



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

ANNUAL AUDIT REPORT

on the

**LANDBANK COUNTRYSIDE
DEVELOPMENT FOUNDATION, INC.**

For the years ended December 31, 2015 and 2014

EXECUTIVE SUMMARY

INTRODUCTION

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

The Foundation is duly accredited with the Philippine Council for NGO Certification (PCNC) and is registered with the Bureau of Internal Revenue as a donee institution in accordance with the provisions of Revenue Regulations No. 013-98 dated January 1, 1999 and donation/s received shall entitle the donor/s to limited or full deduction pursuant to Section 34(H)(1) and (2), and exemption from Donor's Tax pursuant to Section 101 (A)(3) of the National Internal Revenue Code of 1997.

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

The affairs and business of the Foundation are directed by the Board of Trustees, which as at December 31, 2015 is composed of the Chairman and ten trustees as members.

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

As at December 31, 2015, nine out of eleven members of the Board of Trustees and two out of three corporate officers are officers of LBP.

SCOPE OF AUDIT

The audit covered the examination, on a test basis, of the accounts and financial transactions of LCDFI for the period January 1 to December 31, 2015 in accordance with the Philippine Public Sector Standards on Auditing to enable us to express an opinion on the fairness of presentation of the financial statements for the years ended December 31, 2015 and 2014. It was also made to assess the propriety of financial transactions and compliance with pertinent laws, rules and regulations, as well as adherence to prescribed policies and procedures.

FINANCIAL HIGHLIGHTS (In Philippine Peso)

1. Comparative Financial Position

Particulars	2015	2014	Increase
Assets	106,159,589	105,551,626	607,963
Liabilities	3,202,746	2,642,166	560,580
Fund balances	102,956,843	102,909,460	47,383

2. Comparative Results of Operations

Particulars	2015	2014	Decrease
Revenues	17,950,761	25,358,085	(7,407,324)
Expenses	17,565,728	24,747,698	(7,181,970)
Net revenue	385,033	610,387	(225,354)

3. Budget Utilization

Key Result Areas	Budget	Utilization	(Over)/Under Utilization
A. Training and Capability Building Program for Bank-Assisted Cooperatives	10,423,136	10,423,136	0
B. Bangon Mini-Farms Program	806,194	806,194	0
C. Likas-Saka Program for Agrarian Reform Beneficiaries	462,643	462,643	0
D. Gawad Patnubay Scholarship Program	146,857	146,857	0
E. Manila Bay Sunset Partnership Program, Inc.	50,000	50,000	0
F. LCDFI General and Administrative Expenses	7,396,400	4,706,655	2,689,745
	19,285,230	16,595,485	2,689,745

INDEPENDENT AUDITOR'S OPINION

The Auditor rendered an unmodified opinion on the fairness of presentation of the financial statements of LCDFI as at December 31, 2015 and 2014.

SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

1. Regular monthly communication allowances for a maximum of P 1,000.00 per month granted to LCDFI Program Staff were charged against the Petty Cash Fund, which is not in accordance with the provisions of COA Circular No. 2012 - 001 dated June 14, 2012.

We recommended that Management instruct the Petty Cash Fund Custodian/ Disbursing Officer to refrain from charging monthly communication allowance from the PCF and likewise, revisit the existing guidelines to conform to the provisions of COA Circular No. 2012 – 001.

2. LCDFI carried out its mission through the implementation of various programs and had accomplished 100 per cent its targeted outputs for CY 2015.

We commend LCDFI for its accomplishments for the year and we encourage that it continuously pursue efforts to carry out its mandate.

SUMMARY OF TOTAL SUSPENSIONS, DISALLOWANCES AND CHARGES

As of December 31, 2015, LCDFI had an outstanding audit disallowance of P0.561 million, affirmed under COA Decision No. 2012-018 dated February 16, 2012.

There were no outstanding audit suspensions and charges at the end of the year.

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the 25 audit recommendations embodied in the prior years' Annual Audit Report, 24 were fully implemented and one was unimplemented. The unimplemented recommendation is presented in Part III of this Report.

