



Republic of the Philippines
Commission on Audit
Commonwealth Avenue, Quezon City

Management Letter

on the

**The Kapit Bisig Laban sa Kahirapan –
Comprehensive and Integrated Delivery
of Social Services
(KALAHI-CIDSS)
Loan No.: 7959-PH**

**Department of Social Welfare
and Development**

For the Year Ended December 31, 2014



Republic of the Philippines
COMMISSION ON AUDIT
Department of Social Welfare and Development
Office of the Secretary
Batasan Hills, Quezon City

CONFIDENTIAL

July 31, 2015

Honorable Corazon Juliano - Soliman
Secretary
Department of Social Welfare and Development
Batasan Hills, Quezon City

Madam:

**Management Letter on the Audit of the Loan No: 7959-PH:
Kapit-Bisig Laban sa Kahirapan – Comprehensive and Integrated Delivery of
Social Services – Additional Financing
for the Calendar Year 2014**

1. Pursuant to the Loan Agreement No. 7959-PH dated December 3, 2010 between the World Bank and the Republic of the Philippines, thru the Department of Social Welfare and Development, we have audited the accounts and operations of the *Kapit-Bisig Laban sa Kahirapan-Comprehensive and Integrated Delivery of Social Services* for the period ended December 31, 2014. The audit was conducted in accordance with Philippine Public Sector Standards Auditing. Those standards require that we plan and perform the audit to obtain a reasonable basis for our conclusions.
2. The audit was conducted by the audit team led by June L. Van Schoonneveldt State Auditor IV, to (a) verify the level of assurance that may be placed on Management's assertions on the financial statements; (b) recommend agency improvement opportunities; and (c) determine the extent of implementation of prior years' audit recommendations.
3. The Independent Auditor's Report, Statement of Management Responsibility on the Financial Statements, the Project's statement of financial position, statement of financial performance, statement of cash flows and statement of changes in net assets/equity for the year then ended, and a summary of significant accounting policies and other explanatory information for calendar year 2014 are shown in **Annexes A-G**. The accounting errors and deficiencies affecting the fair presentation of the financial statements are summarized in **Annex H**.

4. We wish to bring to your attention our audit observations and recommendations which were earlier communicated through Audit Observations Memoranda (AOMs) and discussed in an exit conference conducted on June 30, 2014 with concerned DSWD officials. The comments were incorporated in this report, where appropriate. The significant audit observations and recommendations shall be incorporated in the Consolidated Annual Audit Report (CAAR) of the Department of Social Welfare and Development for CY 2014.

A. SUMMARY OF RECOMMENDATIONS

5. For the significant deficiencies observed in the course of the audit, we recommended and Management agreed to:

Funds not remitted to the National Treasury kept intact in the bank

- Require the concerned DSWD officials to deposit immediately with the National Treasury the dormant and unnecessary bank accounts deposited with AGDB.

Loan proceeds/grants directly refunded to the IBRD/WB without DOF/BTr notification

- Furnish the DOF and the BTr of the LBP bank debit memo pertaining to the return/refunds of loan/grant proceeds with the corresponding letters authorizing the withdrawal and deposit of the amount ₱6,953,796.22 and \$2,425,268.48 to Wachovia Bank NA, New York, of the IBRD; and
- Stop the practice of direct refund/return of loan/grant balances, for future transactions of the same nature, instead request for cancellation of the unwithdrawn amount of loan/grant through DOF/BTr.

Recording errors/omissions resulting in misstatement of Cash in Bank balances

- FOs to forward to the DSWD-CO the transfer notice or deposit slip for reference and use in the monitoring and reconciliation of balances of the Current Account:

Unsupported payment of transactions

- Require the Directors of NPMO, KC and Finance to use the KC-AF-GOP according to its intended purpose:

- Require the Directors of NPMO, KC and Finance to adjust/reclassify the charging of asset of similar nature from KC-AF to the respective or appropriate funds, as may be necessary; and
- Require the Directors of NPMO, KC and Finance to require the concerned FOs to enforce submission of the liquidation reports pursuant to COA Circular No. 2012-001.

Loan Proceeds not utilized as intended (Erroneous charging of funds)

- Require the Directors of NPMO, KC and Finance to use the KC-AF-LP according to its intended use;
- Require the Directors of NPMO, KC and Finance to reimburse KC-AF-LP the above amount from the appropriate FAP funds; and
- Require the Directors of NPMO, KC and Finance to adjust/reclassify the charging of expenses from KC-AF to the respective or appropriate funds, as may be necessary.

Local Counterpart Contribution failed to reach the 80 percent performance indicator

- Direct the concerned DSWD officials to verify and look into the Municipalities which do not comply with the provisions of the MOA regarding the 30 percent LCC in the costs to ensure the sustainability and success of the KC projects;
- Direct the concerned DSWD officials to impose sanctions in case Municipalities continuously fail to comply with the abovementioned provisions; and
- Direct the concerned DSWD officials to improve the reporting system in the website to include not only the committed sub-project costs but likewise the actual and detailed costs to reflect the efficiency of the project in attaining its goals.

Delayed unimplemented not functional KALAHI-CIDSS sub-projects

- Require the KALAHI-CIDSS Regional Monitoring Management Unit in coordination with the field personnel to fast track the completion of SPs;

- Adopt measures and institute feedback mechanism system to address the issues and concerns which hinder the timely completion of projects; and
- Direct the ACT and BSPMC to immediately correct the defects/deficiencies noted and closely coordinate during planning and pre and post construction phases.

B. DETAILED OBSERVATIONS AND RECOMMENDATIONS

Funds not remitted to the National Treasury kept intact in the bank

Dormant and unnecessary accounts amounting to ₱18.573 million were not remitted to the National Treasury, which may result in large immobilized cash in AGDBs which can be used to fund other government projects.

6. Executive Order No. 431 dated May 30, 2005 *requires the reversion to the National Treasury of all dormant accounts, unnecessary special and trust funds to the general fund and for other purposes.*

7. Sections 3.2 and 3.4 of the Permanent Committee Joint Circular No. 4-2012, dated September 11, 2012, implementing EO No. 431, define the dormant accounts as collections authorized by law to be deposited with an AGDB but have remained inactive for more than five year; and the unnecessary special and trust funds as authorized special and trust funds maintained by government agencies with AGDB but which are no longer necessary for the attainment of the purposes for which said funds were established i.e., specific projects/programs, the implementation of which have been completed or abandoned.

8. The account *Cash in Bank, Local Currency Current Account (LCCA)* showed dormant and unnecessary bank accounts amounting to ₱18.573 million that were not remitted/deposited with the National Treasury, instead, they were deposited with Authorized Government Depository Banks (AGDB), as shown below, contrary to the foregoing rules and regulations.

Office	Description	Bank Account No.	Year Opened	Amount as of 12/31/2014
Dormant and Unnecessary Accounts				
OSEC	KC-AF-LP being operationally closed on May 31, 2014	3122-1010-60	2011	18,572,582.49

9. The non-remittance of the dormant and unnecessary to the National Treasury resulted in large cash deposited in AGDB of the agency which could have been used for other projects of the government.

10. We recommended and the Secretary agreed to require the concerned DSWD officials to deposit immediately with the National Treasury the dormant and unnecessary bank accounts deposited with AGDB.

Loan proceed/grants directly refunded to the IBRD/WB without DOF/BTr notification

Special Accounts of KALAHI CIDSS: Additional Financing (AF) and AUS AID Grant showed withdrawals amounting to *₱114,062 million* for the return of loan/grant proceeds by the DSWD-OSEC to the funding source banks, without notification to the BTr and the DOF, which may result in the non-adjustment of the National Government borrowings.

11. Withdrawals totaling to ₱114,061,521.76 were made for the return of loan/grant proceeds as evidenced by DSWD letters to the Assistant Vice President of the LBP accompanied by duly filled-up and certified Application to Purchase Foreign Exchange, instead of a request for cancellation of the unwithdrawn amount of loan through Department of Finance (DOF) as the loan borrower representative and the Bureau of Treasury (BTr) for the control and service of the public debt, both foreign and domestic. to wit:

Particulars	Amount	
	(\$)	(P)
KC-AF-LP		
LBP Local Currency Current Account No. 3122-1010-60 peso fund withdrawals on September 22, 2014 and October 8, 2014 amounting to ₱5,918,769.35 and ₱142,943.98, respectively.		6,061,713.33
LBP Foreign Currency Current Account No. 3124-0029-14 dollar fund withdrawal on September 12, 2014	1,689,913.50	
Total KC-AF-LP in Peso	74,681,512.34	6,061,713.33
AUS AID GRANT – Co-financing for KC projects TF 11939		
LBP Foreign Currency Current Account No. 3124-0061-70 dollar fund withdrawal on September 8, 2014	735,354.98	
LBP Local Currency Current Account No. 3122-1022-45 peso withdrawal on September 15, 2014		892,082.89
Total AUS AID Grant in Peso	32,426,213.20	892,082.89
Grand Total in Peso	114,061,521.76	

12. The DOF and the BTr were not informed of the said transactions and this was confirmed on May 8, 2015 by the BTr Accounting Service Director III in his response to the confirmation letter of this office dated April 20, 2015. According to the KC-AF-LP personnel, the IBRD will automatically deduct the returned amount against the loan balance and after which a revised amortization shall be issued to the BTr as information to the government of the Philippines.

13. The non-cancellation of the unwithdrawn amount of loan through DOF and BTr without the covering request may result in the non-adjustment of the National Government borrowings.

14. We recommended and Management agreed to: (a) furnish the DOF and the BTr of the LBP bank debit memo pertaining to the return/refunds of loan/grant proceeds with the corresponding letters authorizing the withdrawal and deposit of the amount ₱6,953,796.22 and \$2,425,268.48 to Wachovia Bank NA, New York, of the IBRD; and (b) stop the practice of direct refund/return of loan/grant balances, for future transactions of the same nature, instead request for cancellation of the unwithdrawn amount of loan/grant through DOF/BTr.

Recording errors/omissions resulting in misstatement of Cash in Bank balances

The unrecorded unutilized project fund balances of ₱4.055 million returned by various barangays in OSEC, understated the account *Cash in Bank, LCCA* and correspondingly overstated the accounts *Expense/Accumulated Surplus/(Deficit)*.

