



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)
National Community Driven Development Project
(NCDDP)
Loan No: 3100-PH**

Department of Social Welfare and Development

For the Year Ended December 31, 2016

June 27, 2017

MS. AYAKO INAGAKI

Director
Human and Social Development Division
Asian Development Bank
6 ADB Avenue, Mandaluyong City

Dear **Ms. Inagaki**:

We are submitting the Audited Financial Reports for the period January 01 to December 31, 2016 for the following projects:

1. KALAHI CIDSS – National Community Driven Development Project (NCDDP) Loan No. 3100-PH;
2. KALAHI CIDSS – National Community Driven Development Project (NCDDP) Additional Financing Grant No. 0472-PH

We hope you find the documents in order.

Very truly yours,



EMMANUEL A. LEYCO
Undersecretary, GASSG





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

CONFIDENTIAL

June 27, 2017

Honorable Judy M. Taguiwalo
Secretary
Department of Social Welfare and Development
Batasan Hills, Quezon City

Madam:

Management Letter on the Audit of the Loan No. 3100-PH: Kapitbisig Laban sa Kahirapan-Comprehensive and Integrated Delivery of Social Services Project (KALAHI-CIDSS) – National Community Driven Development Project (NCDDP) for the Calendar Year 2016

1. Pursuant to the Loan Agreement No. 3100-PH dated March 26, 2014, between the Asian Development Bank and the Republic of the Philippines, thru the Department of Social Welfare and Development, we have audited the accounts and operations of the *Kapitbisig Laban sa Kahirapan-Comprehensive and Integrated Delivery of Social Services Project (KALAHI-CIDSS) – National Community Driven Development Project (NCDDP)* for the period ended December 31, 2016. The audit was conducted in accordance with Philippine Public Sector Standards in 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 teams led by Auditor 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 2016 are shown in **Annexes A-F**, however, the significant accounting policies and other explanatory information or the Notes to Financial Statements are not included in this report.
4. We wish to bring to your attention our audit observations and recommendations which were earlier communicated through Audit Observation Memoranda (AOMs) and discussed in an exit conference conducted on May 23, 2017 with concerned DSWD

discussed in an exit conference conducted on May 23, 2017 with concerned DSWD officials. The comments were incorporated in this report, where appropriate. The significant audit observations and recommendations were incorporated in the Consolidated Annual Audit Report (CAAR) of the Department of Social Welfare and Development for CY 2016.

Operational Highlights

5. As of December 31, 2016, the following are the major programs/projects undertaken by the Agency funded thru Asian Development Bank Loan No. 3100-PH, viz:

PROJECT	Completed	NYS	On-going	Grand Total
Basic Access Infrastructure Sub-Projects	3,551	390	332	4,273
Basic Social Services	3,068	281	346	3,695
Community Production, Economic Support and Common Service Facilities	1,240	55	182	1,477
Environmental Protection & Conservation Sub-Projects	1,961	189	182	2,332
Others	156	3	9	168
Skills Training and Capability Building Sub-Projects	32		1	33
Grand Total	10,008	918	1,052	11,978

Details as follows:

PROJECT	No. of SPs	No. of Beneficiaries	Sum of KC Fund Released	Sum of LCC	Sum of Total Project Cost
Basic Access Infrastructure Sub-Projects	4,273	1,068,553	3,701,731,056.25	171,096,904.42	3,872,827,960.67
Bridge (may include box culvert/ drainage as a component of bridge)	333	78,844	276,333,171.87	13,515,909.96	289,849,081.83
Footpath / Foot Trail / Access Trail (may include box culvert/drainage as a component for Footpath)	927	161,493	686,003,939.10	23,125,488.31	709,129,427.41
Road (may include box culvert/drainage as a component for road)	3,013	828,216	2,739,393,945.29	34,455,506.16	2,873,849,451.44
Basic Social Services	3,695	944,590	3,000,977,130.18	106,582,804.42	3,107,559,934.60
Barangay Hall	170	37,508	83,585,873.20	3,888,748.90	87,474,622.10
Church / Chapel / Congregation Building	164	26,350	71,608,117.37	852,172.60	72,460,289.97
Day Care Center	595	140,704	426,349,915.78	16,115,481.84	442,465,397.62
Electrification / Lighting	882	231,480	580,775,672.28	15,595,108.81	596,370,781.08
Health Station	409	123,880	318,632,360.11	15,801,274.00	334,433,634.11
School Building	823	236,789	985,110,195.66	29,866,434.14	1,014,976,629.80
Tribal Housing / Core Shelter	4	775	1,308,406.70	130,355.60	1,438,762.30
Water System	648	147,104	533,606,589.09	24,333,228.53	557,939,817.62
Community Production, Economic Support and Common Service Facilities	1,477	483,804	1,546,950,225.02	63,983,979.93	1,610,934,204.94
Boat	2	330	1,642,449.33	30,950.00	1,673,399.33

PROJECT	No. of SPs	No. of Beneficiaries	Sum of KC Fund Released	Sum of LCC	Sum of Total Project Cost
Community Center / Multi-Purpose Bldg	1,156	407,925	1,320,166,329.75	54,942,794.19	1,375,109,123.94
Livelihood Equipment / Building / Center (sq.m. for buildings/center and unit for equipment)	12	1,850	5,456,192.28	301,017.72	5,757,210.00
Livelihood Training	6	1,602	3,757,000.00	43,515.86	3,800,515.86
Miniport / Wharf / Fishlanding	101	15,164	79,354,395.55	2,588,690.05	81,943,085.60
Multi-Purpose Vehicle (Land)	6	5,460	13,960,150.88	171,184.00	14,131,334.88
Pre & Post Harvest Facilities	120	29,854	74,647,305.38	4,819,050.35	79,466,355.73
Public Market	20	10,406	13,179,819.15	500,977.11	13,680,796.26
Small Scale Irrigation	26	3,223	13,177,262.99	179,497.70	13,356,760.69
Training & Learning Center / Facility	28	7,990	21,609,319.72	406,302.95	22,015,622.67
Environmental Protection & Conservation SPs	2,332	615,504	2,139,268,480.64	74,343,539.59	2,213,612,020.24
Artificial Coral Reef / Marine Sanctuary (hectares for area and unit for number of provision)	7	3,843	5,372,780.74	71,044.32	5,443,825.06
Flood Control / River Control (including Box Culvert/Drainage/Canal intended to reduce or prevent flooding)	1,698	463,793	1,404,571,740.09	45,694,572.32	1,450,266,312.41
Riprap Wall / Slope Protection / Erosion Control	234	55,966	190,371,941.01	11,146,632.37	201,518,573.39
Sanitary Toilets	63	9,556	58,801,772.40	2,780,652.39	61,582,424.79
Seawall	262	66,216	422,950,495.94	11,767,111.19	434,717,607.13
Solid Waste Management Facilities	6	1,706	3,344,489.51	107,418.49	3,451,908.00
Spillway / Overflow Bridge	62	14,424	53,855,260.95	2,776,108.51	56,631,369.46
Others	168	55,596	102,797,438.62	1,264,075.48	104,061,514.10
Disaster Response / Rescue Equipment /Tools	120	40,373	80,050,350.99	707,166.98	80,757,517.97
Eco-tourism	1	108	322,113.00	4,887.00	327,000.00
Light House	1	480	132,993.16	3,750.00	136,743.16
Other / For classification (sq.m. for buildings, unit for equipment, workers for Cash for works)	25	7,500	10,532,634.59	136,357.15	10,668,991.74
Perimeter Fence	12	4,665	7,374,816.65	281,650.35	7,656,467.00
Railings	7	2,090	3,322,215.23	56,579.00	3,378,794.23
Recreation/Play Ground/Theater	2	380	1,062,315.00	73,685.00	1,136,000.00
Skills Training and Capability Building SPs	33	10,935	11,709,385.80	106,666.09	11,816,051.89
Capability Building / Training / Feasibility Studies	33	10,935	11,709,385.80	106,666.09	11,816,051.89
Grand Total	11,978	3,178,982	10,503,433,716.51**	417,377,969.93	10,920,811,686.44
Beneficiaries of 426 SPs not yet determined					
** Component 1-Barangay Community Sub-Grants is P8,444,199,271.04 as of 12/31/16 per FOs Statement of Sources and Uses of Funds, thus, the above KC-Grants is overstated by P2,059,234,445.50 due to deficient reporting and monitoring per observation/finding paragraph 11 of this report.					

