

EXECUTIVE SUMMARY

INTRODUCTION

The Bangko Sentral ng Pilipinas (BSP) was established on 03 July 1993 as a central monetary authority of the Republic of the Philippines (ROP) pursuant to Republic Act (RA) No. 7653, otherwise known as “The New Central Bank Act”, as amended by RA 11211. Under this Act, it shall function and operate as an independent and accountable corporate body in the discharge of its mandated responsibilities concerning money, banking and credit. It maintains the country’s international reserves, performs credit operations, engages in open market operations, exercises supervision over banking institutions, operates the interbank real-time gross settlement system, acts as a banker of the government, determines the exchange rate policy of the country, and has the sole power and authority to issue currency. It is also responsible for the printing of banknotes and production of circulation coins. As an independent central monetary authority, it enjoys fiscal and administrative autonomy and the nature and extent of its activities and operations are guided by the performance of these functions.

A government corporation with fiscal and administrative autonomy, the BSP is responsible for maintaining price stability conducive to a balanced and sustainable growth of the economy; formulating and implementing policy in the areas of money, banking and credit; and supervising and regulating banks and quasi-banks, including their subsidiaries and affiliates engaged in allied activities. The BSP also performs the following functions, all of which relate to its status as the Republic’s central monetary authority:

- Liquidity management;
- Currency issue;
- Lender of last resort;
- Financial supervision;
- Management of foreign currency reserves; and
- Determination of exchange rate policy.

The Monetary Board, which exercises the powers and functions of the BSP, is composed of seven members appointed by the President of the Philippines. The seven members are the Governor, who is the Head of the BSP and the Chairman of the Monetary Board; a member of the Cabinet to be designated by the President of the Philippines; and five members who shall come from the private sector, all of whom shall serve for a term of six years except the cabinet representative who serves at the pleasure of the President.

The BSP organizational structure is composed of (a) the Executive Management Services (EMS) which is directly under the Governor; (b) four functional sectors, namely: The Monetary & Economics Sector (MES), the Financial Supervision Sector (FSS) and the Corporate Services Sector (CSS) and the Payment and Currency Management Sector (PCMS). A Deputy Governor heads each sector, while the PCMS is headed by a Senior Assistant Governor.

As at 31 December 2020, the BSP has a total personnel complement of 5,562 consisting of 5,434 regular and 128 contractual employees assigned at the Main Office, Security Plant Complex (SPC), and regional offices and branches.

SCOPE OF AUDIT

Our audit covered the examination, on a test basis, of transactions and accounts of Bangko Sentral ng Pilipinas for the period 01 January to 31 December 2020 in accordance with the International Standard of Supreme Audit Institutions (ISSAIs) to enable us to express an opinion on the fairness of presentation of the consolidated financial statements for the years ended 31 December 2020 and 2019. Also, we conducted our audit to assess compliance with pertinent laws, rules and regulations, as well as adherence to prescribed policies and procedures.

FINANCIAL HIGHLIGHTS (In pesos)

I. Comparative financial position

Particular	2020	2019 (as restated)	Increase
Assets	7,075,060,028,522	5,083,976,960,188	1,991,083,068,334
Liabilities	6,904,008,476,548	4,938,884,302,273	1,965,124,174,275
Capital	171,051,551,974	145,092,657,915	25,958,894,059

II. Comparative results of operation

Particular	2020	2019 (as restated)	Increase/ (decrease)
Income	118,149,150,991	121,717,446,782	(3,568,295,791)
Expenses	80,582,267,499	87,674,645,159	(7,092,377,660)
Net income from operations	37,566,883,492	34,042,801,623	3,524,081,869
Gain/(loss) on fluctuations in foreign exchange rates	(5,778,930,756)	14,725,317,304	(20,504,248,060)
Net Income before income tax	31,787,952,736	48,768,118,927	(16,980,166,191)
Income tax expense	76,045,146	2,955,103,133	(2,879,057,987)
Net income for the period	31,711,907,590	45,813,015,794	(14,101,108,204)

III. Comparative budget and actual expenditures¹

Expenses	Corporate operating budget		Actual expenditures	
	2020	2019	2020	2019 (as restated)
Personnel services	18,226,287,003	17,203,623,928	16,552,133,960	16,296,050,000
Interest Expenses	54,025,908,100	53,386,363,700	47,601,961,863	45,859,460,000
MOOE	7,212,123,064	13,172,806,582	3,242,541,652	9,591,690,000
Capital Outlay	52,784,241,754	31,808,510,643	26,767,529,462	14,567,830,000
Total	132,248,559,921	115,571,304,853	94,164,166,937	86,315,030,000

¹ Excluding Philippine International Convention Center, Inc.

AUDITOR'S OPINION

The Auditor rendered an unmodified opinion on the fairness of presentation of the financial statements of BSP for the years ended 31 December 2020 and 2019.

SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

1. The faithful representation of the balances of the Accounts Receivable and Accounts Payable in the books of BSP- Financial Accounting Department (FAD) as at 31 December 2020 amounting to PHP16.498 billion and PHP717.781 million, respectively, were not established due to discrepancies in the confirmation results with counterparties' records amounting to PHP2.380 million and PHP72.672 million.

We recommended and Management agreed to require FAD to:

- a. Reconcile the noted discrepancies, effect the necessary adjustment/s, if any, and furnish COA a copy of the reconciliation of the reported differences of the accounts for validation;
- b. Follow-up the reply of the counterparties who had not replied to the confirmation requests; and
- c. Verify and update the addressee/address/location of the counterparties with returned confirmation requests.

2. The faithful representation of the balance of Computer Software and Application Systems (CSAS) amounting to PHP2.676 billion was not established due to the unreconciled variance amounting to PHP651.302 million between the Inventory Records and balance per books.

We recommended that Management:

- a. Require FAD to validate the properties classified for checking, for segregation/verification and untraceable reflected in the inventory report;
- b. Require FAD to reconcile the variance of PHP651,302,229.87 and prepare the necessary adjustments;
- c. Require TDIO to expedite the monthly inventory list of all CSAS with information on the status and usability of each CSAS and provide the FAD with the updated inventory list for reconciliation purposes; and
- b. Require the BSP departments/offices handling CSAS accounts to continuously coordinate with the TDIO and comply with the agreed timelines in the implementation of BSP Office Order 1084.

SUMMARY OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

As at 31 December 2020, audit disallowances amounted to PHP167,995,465.30 and audit suspensions amounted to PHP80,072.35. There are no audit charges as at 31 December 2020.

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Out of the 12 audit recommendations embodied in the prior years' Annual Audit Reports, five were fully implemented, six were partially implemented and one was not implemented.