15. Some community-beneficiaries of the projects returned the unused balances of the funds that were granted them by depositing in the DSWD-KALAH-CIDSS-MCC and DSWD-KALAH-CIDSS-AF accounts of the DSWD-OSEC with the Development Bank of the Philippines, however, the copy of the transfer notice or deposit slip, as required under item 1.6 of the Community Finance Manual KALAH-CIDSS Project, were not forwarded to the DSWD-CO thru the DSWD-FO for reference and use in the monitoring and reconciliation of balances of the Current Account. As of December 31, 2014 the deposits amounted to ₱4,055,398.39, of which ₱4,039,309.89 pertains to current year and ₱16,088.50 pertains to prior years.

16. The unrecorded unutilized project fund balances of ₱4,055,398.39 returned by various barangays in OSEC, understated the account *Cash in Bank, LCCA* by ₱4,055,398.39 and correspondingly overstated the accounts *Expense/Accumulated Surplus (Deficit)*.

17. We recommended and the Secretary agreed to require the FOs to forward to the DSWD-CO the transfer notice or deposit slip for reference and use in the monitoring and reconciliation of balances of the Current Account.

Unsupported payment of transactions

Lapses in the processing of claims and weaknesses in the fund disbursement system permitted the payments of transactions which were supported with insufficient and improper documents.

18. Section 4, paragraph (6) of P.D. 1445 provides that *"Claims against government funds shall be supported with complete documentation."*

19. OSEC did not observe strictly the above said regulations, hence, the unauthorized and unsupported payments of transactions:

- Expenditures in the utilization of KALAHI-Additional Financing under KC-AF Loan No. 7959 funded by the World Bank/ International Bank for Reconstruction and Development (IBRD), for administrative costs of other Foreign Assisted Projects amounting to ₱1,967,001.76 is not in accord with DBM-COA-DOF Joint Circular No. 2-97 and were not included in the Work and Financial Plan (WFP) covering January 1 to May 31, 2014, thus resulting on overcharging and undercharging of expenses out of the KC-AF-LP and said FAPs, respectively.
- Transfer of fund for community grants to Provincial Local Government Unit (PLGU) Community Driven Development Projects amounting to ₱157,599,999.86 was not in accord with the Operations Manual of KALAHI-CIDSS (KC) and not included in the WFP covering January to May 31, 2014.

20. Section 4.0 of COA Circular No. 2012—003 dated October 29, 2012 prescribing the updated guidelines for the prevention and disallowance of irregular, unnecessary, extravagant and unconscionable expenditures, defines “*unnecessary expenditures*” as those which could not pass the test of prudence or the diligence of a good father of a family, thereby denoting non-responsiveness to the exigencies of the service. This would also include incurrence of expenditure not dictated by the demands of good government and those the utility of which cannot be ascertained at a specific time.

21. The non-observance of the existing rules and regulations on payments resulted or will result in the suspension and/or disallowance of the transactions.

22. We recommended and the Secretary agreed to direct the:

- a. KC NPMO and Finance to (a) use the KC-AF-LP according to its intended use; (b) reimburse KC-AF-LP the above amount from the appropriate FAP funds; and (c) adjust/reclassify the charging of expenses from KC-AF to the respective or appropriate funds, as may be necessary; and
- b. concerned officials to be more prudent in its procurement activities especially during disaster relief operations, determine the real need before purchasing and ensure that only those that are extremely necessary will be procured.

B. Value for Money Audit

Local Counterpart Contribution failed to reach the 80 percent performance indicator

The 80 percent performance indicator target of municipalities that will provide KALAHI-CIDSS Additional Financing and KALAHI-CIDSS-MCC of 30 percent LGU Counterpart Commitment in 2014 was not attained, which resulted in the non-funding of other SPs of the community and limit the number of beneficiaries who could have availed of the benefits due from the program.

23. Component 2 on Capacity Building and Implementation Support of the KALAHI-CIDSS Operations Manual showed a Performance Indicator that 80 percent of municipalities provide their KALAHI-CIDSS Additional Financing (AF) LGU Counterpart Commitment (LCC) based on their delivery plan.

24. Under the Community Based Infrastructure Manual of KC “xxx ... *the minimum local counterpart contribution (LCC) must reach 30% of the Total Estimated Project Cost. This is in compliance with the Memorandum of Agreement signed by the municipality and the Department.*”

25. The Memorandum of Agreement (MOA) provides the sanction in case of non-compliance or violation by the municipality of any of the provisions of the MOA as determined by the DSWD after an investigation. The sanction includes, among others, the exclusion of the LGU to the next cycle of KC projects.

26. The Physical and Financial Report provided by the KC Monitoring Evaluation as of December 31, 2014 revealed that 47 out of 77 municipalities covered by the KC SP in 2014 failed to meet the committed share of 30 percent of the costs of the KC sub-projects (SPs), as follows:

Fund	No. of SPs completed in CY 2014	Required 30% of Approved Project Cost-LCC	Actual LCC	Amount of Undelivered LCC
KC-AF	52	24,065,583.05	12,036,171.73	12,048,411.32
KC-MCC	136	46,477,973.13	39,659,790.84	6,918,182.29
Total	188	70,543,556.18	51,695,962.57	18,967,593.61

27. Only 30 or only 38.96 percent of the total municipalities covered by the KC AF areas met the 30 percent LCC share. This resulted in the non-funding of other SPs of the municipalities/community and the limited the number of beneficiaries who could have availed of the benefits due from the program, as follows:

Region	KC-AF (No. of Mun.)	KC-MCC (No. of SPs)
IVA	3	
IVB		10
V	1	57*
VI		2
VII		3
VIII	1	
IX	5	
X	7	
XI	2	
XII	1	
CARAGA	7	

* Forty nine barangays of Caramoran, Camarines Sur with no downloaded community grants in 2014

28. Further, the Accomplishment Report posted in the DSWD website does not show the cost sharing scheme, which comprise the community grants from KC-AF and local counterpart contribution from LGUs. The report only showed the KC total project amount and did not mention that 86.67 and 54.84 percent of the KC-AF and MCC, respectively were not fully funded as some municipalities failed to meet the 30 percent commitment share, which does not provide informative data for decision making by stakeholders.

29. Moreover, sanctions provided in the MOA had not been imposed on the Municipalities which did not provide the required counterpart.

30. Management commented that based on the World Bank Implementation Completion and Results Report, the KC-AF Project has exceeded the intermediate outcome indicator of municipalities that provide LCC based on their plan having an actual achievement of 87 percent against target of 80 percent. In the case of KC MCC, the actual LCC delivered over the community grant funds released is already at 35 percent. The non-funding of other sub-projects is the result of the participatory resource allocation at the municipal level or Municipal Inter-Barangay Forum where all delegates decide and rank proposals based on the agreed criteria.

31. However, the reported World Bank Implementation Completion and Results Reports, which was used as basis of computation were not submitted for verification and validation.

32. We recommended and the Secretary agreed to direct the concerned DSWD officials to:

- a) verify and look into the Municipalities which do not comply with the provisions of the MOA regarding the 30 percent LCC in the costs to ensure the sustainability and success of the KC projects;
- b) impose sanctions in case Municipalities continuously fail to comply with the abovementioned provisions; and
- c) improve the reporting system in the website to include not only the committed sub-project costs but likewise the actual and detailed costs to reflect the efficiency of the project in attaining its goals.

33. Management will comply in the future that LCC data should be included in the reporting system in the KC website.

Delayed/unimplemented/not functional KALAHI-CIDSS sub-projects

Out of 1,404 prioritized SPs in FOs CAR, V and VI amounting to P1,319,726 million, only 470 or 33.47 percent were completed, with project costs of P353,693 million. Moreover, the completed 51 SPs amounting to P58.44 million were either

not functional or with various deficiencies/defects, thus, limiting the access to basic social services, infrastructures as well as other benefits due the communities.

34. One of the objectives of the KALAHI-CIDSS is empowerment where the communities are given authority to plan, control, and make financial decisions during sub-project (SP) implementation. As such, they are primarily responsible in making sure that SPs are attained and that there is proper accountability.

35. The Regional Consolidated Physical and Financial Status of Approved Sub-Projects for the different funding sources/modalities, as of December 31, 2014 disclosed the following:

Status Funding Source/ FO	Prioritized		Completed		On-going		Not yet Started	
	No. of SP	Project Cost	No. of SP	Project Cost	No. of SP	Project Cost	No. of SP	Project Cost
MMC								
CAR	114	128,871,899.90	37	38,069,943.16	33	33,820,629.16	44	8,927,420.99
DA	467	712,764,711.73	160	207,212,332.76	140	440,656,964.37	137	64,895,414.60
DI	239	221,561,856.75	13	13,570,844.43	132	173,527,536.38	64	34,463,477.94
Sub-total	820	1,063,129,468.38	210	258,837,120.35	365	698,005,029.90	245	108,286,313.53
PAMANA								
DI	655	207,725,355.10	260	96,856,078.12	38	97,639,276.96	207	13,230,000.00
Aus-Aid								
DI	29	48,871,873.48	0	0.00	17	25,196,964.94	13	23,674,899.51
Total	1404	1,319,725,697.33	470	353,693,198.47	464	820,841,291.82	470	145,191,207.04

36. Details of implementation and status of the projects are presented below:

Office	Remarks																
CAR	The 14 SPs of the FO CAR in Barangays of Besao, Mt. Province were not yet implemented as of December 31, 2014 due to the delay in the transfers of community grants balances. Further, there were 25 completed SPs out of 37 that were actually one hundred percent completed as of December 31, 2014 out of the advanced funds or construction materials credited by the communities but whose funds were still not fully transferred to the communities with an aggregate total of P3,327,202.23, as follows:																
	<table border="1"> <thead> <tr> <th>Modality/Municipality, Province Barangay</th> <th>Balance of Funding still for release</th> </tr> </thead> <tbody> <tr> <td colspan="2" style="text-align: center;">Guaranteed Area</td> </tr> <tr> <td>Conner, Apayao</td> <td>524,286.23</td> </tr> <tr> <td>Pasil, Kalinga</td> <td>1,329,415.14</td> </tr> <tr> <td>Tinglayan, Kalinga</td> <td>202,567.84</td> </tr> <tr> <td colspan="2" style="text-align: center;">Randomly Selected Area</td> </tr> <tr> <td>Bucay, Abra</td> <td>615,141.55</td> </tr> <tr> <td>Budloc, Abra</td> <td>84,228.22</td> </tr> </tbody> </table>	Modality/Municipality, Province Barangay	Balance of Funding still for release	Guaranteed Area		Conner, Apayao	524,286.23	Pasil, Kalinga	1,329,415.14	Tinglayan, Kalinga	202,567.84	Randomly Selected Area		Bucay, Abra	615,141.55	Budloc, Abra	84,228.22
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Office	Remarks
Sallapadan, Abra	78,620.24
Replacement Area	
Maibcong, Abra	492,942.98
Total	3,327,202.23

The delay was caused by the following factors:

- Unsubmitted required documents by the local communities;
- For the unimplemented SP, the concerned barangay communities have not completed their liquidation documents;
- For SPs already 100% completed, the concerned communities did not submit all the documents required for the last tranche of funds:

Thus, the delay was indicative of negligence on the part of the project monitoring team in the field who are to closely monitor and assist the completion of documentation.