Financial Highlights

6. Asian Development Bank Loan No. 3100-PH Disbursement Status ending December 2016 (in US\$):

Project Category	Allocation	Utilized	Disbursement Rate	Unutilized
Grants	358,581,000.00	192,533,562.83	54%	166,047,437.17
Equipment, Vehicle And Furniture	1,073,000.00	848,815.68	79%	224,184.32
Advocacy And lec Materials	156,000.00	64,588.29	41%	91,411.71
Training, Workshops And Meetings	9,413,000.00	4,441,198.55	47%	4,971,801.45
Consulting Services	1,200,000.00	21,362.37	2%	1,178,637.63
Monitoring And Evaluation	1,160,000.00	43,817.39	4%	1,116,182.61
Unallocated	520,895.00			
Imprest Fund-Wf		35,878,855.26		(35,878,855.26)
TOTAL PROJECT COST	372,103,895.00	233,832,200.36	63%	137,750,799.64

A. SUMMARY OF OBSERVATIONS and RECOMMENDATIONS

7. The following are the significant observations and recommendations:

- a) The non-liquidation of fund transfers to various NGOs/POs resulted in the accumulation of the account balance of approximately ₱2.6 billion or 31.69 per cent of the total community grants as of year-end.

We recommended and the DSWD Secretary agreed to direct FO Directors concerned to:

i) **Direct Accounting Division to:**

- continuously demand from NGOs/POs the submission of LRs and refund of unutilized balance, if any, especially those with long-outstanding dormant balances to comply with the guidelines prescribed under COA Circular No. 2007-001 and the provisions in the MOA/Agreement;
- strengthen the monitoring controls on fund transfers to NGOs/POs;

ii) **Ensure that necessary provisions on control measures in the implementation of the project up to liquidation of funds are included in the Memorandum of Agreement with NGOs/POs for accountability purposes; and**

iii) **Assign specific personnel to monitor and follow up utilization reports of fund transfers to NGOs/POs**

- b) As of December 31, 2016 KC-NCDDP registered a Physical accomplishment of 83.55 percent and exceeding the 70.00% KC-NCDDP Results Framework per loan agreement, thus the objective of the project to provide target

beneficiaries of improved access to services and infrastructure and to participate in more inclusive management planning, budgeting and implementation in their community had been generally achieved.

We commended the DSWD Secretary and PMO for exerting efforts to facilitate completion of targeted projects, however for the uncompleted SPs, we recommend that the DSWD Secretary require the concern ACTs and RPMOs personnel to:

- i) Regularly monitor the on-going and unimplemented SPs and determine the causes of delays and address the issues and concerns to fast track the completion of the SPs;**
 - ii) Furnish the BSPMCs with the list of good standing contractors and suppliers and blacklist erring contractors and suppliers; and**
 - iii) Require the BSPMCs to strictly adhere to the KALAHI policy as to the prescribed period of project implementation by the timely submission of the requests for fund release and supporting documents;**
 - iv) Fast track the downloading of community grants to BSPMC; and**
 - v) Avoid reshuffling of project personnel within the period of implementation, if feasible.**
- c) Eight SPs costing ₱12,907,672.82 were found to have deficiencies/issues, due to failure of RPMO/SRPMO as well as project proponents to monitor and resolve project issues, thus may compromise the efficient and effective use of the facility and not in keeping with KC-NCDDP Community Empowerment Activity Cycle and Monitoring and Evaluation Sub-Manual for Program Implementer.

We recommended and the DSWD Secretary agreed to require the concerned FO ACT/RPMO personnel to:

- i) closely monitor, supervise and provide technical assistance to the BSPMC during project implementation and immediately correct the defects/deficiencies noted for the full continuity and functionality of the SPs for the benefits of the intended beneficiaries;**
- ii) strictly implement the provision of storage facilities before the delivery of the construction materials at the site to secure these materials; and**

iii) hold accountable the RPMO/ACT/BSPMC who will be found remiss in the monitoring and evaluation of the SPs.

- d) Validation of the community grant to BSPMC amounting to P83,629,087.27 showed a difference of P1,191,585.07 as against the KC-NCDDP report due to deficient reporting and monitoring mechanism of projects, thus affecting the accuracy of the reported project accomplishments to various stakeholders

We reiterate our last year's recommendation that the DSWD Secretary require the concerned FO to:

- i) instruct the ACTs to properly monitor the status of SPs implementation within their area of responsibilities and ensure that all information/reports are accurate, complete, and consistent with Program standards; and**
 - ii) conduct reconciliation of unrecorded community grants in the KC-NCDDP Report vis-à-vis in the books of BSPMC and ensure that project reports are validated before this are issued to various stakeholders.**
- e) The lack of capacity building initiatives for Operations & Maintenance (O & M) group and non-compliance with KC post implementation regulations diminished the efficiency and effectivity of project monitoring and reporting to ensure sustainability of completed projects.

We recommended and the DSWD Secretary agreed to require the concerned FO:

- i) O&M groups thru RPMO/Area Coordinating Team submit necessary documents (such as Policies and Guidelines) to concerned LGUs for group accreditation and assistance in the proper utilization and maintenance of the SPs;**
- ii) RPMO/ Monitoring and Evaluation Team, ACT to conduct capacity building initiatives and trainings to ensure that O&M groups are equipped to manage SPs.**

B. DETAILED OBSERVATIONS AND RECOMMENDATIONS

Financial and Compliance

8. **The non-liquidation of fund transfers to various NGOs/POs resulted in the accumulation of the account balance of approximately ₱2.6 billion or 31.69 per cent of the total community grants as of year-end.**

8.1 The Revised Guidelines and Documentary for Common Government Transactions on Fund Transfers to Non-Government Organizations/Peoples Organizations (NGOs/POs) is prescribed under COA Circular No. 2012-001, among others:

Section 2.0 - NGOs/POs are not allowed to participate in the implementation of any program or project of government agencies until such time that any earlier fund releases availed by the said NGOs/POs shall have been fully liquidated pursuant to pertinent accounting and auditing rules and regulations as certified by the Head of Agency concerned and the COA Auditor.

Section 3.1-Fund transfers should be properly taken up in the books of both agencies, used only for the purpose intended, and properly accounted and reported.

8.2 Likewise, COA Circular No. 2007-001 dated October 25, 2007, provides among others:

Section 4.5.6 - No (NGOs/PO) shall be recipient of funds where any of the provisions thereof and the agreement has not been complied with, in any previous undertaking with funds allocated by the GO.

Section 5.3 - The signing officials of Government Organizations (GOs) to the Memorandum of Agreement (MOA) shall cause close monitoring and inspection of project implementation and verification of financial records and reports of the NGOs/POs, and shall insure compliance with the provisions of the MOA and of the COA Circular. Fund releases are subject to liquidation through submission of Fund Utilization Reports (FURs).

Section 5.4 - Within sixty (60) days after the completion of the project, the NGO/PO shall submit the final Fund Utilization Report certified by its Accountant and approved by its President/Chairman to the GO, together with the inspection report and certificate of project completion rendered/issued by the GO authorized representative, list of beneficiaries with their acceptance/acknowledgment of the

project/funds/goods/services received. The validity of these documents shall be verified by the internal auditor or equivalent officials of the GO and shall be the basis of the GO in recording the fund utilization in its books of accounts. These documents shall support the liquidation of funds granted to the NGO/PO.