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PART I
AUDITED FINANCIAL STATEMENTS



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

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees

LandBank Countryside Development Foundation, Inc.
26th Floor, LANDBANK Plaza
Land Bank of the Philippines
1598 M.H. Del Pilar cor. Dr. J. Quintos Sts.
Malate, Manila

We have audited the accompanying financial statements of **LandBank Countryside Development Foundation, Inc.**, a non-stock, non-profit organization, which comprise the statements of assets, liabilities and fund balances as at December 31, 2015 and 2014, and the statements of revenues, expenses and changes in fund balances, and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Public Sector Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting

estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **LandBank Countryside Development Foundation, Inc.** as at December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended, in accordance with Philippine Financial Reporting Standards.

COMMISSION ON AUDIT


CORA D. MARQUEZ
State Auditor V

Date: March 14, 2016



**LANDBANK Countryside
Development Foundation, Inc.**

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of LANDBANK Countryside Development Foundation, Inc. is responsible for all information and representations contained in accompanying Statements of Assets, Liabilities and Fund Balances as of December 31, 2015 and 2014 and the related Statements of Revenue, Expenses and Changes in Fund Balances and Statements of Cash Flows for the years then ended. The Financial Statements have been prepared in conformity with generally accepted state accounting principles and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting, which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities recognized.

V. J. Bulatao
VICTOR GERARDO J. BULATAO
Chairman of the Board

[Signature]
GAUDIOSO CARLOS A. GARCIA VI
Executive Director

[Signature]
MA. ELOISA C. DAYRIT
Corporate Treasurer

03 February, 2016

LANDBANK COUNTRYSIDE DEVELOPMENT FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2015 and 2014
(In Philippine Peso)

	Note	2015	2014 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from donors		30,172,263	23,450,000
Cash receipts from advances of employees		873,713	1,261,508
Cash payment to Government ,suppliers and employees		(17,477,696)	(25,607,918)
Net cash generated from/(used in) Operating activities	15	13,568,280	(896,410)
CASH FLOWS FROM INVESTING ACTIVITIES			
Placements in investments		(6,193,400)	(23,230,402)
Proceeds from matured investments		1,740,119	31,647,618
Interest Received		739,782	1,343,036
Net cash generated from/(used in) investing activities	15	(3,713,499)	9,760,252
NET INCREASE IN CASH AND CASH EQUIVALENTS		9,854,781	8,863,842
CASH AND CASH EQUIVALENTS, beginning of year		17,721,669	8,857,827
CASH AND CASH EQUIVALENTS,end of year	3	27,576,450	17,721,669

The Notes on pages 7 to 16 form part of these financial statements.

LANDBANK COUNTRYSIDE DEVELOPMENT FOUNDATION, INC.
STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCES
December 31, 2015 and 2014
(In Philippine Peso)

	Note	2015	2014
ASSETS			
Current Assets			
Cash and cash equivalents	3	27,576,450	17,721,669
Current investment	4	21,024,770	1,014,931
Accounts receivable	5	*8,877,442	22,487,624
Prepaid expenses	6	57,905	0
Other current assets		0	66,404
		<u>57,536,567</u>	<u>41,290,628</u>
Non-current Assets			
Held-to-maturity investments	7	48,189,478	63,435,330
Property and equipment	8	428,582	580,225
Other assets		4,962	245,443
		<u>48,623,022</u>	<u>64,260,998</u>
TOTAL ASSETS		<u>106,159,589</u>	<u>105,551,626</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	9	1,715,304	1,511,288
Accrued expenses payable	10	*1,487,442	1,130,878
		<u>3,202,746</u>	<u>2,642,166</u>
FUND BALANCES	11	102,956,843	102,909,460
TOTAL LIABILITIES AND FUND BALANCES		<u>106,159,589</u>	<u>105,551,626</u>

The Notes on pages 7 to 16 form part of these financial statements.