FO V There was an average delay of 86.25 days of the 420 completed SPs from the actual completion to the planned/targeted dates. Likewise, an average delay of 317.74 days elapsed of on-going SPs from the target dates of completion up to December 31, 2014, was noted consequently delaying the immediate access and benefits that could have been derived by the beneficiaries and communities from these projects.

On the 239 SPs still on-going as of Dec. 31, 2014, Management commented that there is an additional 130 SPs completed as of March 1, 2015 and another 69 expected to be completed this April and the rest by May 2015. Actual project implementations of 392 SPs with total project cost of ₱395,168,338.11 has not started yet despite download of funds amounting to ₱101,800,308.11 to the respective BSPMC accounts, however, Management commented that all of them are already on-going as of this time with expected completion dates not later than October 2015.

The delays were caused by the following factors:

- inadequate monitoring and supervision of the project implementations by both the Teams and BSPMCs;
- Delayed release of Local Contribution Counterparts;
- Weather condition;
- Delayed download/release of funds because of inadequate and improper documentation/reports submitted; and
- Insufficient supply of labor and materials.

Office	Remarks			
FO VI	The status of implementation of the 239 SPs at FO VI were further explained as follows:			
	Year	Status	No. of Prioritized Project	Grant Downloaded
	2013	Not Completed	69	83,158,424.24
		Subtotal	69	83,158,424.24
	2014	Completed	13	13,570,844.43
		Not Completed	93	90,369,112.14
		Not Yet Started	64	34,463,477.94
		Subtotal	170	138,403,434.51
		Total	239	221,561,858.75

The causes of the delay were due to the following:

- Responsiveness of contractors and suppliers to engage in community subprojects in geographically isolated barangays.
- Some SPs are affected by Typhoon Ruby in the last quarter of CY 2014
- Delays in the preparation and request of funds of community

As of March 30, 2015 the regional accomplishment is 52.54% which shows an improvement from 42.07% as of December 31, 2014.

On some of the delays, the RPMO are making strategies to hasten the completion of on-going sub-projects and will continue to strictly monitor and provide technical assistance to community and LGJ to ensure completion of their request of fund release.

37. Based on the foregoing, there is a delay in the completion of the 69 sub-projects started in CY 2013 and the 157 prioritized projects in CY 2014 or a total of 226 SPs were not completed/not started, thus, the intended beneficiaries were not able to access timely the basic social and infrastructure services which they need.

38. Moreover, validation and inspection of 31 of the 80 SPs in FO V reported as 100 percent completed for the two (2) funding sources/modalities with total project costs of ₱34,056,676.20 disclosed that they were either non-functional/operational or with defects/deficiencies, as follows:

Location at Camarines Sur Province	Sub-Project	Project Cost	Deficiencies
Tabgon, Caramoan	Construction of Water System	1,250,392.00	No potable water, chlorinator non-functional due to no electric connection; and no water during summer season
Guijalo, Caramoan		1,333,360.00	Not potable water during rainy season & no water during dry season.
San Roque, Caramoan		855,320.00	Non-functional chlorinator due to defective wiring

Location at Camarines Sur Province	Sub-Project	Project Cost	Deficiencies
Bikal, Caramoan	Construction-Extension of wharf	1,727,400.00	Construction is still on-going; cost underestimation
Mambulo Viejo, Libamangan	Mechanical Dryer	1,557,284.50	Not functional; palay not well dried
Biong, Cabusao	Improvement of Water System	916,426.45	Not functional; no flowing water
Sta. Lutgarda, Cabusao	Construction of Patahian Bldg. w/ sewing machines	875,199.00	Not functional; community organization not yet established
	Total	8,515,381.95	

39. Validation of KC projects also showed that 20 KC deficient SPs implemented at FOs V and IVB amounting to P24,394,640.80. The deficiencies noted were as follows:

- Pathways with scoured shoulder, thickness only measure 0.15 m and constructed along the municipal road, shorter construction; concreting of pathway of various streets including two stations in a private property;
- Shorter re-gravelled roads;
- Comfort Rooms inside the classrooms - main door with mirror cracks, no doorknobs, lavatory detached; toilet bowl not flushing;
- Classrooms with not functioning outlet, unpainted roof and KALAHl marking-not included in the Program of Work, chairs damaged by mites, bokbok;
- Both ends of rip-rap are open, water flows to the residential area during raining season; and
- The street lights' distance between posts is only 12 meters, not in accordance with standard distance of 20 meters.

40. The defects/deficiencies have been caused by inadequate planning, monitoring and supervision by the Team assigned in the area, thus, endangers the non-attainment of major component of the program which is the project development and provision of assistance to community projects which further limit the access to basic social services, infrastructures as well as other benefits due them.

41. **We recommended and the Secretary agreed to:**

- a) **require the KALAHl-CIDSS Regional Monitoring Management Unit in coordination with the field personnel to fast track the completion of SPs;**
- b) **adopt measures and institute feedback mechanism system to address the issues and concerns which hinder the timely completion of projects; and**
- c) **direct the ACT and BSPMC to immediately correct the defects/deficiencies noted and closely coordinate during planning and pre and post construction phases.**

42. Management commented that the total number of completed SPs increased by 473 making the total to 962 from the 489 as of December 2014. The 454 SPs that have not yet started have been substantially decreased to 139. Of the 139 SPs, 51 are PAMANA which implementation is temporarily suspended. The remaining 88 are SPs under MCC which procurement processes and other pre-implementation activities have just been completed and implementation will commence by June 2015. Referring to the 31 SPs, the following comments are as follows:

- The 7 SPs observed to be non-functional non-operational, some were actually functional but on a limited capacity to on-going minor works being done under defects liability clause of the contract. Others have been applied with mitigating controls.
- The 14 SPs observed to be defects and deficiencies, those with minor defects have been referred to the operations and maintenance groups and have been acted upon. This is the object of the close monitoring included in the workloads of the field staffs. While some were not actually defects and or deficiencies but mere modifications from the original physical targets due to various reasons.
- The 9 SPs with incomplete documentation for reporting and monitoring, 5 have already submitted the Sub-Project Completion Reports; are still for completion due to ongoing closing of accounts and/or completion of additional works while 1 is for reconstruction because it was inadvertently misplaced.
- The SP with excessive materials was actually due to the variance of the survey output as against the actual construction site. Some sections in the plan were relocated due to social safeguards issues.

C. STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

43. We made a follow-up on the action taken by management to implement recommendations of prior years and noted the following:

Status of Implementation	No. of Recommendations
Fully Implemented	10
Partially Implemented	9
Not Implemented	1

44. The results of the validation of implementation of prior year's recommendations are presented in **Annex I**.

D. ACKNOWLEDGEMENT

48. We wish to express our appreciation to the Management and staff of Department of Social Welfare and Development for the cooperation and assistance extended to our audit team during the audit.

49. We request a status report on the action taken on the audit recommendations within 60 days from the date of receipt hereof pursuant to Section 88, General Provisions of the General Appropriations Act FY 2014 using the attached Agency Action Plan and Status of Implementation (**Annex J**).

Very truly yours,


MARIBETH F DE JESUS
Supervising Auditor
DSWD Audit Group

cc: The Cluster Director
Cluster 6- Health & Science Director
National Government Sector
Department of Social Welfare and Development
Bataan Hill, QC

Annexes:

- A – Independent Auditor's Report
- B – Statement of Management Responsibility on the Financial Statements
- C – Statement of Financial Position
- D – Statement of Financial Performance
- E – Statement of Cash Flows
- F – Statement of Changes in Net Assets/Equity
- G - Notes to Financial Statements
- H– Matrix of Effect on the Financial Statements of the Accounting Errors and Deficiencies
- I - Results of the Validation of Implementation of Prior Years' Audit Recommendations
- J - Agency Action Plan and Status of Implementation

Annexes



Republic of the Philippines
Commission on Audit
Commonwealth Avenue, Quezon City

Annex A

INDEPENDENT AUDITOR'S REPORT

The Department Secretary
Department of Social Welfare and Development
Batasan Hills, Quezon City

We have audited the accompanying financial statements of **Kapit-bisig Laban sa Kahirapan – Comprehensive and Integrated Delivery of Social Services: Additional Financing**, which comprise the statement of financial position as at December 31, 2014, and the statement of financial performance, statement of cash flows and statement of changes in net assets equity for the year 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 Public Sector Accounting 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 audit. We conducted our audit in accordance with Philippine Public Sector Standards in 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 judgement, 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.

Basis for Qualified Opinion

As discussed in the Observations and Recommendations of this report, there were accounting error amounting to ₱4,055,398.39 and deficiency of ₱159,567,001.62 observed which affected the fair presentation of the FSs as shown on **Annex H**.

Qualified Opinion

In our opinion, except for the effects on the financial statements of the matter referred to in the preceding paragraph, the financial statements present fairly, in all material respects the financial position of the **Kapit-bisig Laban sa Kahirapan – Comprehensive and Integrated Delivery of Social Services: Additional Financing** and of its financial performance, statement of cash flows and statement of net assets equity for the year then ended in accordance with Philippine Public Sector Accounting Standards.