8.3 Verification of SL balances of the Receivables-Due from NGOs/POs disclosed an accumulated balance of ₱2.67 billion or 31.69 percent of the total community grants as of December 31, 2016, the details of which are summarized in the table below:

Table 1. Status of Liquidation (ADB)

Region	Total Community Grants per Barangay (Community) Sub-Grants as of 12/31/16	Liquidation	Balance (per TB as of 12/31/16)	% Unliquidated
IVA	311,402,665.97	305,554,891.56	5,847,774.41	1.88
IVB	833,195,292.28	759,861,903.12	73,333,389.16	8.80
V	1,528,014,849.01	1,061,935,709.30	466,079,139.71	30.50
VI	1,905,000,385.05	1,074,574,443.80	830,425,941.25	43.59
VII	1,183,063,861.19	188,091,546.63	994,972,314.56	84.10
VIII	1,731,584,213.44	1,489,391,465.97	242,192,747.47	13.99
X	88,853,346.36	71,791,128.19	17,062,218.17	19.20
XI	258,813,279.60	222,102,215.34	36,711,064.26	14.18
Caraga	604,271,378.14	594,928,265.44	9,343,112.70	1.55
Total	8,444,199,271.04	5,768,231,569.35	2,675,967,701.69	31.69

8.4 The non-liquidation of fund transfers resulted in the non-recording of the appropriate transactions as they occur which tend to overstate the account affected.

8.5 We recommended and the DSWD Secretary agreed to direct FO Directors concerned to:

a) Direct Accounting Division to:

- continuously demand from NGOs/POs the submission of LRs and refund of unutilized balance, if any, especially those with long-outstanding dormant balances to comply with the guidelines prescribed under COA Circular No. 2007-001 and the provisions in the MOA/Agreement;
- strengthen the monitoring controls on fund transfers to NGOs/POs;

b) Ensure that necessary provisions on control measures in the implementation of the project up to liquidation of funds are included in the Memorandum of Agreement with NGOs/POs for accountability purposes; and

c) **Assign specific personnel to monitor and follow up utilization reports of fund transfers to NGOs/POs.**

8.6 Management commented that the status of unliquidated fund transfers after December 31, 2016, are as follows:

FOs	Management Comments
IV-B	Sending of quarterly demand letters is being done regularly and that close monitoring of all unliquidated fund transfer is being adopted. Project Officers conducted consultation with project implementers and accountants during official filed visit to NGOs/POs.
VI	<p>Management comments are as follows:</p> <ul style="list-style-type: none"> The issue has been raised in the Management Committee meeting and reiterate on the participation of programs/projects concerned on the monitoring and collection of liquidation reports of NGOs/POs and the inclusion of necessary provision in the MOA for accountability purposes; The CY 2016 fund transfers are with on-going project implementation; DSWD Team created for the monitoring and collection of reports from LGUs will conduct the same activities from NGOs/POs.

9. **As of December 31, 2016 KC-NCDDP registered a Physical accomplishment of 83.55 percent and exceeding the 70.00% KC-NCDDP Results Framework per loan agreement, thus the objective of the project to provide target beneficiaries of improved access to services and infrastructure and to participate in more inclusive management planning, budgeting and implementation in their community had been generally achieved.**

9.1 The Intermediate Outcome Indicators for the CY 2015 per the Results Framework of KC-NCDDP states that, 70% of NCDDP community projects should be completed in accordance with technical plans, schedule and budget.

9.2 As of CY 2016 the KALAHI-CIDSS – National Community-Driven Development Program (NCDDP) funded by ADB loan has approved Community Grants for the implementation of Sub-projects with total cost of P11,412,708,703.05 for 11,978 SPs to be implemented nationwide. Per report of accomplishment submitted by the Project Management Office (PMO), the DSWD has accomplished 10,008 or 83.55 of its targeted SPs. Details per Region is shown below:

Table 2. Status of Physical and Financial Accomplishment

RO	Approved Budget per 2015 & 2016 WFP	Target No. of SPs	Completed No. SPs	KC Grant of Completed SPs	% of Accomplishment	
					Physical	Financial
IV-A	375,975,283.80	509	489	302,293,693.20	96.07	80.40
IV-B	1,130,914,390.12	1,073	772	628,272,995.90	71.95	55.55
V	2,584,191,382.10	1,118	669	970,621,760.56	59.83	37.56
VI	2,441,106,594.42	3,104	2,870	1,912,977,035.65	92.46	78.37
VII	1,483,176,431.64	1,163	934	772,185,189.00	80.31	52.06
NIR	105,540,800.00*	520	449	484,176,877.25**	86.35	**
VIII	2,297,799,803.35	3,574	3,005	1,665,945,006.45	84.08	72.50
X	98,972,300.72	42	34	36,350,542.36	80.95	36.73
XI	244,721,662.90	234	191	220,148,860.00	81.62	89.96

RO	Approved Budget per 2015 & 2016 WFP	Target No. of SPs	Completed No. SPs	KC Grant of Completed SPs	% of Accomplishment	
					Physical	Financial
CARAGA	650,310,054.00	641	595	621,376,366.85	92.82	95.55
TOTAL	11,412,708,703.05	11,978	10,008	7,614,348,327.22	83.55	66.72

* 2016 WFP only, as Negros Island Region (NIR) was part of VI & VII in 2015. ** Financial accomplishment of NIR included 2015 & 2016

9.3 As gleaned from the above table, the program only registered a 66.72 percent financial accomplishment due to the non-downloading of 10% project cost representing contingency fund of some projects.

9.4 To validate the above accomplishment, the audit team selected six regions with materiality as criteria and employed the following audit procedures:

- a) Conduct inspection of physical accomplishment of selected SPs;
- b) Conduct interviews with the Barangay Sub-Project Management Committee cum members, Operations and Maintenance group and community-beneficiaries;
- c) Obtain copies of technical, financial, and physical accomplishment reports, and other related documents from the BSPMC/ACT and compare balances and information versus checklist prepared.

9.5 The results of validation disclosed that of the total 113 SPs selected 108 or 95.58 percent was completed, 4 or 4.54 percent are going and 1 not yet started, to wit:

Table 3. Validation results per Region

Field Office	Validation		Completed				On-Going			Not Yet Started	
	No. of SPs	Project Cost	No. of SPs	Project Cost	Financial %	Physical %	No. of SPs	Project Cost	%	No. of SPs	Project Cost
IV- MiMaRoPa	17	14,856,379.29	17	14,856,379.29	100.00	100.00					
V	8	16,535,742.98	5	9,022,465.28	69.01	62.50	2	5,451,026.52	25.00	1	2,374,618.30
VI	29	22,586,108.80	27	20,503,170.60	88.17	90.78	2	2,082,938.20	6.90		
VII	32	26,371,387.16	32	26,371,387.16	100.00	100.00					
VIII	9	6,886,192.00	9	6,886,192.00	100.00	100.00					
XI	18	21,163,565.00	18	21,163,565.00	100.00	100.00					
Total	113	108,399,375.23	108	98,803,159.33	91.15	95.58	4	7,533,964.72	4.54	1	2,374,618.30

9.6 As deduced from the table above, the physical accomplishment of the field offices (FO) was 95.58 percent with a financial accomplishment of 91.15 percent meeting the 70 percent target set in the Results Framework of KC-NCDDP except for FO V who has only 62.50 percent physical accomplishment. As for the on-going and not year started projects vis-à-vis the project cost of 4.54 percent and 0.88 percent respectively are well within the marginal letdown. Interview revealed the following perennial causes of delays in the implementation of the program:

- a) Bad weather condition, especially to communities in the shoreline or islands;
- b) Procurement documents not immediately prepared by the SPMC;

- c) Limited contractors and suppliers within the area and/or their reluctance to engage in community SP implementation due to costly hauling of materials especially to far-flung areas, thus the frequent failure of bidding/canvass;
- d) Reshuffling of project personnel

9.7 In Region XI, 18 sub-projects costing ₱21,163,565.00 have failed to meet specific targeted completion date stipulated in the contracts with a delayed implementation ranging from 26 days to a maximum of sixty four (64) calendar days.