LANDBANK COUNTRYSIDE DEVELOPMENT FOUNDATION, INC.
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
For the years ended December 31, 2015 and 2014
(In Philippine Peso)

	Note	2015	2014
REVENUES			
Donations	12	16,525,890	23,601,486
Interest income		1,424,871	1,756,599
		<u>17,950,761</u>	<u>25,358,085</u>
EXPENSES			
Program fund expenses	13	12,859,073	22,311,041
General and administrative expenses	14	4,622,855	2,436,657
Loss in asset disposal		83,800	0
		<u>17,565,728</u>	<u>24,747,698</u>
NET REVENUE FOR THE YEAR		385,033	610,387
FUND BALANCE, BEGINNING		102,909,460	102,770,024
Correction of prior periods errors		(337,650)	(470,951)
FUND BALANCE, BEGINNING, RESTATED	15	102,571,810	102,299,073
FUND BALANCE, END		<u>102,956,843</u>	<u>102,909,460</u>

The Notes on pages 7 to 16 form part of these financial statements.

LANDBANK COUNTRYSIDE DEVELOPMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

(All amounts in Philippine Peso unless otherwise stated)

1. CORPORATE INFORMATION

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

The Foundation is registered with the Bureau of Internal Revenue as a donee institution in accordance with the provisions of Revenue Regulations No. 013-98 dated January 1, 1999 and donation/s received shall entitle the donor/s to limited or full deduction pursuant to Section 34(H)(1) and (2), and exemption from Donor's Tax pursuant to Section 101(A)(3) of the National Internal Revenue Code of 1997.

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

The affairs and business of the Foundation are directed by the Board of Trustees, which as at December 31, 2015 is composed of the Chairman and trustees as members.

The Corporate Officers of the Foundation are composed of an Executive Director, a Deputy Executive Director, a Corporate Secretary and a Corporate Treasurer.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation of the Financial Statements

The financial statements have been prepared in conformity with the Philippine Financial Reporting Standards (PFRS)/Philippine Accounting Standards (PAS) which the Foundation applied for the annual period beginning on January 1, 2005. The financial statements are presented in Philippine peso and all values are rounded to the nearest peso except when otherwise indicated.

2.2 Adoption of the Philippine Financial Reporting Standards (PFRS)/Philippine Accounting Standards (PAS)

The accounting policies adopted are consistent with those of the previous financial year and LCDFI has adopted those new/revised standards mandatory for financial years

beginning on or after January 1, 2005. The Foundation has adopted the following standards during the year:

PAS 1 - Presentation of Financial Statements provides a framework within an entity, assesses how to present fairly the transactions and other events; provides the base criteria for classifying assets and liabilities as current or non-current; prohibits the presentation of income from operating activities and extraordinary items as separate line items in statements of income; and specifies the disclosures about key sources of estimation, uncertainty and judgments that management has made in the process of applying the Foundation's accounting policies.

PAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors removes the concept of fundamental error and the allowed alternative to retrospective application of voluntary changes in accounting policies and retrospective restatement to correct prior period errors. It defines material omissions or misstatements and describes how to apply the concepts of materiality when applying accounting policies and correcting errors.

PAS 10 - Events after the Balance Sheet Date prescribes the accounting policies and disclosures related to adjusting and non-adjusting subsequent events. Additional disclosures required by the standards were included in the financial statements, principally the date of authorization for release of the financial statements.

PAS 16 - Property, Plant and Equipment provides additional guidelines and clarification on recognition and measurement of items of property, plant and equipment. It also provides that each part of an item, property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

PAS 19 - Employee Benefits provides that the cost of providing employee benefits should be recognized in the period in which the benefit is earned by the employee, rather than when it is paid or payable. This standard applies to wages and salaries, compensated absences (paid vacation and sick leave), bonuses, medical and life insurance benefits during employment, separation and retirement benefits.

PAS 24 - Related Party Disclosures provides additional guidance and clarification in the scope of the standard, the definitions and disclosures for related parties. It also requires disclosures for related parties. It also requires disclosures of the total compensation of key management personnel and benefits types.