COMMISSION ON AUDIT


MARIBETH F. DE JESUS
State Auditor V
Supervising Auditor

July 31, 2015



Republic of the Philippines
Department of Social Welfare and Development

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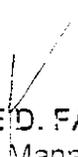
Annex E

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

KALAH! CIDSS – KKB Project Loan No. 7559 PH

The management of Department of Social Welfare and Development is responsible for all information and representations contained in the accompanying Statement of Financial Position as of December 31, 2014 and the related Statement of Financial Performance, Statement of Cash Flows, Statement of Comparison of Budget and Actual Amounts, Statement of Changes in Net Assets/Equity and the Notes to Financial Statements for the year then ended. The financial statements have been prepared in conformity with the Philippine Public Sector Accounting Standards and 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 are recognized.


DESEREE D. FAJARDO
Director, Financial Management Service

MAY 21 2015

Date Signed


MATEO G. MONTAÑO
Undersecretary, GASSG

MAY 21 2015

Date Signed



Department of Social Welfare and Development
Consolidated KALAHI-CIDSS-AF
Statement of Financial Position
As of December 31, 2014

Annex C

	<u>2014</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	25,280,227.68
Receivables	149,274,846.48
Inventories	7,308,880.31
Total Current Assets	<u>181,863,954.47</u>
Non - Current Assets	
Property, Plant and Equipment	34,774,511.92
Biological Assets	-
Intangible Assets	367,215.73
Other Assets	1,900,646.58
Total Non-Current Assets	<u>37,042,374.23</u>
Total Assets	<u>218,906,328.70</u>
LIABILITIES	
Current Liabilities	
Financial Liabilities	1,375,688.52
Inter-Agency Payables	(73,193.76)
Intra-Agency Payables	7,895.80
Trust Liabilities	-
Deferred Credits/Unearned Income	9,908.70
Other Payables	1,175,389.68
Total Current Liabilities	<u>2,995,689.04</u>
Non- Current Liabilities	
Financial Liabilities	-
Provisions	-
Deferred Credits/Unearned Income	-
Trust Liabilities	-
Total Non- Current Liabilities	<u>-</u>
Total Liabilities	<u>2,995,689.04</u>
NET ASSETS/EQUITY	
Accumulated Surplus/(Deficit)	215,910,639.66
Total Net Assets/Equity	<u>215,910,639.66</u>
Total Liabilities and Net Assets/Equity	<u>218,906,328.70</u>



Department of Social Welfare and Development
 Consolidated KALAHI-CIDSS-AF
 Statement of Financial Performance
 For the period ending December 31, 2014

Revenue	Service and Business Income	19,024.49
Total Revenue		<u>49,024.49</u>
	less: Current Operating Expenses	
	Personnel Services	17,888.98
	Maintenance and Other Operating Expenses	89,900,928.83
	Financial Expenses	459.92
	Capital Outlays	7,429,206.97
Current Operating Expenses		<u>97,348,482.70</u>
Surplus/(Deficit) from Current Operations		<u>(97,299,458.21)</u>
	Net Financial Assistance/Subsidy	139,240,185.26
	Gains	-
	Losses	(507,242.57)
Surplus(Deficit) for the period		<u>41,433,484.48</u>



**DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT
CONSOLIDATED STATEMENT OF CASH FLOWS
KALAHI: CIDSS - KC - ADDITIONAL FINANCING
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>2014</u>
Cash Flows From Operating Activities	
Cash Inflows	
Receipt of Notice of Cash Allocation	432,992,146.82
Collection of Income/Revenues	73,521.04
Receipt of Assistance and Subsidy from Other NGAs, LGUs and GOCCs	69,497,778.76
Collection of Receivables	40,861.44
Receipt of Inter-Agency Fund Transfers	259,591.63
Receipt of Trust Liabilities	-
Other Receipts	14,559,907.77
Adjustments	<u>6,523,014.89</u>
Total Cash Inflows	<u>523,948,822.35</u>
Cash Outflows	
Replenishment of Negotiated MDS Checks (for BTr)	-
Remittance to National Treasury	62,802.24
Payment of Expenses	180,951,609.96
Purchase of Inventories	820,770.84
Grant of Cash Advances	614,853.42
Payment of Accounts Payables	2,572,478.88
Remittance of Personnel Benefit Contributions and Mandatory Deductions	5,103,375.96
Grant of Financial Assistance/Subsidy	403,591,123.45
Release of Inter-Agency Fund Transfers	218,241.45
Release of Intra-Agency Fund Transfers	-
Other Disbursements	105,610,901.68
Reversal of Unutilized NCA	14,001.87
Adjustments	<u>15,463,626.82</u>
Total Cash Outflows	<u>715,021,786.57</u>
Cash Provided by (Used in) Operating Activities	(191,074,964.22)
Cash Flows from Investing Activities	
Cash Inflows	
Total Cash Inflows	-
Cash Outflows	
Purchase/Construction of Investment Property	-
Purchase/Construction of Property, Plant and Equipment	801,684.19
Total Cash Outflows	<u>801,684.19</u>
Cash Provided By (Used In) Investing Activities	(801,684.19)
Cash Flows From Financing Activities	
Cash Inflows	
Total Cash Inflows	-
Cash Outflows	
Total Cash Outflows	-
Cash Provided By (Used In) Financing Activities	-
Effects of Exchange Rate Changes on Cash and Cash Equivalents	-
Total Cash Provided by Operating, Investing and Financing Activities	<u>(191,876,648.41)</u>
Add: Cash Balance, Beginning January 1, 2014	<u>217,156,876.09</u>
Cash Balance, Ending December 31, 2014	<u>25,280,227.68</u>



DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT
Statement of Changes in Net Assets/Equity
Consolidated Central and Regional Offices
KALAHI: CIDSS - KC - ADDITIONAL FINANCING
For the Year Ended December 31, 2014

	<u>2014</u>
Balance at December 31, 2013	310,198,369.40
Changes in Accounting Policy	
Restated Balance	<u>310,198,369.40</u>
Changes in Net Assets/Equity for 2014	
Adjustment of net revenue recognized directly in net assets/equity	(135,721,214.22)
Surplus/(Deficit) for the period	<u>41,433,484.48</u>
Total recognized revenue and expense for the period	<u>(94,287,729.74)</u>
Balance at December 31, 2014 carried forward	<u><u>215,910,639.66</u></u>

NOTES TO FINANCIAL STATEMENTS
Fund 102- KALAHI-CIDSS
CY 2014

1. General information

Department of Social Welfare and Development - Kapit-Bisig Laban sa Kahirapan-Comprehensive and Integrated Delivery of Social Services – Additional Financing

Kapit-Bisig Laban sa Kahirapan – Comprehensive Integrated Delivery of Social Services (KALAHI-CIDSS) is a community driven development project, where communities are trained, together with their local governments, both at the barangay and the municipal levels, to choose, design and implement sub-projects that are intended to address their most pressing needs. Its objective is to empower local communities through improved participation in local governance and involvement in the design and implementation of poverty reduction projects. Specifically, the project aims to: (i) Increase the confidence of households to participate in community activities and organizations; (ii) Improve the effectiveness of community organization and sub-project beneficiary groups; (iii) Improve community links to local service providers resource groups (vertical social capital); (iv) Improve women and IP's participation in community affairs; and (v) Sustain local application of KC PTAS processes within the regular I GU.

Loan Data

Description	Loan No. 7147-PH	Loan No. 7959-PH
Project Title	Kapit-Bisig Laban sa Kahirapan-Comprehensive and Integrated Delivery of Social Services: Kabangyarihan at Kaunlaran sa Barangay (KALAHI-CIDSS: KKS)	KALAHI-CIDSS Additional Financing (KCAF Project)
Executing Agency	Department of Social Welfare and Development	Department of Social Welfare and Development
Loan Account No.	7147-PH	7959-PH
Creditor	Republic of the Philippines	Republic of the Philippines
Funding Source	World Bank/ International Bank for Reconstruction and Development (IBRD) Loan	World Bank/ International Bank for Reconstruction and Development (IBRD) Loan
Amount of Loan	\$100,000,000.00	\$59,124,000.00
Effectivity Date	07 October 2002	24 February 2011
Loan Agreement Signing Date	07 October 2002	03 December 2010
Completion Date (Original)	31 December 2008	
Closing Date (Original)	30 June 2009	31 May 2014
Closing Date (Revised)	31 May 2011	
Grace Period	8 YEARS	10 YEARS
Total Project cost	US\$182 million	US\$104.82 million
Repayment Period	20 YEARS	25 YEARS
GOP Counterpart	US\$82 million	US\$45.70 million

Project Components

Components	Output Indicators	Cost PM	Target at end of Project
			Original
Capacity Building and Implementation Support and Project Management	<ul style="list-style-type: none"> ▪ Percentage of barangays with community development plans prepared in accordance with the KC participatory process 	382	<ul style="list-style-type: none"> ▪ 80%
	<ul style="list-style-type: none"> ▪ Percentage of LGUs satisfactorily implement their Participatory, Transparency and Accountability (PTA) Integration Plans in accordance with the KALAHI-CIDSS Memorandum of Agreement (MOA), and committed to sustaining the PTA as part of their sustainability plans 		<ul style="list-style-type: none"> ▪ 80%
	<ul style="list-style-type: none"> ▪ Percentage of barangays with some citizens, other than public officials, who participate in regular municipal-level KC resource allocation forum 		<ul style="list-style-type: none"> ▪ 80%
	<ul style="list-style-type: none"> ▪ Percentage of MT municipalities have established expanded MDCs for broader consultation with civil society representatives to obtain inputs for the Municipal Dev't Plans 		<ul style="list-style-type: none"> ▪ 85%
	<ul style="list-style-type: none"> ▪ Percentage of MLGUs provide technical assistance in KCAF sub-project preparation, implementation and monitoring based on MOA 		<ul style="list-style-type: none"> ▪ 80%
	<ul style="list-style-type: none"> ▪ Percentage of municipalities provide their KCAF Local Counterpart Contributions (LCC) based on their LCC delivery plan 		<ul style="list-style-type: none"> ▪ 80%
	<ul style="list-style-type: none"> ▪ Percentage of registered grievances satisfactorily resolved in line with the KC GRS 		<ul style="list-style-type: none"> ▪ 80%
	Grants for Community Sub-Projects		<ul style="list-style-type: none"> • Percentage of barangays that have completed training on PSA, planning, project dev't and M&E
<ul style="list-style-type: none"> • Percentage of barangays that have completed specific training on sub-project management and implementation 		<ul style="list-style-type: none"> ▪ 40% (1,600 out of 4,000 to be covered) 	
<ul style="list-style-type: none"> • Percentage of KC PSA priorities funded from non-KC sources 		<ul style="list-style-type: none"> ▪ 10% 	
<ul style="list-style-type: none"> • Percentage of completed KCAF sub-projects implemented in compliance with technical plans and within schedule and budget 		<ul style="list-style-type: none"> ▪ 85% 	
<ul style="list-style-type: none"> • Percentage of completed KCAF sub-projects meet basic financial standards based on approved Finance and Administration Sub-Manual 		<ul style="list-style-type: none"> ▪ 85% 	
<ul style="list-style-type: none"> • Percentage of completed KCAF sub-projects have sustainability rating of satisfactory or better 		<ul style="list-style-type: none"> ▪ 85% 	
<ul style="list-style-type: none"> • Percentage of completed KCAF sub-projects have sustainability rating of satisfactory or better 		<ul style="list-style-type: none"> ▪ 85% 	