9.8 Moreover, we noted that funds for approved projects amounting ₱14,240,572.59 were not released by the FOs, thus contributing to the unaccomplished SPs in CY 2016 and depriving the concerned community of the benefits due them.

9.9 While there some challenges in the implementation of the SPs, the completion of the prioritized projects gave the community-beneficiaries access to basic social services, infrastructures and other benefits due them, thus the objective of the project to the target beneficiaries for improved access to services and infrastructure and to participate in more inclusive management planning, budgeting and implementation in their community had been generally achieved.

9.10 We commended the DSWD Secretary and PMO for exerting efforts to facilitate competition of targeted projects, however for the uncompleted SPs, we recommend that the Management require the concern ACTs and RPMOs personnel to:

- a) **Regularly monitor the on-going and unimplemented SPs and determine the causes of delays and address the issues and concerns to fast track the completion of the SPs;**
- b) **Furnish the BSPMCs with the list of good standing contractors and suppliers and blacklist erring contractors and suppliers; and**
- c) **Require the BSPMCs to strictly adhere to the KALAH I policy as to the prescribed period of project implementation by the timely submission of the requests for fund release and supporting documents;**
- d) **Fast track the downloading of community grants to BSPMC; and**
- e) **Avoid reshuffling of project personnel within the period of implementation, if feasible.**






10. Eight SPs costing P12,907,672.82 were found to have deficiencies/issues, due to failure of RPMO/SRPMO as well as project proponents to monitor and resolve


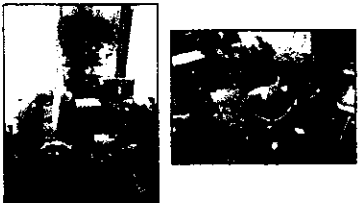
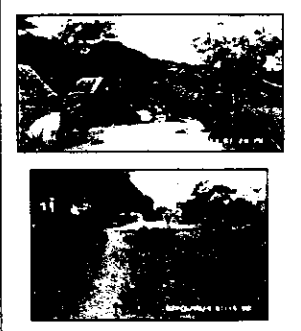
project issues, thus may compromise the efficient and effective use of the facility and not in keeping with KC-NCDDP Community Empowerment Activity Cycle and Monitoring and Evaluation Sub-Manual for Program Implementer.

10.1 The Manual provides that the Sub-Regional Project Monitoring Officer conducts field visits for monitoring of SPs implementation activities. Also, in the M & E Sub-Manual for Program Implementer specifically provides that implementers should conduct operations or implementation monitoring to address compliance that focuses on monitoring and assessing if a project, program or policy is being executed.

10.2 During the validation, we noted that 8 SPs were with structural deficiencies, thus, may compromise the efficient and effective use of the facility with the corresponding comment from the Management, to wit:

Table 4. Summary of Validated SPs with Deficiencies

No.	SP	Location	Project Cost	Deficiencies/ Issue-Management Comment	Photos
1)	Construction of Evacuation Center (ADB)	Maqueda, Caramoan, Camarines Sur	2,374,618.30	Non-downloading of P237,461.83 balance; Delayed implementation 90% of the grants downloaded, 93.52% of which have been utilized. Preparation of the RFR for 2 nd tranche is on-going. Physical accomplishment is 75%	
2)	Construction of Evacuation Center (ADB)	Illawod, Caramoan, Camarines Sur	2,374,618.30	Non-downloading of 237,461.83 balance; Delayed completion. SP 85% Complete 99.86% of grants downloaded have been utilized. Final tranche is in process. Physical accomplishment is 75%	
3)	Improvement of Brgy. Road with Drainage Canal (ADB)	Tabog, Caramoan, Camarines Sur	3,076,408.22	Non-downloading of 307,640.82 balance; Delayed completion 99.54% of the 90% of the grants downloaded were utilized. Final tranche in process. 82% physical accomplishment.	
4)	Community-Managed construction of a Day Care Center (ADB)	Brgy. 8, San Jose, Antique	749,368.00	Non-downloading of P74,406.80 balance; Implementation of SP is already taking 17 months 2 nd tranche downloaded last March 29, 2017; Physical status 100% completed to date.	
5)	Community-Managed Construction of Evacuation Center (ADB)	Brgy. 4, San Jose, Antique	1,413,277.00	Non-downloading of P140,797.70 balance; Delayed completion 70% complete Community has not requested for release of the fund balance. Current funds able to complete the SP as planned. Physical status 100% completed to date	

No.	SP	Location	Project Cost	Deficiencies/ Issues-Management Comment	Photos
6)	Community-Managed Construction Of Evacuation Center (ADB)	Brgy. 3, San Jose, Antique	1,885,283.80	Constructed a Civic Center not in accordance to Program of Works; No Final Inspection Report, Certificate of Completion and Acceptance, no Sub-Project Completion Report Final Inspection Report and SP completion report submitted on 8/30/2017, but not yet updated in the KC website. Certificate of SP completion with turn-over and acceptance are included in the SPCR	
7)	First Aid Management Training with Emergency Equipment (Portable Oxygen Tank and basic rescue materials) (ADB)	Cubay South, Bugasong, Antique	738,188.08	Missing emergency equipment/basic rescue materials: no proper storage, no inventory record Inventory recording was initiated by the project staff and already in place. The barangay replaced the items missing using their disaster funds. The equipment were labeled with control numbers for proper inventory. However the storage is still in the barangay hall.	
8)	Concreting of 8.18 km. Danglag Barangay Road (ADB)	Barangay Danglag, Consoledon, Cebu	1,104,888.88	- Completion date: 02/25/2816 - the location where the completed SP (concreted 8.18 km road) was constructed in an agricultural area surrounded by corn fields and far from the barangay road with no clear entrance and exit points - SP did not served its purpose because said area could not be reached by vehicles because of its rocky and hilly terrain before reaching to the concreted road -The SP in barangay Danglag was implemented based on the approved program of work that went through a process of consultation through barangay assembly. Location accessibility was thoroughly considered before its implementation -The regional management will seek audience with the barangay council of Barangay Danglag on March 11, 2817 to negotiate for the completion of the roads connecting the SP. -The barangay council submitted a resolution of road ownership and to submit other supporting documents. The RPMO also claimed to have the 8 deeds of donation signed by 4 people who have ownership on parts of the SP.	

10.3 The failure of RPMO as well as project proponents to monitor and resolve project issues resulted to the uncorrected and unreported deficiencies in the project implementation and completion, thus affecting the satisfactory project completion and maximum utilization of SPs.

10.4 We recommended and the DSWD Secretary agreed to require the concerned FO ACT/RPMO personnel to:

- a) closely monitor, supervise and provide technical assistance to the BSPMC during project implementation and immediately correct the defects/deficiencies noted for the full continuity and functionality of the SPs for the benefits of the intended beneficiaries;
- b) strictly implement the provision of storage facilities before the delivery of the construction materials at the site to secure these materials; and
- c) hold accountable the RPMO/ACT/BSPMC who will be found remiss in the monitoring and evaluation of the SPs.

11. Validation of the community grant to BSPMC amounting to P83,629,087.27 showed a difference of P1,191,585.07 as against the KC-NCDDP report due to deficient reporting and monitoring mechanism of projects, thus affecting the accuracy of the reported project accomplishments to various stakeholders.

