

**OVERSEAS WORKERS WELFARE ADMINISTRATION
MANAGEMENT COMMENTS / ACTIONS TAKEN
CY 2016 ANNUAL AUDIT REPORT ISSUED BY COA
As of August 2017**

OBSERVATIONS	RECOMMENDATIONS	COMMENTS/ACTION TAKEN	VALIDATION
<p><u>The OWWA was not reimbursed by the Land Bank of the Philippines (LBP) of losses amounting to P47.292 million that resulted in the non-payment of maturities in investment in bonds.</u></p> <p>1.1 The Land Bank of the Philippines as the Investment Manager of the OWWA invested funds in Quedancor bonds in the amount of P47.292 million and which had matured but not paid.</p> <p>1.2 In the Statement of Financial Position on Trust Accounts No. 27626TA 01, it is reported that Miscellaneous Receivable-Quedancor amounting to P47.292 represent investment in Quedancor bonds amounting to P9.792 million, 12.500 million and P25.000 million that have matured last April 2008, 2009 and 2010 respectively.</p> <p>1.3 Under the Investment Management Agreement, the OWWA funds shall be invested in government securities and other indebtedness which is guaranteed by the Republic of the Philippines. Section 1.1 of Article II of the Investment Management Agreement between the OWWA and the LBP on the power of the Investment Manager states that he is to:</p> <p><i>“Invest/reinvest the PORTFOLIO and keep the same invested, unless otherwise revocation of the authority is given, without distinction between the principal and income in the following investment outlets: government securities such as Treasury Bills, Treasury</i></p>	<p>It was recommended that the Management exert efforts to recover the losses sustained by the Fund.</p>	<p>To exert efforts to recover the losses sustained by the Fund on the investment in Quedancor Bonds.</p> <p>The Management stated that:</p> <p><i>“The LBP has already committed to settle the receivable due OWWA on the Quedancor bonds, including the interest thereon. The parties are currently in the process of finalizing the settlement agreement pursuant to the representations of LBP.”</i></p>	<p>Partially Implemented</p>

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<p><i>Bonds and other evidences of indebtedness or obligation the servicing and repayment of both the principal and interest are fully guaranteed by the Republic of the Philippines with maximum term of five (5) years and deposit arrangements with its own commercial banking sector.”</i></p> <p>1.4 The inclusion of the investment in Quedancor bonds among the investment portfolio of OWWA violated the above mentioned provision of the Agreement.</p> <p>1.5 As of this date, LBP however had not refunded any amount to the OWWA.</p>			
<p><u>OWWA did not recognize a provision for guarantee claims that may be paid on outstanding loans guaranteed by the LBP in connection with the Reintegration Program.</u></p> <p>2.1 The Reintegration Program was established to provide financial assistance to Overseas Filipino Workers (OFWs) by way of granting loans to OFWs in the establishment of viable income-generating activities. To implement the program, OWWA and LBP entered into Memorandum of Agreement (MOA) wherein the former shall grant loans to qualified OFWs.</p> <p>2.2 In case of default by OFWs, OWWA shall provide 50% guarantee fee on principal loan balance extended by LBP. For the year ended December 31, 2016, the amount of guaranty fee charged by LBP against trust account of the OWWA with LBP amounted to P12.646 million.</p> <p>2.3 Par. 22 of the Philippine Public Sector Accounting Standards (PPSAS) No. 19 on Provisions, contingent Liabilities and Contingent Assets requires that a provision shall be recognized in the books when: (a) An entity has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow or</p>	<p>It was recommended that the Management recognize a liability account that may be paid to recognize provision for probable payment on guarantee claims of outstanding loans receivable as of December 31, 2016.</p>	<p>To recognize liability account that may be paid to recognize provision for probable payment on guarantee claims of outstanding loans receivable as of December 31, 2016.</p> <p>To request LBP to provide OWWA with a status report on loans, both current and past due, if any, and performance report on the OFW-RP.</p> <p>Management will take appropriate action on the recommendation.</p> <p>Viability account</p> <p>Letter to LBP cc: COA</p>	<p>Partially implemented</p>

