borrower [REDACTED] ftao Jonani's Fashion). Attached as Annex "HH" is a copy of the memo dated March 8, 2023 for the said request.</p>			(with actions to be undertaken)		<p>of [REDACTED]. It will give an update once it has completely accomplished its another new skip tracing and property search. A copy of the memo dated 17 August 2023 from SLG is hereto attached as Annex "AJ".</p> <p>While LSG has already recommended the writing-off of the account (ARCCO Resolution and Board Resolution was previously submitted as Annexes to the Agency Action Plan and Status of Implementation submitted to COA last October 6, 2022), LSG will still attempt to send within August 2023 a new demand letter to the address on record of the borrowers to extend the prescription period of SB Corporation's claims.</p> <p>Management will investigate not later than December 2023 as to who shall be held liable personnel who examined and accepted the assigned mortgaged documents</p>	

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					From				To
								presented by the assigning bank in behalf of SB Corporation	
11. (CY 2020 – No. 6)	The acquired property of SB Corporation – NLG with a lot area of 260 square meter is being occupied or utilized by a private individual without the benefit of a lease contract due to the failure of the SB Corporation – NLG to strictly implement the acquired assets management activities required under the SB Corporation Memorandum dated June 23, 2009, depriving the SB Corporation of the opportunity to earn rental income.	<p>a. Execute lease contracts, if applicable, or demand that the illegal occupants vacate the property if they refuse to enter a lease contract or unreasonably ignore demands for payment of rentals; and</p> <p>b. Coordinate with the Acquired Assets Management Unit of the Head Office to adequately secure and preserve the property against unauthorized occupants by constructing a perimeter fence and posting signage/ markers indicating that the property is owned by SB Corporation and is available for sale/ lease.</p>	<p>Action Taken/Action to be Taken for both recommendations, as contained in the Status of Implementation of Prior Years' Audit Recommendations (SIPYAR) submitted to the COA last April 27, 2023:</p> <p>In response to NLG-LSG's Memorandum to CSARG dated July 21, 2022, a copy of the external appraisal report dated December 28, 2022, herein attached as Annex "JJ", was provided by CSARG to NLG-LSG via email on March 16, 2023. NLG-LSG is in the process of reviewing the account and the document provided by CSARG and shall make inquiries with various government agencies on fencing permits and other incidents pertinent to the preservation and disposition of the property, to be undertaken within the month of April 2023, in</p>	Legal Services Group (LSG)	-	-	-	Due to legal impediment as explained in "Action Taken/Action to be Taken" column, both recommendations could not be pursued.	<p>a. Based on the historical tax map of the property acquired from the Assessor's Office of the concerned LGU, it was revealed that the two (2) properties reported to have encroached on SB Corporation's property are, in fact, titled properties since 2014. On the other hand, SB Corporation only holds a tax declaration over the property. A certificate of title is considered incontrovertible and indefeasible evidence of ownership. Due to such legal impediment, COA's recommendation for execution of lease contracts or sending of demand to vacate the property could not be pursued.</p> <p>Attached as Annexes "K" are copies of the History of Real Property and Property Identification Map, issued by the</p>

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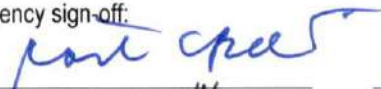

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			order to determine the appropriate legal action to be taken.					<p>Office of the City Assessor of Baguio City.</p> <p>b. The recommendation for the construction of a perimeter fence around the property, could not be pursued because one of the indispensable requirements before the construction of perimeter fence, according to the City Buildings and Architecture Office of the concerned LGU, which is the office that grants permits for perimeter fence construction, is that the property should be titled. Since the property is not titled, the necessary permit for the construction of a perimeter fence could not be acquired.</p> <p>Further, SB Corporation's officials may be filed with different cases by the LGU and the adjoining owners should it pursue fencing the perimeter.</p>	

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								<p>While SB Corporation could pursue the filing of a case against the "encroachers" in court, this appears impracticable as the aforementioned properties are already titled.</p> <p>It bears stressing that only portions of the property had been "encroached" and were titled. There are still two (2) remaining portions, albeit separated by the "encroaching" properties, that are presently declared under the name of SB Corporation for taxation purposes. One portion is thirty-three square meters (33 sq.m.) and the other is eighty-eight square meters (88 sq.m.).</p> <p>SB Corporations could offer the remaining portions of the property to the owners of the adjoining properties, or any interested buyer, through a negotiated sale as the property had twice been previously</p>	

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Robert C. Bastillo *AKS* AUG 24 2023
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								<p>subjected to public auction but no offers were made.</p> <p>LSG will be submitting a Memo to the Management Committee for the abovementioned recommended actions within August 2023.</p>	

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Robert C. Bastillo AUG 24 2023
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