PAS 32 - Financial Instruments: Presentation and International Financial Reporting Standards (IFRS) 7 – Financial Instruments: Disclosure set out the required disclosures and presentation of financial instruments to enhance financial statement users' understanding of the significance of financial instruments for the entity's overall financial position, performance, and cash flows. Financial instruments should be classified as equity or debt instruments based on the substance of the transaction. PAS 32 includes disclosures about the accounting policy adopted, methods used to apply those policies, the nature of financial instruments held for each class of financial asset, financial liability and equity instruments including significant terms and conditions that may affect the amount, timing and certainty of future cash flows. Fair value information is also required for each class of financial assets and financial liabilities. PAS 32 requires strict offsetting criteria for financial assets and liabilities.

PAS 39 - Financial Instruments: Recognition and Measurement establishes specific categories into which all financial assets and liabilities must be classified. All financial assets must be classified into "loans and receivables", "held-to-maturity", "fair value through profit or loss" or "available-for-sale" categories. Held-to-maturity financial assets are measured at amortized cost.

2.3 Recognition of revenue and expenses

Revenue and expenses are recorded based on the accrual method of accounting. Interest income was reported net of final withholding tax of 20 per cent.

2.4 Inventories

Inventories are valued at cost. The first-in, first-out method was used in the determination of the cost.

2.5 Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity. These investments are recorded at cost adjusted for discount and premium amortization.

2.6 Property and equipment

These are stated at cost, less accumulated depreciation.

2.7 Fund Balances

Interest income is allocated to different fund balances such as Program Development Fund (PDF), General and Administrative Fund (GAF), and Reserve Fund (RF) in the ratio of 60:30:10, respectively. Donations to a specific program are earmarked to the program and not distributed among the PDF, GAF and RF.

3. CASH AND CASH EQUIVALENTS

This account consists of the following:

	2015	2014
Cash in bank	27,556,450	17,701,669
Petty cash fund	20,000	20,000
	27,576,450	17,721,669

4. CURRENT INVESTMENT

This account contains the current portion of long term investment that will expire within one year, as follows:

	2015	2014
HTM-Treasury	21,024,770	1,014,931
	21,024,770	1,014,931

5. ACCOUNTS RECEIVABLE

This account consists of the following:

	2015	2014
Accounts receivable – donations	8,299,009	22,000,000
Accounts receivable – Others	463,057	483,753
Advances to officers and employees	73,000	0
Interest receivable	42,376	3,871
	8,877,442	22,487,624

6. PREPAID EXPENSES

This pertains to the payment in advance for the purchase of office supplies to Department of Budget and Management- Procurement Service (DBM-PS) amounting to P57,905 in October 2015.

7. HELD-TO-MATURITY INVESTMENTS

This account consists of the following:

	2015	2014
Held-to-Maturity – Trust	38,845,578	36,748,668
10-Year LBP Agrarian Reform bonds	9,343,900	5,230,508
Held-to-Maturity – Treasury	0	21,456,154
	48,189,478	63,435,330

8. PROPERTY AND EQUIPMENT

This account consists of the following:

	Furniture and Fixtures	Office Equipment	Vehicle	Leasehold Improvement	Total
Cost, January 1, 2015	840,295	985,605	882,200	2,861,966	5,570,066
Acquisition thru Donation		54,618			54,618
December 31, 2015	840,295	1,040,223	882,200	2,861,966	5,624,684
Accumulated depreciation					
January 1, 2015	756,274	691,076	680,544	2,861,947	4,989,841
Depreciation		92,806	85,080		177,886
Amortization				19	19
Adjustments			28,356		28,356
December 31, 2015	756,274	783,882	793,980	2,861,966	5,196,102
Net book value, December 31, 2015	84,021	256,341	88,220	0	428,582
Net book value, December 31, 2014	84,021	294,529	201,656	19	580,225

9. ACCOUNTS PAYABLE

This represents various accounts due to the following:

	2015	2014
Bureau of Internal Revenue - withholding taxes	56,326	54,382
Advances from customers/AP Others	62,326	24,979
Social Security System/PHIC - contributions	27,605	28,070
Home Development Mutual Fund - multi-purpose loan	16,903	13,398
Social Security System - salary loan	8,560	8,629
Home Development Mutual Fund - contributions	2,600	2,600
Miscellaneous liability	1,540,984	1,379,230
	1,715,304	1,511,288

Miscellaneous Liability represents the accrual of retirement fund for Employees Retirement Plan.