11.1 Pursuant to the KC-NCDDP Operations Manual, the ACT will prepare and submit reports thru the Sub-Regional Program Management Team (SRPMT) to the Regional Project Monitoring Office (RPMO), the Municipal Consolidated Status of Grant Fund Utilization and other reports. In turn, RPMO will submit to the National Project Monitoring Office every 15th of the following month for the monthly reports and every 25th of the following quarter for the quarterly reports.

11.2 Out of the data from the submitted reports, the NPMO prepares national progress reports and other monitoring reports for submission to the National Program Director, Human Development and Poverty Reduction Cluster, National Steering Committee, national oversight agencies, and donor agencies of the Program. Comparison of the submitted KC-NCDDP report and the validation result by the Audit Team revealed unreconciled data, thus casting doubts on the validity and integrity of the information relayed to various stakeholders.

11.3 Validation of the documents in the custody of the BSPMC revealed the variance of ₱1,191,585.07 versus the KC-NCDDP report of National Project Monitoring Office, thus affecting the accuracy of the balances downloaded to the BSPMC:

Table 5. Comparison of Recorded Community Grants

Region	Per BSPMC	Per KC	Difference
IV- MiMaRoPa	14,856,379.29	13,807,604.75	1,048,774.54
V	16,535,742.98	17,749,825.25	(1,214,082.27)
VI	22,046,348.25	21,582,136.79	464,211.46
VII	23,342,222.33	22,393,231.20	948,991.13
VIII	6,848,394.42	6,904,704.21	(56,309.79)
Total	83,629,087.27	82,437,502.20	1,191,585.07

11.4 The inconsistencies noted in the financial reports may affect decision-making process that would ensure efficient and effective implementation of KC projects.

11.5 We reiterated our last year's recommendations that the DSWD Secretary require the concerned FO to:

- i) instruct the ACTs to properly monitor the status of SPs implementation within their area of responsibilities and ensure that all information/reports are accurate, complete, and consistent with Program standards; and
- ii) conduct reconciliation of unrecorded community grants in the KC-NCDDP Report vis-à-vis in the books of BSPMC and ensure that project reports are validated before this are issued to various stakeholders.

Management Comments:

11.6 Management commented that the difference represents the balance yet to be released to the concerned BSPMCs, however, DSWD could not make any release pending the following:

- a) the SP existing physical and financial progress should have reached the percentage required; and
- b) the BSPMCs or the excess amount to be refunded to DSWD.

Auditor's Rejoinder:

11.7 Our validation showed that the fund utilized per BSPMC documents/reports vis a vis the KC Fund Releases Report were not reconciled with the amount downloaded as of December 31, 2016, thus we maintain our recommendation.

12. The lack of capacity building initiatives for Operations & Maintenance (O & M) group and non-compliance with KC post implementation regulations diminished the efficiency and effectivity of project monitoring and reporting to ensure sustainability of completed projects.

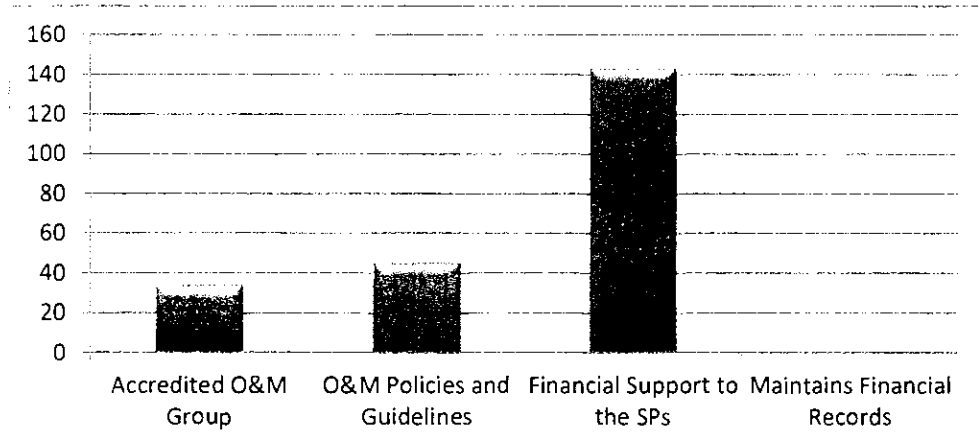
12.1 Pursuant to the program development objective of KC-NCDDP the Communities in the target municipalities should be empowered to achieve improved access to basic services and to participate in more inclusive local planning, budgeting, implementation and disaster risk reduction and management”, the team validated the sustainability and maintenance of the SPs under the management of O&M groups.

12.2 Among the activities enumerated in the CEAC to capacitate the communities after project completion are as follows:

- a) Accreditation of Organization By-Laws and O & M Policies;
- b) Conducts general orientation on operation and maintenance and forming O & M groups and facilitate planning workshop;
- c) Inter-organization learning forums to encourage exchange of experiences and learnings, and collective problem solving support.

12.3 The results of interview for validated 149 SPs is provided in the chart below:

Figure 1



12.4 As can be seen in the above chart, all 149 have an established Financial Support coming from BLGUs but only 34 O&M Groups were duly accredited, 45 groups with established written policies and guidelines, and none of the validated O & M maintains Financial records. Interview with the community revealed that O&M groups were formed after the project completion as part of CEAC activity, but out of 149 completed SPs, 115 O&M groups are only recognized by the BLGU and MLGU through the Mutual Partnership Agreement.

12.5 The presence or compliance with such data are gauges that these groups are capable of sustaining or maintaining the SPs to ensure efficient and effective utilization of the SPs as well as implementation of future projects.

12.6 We recommended and the DSWD Secretary agreed to require the concerned FO:

- a) **O&M groups thru RPMO/Area Coordinating Team submit necessary documents (such as Policies and Guidelines) to concerned LGUs for group accreditation and assistance in the proper utilization and maintenance of the SPs;**
- b) **RPMO/ Monitoring and Evaluation Team, ACT to conduct capacity building initiatives and trainings to ensure that O&M groups are equipped to manage SPs.**

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

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

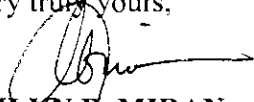
Status of Implementation	No. of Recommendations
Fully Implemented	18
Partially Implemented	0
Not Implemented	0

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

D. ACKNOWLEDGEMENT

15. 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.

Very truly yours,


MARILEYN B. MIRAN
OIC-Supervising Auditor
DSWD Audit Group

Cc:

Cluster 6- Health & Science Director
National Government Sector
Commission on Audit
Batasan Hills Quezon City

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 – Status of Prior Year's Audit

Annexes



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

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: National Community Driven Development Project – Asian Development Bank**, which comprise the statement of financial position as at December 31, 2016, 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.

Opinion

a) *Financial Statements*

In our opinion, the attached financial Statements presents fairly, in all material respects the financial position of the **Kapit-bisig Laban sa Kahirapan – Comprehensive and Integrated Delivery of Social Services: National Community Driven Development Project-ADB** as of December 31, 2016 and 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.

b) *Statement of Expenditures*

In our opinion, the attached *Statement of Expenditure* of KC-NCDDP-ADB presents fairly, in all material respects, the expenditure of P1,608,073,345.95 incurred by the KC-NCDDP-ADB for the period 1 January 2016 to 31 December 2016 in accordance with agreed upon accounting policies and were: (i) in conformity with the approved project budgets; (ii) for the approved purposes of the project; (iii) in compliance with the relevant **Asian Development Bank** regulations and rules, policies and procedures; and (iv) supported by properly approved vouchers and other supporting documents.

c) *Statement of Imprest Accounts*

In our opinion, the *Statement of Imprest Accounts* presents fairly, in all material respects, the cash and bank balance of the KC-NCDDP-ADB amounting to P446,268,674.99 (\$8,958,879.71) as at 31 December 2016 in accordance with the relevant covenants of the loan and relevant regulations established by the Asian Development Bank.