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<p>resources embodying economic benefits or service potential will</p> <p>be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation.</p> <p>2.4 Under No. 8 of Article III of the said MOA, LBP shall provide OWWA with a status report on loans, both current and past due, if any, and performance report on the OFW-RP.</p> <p>2.5 In spite of the repeated requests for the Status Report as of December 31, 2016 on loans granted by LBP under the Reintegration Program of the OWWA, the report has not been made available to COA.</p> <p>2.6 Such report was requested by the COA Team from the Office of the Administrator to serve as a basis for the provision to be recognized in the books of OWWA as required by PPSAS No. 19.</p>									
<p><u>There was no evidence that OWWA reviewed to ascertain that the financial reports on the trust accounts maintained with the Land Bank of the Philippines and the Development Bank of the Philippines are adequate and reliable basis of recording in the books of OWWA.</u></p> <p>3.1 As of December 31, 2016 the balance of the trust accounts of the</p> <p>OWWA with the banks are as follows:</p> <table border="1" data-bbox="136 1155 600 1315"> <tr> <td>Land Bank of the Philippines</td> <td>P 9,829,604,195.29</td> </tr> <tr> <td>Development Bank of the Philippines</td> <td>P 7,923,759,304.42</td> </tr> <tr> <td>TOTAL</td> <td>P 17,753,363,499.71</td> </tr> </table> <p>3.2 During the year, the interest income (net of tax) earned by the said trust accounts and the</p>	Land Bank of the Philippines	P 9,829,604,195.29	Development Bank of the Philippines	P 7,923,759,304.42	TOTAL	P 17,753,363,499.71	<p>It was recommended that the Management conduct a review of the Financial Reports submitted by the Investment Manager for the year ended December 31, 2016. It should issue written instructions on the objectives and procedures of such a review.</p>	<p>To conduct review of the Financial Reports submitted by the Investment Manager for the year ended December 31, 2016.</p> <p>To issue written instructions on the objectives and procedures of such review on the Financial reports submitted by Investment Manager.</p> <p>Investment manage to keep all records and facilitate conduct of such review.</p> <p>Correcting entry made and cite referral documents.</p> <p>Letters to LBP/DBP</p>	<p>Fully Implemented</p>
Land Bank of the Philippines	P 9,829,604,195.29								
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<p>trustee fee charged by the said banks are as follows:</p> <table border="1" data-bbox="136 316 595 475"> <thead> <tr> <th>Trust Bank</th> <th>Interest Income (net)</th> <th>Trustee Fee</th> </tr> </thead> <tbody> <tr> <td>LBP</td> <td>269,764,598</td> <td>15,686,097.70</td> </tr> <tr> <td>DBP</td> <td>211,936,271</td> <td>12,094,570.26</td> </tr> <tr> <td>TOTAL</td> <td>481,700,869</td> <td>27,780,667.96</td> </tr> </tbody> </table> <p>3.3 The Investment Management Agreement entered into with the said banks provides that:</p> <p><i>1. The INVESTMENT MANAGER shall keep and maintain books of accounts and other accounting records as required by law. The PRINCIPAL or the authorized representatives of the PRINCIPAL shall, during office hours and upon reasonable notice, have</i></p> <p><i>access to and may inspect such books of accounts and all other records related to the PORTFOLIO, including the securities held in custody by the INVESTMENT MANAGER for the PORTFOLIO.</i></p> <p><i>2. The INVESTMENT MANAGER shall prepare and submit to the PRINCIPAL the following reports every end of the month:</i></p> <ul style="list-style-type: none"> 2.1 Balance Sheet; 2.2 Income Statement; 2.3 Schedule of Investment; and 2.4 Such other reports as may be required by PRINCIPAL” <p>3.4 Based on the above provisions, it is the responsibility of the Investment Manager to make available all records to facilitate the conduct of such a review by the Management of the OWWA consistent with the Management Agreement.</p> <p>3.5 Management of OWWA, as owner of the Fund</p>	Trust Bank	Interest Income (net)	Trustee Fee	LBP	269,764,598	15,686,097.70	DBP	211,936,271	12,094,570.26	TOTAL	481,700,869	27,780,667.96			
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<p>should ascertain that the financial report submitted by the Investment Manager is a fair and true accounting of the management and investment of the Principal's investible funds. The OWWA Management should conduct the review promptly before the financial reports are entered in the books of accounts.</p> <p>Listed below are the objectives of the said review:</p> <ul style="list-style-type: none"> a.To ascertain that all investments presented in the List of Outstanding Investment as of December 31, 2016 are accounted for. b.To ascertain that the interest income and trustee fee reported Statement of Comprehensive Income and Investments reported in the Statement of Financial Position are properly computed c. Ascertain that investment decisions made by the Investment Manager are to the best interest of the OWWA as owner of the Fund. 			