Financial Highlight

The Loan Agreement for KALAHY-Additional Financing states that the fund shall finance the following projects expenses:

Amount in US \$

Project/Expense Categories	LN No. 7959	Revised*	%
Grants	50,900,000	50,088,000	86.09%
Goods, Consultants' Services and Incremental Operating Cost	8,076,190	8,890,190	13.66%
Front End Fees	147,810	147,810	0.25%
Total Project Cost	59,124,000	59,124,000	100%

*Realignment of allocation USD 814,000 from Grants to Goods/Consultancy/IOC (with letter to DOF dt'd 12/19/13)

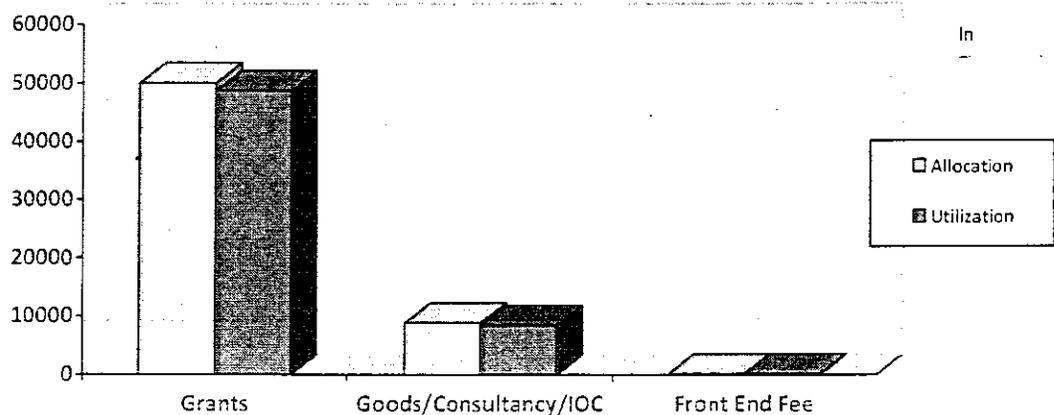
However, the following funding sources for the KALAHY-CIDSS projects are the following:

Amount in Philippine Peso (Php)

Particulars	LN No. 7959	%
Loan Proceeds (LP) from World Bank	2,800,168,800	80.53%
GOP Counterpart	676,907,278	19.47%
Total Project Cost	3,477,076,078	100%

As of December 31, 2014 utilized loan proceeds from the additional financing is US\$57,293,091.83 or 96.90% leaving US\$1,830,908.17 unutilized loan proceeds.

PROJECT CATEGORY	ALLOCATION	UTILIZED	DISBURSEMENT RATE	UNUTILIZED
GRANTS	50,088,000.00	48,726,548.10	97%	1,359,451.90
GOODS/CONSULTANCY/IOC	8,890,190.00	8,418,733.73	95%	471,456.27
FRONT END FEE	147,810.00	147,810.00	100%	-
TOTAL PROJECT COST	59,124,000.00	57,293,091.83	97%	1,830,908.17



2. Statement of compliance and basis of preparation

- 2.1. The consolidated financial statements of the DSWD have been prepared in accordance with generally accepted government accounting principles and pertinent laws, rules and regulations and comply with the Philippine Public Sector Accounting Standards (PPSAS).
- 2.2. Accounts were converted to conform to the Revised Chart of Accounts (RCA) for National Government Agencies under Commission on Audit Circular No. 2013-002 dated January 30, 2013.
- 2.3. Included in this Financial Statements of the Department are the transactions of the different Fund Clusters, as an amendment to the UACS in the recording of transactions, such as follows:
 - 01 Regular Agency Fund – covering the annual authorizations for incurring obligations during the specified budget year, as listed in the GAA
 - 02 Foreign Assisted Projects Fund – covering the appropriations for loan as listed in the GAA
 - 03 Special Account - Local Fund/Domestic Grants Fund – covering the authorizations for domestic grant funds
 - 04 Special Account - Foreign Account/Foreign Grants Fund - covering the authorizations for foreign grant funds
 - 06 Business Related Funds – receipts derived from business-type activities of departments/agencies as authorized by law; i.e., Revolving Funds

- 07 Trust Receipts – receipts that are officially in the possession of government agencies or a public officer as trustee, agent, or administrator, or which have been received for the fulfillment of a particular obligation
- 2.4. The financial statements are presented in Philippine Pesos which is the functional and reporting currency of the agency.
 - 2.5. The agency implemented the Enhanced eNGAS version 2.0 in December, 2014 to comply with the PPSAS, Unified Accounts Codes Structure (UACS) and the Revised Chart of Accounts.
 - 2.6. The financial statements have been prepared on the basis of historical cost, unless stated otherwise.
 - 2.7. The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flows statement is prepared using the direct method. The consolidated financial statements are prepared on an accrual basis.

3. Summary of significant accounting policies

- 3.1. Notice of Cash Allocation (NCA) is recorded in the Regular Agency (RA) Books as well as those income/receipts which the agency is authorized to use.
- 3.2. Petty Cash Fund (PCF) Account is maintained under the Imprest System. All replenishments are directly charged to the expense account. The PCF is not used to purchase regular inventory items for stock.
- 3.3. The cost of ending inventory of Office Supplies and Materials and other inventory items are computed using the Moving Average Method in accordance with PPSAS.
- 3.4. Supplies and Materials Purchased for inventory purposes and recorded using the Perpetual Inventory System in accordance with PPSAS.
- 3.5. All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. All other repair and maintenance costs are recognized in expenses as incurred.
- 3.6. Depreciation on assets is charged on a straight-line basis over the useful life of the asset. The residual value is computed at five percent effective January 1, 2014.

<u>Account Name</u>	<u>Est. Life</u>
Buildings	20-30 years
Office Equipment	5 years
Furniture and Fixtures	10 years
Information and Communication Technology Equipment	5 years

Books	5 years
Communication Equipment	10 years
Construction and Heavy Equipment	10 years
Disaster Response and Rescue Equipment	7 years
Medical Equipment	10 years
Sports Equipment	5 years
Technical and Scientific Equipment	10 years
Other Machinery and Equipment	10 years
Motor Vehicles	7 years
Other Property, Plant and Equipment	5 years

3.7. Intangible assets acquired separately are initially recognized at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

3.8. The useful life of the intangible assets is assessed as either finite or indefinite. Intangible assets with a finite life is amortized over its useful life:

Computer Software	5 years
-------------------	---------

3.9. Payable Accounts are recognized and recorded in the book of accounts only upon delivery and acceptance of the goods inventory other assets and rendition of services to the agency.

3.10. Income receipts which the agency are not authorized to use and are required to be remitted to the National Treasury are recorded in the National Government (NG) Books. However, Interest income from current bank accounts of projects funded by foreign donors were required to be reported and refunded back to the grantor in compliance with the provisions of the financial manual or grant agreements.

3.11. A foreign currency transaction is recorded, on initial recognition in the Philippine peso, by applying to the foreign currency amount the exchange rate between the functional currency and the foreign currency at the date of the transaction.

3.12. Unrealized gains and losses arising from changes in foreign currency exchange rates are not cash flows. However, the effect of exchange rate changes on cash and cash equivalents held in a foreign currency is reported in the cash flow statement in order to reconcile cash and cash equivalents at the beginning and the end of the period. This amount is presented separately from cash flows from operating, investing and financing activities, and includes the differences, if any, if those cash flows had been reported at end of period exchange rates.

3.13. Correction of fundamental errors of prior years are done by adjusting the Accumulated Surplus (Deficit) beginning balance account. Fundamental errors affecting current year's operation are charged to the current year's accounts.

4. Cash and Cash equivalents

Account Name	Code	CY 2014
Cash in Bank - Local Currency, Current Account	10102020	18,756,561.63
Cash - Modified Disbursement System (MDS). Regular	10104040	6,523,666.05
Total		<u>25,280,227.68</u>

Cash National Treasury - MDS amounting to P 6,523,666.05 under KC-AF consists of unreleased checks as of December 31, 2014 for the restoration of cash in compliance with COA Circular No. 2002-001 dated 16 December 2002 and shall be adjusted in the ensuing year.