d) *Compliance with Loan Agreement*

In our opinion the KC-NCDDP-ADB has complied in all material respects with all financial covenants of the loan agreement number 3100-PHI;

COMMISSION ON AUDIT


MARILYN B. MIRAN

State Auditor IV

OIC-Supervising Auditor 

June 30, 2017



Annex B

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**
National Community-Driven Development Project


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, 2016** 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

07 FEB 2017

Date Signed


ASEC. RODOLFO M. SANTOS, CESO III
Officer-in-Charge
Office of the Undersecretary for General
Administration and Support Services

10 FEB 2017

Date Signed



DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT
Statement of Financial Position
As of December 31, 2016

Support to Foreign-Assisted Fund - General Fund - New General Appropriations - NCDDP-ADB
(in Philippine Peso)

	2016	2015
ASSETS		
Current Assets		
Cash and Cash Equivalents <i>(Note 6)</i>	1,286,834,346.14	2,525,857,339.48
Receivables <i>(Notes 7 and 8)</i>	2,675,971,393.85	5,852,808,809.03
Inventories <i>(Note 9)</i>	251,204.99	152,042.94
Other Current Assets <i>(Note 11)</i>	1,642,598.00	(15,833.34)
Total Current Assets	3,964,699,542.98	8,378,802,358.11
Non - Current Assets		
Property, Plant and Equipment <i>(Note 10)</i>	29,335,344.08	25,740,456.74
Total Assets	3,994,034,887.06	8,404,542,814.85
LIABILITIES		
Current Liabilities		
Financial Liabilities <i>(Note 12)</i>	235,715,965.53	529,689,409.42
Inter-Agency Payables <i>(Note 13)</i>	2,442,185.46	891,642.44
Other Payables	2,853.53	
Total Current Liabilities	238,161,004.52	530,581,605.39
Non- Current Liabilities		
Total Non- Current Liabilities		
Total Liabilities	238,161,004.52	530,581,605.39
NET ASSETS/EQUITY		
Accumulated Surplus/(Deficit)	3,755,873,882.54	7,873,961,209.46
Total Net Assets/Equity	3,755,873,882.54	7,873,961,209.46
Total Liabilities and Net Assets/Equity	3,994,034,887.06	8,404,542,814.85



Department of Social Welfare and Development
STATEMENT OF FINANCIAL PERFORMANCE
 For the period ending December 31, 2016
NCDDP-ADB
 (in Philippine Peso)

	2016	2015
Revenue		
Service and Business Income <i>(Note 15)</i>	3,871,452.14	4,531,423.64
Total Revenue	3,871,452.14	4,531,423.64
less: Current Operating Expenses		
Maintenance and Other Operating Expenses <i>(Note 16)</i>	162,633,821.82	60,711,930.76
Financial Expenses <i>(Note 17)</i>	76,144.24	103,992.56
Non-Cash Expenses		
Depreciation <i>(Note 18)</i>	4,470,226.84	2,063,506.29
Amortization-Intangible Assets <i>(Note 19)</i>		15,833.34
Current Operating Expenses	167,180,192.90	62,895,262.94
Surplus/(Deficit) from Current Operations	(163,308,740.76)	(58,363,839.30)
Financial Assistance/Subsidy from NGA, LGUs, GOCCs <i>(Note 20)</i>		
Subsidy from National Government	912,848,667.29	8,918,957,701.19
Less: Subsidies-Others-Financial	2,347,016,332.60	1,170,855,115.74
Net Financial Assistance/Subsidy	(1,434,167,665.31)	7,748,102,585.45
Gains <i>(Note 21)</i>	104,136,371.95	139,658,057.15
Losses <i>(Note 21)</i>	102,034,069.60	(24,813,329.34)
Surplus(Deficit) for the period	(1,595,374,103.72)	7,804,583,473.96



Department of Social Welfare and Development
STATEMENT OF CASH FLOWS
 For the period ending December 31, 2016
NCCDP- ADB
 (in Philippine Peso)

	CY 2016
Cash Flows From Operating Activities	
Cash Inflows	
Receipt of Notice of Cash Allocation	1,060,498,664.68
Collection of Income/Revenues	3,603,080.06
Collection of Receivables	37,967,926.27
Receipt of Inter-Agency Fund Transfers	32,774,737.70
Receipt of Intra-Agency Fund Transfers	2,123,110,285.66
Other Receipts	5,408,357.91
Adjustments	155,498,017.03
Total Cash Inflows	3,418,861,069.31
Cash Outflows	
Remittance to National Treasury	21,790.00
Payment of Expenses	182,994,783.05
Purchase of Inventories	181,569.44
Grant of Cash Advances	1,653,135.97
Prepayments	
Payment of Accounts Payable	130,508,650.39
Remittance of Personnel Benefit Contributions and Mandatory Deductions	11,536,431.38
Grant of Financial Assistance/Subsidy	3,265,243,350.18
Release of Inter-Agency Fund Transfers	798,172,931.03
Release of Intra-Agency Fund Transfers	
Other Disbursements	4,336,277.01
Reversal of Unutilized NCA	129,364,620.54
Adjustments	129,759,651.45
Total Cash Outflows	4,653,773,190.44
Cash Provided by (Used in) Operating Activities	(1,234,912,121.13)
Cash Flows from Investing Activities	
Cash Inflows	
Total Cash Inflows	
Cash Outflows	
Purchase/Construction of Property, Plant and Equipment	7,958,696.60
Total Cash Outflows	7,958,696.60
Cash Provided By (Used In) Investing Activities	(7,958,696.60)
Cash Flows From Financing Activities	
Cash Provided By (Used In) Financing Activities	
Increase (Decreased in Cash And Cash Equivalents	3,847,824.39
Effects of Exchange Rate Changes on Cash and Cash Equivalents	
Add: Cash Balance, Beginning January 1, 2016	2,525,857,339.48
Cash Balance, Ending December 31, 2016	1,286,834,346.14



DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT
Statement of Changes in Net Assets/Equity
Consolidated Central and Regional Offices
NCDDP-ADB
(in Philippine Peso)
For the Year Ended December 31, 2016

	2016	2015
Balance at December 31, 2015/2014	7,873,961,209.46	389,715,025.95
Changes in Accounting Policy		
Restated Balance		389,715,025.95
Changes in Net Assets/Equity for CY		-
Adjustment of net revenue recognized directly in net assets/equity	(2,518,045,036.54)	(319,599,496.17)
Surplus/(Deficit) for the period	5,355,916,172.92	7,804,583,473.96
Total recognized revenue and expense for the period	(1,595,374,103.72)	7,484,983,977.79
Others	(4,668,186.66)	737,794.28
Balance at December 31, 2016/2015	3,755,873,882.54	7,873,961,209.46

DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT
Office of the Secretary
Financial statements for the year ended December 31, 2016

DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT
Notes to Financial Statements-KC-NCDDP - ADB
For the year ended December 31, 2016

1. General Information/Agency Profile

The financial statements of Department of Social Welfare and Development were authorized for issue as shown in the Statement of Management Responsibility for Financial Statements.

On 15 February 1915, upon creation of the Public Welfare Board during the American Regime, the government started to get involved in social welfare. The board was established to coordinate, regulate and supervise social services activities and other charitable works rendered by religious orders and organizations. Finally in 1917, the first government orphanage was established. As a result of several changes by the government in its bureaus and departments, the original Public Welfare Board of the year 1915 became The Department of Social Welfare and Development (DSWD). After which, The Social Welfare Administrator was formally created by virtue of Executive Order No. 396 dated 13 January 1951. Republic Act No. 5416 known as the Social Welfare Act was approved in 1968. It was made into a Department, whose responsibility was to provide comprehensive program of social welfare services designed to ameliorate the living conditions of distressed Filipinos, particularly those who are handicapped by reason of poverty, youth, physical and mental disability, illness and old age, or who are victims of natural calamities including assistance to members of the cultural minorities.