10. ACCRUED EXPENSES PAYABLE

This represents accrual of various expenses as follows:

	2015	2014
Program development expenses	430,500	430,500
Audit fee	400,000	400,000
Capacity Building Programs	313,010	0
Special projects	127,244	267,779
Scholarship	125,000	0

	2015	2014
Extraordinary & Miscellaneous Expenses	58,832	0
Representation and business development	17,500	2,300
Postage and Telephone	15,356	18,914
Retirement benefit	0	11,385
	1,487,442	1,130,878

11. FUND BALANCES

This account consists of the following:

	2015	2014
Program development fund	42,141,089	41,352,695
Reserve fund	24,077,957	23,977,482
General and administrative fund	17,600,494	18,732,993
Restricted fund	15,000,000	15,000,000
Program fund	4,137,303	3,846,290
	102,956,843	102,909,460

- a. Restricted fund – seed fund donated by the Land Bank of the Philippines.
- b. Program fund – the fund intended for the implementation of a specific program.
- c. Reserve fund – 10 per cent of the earnings on investment set aside as reserve for future technology upgrading and other contingencies.
- d. General and administrative fund – 30 per cent of the earnings in the form of interest income from investments and is allocated to manpower cost and other operating expenses.
- e. Program development fund – funds received by the Foundation in the form of donations, contributions, etc. from different agencies including private individuals. Also, 60 per cent of earnings on investments is allocated to this fund.

12. DONATIONS

This represents donations extended by the following:

	2015	2014
Land Bank of the Philippines (LBP)	13,945,631	21,501,486
LBP Leasing Corporation (LLC)	2,000,000	2,000,000
LBP Insurance Brokerage Inc.(LIBI)	492,759	0

	2015	2014
LBP (Scholarship Program)	87,500	0
Couples for Christ (CFC) Answering the Cry of the Poor (ANCOP)-Tekton Foundation	0	100,000
	16,525,890	23,601,486

The decrease in total donation in CY 2015 was mainly due to the change in accounting treatment whereby booking/recognition of the donation is being made upon receipt of cash or reimbursement of expenses incurred in relation to the donation.

13. PROGRAM FUND EXPENSES

This represents various expenses of the program as follows:

	2015	2014
Capability Building Program for Cooperatives	10,423,136	969,944
Special Projects and Program Development and Management	1,836,280	3,726,226
Scholarships	549,657	0
Manila Bay Sunset Program	50,000	0
Food Supply Chain Program/Bank Assisted Cooperatives	0	14,225,406
Capability Building for Countryside Financial Institutions and Micro-Finance Institutions	0	754,382
Integrated Community Development Program	0	748,612
Indigenous People's Organization Eco-Biodiversity Preservation	0	748,612
Integrated Rural Financing	0	742,320
GABAY ng LANDBANK (Overseas Filipino Workers Reintegration Program)	0	395,539
	12,859,073	22,311,041

14. GENERAL AND ADMINISTRATIVE EXPENSES

This account consists of the following:

	2015	2014
Salaries and wages	1,290,927	528,341
Fringe benefits	815,141	380,625
Sports, planning and wellness	729,084	29,704
Office supplies	288,078	305,826
Extraordinary and Miscellaneous	230,817	0
Postage and telephone	214,984	70,212
Representation and business development	190,670	39,827