5. RECEIVABLES

Account Name	Code	CY 2014
Accounts Receivable	10301010	20,928.17
Due from National Government Agencies	10303010	914,989.84
Due from Local Government Units	10303030	147,826,846.69
Receivables - Disallowances/Charges	10305010	475,205.72
Other Receivables	10305990	36,876.06
Total		<u>149,274,846.48</u>

6. INVENTORIES

Inventory items of the Department consists of the following:

Account Name	Code	Amount
Office Supplies Inventory	10404010	3,813,242.32
Accountable Forms, Plates and Stickers Inventory	10404020	27,912.52
Fuel, Oil and Lubricants Inventory	10404080	2,000.00
Other Supplies and Materials Inventory	10404990	3,465,725.47
TOTAL		<u>7,308,880.31</u>

7. Other Current Assets

Account Name	Code	Amount
Advances to Special Disbursing Officer	19901030	1,933.05
Advances to Officers and Employees	19901040	425,443.42
Prepaid Insurance	19902050	59,087.74
Other Prepayments	19902990	300,000.00
Guaranty Deposits	19903020	3,000.00
TOTAL		<u>789,464.21</u>

8. PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment for CY 2014 are summarized as follows:

Account Name	Code	Cost at Jan. 1, 2014	Additions	Disposals	Transfer/ Adjustments	Cost at Dec. 31, 2014
Office Equipment	1 06 05 020	11,161,074.50			(51,818.77)	11,109,255.73
Information and Communication Technology Equipment	1 06 05 030	43,632,800.23			(1,963,499.06)	41,669,301.17
Communication Equipment	1 06 05 070	1,250,935.44			(60,669.00)	1,190,266.44
Technical and Scientific Equipment	1 06 05 140	671,263.00			(152,010.00)	519,253.00
Other Machinery and Equipment	1 06 05 990	646,789.78			(43,526.40)	603,263.38
Motor Vehicles	1 06 06 010	32,270,333.26	20.00			32,270,353.26
Furniture and Fixtures	1 06 07 010	5,053,326.13	46,231.00			5,099,557.13
Construction in Progress- Buildings and Other Structures	1 06 10 030	1,286,586.40				1,286,586.40
Other Property, Plant and Equipment	1 06 99 990	616,270.74			(26,350.00)	589,920.74
TOTAL		96,589,793.13	46,251.00		(2,298,473.23)	94,337,157.30
Less: Accumulated Depreciation						59,562,645.38
Total						34,774,511.92

Property, Plant and Equipment is carried at cost less accumulated depreciation. Regular maintenance, repair and minor replacements are charged against Maintenance and Other Operating Expense (MOOE).

Construction in Progress account refers to different unfinished construction project of the Department as of December 31, 2014.

9. Intangible Assets

Intangible asset of the Department is composed of Computer Software only to wit:

<u>Account Name</u>	<u>Code</u>	<u>CY 2014</u>
Computer Software	10801020	367,215.73

Computer Software is items reclassified from IT Equipment and Software and are amortized using the straight line method based on the remaining life of the software.

10. Other Assets

<u>Account Name</u>	<u>Code</u>	<u>CY 2014</u>
Other Assets	19999990	<u>1,111,182.37</u>

11. Financial Liabilities

Account Name	Code	CY 2014
Accounts Payable	20101010	1,578,297.29
Due to Officers and Employees	20101020	297,391.33
Total		<u><u>1,875,688.62</u></u>

12. Interagency Payables

Account Name	Code	CY 2014
Due to BIR	20201010	(102,186.01)
Due to Pag-Ibig	20201030	30,092.25
Due to Philhealth	20201040	(1,100.00)
Due to LGU's	20201070	6,744.80
Due to Bureaus	20301020	1,151.00
Total		<u><u>(65,297.96)</u></u>

13. Trust Liabilities

Account Name	Code	Amount
Guaranty/Security Deposits Payable	20401040	9,908.70
TOTAL		<u><u>9,908.70</u></u>

14. Other Payables

Account Name	Code	CY 2014
Other Payables	29999990	1,175,389.68

15. Accumulated Surplus/Deficit

Account Name	Code	CY 2014
Accumulated Surplus/Deficit	30101010	174,502,856.17
Total		<u><u>174,502,856.17</u></u>

Accumulated Surplus/(Deficit) is the residual interest, which was the excess of the Department's assets over its liabilities. This account was used in lieu of the Government Equity account.

16. Service and Business Income

Account Name	Code	CY 2014
Fines and Penalties - Service Income	40201140	15,639.38
Interest Income	40202210	33,385.11
Total		<u><u>49,024.49</u></u>

The account Fines and Penalties - Service Income is the amount charged or being collected by the Department from various contractors/ suppliers for late delivery of goods and services as specified in the Purchase Order.

Interest Income represents income earned from special bank accounts of the Department which were remitted to the Bureau of Treasury.

17. Shares, Grants and Donations

<u>Account Name</u>	<u>Code</u>	<u>CY 2014</u>
Income from Grants and Donations in Cash	40402010	0.00
Total		<u>0.00</u>

This account is used to record grants and donations received as technical assistance and for project implementation from various foreign funding institutions such as the Asian Development Bank, Millennium Challenge Corporation and United Nation agencies.

18. Personnel Expenses

<u>Account Name</u>	<u>Code</u>	<u>CY 2014</u>
Honoraria	50102100	17,886.98
Total		<u>17,886.98</u>

19. Maintenance and Other Operating Expenses

<u>Account Name</u>	<u>Code</u>	<u>CY 2014</u>
Traveling Expenses - Local	50201010	8,517,449.11
Training Expenses	50202010	9,537,594.34
Office Supplies Expenses	50203010	2,885,703.54
Accountable Forms Expenses	50203020	5,940.00
Fuel, Oil and Lubricants Expenses	50203090	882,117.89
Other Supplies and Materials Expenses	50203990	46,277.80
Water Expenses	50204010	211,737.25
Electricity Expenses	50204020	626,442.01
Postage and Courier Services	50205010	37,455.80
Telephone Expenses	50205020	1,716,947.56
Internet Subscription Expenses	50205030	13,084.52
Auditing Services	50211020	131,573.44
Consultancy Services	50211030	11,517,019.46
Other Professional Services	50211990	49,170,697.69
Repairs and Maintenance - Buildings and Other Structures	50213040	11,462.50
Repairs and Maintenance - Machinery and Equipment	50213050	65,195.83
Repairs and Maintenance - Transportation Equipment	50213060	781,801.93
Repairs and Maintenance - Furniture and	50213070	995.00

Fixtures		
Fidelity Bond Premiums	50215020	52,500.00
Insurance Expenses	50215030	40,557.26
Printing and Publication Expenses	50299020	316,541.75
Representation Expenses	50299030	535,079.99
Rent/Lease Expenses	50299050	289,394.12
Other Maintenance and Operating Expenses	50299990	2,507,360.04
Total		<u>89,900,928.83</u>

Traveling Expenses - Foreign includes airfare, pre-travel allowance, accommodation and daily subsistence allowance of DSWD Officials and Employees during travels on official business to attend various trainings seminars, consultation meetings for the period January to December 2014. It also includes liquidation of operating expenses by the Disbursing Officer in Foreign Posts.

Training Expenses consists of payment of honorarium of resource persons, board and lodging and or hotel accommodation of participants to various seminar, training - workshops. It also includes course fee and or registration fees of DSWD Officials and Employees to enhancement training and seminars.

Water Expenses are payments made to Maynilad Water Services, Inc. for the water consumption at DSWD Central Office, NHTO (Mahusay Building), Director's Dormitory and DSWD AHON Center, MIA Road, Pasay City. It also includes payment to Manila Water Company for water consumption of DSWD SWADCAP, Taguig City and DSWD 4Ps Training Center, Bago Bantay, Quezon City.

Postage and Courier Services represents payment made to the Philippine Postal Corporation and Airfreight 2100, Inc. for mailing services of various communication, door-to-door delivery of the Department. It also includes liquidation of Operating Expenses of the different Social Welfare Attache at foreign post.

Telephone Expenses are payments made to the Philippine Long Distance Telephone Company (PLDT) for current charges of DSWD Telephone (Landlines) lines. It also includes mobile expenses made to Globe Telecom, Inc. and Smart Communications, Inc. for Globe Amax and Smart BIZ load services corporate e-loading systems for use of DSWD Officials and Employees who are Globe Touch Mobile and SmartTalk and Text subscribers. Also included are reimbursement of individual postpaid lines payments in lieu of prepaid card allocation.

Internet Subscription Expenses are payments made to Globe Telecommunications, Inc. for the wireless internet subscription with Tablet Device for use of DSWD Executive and Management Committee and to Smart Communications, Inc. for wireless internet subscription for DSWD Central Office. It also includes payment made to iOne Resources, Inc. as secondary internet service provider of DSWD DRRROO and NROC.

Auditing Services are payments made to PLDT for current charges of DSWD - COA telephone lines. It also includes traveling expenses of DSWD- COA staff during

validation and or inspection of DSWD Projects of 4Ps and KC-AF projects and cell cards allocation for January to March 2014.

Janitorial Services are payment made to Philcare Manpower Services for janitorial services rendered by 58 janitors assigned at DSWD Central Office and satellite offices including special, additional and overtime services rendered at DSWD NROC and SWADCAP.

Fidelity Bond Premium represents payment of 1.5% fidelity bond premium of Regular Disbursing Officers, Special Disbursing Officers and Approving Signatory of each Bureau/Service of the Department.

Consultancy Expenses includes payment to service providers engaged in the development of systems and the program/project consultants.

Other Professional Services are payments to DSWD hired workers under a Cost of Service Contracts.

20. Financial Expenses

<u>Account Name</u>	<u>Code</u>	<u>CY 2014</u>
Bank Charges	50301040	459.92
Total		459.92

The account Bank Charges generally refers to payment and accruals of interbank fees for cash card grants advanced by Land Bank of the Philippines (LBP) to other banks for ATM transactions and the bank service fees for over-the-counter payments of cash grants by the LBP conduits for the implementation of the Pantawid Pamilya program.

21. Non-Cash Expenses

<u>Account Name</u>	<u>Code</u>	<u>CY 2014</u>
Depreciation - Machinery and Equipment	50501050	4,313,500.15
Depreciation - Transportation Equipment	50501060	2,593,628.66
Depreciation - Furniture, Fixtures and Books	50501070	464,747.72
Depreciation - Other Property, Plant and Equipment	50501990	57,330.44
Total		7,429,206.97

The Depreciation for Land Improvements, Buildings and Other Structures, Machinery and Equipment, Transportation Equipment, Furniture and Fixtures and Books, Other Property, Plant and Equipment are periodic cost allocation for the wear and tear the Department's PPE. Amortization of Intangible Assets are also periodic cost allocation of the Computer Software.