With the provision of DSWD Mandate under Executive Order No. 15, DSWD was transformed from the rowing to steering role that usher in the new vision, mission and goals for the Department.

The Department's vision is directed towards the attainment of a "society where the poor, vulnerable and disadvantaged individuals, families and communities are empowered for an improved quality of life".

In the pursuit of its vision, the DSWD mission is to "provide social protection and promote the rights and welfare of the poor, vulnerable, and disadvantage individuals, family and community to contribute to poverty alleviation and empowerment through SWD policies, programs, projects and services implemented with or through Local Government Units (LGUs), Non-Government Organizations (NGOs), Peoples' Organization and other members of civil society".

1.1 Programs/Projects/Activities

❖ Foreign Assisted Program

- KALAHI-CIDSS National Community Driven Development Project (NCDDP) - a poverty alleviation program of the National Government implemented by the DSWD. It is supported by the Philippine Development Plan (2011-2016). Approved on 18 January 2013, it is the expansion into a national scale of the operations of community-driven development (CDD), a strategy that has been tried and proven effective in Kalahi-CIDSS (Kapit-Bisig Laban sa Kahirapan-Comprehensive and Integrated Delivery of Social Services), the parent project of KC-NCDDP. The development objective of KC-NCDDP is to have barangays/communities of targeted municipalities become empowered to achieve improved access to services and to participate in more inclusive local planning, budgeting, and implementation. KC-NCDDP will also be aligned into a program to support community-driven post-disaster response and development in Typhoon Yolanda-affected municipalities within provinces covered by KC-NCDDP.

DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT
Office of the Secretary
Financial statements for the year ended December 31, 2016

2. Statement of Compliance and Basis of Preparation of Financial Statements

2.1 The financial statements have been prepared in accordance with and comply with the Philippine Public Sector Accounting Standards (PPSAS) issued by the Commission on Audit per COA Resolution No. 2014-003 dated January 24, 2014. The financial statements are presented in Philippine Peso, which is the functional and reporting currency of the DSWD.

2.2 The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The Statement of Cash Flows is prepared using the direct method.

3. Summary of Significant Accounting Policies

3.1 Basis of accounting

The financial statements are prepared on an accrual basis in accordance with the Philippine Public Sector Accounting Standards (PPSAS).

3.2 Financial instruments

a. Financial assets

Initial recognition and measurement

Financial assets within the scope of PPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables as appropriate. The Department of Social Welfare and Development determines the classification of its financial assets at initial recognition.

The DSWD's financial assets include cash and other receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Derecognition

The DSWD derecognizes a financial asset or, where applicable, a part of a financial asset or part of DSWD of similar financial assets when:

- The rights to receive cash flows from the asset have expired or is waived
- The DSWD has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party; and either: (a) the DSWD has transferred substantially all the risks and rewards of the asset; or (b) the DSWD has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT
Office of the Secretary
Financial statements for the year ended December 31, 2016

Impairment of financial assets

The DSWD assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

b. Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of PPSAS 29 are classified as financial liabilities at fair value through surplus or deficit. The entity determines the classification of its financial liabilities at initial recognition.

The DSWD's financial liabilities include other payables.

Subsequent measurement

The measurement of financial liabilities depends on their classification.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in surplus or deficit.

3.3 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in bank for local and foreign currencies, and treasury/agency accounts.

3.4 Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

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Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the DSWD.

3.5 Property, Plant and Equipment

Recognition

An item is recognized as property, plant, and equipment (PPE) if it meets the characteristics and recognition criteria as a PPE.

The characteristics of PPE are as follows:

- tangible items;
- are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- are expected to be used during more than one reporting period.

An item of PPE is recognized as an asset if:

- It is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- The cost or fair value of the item can be measured reliably.

Measurement at Recognition

An item recognized as property, plant, and equipment is measured at cost.

A PPE acquired through non-exchange transaction is measured at its fair value as at the date of acquisition.

The cost of the PPE is the cash price equivalent or, for PPE acquired through non-exchange transaction its cost is its fair value as at recognition date.

Cost includes the following:

- Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- expenditure that is directly attributable to the acquisition of the items; and
- initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired, or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

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Measurement After Recognition

After recognition, all property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

When significant parts of property, plant and equipment are required to be replaced at intervals, the DSWD recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major repair/replacement is done, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

All other repair and maintenance costs are recognized as expense in surplus or deficit as incurred.

Depreciation

Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognized as expense unless it is included in the cost of another asset.

Initial Recognition of Depreciation

Depreciation of an asset begins when it is available for use such as when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

For simplicity and to avoid proportionate computation, the depreciation is for one month if the PPE is available for use on or before the 15th of the month. However, if the PPE is available for use after the 15th of the month, depreciation is for the succeeding month.

Depreciation Method

Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognized as expense unless it is included in the cost of another asset.

The straight line method of depreciation shall be adopted unless another method is more appropriate for agency operation.

Estimated Useful Life

The DSWD uses the Schedule on the Estimated Useful Life of PPE by classification prepared by COA.

The DSWD uses a residual value equivalent to at least five percent (5%) of the cost of the PPE.

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Impairment

An asset's carrying amount is written down to its recoverable amount, or recoverable service amount, if the asset's carrying amount is greater than its estimated recoverable service amount.

Derecognition

The DSWD derecognizes items of property, plant and equipment and/or any significant part of an asset upon disposal or when no future economic benefits or service potential is expected from its continuing use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the surplus or deficit when the asset is derecognized.

3.6 Leases

Operating lease

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the DSWD. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

DSWD as a lessor

Operating Lease

Leases in which the DSWD does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases.

Rent received from an operating lease is recognized as income on a straight-line basis over the lease term. Contingent rents are recognized as revenue in the period in which they are earned.

The depreciation policy for PPE are applied to similar assets leased by the entity.

3.7 Intangible Assets

Recognition and Measurement

Intangible assets are recognized when the items are identifiable non-monetary assets without physical substance; it is probable that the expected future economic benefits or service potential that are attributable to the assets will flow to the entity; and the cost or fair value of the assets can be measured reliably.

Intangible assets acquired separately are initially recognized at cost.

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Intangible Assets Acquired through Non-Exchange Transactions

The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date these were acquired.

Internally Generated Intangible Assets

Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

Recognition of an Expense

Expenditure on an intangible item shall be recognized as an expense when it is incurred unless it forms part of the cost of an intangible asset that meets the recognition criteria of an intangible asset.

Subsequent Measurement

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:

The straight line method is adopted in the amortization of the expected pattern of consumption of the expected future economic benefits or service potential

An intangible asset with indefinite useful lives shall not be amortized.

Intangible assets with an indefinite useful life or an intangible asset not yet available for use are assessed for impairment whenever there is an indication that the asset may be impaired.

The amortization period and the amortization method, for an intangible asset with a finite useful life, are reviewed at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on an intangible asset with a finite life is recognized in surplus or deficit as the expense category that is consistent with the nature of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the surplus or deficit when the asset is derecognized.

3.8 Changes in accounting policies and estimates

The DSWD recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

The DSWD recognizes the effects of changes in accounting estimates prospectively by including in surplus or deficit.

The DSWD correct material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by:

- Restating the comparative amounts for prior period(s) presented in which the error occurred; or

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- If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

3.9 Foreign currency transactions

Transactions in foreign currencies are initially recognized by applying the spot exchange rate between the function currency and the foreign currency at the transaction.

At each reporting date:

- Foreign currency monetary items are translated using the closing rate;
- Nonmonetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction; and
- Nonmonetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising (a) on the settlement of monetary items, or (b) on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements, are recognized in surplus or deficit in the period in which they arise, except as those arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation.