	2015	2014
Depreciation expense	177,886	467,295
Rent	168,000	268,800
Fines, Penalties and Charges	146,862	0
Power, light and water	99,876	72,196
Repairs and maintenance	80,173	57,317
Condo dues expense	36,968	0
Membership dues	35,455	0
Insurance expense	27,505	9,887
Taxes and licenses	17,550	6,926
Security services	15,714	24,669
Traveling expenses	13,266	2,606
Representation and transportation allowances	6,000	68,000
Dues and subscriptions	4,446	53,019
Gasoline expense	4,418	115
Amortization of leasehold rights and improvements	19	17,835
Audit fee/trustee fee	0	240
Miscellaneous expenses	29,016	33,217
	4,622,855	2,436,657

15. FINANCIAL STATEMENTS PRESENTATION

a. Restatement

Corrections of the prior year's expenses and income are classified as prior period adjustments. The prior year's financial statements were restated to correct the prior period errors in accordance with the provisions of paragraph 42 of PAS 8:

Fund balance, December 31, 2013		102,299,073
Net revenue for CY 2014, restated		522,074
Net revenue for CY 2014	610,387	
Add/(Deduct): Adjustments		
Unrecorded Depreciation expense for CY 2014	(27,356)	
Condo dues, Security services and Power, light and water expenses for CY 2014 paid in CY 2015	(50,957)	
Membership dues in Philippine Council for NGO Certification, Inc. for CY 2014 paid in CY 2015	<u>(10,000)</u>	
Reversal of accrued expenses		225,400
Corrections in HTM investments		(497,771)
Adjustment in accounts payable		23,034
Fund balance, December 31, 2014, restated		102,571,810

b. Reconciliation

	As previously reported (Indirect Method)	Effects (Increase) Decrease	As currently reported (Direct Method)
Cash flows from Operating activities:			
Net cash generated from/(used in) operating activities	1,175,388		(896,410)
Current portion of investment		(1,014,931)	
Net amount of various adjustments		(1,056,867)	
Cash flows from Investing activities:			
Net cash generated from investing activities	7,688,454		9,760,252
Current portion of investment		1,014,931	
Net amount of various adjustments		1,056,867	
	8,863,842	0	8,863,842

16. COMPLIANCE WITH TAX LAWS

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

A. Local

	2015	2014
Mayor's permit	7,050	12,800
Barangay clearance	2,500	2,500
	9,550	15,300

B. National

	2015	2014
BIR registration	500	500

C. Withholding taxes paid/accrued for the year:

	2015	2014
Taxes on compensation and benefits	505,050	587,994
Creditable withholding and Final tax/es	501,645	609,715
	1,006,695	1,197,709

17. PENSIONS AND OTHER RETIREMENT BENEFIT COSTS

LCDFI has established a retirement and separation benefit plan pursuant to Board Resolution No. 10-011 dated July 09, 2010. The Retirement fund was set up for employees who have rendered at least five years of service.

18. RELATED PARTY DISCLOSURES

The LCDFI is a corporate foundation whose parent bank is the Land Bank of the Philippines (LBP). The following table provides the total amount of transactions which have been entered into with related parties for the year ended December 2015.

Related Party	Transactions	Note	Amount
LBP-Treasury Operations Dept. (TOD)	Investments in government securities	4	21,024,770
LBP-Trust Banking Group (TBG)	Investments in government securities	7	38,845,578
LBP- Landowners Assistance and Policy Department (LAPD)	Investment in 10-year Agrarian Reform bonds	7	9,343,900
LBP Insurance Brokerage, Inc. (LIBI)	Lessor of office space		220,582
Masaganang Sakahan, Inc. (MSI)	Supplier of rice for employees		363,310

Allowances and other benefits of Key Management Personnel

	2015	2014
Corporate Officers		
Representation and Transportation Allowance (RATA)	169,000	190,000
Extraordinary and Miscellaneous	90,000	0
Other Benefits/Bonuses	223,200	0
Board of Trustees (BOTs)		
Representation and Transportation Allowance (RATA)	0	24,500
Extraordinary and Miscellaneous (Reimbursable expenses)	140,817	0
	623,017	214,500

During the audit conducted by the Commission on Audit for the year 2004, allowances and other benefits of the BOTs and corporate officers holding permanent positions at LBP amounting to P457,250 was disallowed and recorded as Accounts Receivable.

19. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements of LCDFI for December 31, 2015 have been approved and authorized for issuance by the Board of Trustees on February 3, 2016.

PART II

OBSERVATIONS AND RECOMMENDATIONS

OBSERVATIONS AND RECOMMENDATIONS

1. **Regular monthly communication allowances for a maximum of P 1,000.00 per month granted to LCDFI Program Staff were charged against the Petty Cash Fund, which is not in accordance with the provisions of COA Circular No. 2012 - 001 dated June 14, 2012.**

1.1 Section 1.1.2 of COA Circular No. 2012 – 001 dated June 14, 2012 states:

“The Petty Cash Fund (PCF) to be set up shall be sufficient for the recurring petty operating expenses of the agency for one month. The cash advance shall not be used for payment of regular expenses, such as rentals, subscriptions, light and water bills and the like. Xxx.”

1.2 Further, Section 3.1.4 of COA Circular No. 97 – 002 provides for the definition of petty operating expenses as follows:

“Petty operating expenses consisting of small payments for maintenance and operating expenses which cannot be paid conveniently by check or are required to be paid immediately.”

1.3 Effective 2015, by virtue of Board Resolution No. 14-032, LCDFI granted a monthly communication allowance to its field-based personnel at an amount not exceeding P1,000 per month upon presentation of official receipts or accumulated call cards. The implementing guidelines provide that the allowance shall be extended exclusively to field-based personnel (i.e. Program Officer, Program Coordinator and Program Assistant). It further provides that the claim shall be filed through PCF and shall be charged against the specific program.

1.4 Examination of the PCF vouchers during the year revealed that a total of P65,950 representing the monthly communication allowances of LCDFI field-based personnel were reimbursed through PCF.

1.5 Considering the nature of the allowance, being a recurring regular expense, it should have not been claimed against the PCF in accordance with the provisions of COA Circular No. 2012 - 001.

1.6 **We recommended that Management instruct the Petty Cash Fund Custodian/ Disbursing Officer to refrain from charging monthly communication allowance from the PCF and likewise, revisit the existing guidelines to conform to the provisions of COA Circular No. 2012 – 001.**

1.7 Management agreed that the Petty Cash Custodian should not charge the communication allowance to the PCF and revision of the existing guidelines will be presented to the Board in the next Board meeting, for approval.

2. LCDFI carried out its mission through the implementation of various programs and had accomplished 100 per cent its targeted outputs for CY 2015.

2.1 The LCDFI's mission is to deliver responsive capacity-building services while promoting sustainable development. It currently provides training seminars and other services for the following programs:

- a. Capacity Building Program for LBP Borrowing Cooperatives
- b. BANGON Mini-Farms Program
- c. Likas-Saka Program for Agrarian Reform Beneficiaries
- d. Scholarship Program

2.2 In the implementation of its programs for CY 2015, LCDFI reported the following accomplishment on the targets under the key result areas, which were verified by the audit team:

Key Result Area	Activity	Targets	Actual Accomplishments	Percentage
Capacity Building Program for LBP Borrowing Cooperatives	Training Implementation	79	79	100
	Training monitoring and evaluation (batches)	16	16	100
	Module and Development	12	12	100
BANGON Mini-Farms Program	Conduct monitoring meetings (batches)	By request of Bangon Alpha Sector	5	
	Conduct farm audits (batches)		2	
	Conduct trainings		2	
Likas-Saka Program for Agrarian Reform Beneficiaries	Distribute "camoteng bagin" and other farm materials (farm cluster)	2	2	100
	Conduct monitoring meetings (batches)	2	2	100
Scholarship Program				
➤ LANDBANK's Gawad Patnubay	Assist in the administration by monitoring the academic performance of the scholars	6	6	100
➤ Land Bank of the Philippines Employees Association (LBPEA) and the Middle Management and Officers Association, Inc. (MMOAI)		20	20	100
➤ Implement and monitor the Scholarship Program (beneficiaries are enrolled in agri-related courses)				