22. Net Financial Subsidy

<u>Account Name</u>	<u>Code</u>	<u>CY 2014</u>
Subsidy from National Government	40301010	232,352,876.31
Subsidy from Other Fund	40301050	66,504.59
Subsidies - Others	50214990	93,179,195.64
Total		139,240,185.26

The account Subsidy from National Government is further broken down as follows:

NCA Received from DBM		
Operating Requirements		260,122,020.28
Field Offices		65,985,414.61
Tax Remittance Advice (TRA)		2,203,060.51
Total		328,310,495.40
Less:		
Notice of Transfer of Allocation		65,985,414.61
Lapsed NCA		29,769,584.55
Refund of Cash Advance/Adjustments		202,619.93
Total		95,957,619.09
TOTAL Subsidy from National Government as of 12/31/14		232,352,876.31

The account Financial Assistance to NGAs pertains to transfer of funds through funding checks charged against Loan Proceeds to Field Offices for the implementation of various projects programs activities.

The account Subsidies – Others pertains to the community grants for the KC NCDDP program from January to November 2014.

23. Gains/Losses

<u>Account Name</u>	<u>Code</u>	<u>CY 2014</u>
Loss on Foreign Exchange (FOREX)	50504010	507,242.57
Total		(507,242.57)

Gains on Foreign Exchange results from the translation of foreign currency into the presentation currency which the Philippine peso was using the prevailing exchange rate at every end of the period. This is the excess of current exchange rate (closing rate) at the reporting date over the rate initially or previously recognized multiplied by the balance of the foreign currency account.

Loss on Foreign Exchange (FOREX) are results from the translation of foreign currency into the presentation currency which was the Philippine peso using the prevailing exchange rate at every end of the period. This is the excess of the rate initially or previously recognized over current exchange rate (closing rate) at the reporting date multiplied by the balance of the foreign currency account.

The account **Other Gains** pertains to payments received from contractors/suppliers for non-refundable fee for bidding documents for participation in the bidding for the supply and delivery of various goods and services.

24. Receipt of Notice of Cash Allocation

The total receipt of notice of cash allocation to cover operating requirements for the implementation of various programs/projects/activities, replenishment of Working Fund for the program and project loan support, and for terminal leave benefits to former DSWD employees is in the amount of P82,370,567,333.46, while the amount of P12,674.00 pertains to trust receipt representing the refund of excess cash advance charged against ASEAN funds which was inadvertently deposited to the Bureau of Treasury (BTr) and subsequently refunded by the Bureau of Treasury.

25. Remittance to National Treasury

The Remittance to National Treasury refers to deposit of collections with the BTr for refunds of current and prior year expenses as well as disallowances, miscellaneous income, permits and licenses and remittance of interest income.

26. Payment of Expenses

This refers to payments of personnel services, maintenance and other operating expenses and financial expenses including cash grants to Pantawid Pamilya beneficiaries.

27. Grant of Financial Assistance/Subsidy

This refers payments financial assistance for assistance to individuals in crisis situation, cash grants to Pantawid Pamilya beneficiaries and community grants for the KC NCDDP program from January to November 2014 as a result of the adoption of the e-NGAS version 2.0.

28. Release of Intra-Agency Fund Transfers

This pertains to cash outflows for transfer of subsidy and capital seed fund to Field Offices.

**MATRIX OF EFFECT ON THE FINANCIAL STATEMENTS
OF THE ACCOUNTING ERRORS AND DEFICIENCIES**

A. Accounting Errors

<i>Reference (Observation/ Paragraph No.)</i>	<i>Errors</i>	<i>Accounts Affected</i>	<i>Effect to Total Assets/Liabilities/ Government Equity</i>
			<i>Under/(Over) statement</i>
B.15	Errors/omissions in recording transactions affecting cash accounts	Cash in Bank - LCCA	4,055,398.39
	<i>Net Overstatement</i>		4,055,398.39
	<i>Total Assets</i>		218,906,328.70
	<i>Percent to Total Assets</i>		1.85%
	<i>Net Overstatement</i>		-
	<i>Total Liabilities</i>		2,995,689.04
	<i>Percent to Total Liabilities</i>		0.00%
B.15	Errors/omissions in recording transactions affecting cash accounts	Expense Accumulated Surplus (Deficit)	(4,055,398.39)
	<i>Net Understatement</i>		(4,055,398.39)
	<i>Total Accumulated Surplus/ (Deficit)</i>		215,910,639.66
	<i>Percent to Accumulated Surplus/ (Deficit)</i>		1.88%

B. Accounting Deficiencies

<i>Reference (Observation/ Paragraph No.)</i>	<i>Deficiencies</i>	<i>Accounts Affected</i>	<i>Amount</i>
B.18	Unsupported payment of transactions	Expense/Accumulated Surplus (Deficit)	₱1,967,001.76
		Due from Local Government Units	157,599,999.86
	Total		₱159,567,001.62

Department of Social Welfare and Development
Project: KALAHI-CIDSS
Status of Implementation of Prior Years' Audit Recommendations

Observations	Ref.	Management Comments/Actions Taken (Update as of May 2015)	Results of Auditor's Validation
<p><i>Valid obligations totaling to ₱1,111,199.98 were not recorded as of December 31, 2013 resulted to the understatement of the accounts Account Payables and the related Expense/Asset accounts by ₱1,111,199.98, ₱24,399.98 and ₱1,086,800.00, respectively.</i></p> <p>We recommend for DSWD issue a memorandum requiring the submission of all the valid obligations of the department for purposes of recording valid obligations before closing of the books.</p>	2013 CAAR	As at end of the calendar year, accounts payable is recorded in the books of accounts to properly reflect the unpaid payables of the Department.	OSEC Fully implemented
<p><i>The non-issuance of official receipts as evidence of payment of services of ₱472,800.00 cast doubt on the award of contracts to consultants not registered with the BIR as well as the payment of the correct amount of taxes due to possible under declaration of income for failure to report the required official receipts.</i></p> <p>We recommend management to:</p> <ol style="list-style-type: none"> a) Withhold retention money for consultancy contracts: b) Require the consultants to issue the covering ORs and submit approved progress/final reports or output to support the consultancy claims from the DSWD; and c) Notify the BIR for contractors engaged in business with the agency 	2013 CAAR		OSEC Fully implemented

<p>that does not issue OR, as it is the basic evidence of payments of services for tax audit purposes.</p>			
<p><i>The GOP financial counterpart in the amount of ₱64,350,435.36 for the KALAHI-AF was not utilized for its intended purpose due to the following: a) charging of expenses of other foreign assisted projects (FAPs); and b) advance funding by the DSWD for expenditures chargeable against the loan proceeds which were not immediately reimbursed, thus depriving all other expenses of the KC-AF project for CY 2013. Further, the inclusion of expenses of other FAPs and PAMANA resulted to the overstatement of reported expenditures in the books of KC-AF.</i></p> <p>We recommend that Management to:</p> <p>a) Stop the use of GOP financial counterpart for grants of sub-projects and disburse the same according to its intended use; and</p> <p>b) make necessary adjustments reclassification of the payments to its respective or appropriate funds for consistency or proper reference.</p>	<p>2013 CAAR</p>	<p>Management implement recommendations, prospectively.</p> <p>Awaiting post-facto approval from the OP.</p>	<p>to COA With similar observation in 2014</p> <p>Receipt of letter-response from the OP for evaluation</p>
<p><i>Purchases of Property, Plant and Equipment in the amount of ₱11,981,345.74 in 2013 out of KALAHI-Loan Proceeds and GOP funds were without prior approval by the National Government Offices and World Bank contrary to COA-DBM Joint Circular No. 2-97 and Office of the President and World Bank Guidelines on Procurement of Goods,</i></p>	<p>2013 CAAR</p>	<p>Management implement recommendations, prospectively.</p>	<p>to COA Receipt of letter-response from the OP for evaluation</p>

Works, and Non-Consulting Services, respectively.

We recommend the post-facto approval from the Office of the President and the NCC for the appropriate equipment purchased. Submit the 2013 procurement plans and their updates or modifications as approved by the Bank and with their no objection letter before implementation. Close monitoring and supervision be undertaken by the National Project Monitoring Committee to ensure the implementation of the project as planned and compliance with the circulars and guidelines on Foreign Assisted Projects.

Audit of the Community Grants KALAHI-CIDSS AF amounting to ₱593,342,038.84 revealed the following deficiencies: (a) The downloaded community grants to the Barangay Sub-project Management Committee in the amount of ₱349,720,038.84 were without the approval of the National Project Director and Chief Finance Officer of KALAHI-CIDSS AF; (b) On-going SPs with downloaded grants amounting to ₱120,695,480.87 were not completed within the four to six months period of implementation; and (c) Funds transferred of ₱19,766,110.40 to the BSPMC remain unutilized as of December 31, 2013, thus cast doubt on the reliability of the implemented SPs, depriving the local households of the benefits due them and uncertainty that the objective of improved social capital as set forth in the Loan Agreement will not be fully attained before its closing date.

We recommend that the Management to:

a) Ensure that all the targets included in the WFP are approved by the KC NPD

2013
CAAR

Management to
implement COA
recommendations.
prospectively.

FO XI:
All SPs implemented by
KC – AF Region XI were
completed. SPs were
implemented as
determined and funded by
the NPMO.