2.3 In addition, LCDFI is also involved in the following activities:

- a. At the request of LANDBANK's Lending Program Management Group, LCDFI, together with Systems Implementation Department of LBP, initiated the development of the LCDFI Productivity Tool as part of database management for improved monitoring of training activities; and
- b. As part of its corporate social responsibility (CSR) initiatives, LCDFI, along with other LANDBANK Subsidiaries, committed to be part of the Manila Bay SUNSET Partnership Program, Inc., the flagship CSR program of LANDBANK which aims not only to clean-up Manila Bay and nearby coastal areas but also promote environmental awareness, protection and conservation.

2.4 We commend LCDFI for its accomplishments for the year and we encourage that it continuously pursue efforts to carry out its mandate.

Gender and Development (GAD)

There were no GAD activities for CY 2015. Nonetheless, in compliance with Republic Act No. 9710 or the Magna Carta for Women, LCDFI have designated GAD focal persons and will have to attend GAD seminars. LCDFI prepared its time bound action plan for the implementation of LCDFI GAD Plan and Budget for CY 2016.

Compliance with Tax Laws

The taxes withheld from the compensation and benefits of LCDFI personnel and from suppliers amounting to P505,050 and P501,645, respectively, as disclosed in Note 16 to the Financial Statements, were remitted to the Bureau of Internal Revenue within the reglementary period.

SSS Contributions and Remittances

In 2015, LCDFI complied with Republic Act No. 8282 on the collection and remittance of contributions to SSS as follows:

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

Philhealth and Pag-ibig Premiums

In 2015, LCDFI complied with Title III Rule III, Section 18 of the Implementing Rules and Regulations of R.A. No. 7875, as amended, in the payment of national health insurance premium contributions to the Philhealth.

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

Status of Disallowances, Suspensions and Charges

Notice of Disallowance (ND) No. LBP-Subs. 2008-015 (2002-2003) dated August 11, 2008, amounting to P0.561 million was issued for the payment of additional allowances and benefits of LBP Officials acting as Officers/Board of Trustees of LCDFI. The said ND was affirmed under COA Decision No. 2012-018 dated February 16, 2012.

A Motion for Reconsideration was filed by LBP with COA on March 19, 2012, however, it was denied by the Commission through its Resolution dated April 4, 2014 for lack of merit.

Subsequently, the Legal Services Group, LBP, filed a Petition for Certiorari to the Supreme Court on August 4, 2014 on the aforementioned COA Resolution.

There were no outstanding audit suspensions and charges at the end of the year.

PART III

**STATUS OF IMPLEMENTATION OF PRIOR
YEARS' AUDIT RECOMMENDATIONS**

**STATUS OF IMPLEMENTATION OF PRIOR YEARS'
AUDIT RECOMMENDATIONS**

Of the 25 audit recommendations embodied in the prior years' Annual Audit Report, 24 were fully implemented and one was unimplemented. The unimplemented recommendation is presented below.

OBSERVATIONS AND RECOMMENDATIONS	ACTIONS TAKEN
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2013

- | | |
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| 1. The paid payment orders of LCDFI, in lieu of disbursement vouchers (DVs), were not signed as to the availability of fund and propriety of the expenditure, in violation of the Executive Order No. 292. Likewise, the payment order form is not fully compliant with the COA Circular No. 92-389 which prescribed the use of the DV, General Form No. 5(A). | Unimplemented.

LCDFI will adopt prospectively a new form of the Payment Order (Disbursement Voucher). In the meantime, existing form will be used with the addition of the required information stamped in the Payment Order. |
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Consider the revision of the existing format of payment order by adopting the prescribed format of the disbursement voucher under COA Circular No. 92-389, particularly General Form No. 5(A).