OSEC
As of date,
only 8 sub-
projects
remain
incomplete
due to
various
reasons.
FO V
Similar
audit
observatio
n is
discussed
in ML
2014.
FO XI
Deficiencie
s noted

Not

and Chief Finance:			implemented
b) require the BSPMC to: (i) fast track submission of requirements as provided in the CBPM to ensure timely release of community grants; (ii) adopt efficient and timely procurement procedures in accordance with the CBPM; and (iii) perform resurvey of or update the project design/specifications/scope of work before the procurement bidding in order to avoid additional works or several variation orders during project implementation;			Partially implemented
c) require the Area Coordinators to strictly supervise the adherence of the BSPMC to the period of implementation; and			Partially implemented
d) monitor and follow up with the local officials concerned for the immediate allocation appropriation of the LLC and the timely and opportune release thereof as provided in the MOA.			Partially implemented
<i>Validation of 86 Sub-Projects (SPs) of KC-AF amounting ₱55,761,723.36 revealed: (a) Fourteen (14) sub-projects costing ₱14,037,276.00 being reported as 100 percent completed as of December 31, 2013 despite deviations from the approved plans and specifications, thus depriving the community beneficiaries of the benefits due them; (b) the local government units (LGU) failed to provide funds in the total amount of ₱1,243,315.853 for the operation and maintenance of completed sub-projects contrary to the agreement provided for in the KC-Finance Manual; and (c) the non-compliance to KC-Community-Based Infrastructure Manual (CBIM) instructions such as the absence of the documentary requirements in the custody of the BSPMC, thus may expose the project ownership to</i>	2013 CAAR	The deficiencies cited in the observation were fully acted upon. As of date, only 8 sub-projects remain incomplete due to various reasons. Management will continue to monitor and provide technical assistance to ensure completion of these sub-projects.	OSEC Fully implemented FO V Fully implemented FO IX Submitted certificates of completion on the 7 sub-projects FO XI Deficiencies
		FO V: Management has required the RPMO for a monitoring update and the update report declared that 76% or 336 SPs were already completed. Only 4 SPs or .8% have not	

<p><i>exploitation, non-maintenance of the projects and contrary to KC Manual.</i></p>	<p>started. Implementation of other SPs is on-going.</p>	<p>es noted</p>
<p>We recommend that Management to:</p>	<p>2. Project Management will execute an Exit Memo with the LGUs. RPMO technical staffs have initiated meetings with the LCEs and the key officers regarding the arrangements. Additional staff was hired to monitor the project implementation.</p>	<p>Partially implemented</p>
<p>a) Require the ACT and BSPMC to act on the immediate correction of defects/deficiencies noted for the full continuity and functionality of the SPs for the benefits of the intended beneficiaries:</p>	<p>3. NoA and NTP have been issued to one SP; delivery of materials are on-going to 2 SPs; while procurement processes are being undertaken for the last remaining SP.</p>	<p>Partially implemented</p>
<p>b) Require the concerned officials of the Regional Project Management Office (RPMO) to make representations and to remind the concerned LGUs of their obligation to provide funds and other necessary support to ensure the proper operation, maintenance, and sustainability of the sub-projects; and</p>	<p>FO VIII: The deficiencies cited in the observation were fully acted upon. As of this date, only 1 sub-project remains incomplete due to deferment and pull out of staff in Gandara, Samar. However, with the re engagement this year, completion of said SPs is one of the conditions we set with the LGU.</p>	<p>Fully implemented</p>
<p>c) Direct the RPMO/ACT/MCT to conduct final inspection of the SPs and prepare the FIR, SPCR, CCA and furnish copy to the barangay local government and other stakeholders; and</p>	<p>FO IX: As of May 27, 2014, all projects are 100 % completed as per report submitted to the COA and to KC CO. All KC AF are 100% completed in June 2014, all community bank</p>	<p>Fully implemented</p>
<p>d) Instruct the Municipal Financial Analyst to maintain and update their cashbook daily or on a weekly basis at the very least, to avoid, over or under expenditures of the funds. Likewise, transfer of excess funds has to be supported with BSPMC resolution as required.</p>		

		accounts closed and all community disbursement vouchers together with the inventory of disbursement vouchers were submitted to COA.	
<i>The unrecorded balances in the books of KC-AF amounting to ₱926,719.90 due to returned balances of community grants and erroneous recording resulted to the understatement of Cash in Bank account as of December 31, 2013.</i>	2013 CAAR		Fully implemented
<i>The physical existence, accuracy and reliability of accounting and property records of Property, Plant and Equipment (PPE) totaling to ₱86,436,578.39 as of December 31, 2013, remained doubtful due to the inability of the Property & Supply Officer to submit/conduct complete physical inventory and to reconcile with the records of the Accounting Unit, contrary to the provision of Section 490 of GAAM Vol. 1.</i>	2013 CAAR	Physical count of PPE was conducted and report was submitted. Continuous updating and reconciliation of accounts is done for PPE new purchases.	With similar observation in 2014
<p>We recommended that Management to direct the Property and Supply Officer Designate to conduct complete physical inventory of all property, plant and equipment regularly, in order to determine its physical existence and condition. The result thereof shall be checked on the property cards as against the equipment ledger cards and the total shall be compared with those in the general ledger. If there are any discrepancies between the physical count and booked PPE, it must be investigated, cleared and reconciled immediately.</p>			
<i>Purchases of some materials for the construction of 2 units 6.90 linear meter double barrel box culvert under KALAHI-CIDDS Project in Barangay Anahaw, Alegria, Surigao del Norte</i>	2013 CAAR	RESOLVED: Excess materials were disposed in accordance with KALAHl guidelines. Recommendations are	Fully implemented

with total approved project cost of ₱ 3,345,027.00 were excessive by ₱ 564,930.00, contrary to PD 1445 and COA Circular 85-55.A.

being observed.

We recommended that Management:

- a) Direct the Deputy Area Coordinator to coordinate closely with the Service Provider especially during the planning stage so that all factors and possible deviations will be considered early on and before finalizing the POW.
- b) Require the Regional Community Infrastructure Specialist to meticulously check and review every details of the Program of Work to avoid excesses or deficiencies in the future.
- c) Control and monitor the purchases and issuances of materials for the sub-projects.

ACTION PLAN MONITORING

Sector: National Government Sector, Cluster 6 - Health and Science Prepared by _____ Date _____
 Team: _____ Reviewed by _____ Date _____
 Agency Audited: Department of Social Welfare and Development Approved by _____ Date _____
 Audit Period: _____
 CAAR Date: _____

CAAR Ref	Audit Observation	AGENCY ACTION PLAN and STATUS of IMPLEMENTATION				RESULTS of COA VALIDATION						
		Action Plan	Agency Action Plan Person/ Dept. Responsible	Target Implementation Date From To	Status of Implementation	Reason for Partial/ Delay/ Non-Implementation, if applicable	Action Taken/ Action to be Taken	Date Follow up	Status of Implementation	Actual Implementation Date From To	Remarks	
2014	<i>Bank accounts were found to be in the National Treasury kept intact in the bank</i>	Audit Recommendations Concerned officials to deposit immediately with the National Treasury the dormant and unnecessary bank accounts deposited with ACIDB.										
	<i>Loan proceeds grants directly refunded to the IBRD/IFB without</i>	<ul style="list-style-type: none"> Furnish the DOE and the BTr of the LBP bank debit memo pertaining to the return/refunds of loan/grant proceeds with the corresponding 										

CAAR Ref	Audit Observation - DOF/BTr notification	AGENCY ACTION PLAN and STATUS of IMPLEMENTATION				RESULTS of COA VALIDATION						
		Action Plan	Person/Dept. Responsible	Target Implementation Date From To	Status of Implementation	Reason for Partial/Delay/Non-Implementation, if applicable	Action Taken/Action to be Taken	Date Follow up	Status of Implementation	Actual Implementation Date From To	Remarks	
		Audit Recommendations - letters authorizing the withdrawal and deposit of the amount of P6,953,796.22 and \$2,425,268.48 to Wachovia Bank N.A., New York, of the IBRD; and										
		<ul style="list-style-type: none"> Stop the practice of direct refund/return of loan/grant balances, for future transactions of the same nature, instead request for cancellation of the unwithdrawn amount of loan/grant through DOF/BTr. 										
	Recording errors/omissions resulting in misstatement	FOs to forward to the DSWD-CO the transfer notice or deposit slip for reference and use in the monitoring and										

AGENCY ACTION PLAN and STATUS of IMPLEMENTATION

CAAR Ref	Audit Observation of Cash in Bank balances	Agency Action Plan				RESULTS of COA VALIDATION						
		Action Plan	Person/Dept. Responsible	Target Implementation Date		Status of Implementation	Reason for Partial/Delay/Non-Implementation, if applicable	Action Taken/Action to be Taken	Date Follow up	Status of Implementation	Actual Implementation Date	Remarks
				From	To							
	<p>Audit Recommendations of reconciliation of balances of the Current Account;</p> <ul style="list-style-type: none"> KC NPMO and Finance to (a) use the KC-AF-LP according to its intended use; (b) reimburse KC-AF-LP the above amount from the appropriate FAP funds; and (c) adjust/reclassify the charging of expenses from KC-AF to the respective or appropriate funds, as may be necessary; and concern officialsto submit satisfactory explanation, subject to evaluation of the audit team. on the 											

CAAR Ref	Audit Observation	AGENCY ACTION PLAN and STATUS of IMPLEMENTATION					RESULTS of COA VALIDATION				
		Action Plan	Person/ Dept. Responsible	Agency Action Plan Target Implementation Date From To	Status of Implementation	Reason for Partial/Delay/ Non-Implementation, if applicable	Action Taken/ Action to be Taken	Date Follow up	Status of Implementation	Actual Implementation Date From To	Remarks
		<p>Audit Recommendations</p> <p>percent ICC in the costs to ensure the sustainability and success of the ICC projects;</p> <ul style="list-style-type: none"> direct the concerned DSWD officials to impose sanctions in case Municipalities continuously fail to comply with the abovementioned provisions; and direct the concerned DSWD officials to improve the reporting system in the website to include not only the committed sub-project costs but likewise the actual and 									

AGENCY ACTION PLAN and STATUS of IMPLEMENTATION				RESULTS of COA VALIDATION						
CAAR Ref	Audit Observation	Agency Action Plan		Status of Implementation	Reason for Partial/Delay/Non-Implementation, if applicable	Action Taken/Action to be Taken	Date Follow up	Status of Implementation	Actual Implementation Date From To	Remarks
		Action Plan	Person/Dept./Responsible							
		Audit Recommendations detailed costs to reflect the efficiency of the project in attaining its goals.								
	<i>Delayed/implemented/not functional KALATH-CHDSS sub-projects</i>	<ul style="list-style-type: none"> require the KALATH-CHDSS Regional Monitoring Management Unit in coordination with the field personnel to fast track the completion of SPs; adopt measures and institute feedback mechanism system to address the issues and concerns which hinder the timely completion of projects; and direct the ACT and BSPMC to 								

CAAR Ref	Audit Observation	AGENCY ACTION PLAN and STATUS of IMPLEMENTATION					RESULTS of COA VALIDATION					
		Action Plan	Person/ Dept. Responsible	Agency Action Plan Target Implementation Date From To	Status of Implementation	Reason for Partial/Delay/ Non-Implementation, if applicable	Action Taken/ Action to be Taken	Date Follow up	Status of Implementation	Actual Implementation Date From To	Remarks	
		Audit Recommendations immediately correct the defects/deficiencies noted and closely coordinate during planning and pre and post construction phases.										