3.10 Revenue from non-exchange transactions

Recognition and Measurement of Assets from Non-Exchange Transactions

An inflow of resources from a non-exchange transaction, other than services in-kind, that meets the definition of an asset are recognized as an asset if the following criteria are met:

- It is probable that the future economic benefits or service potential associated with the asset will flow to the entity; and
- The fair value of the asset can be measured reliably.

An asset acquired through a non-exchange transaction is initially measured at its fair value as at the date of acquisition.

Recognition Revenue from Non-Exchange Transactions

An inflow of resources from a non-exchange transaction recognized as an asset is recognized as revenue, except to the extent that a liability is also recognized in respect of the same inflow.

As DSWD satisfies a present obligation recognized as a liability in respect of an inflow of resources from a non-exchange transaction recognized as an asset, it reduces the carrying amount of the liability recognized and recognize an amount of revenue equal to that reduction.

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Measurement of Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions is measured at the amount of the increase in net assets recognized by the entity, unless a corresponding liability is recognized.

Measurement of Liabilities on Initial Recognition from Non-Exchange Transactions

The amount recognized as a liability in a non-exchange transaction is the best estimate of the amount required to settle the present obligation at the reporting date.

Fees and fines not related to taxes

The DSWD recognizes revenues from fees and fines, except those related to taxes, when earned and the asset recognition criteria are met.

Other non-exchange revenues were recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

Gifts and Donations

The DSWD recognizes assets and revenue from gifts and donations when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Goods in-kind are recognized as assets when the goods are received, or there is a binding arrangement to receive the goods. If goods in-kind are received without conditions attached, revenue is recognized immediately. If conditions are attached, a liability is recognized, which is reduced and revenue recognized as the conditions are satisfied.

On initial recognition, gifts and donations including goods in-kind are measured at their fair value as at the date of acquisition, which were ascertained by reference to an active market, or by appraisal. An appraisal of the value of an asset is normally undertaken by a member of the valuation profession who holds a recognized and relevant professional qualification. For many assets, the fair values are ascertained by reference to quoted prices in an active and liquid market.

Transfers

The DSWD recognizes an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset, except those arising from services in-kind.

Services in-Kind

Services in-kind are not recognized as asset and revenue considering the complexity of the determination of and recognition of asset and revenue and the eventual recognition of expenses.

Transfers from other government entities

Revenues from non-exchange transactions with other government entities and the related assets are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property)

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if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the [Name of Entity] and can be measured reliably.

3.11 Budget information

The annual budget is prepared on a cash basis and is published in the government website.

A separate Statement of Comparison of Budget and Actual Amounts (SCBAA) was prepared since the budget and financial statements were not prepared on comparable basis. The SCBAA was presented showing the original and final budget and the actual amounts on comparable basis to the budget. Explanatory comments are provided in the notes to the annual financial statements.

3.12 Impairment of Non-Financial Assets

Impairment of non-cash-generating assets

The DSWD assesses at each reporting date whether there is an indication that a non-cash-generating asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the DSWD estimates the asset's recoverable service amount. An asset's recoverable service amount is the higher of the non-cash generating asset's fair value less costs to sell and its value in use.

Where the carrying amount of an asset exceeds its recoverable service amount, the asset is considered impaired and is written down to its recoverable service amount. The DSWD classifies assets as cash-generating assets when those assets are held with the primary objective generating a commercial return. Therefore, non-cash generating assets would be those assets from which the DSWD does not intend (as its primary objective) to realize a commercial return.

3.13 Employee benefits

The employees of DSWD are member of the Government Service Insurance System (GSIS) which provides life and retirement insurance coverage.

The DSWD recognizes the undiscounted amount of short term employee benefits, like salaries, wages, bonuses, allowance, etc., as expense and as a liability after deducting the amount paid.

The DSWD recognizes expenses for accumulating compensated absences when these were paid (commuted or paid as terminal leave benefits). Unused entitlements that has accumulated at the reporting date were not recognized as expense. Non-accumulating compensated absences, like special leave privileges, were not recognized.

3.14 Measurement uncertainty

The preparation of financial statements in conformity with PPSAS, requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, at the date of the financial statements and the reported amounts of the revenues and expenses during the period. Items requiring the use of significant estimates include the useful life of capital assets.

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Estimates were based on the best information available at the time of preparation of the financial statements and were reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

4. Changes in Accounting Policies

DSWD has not adopted any change in Accounting Policies for CY 2015. The 25 PPSAS had been adopted beginning January 1, 2014 as per COA Resolution No. 2014-003 dated January 24, 2014.

5. Prior Period Adjustments

The DSWD has determined transactions relating to the previous year which have cumulative effect on surplus/deficit of the prior year.

The description of the prior period adjustments, including peso amount, its effect for each financial statement line item affected in current and prior year, and cumulative effect on opening accumulated surplus/(deficit) in current and prior year, and cumulative effect on surplus/deficit in prior year are shown on this notes to financial statements.

6. Cash and Cash Equivalents

Account Name	2015	2016
Cash – Collecting Officer	P 21,790.00	P 220,760.00
Cash in Bank - Local Currency, Current Account	725,422,768.55	840,344,911.15
Cash in Bank-Foreign Currency, Savings Account	1,800,412,780.93	446,268,674.99
Total	2,525,857,339.48	1,286,834,346.84

Receivables

7. Inter-Agency Receivables

Account Name	2015	2016
Due from National Government Agencies	P 2,288.00	P 2,288.00

8. Other Receivables

Account Name	2015	2016
Due from NGO's/People's Organizations	P 5,852,806,382.57	P2,675,967,701.69
Other Receivables	138.46	1,404.16
Total	5,852,806,521.03	2,675,969,105.85

9. Inventories

Account Name	2015	2016
Office Supplies Inventory	37,576.94	175,086.94
Accountable Forms, Plates and Stickers Inventory	1,400.00	1,400.00
Other Supplies and Materials Inventory	113,066	65,018.05
Total	152,042.94	241,504.99

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9.1 Semi-Expendable

Account Name	2015	2016
Semi Expendable Machinery and Equipment		9,700.00
Semi Expendable Furniture and Fixture		
Total		9,700.00

10. Property, Plant and Equipment

Property, Plant and Equipment for CY 2016 are summarized as follows:

	Machinery & Equipment	Transportation Equipment	Furniture, Fixtures and Books	Other PPE's	TOTAL
Gross Cost (Asset Account Balance per Statement of Financial Position)	12,400,285.08	21,909,494.81	325,630.00	1,101,407.00	35,736,816.89
Less: Accumulated Depreciation	(2,795,471.86)	(3,558,213.44)	(45,815.36)	(128,638.81)	(6,528,139.47)
<i>Carrying Amount, December 31, 2015 (As per Statement of Financial Position)</i>	9,604,813.22	18,351,281.37	279,814.64	972,768.19	29,208,677.42

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).

Intangible Assets of Computer Software for 2016 total valued at P142,500.00 and Accumulated Amortization of P15,833.34 with a net value of P126,666.66.

11 Advances

Account Name	2015	2016
Advances to Special Disbursing Officers		537,200.00
Advances to Officers and Employees	15,833.34	
Advances for Operating Expenses		1,105,398.00
Total	15,833.34	1,642,598.00

12. Financial Liabilities

Account Name	2015	2016
Accounts Payable	529,686,497.42	235,715,965.53
Due to Officers and Employees	2,912.00	
Total	529,689,409.42	235,715,965.53

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13. Inter-Agency Payables

Account Name	2015	2016
Due to BIR	891,642.44	2,411,585.46
Due to PAG-IBIG		600.00
Total	891,642.44	2,442,185.46

14. Other Payables

Account Name	2015	2016
Other Payables	553.53	2,853.53

15. Service and Business Income

Account Name	2015	2016
Fines and Penalties-Service Income	4,826.54	1,417.20
Other Service Income	11,959.00	
Interest Income		3,869,954.94
Total	16,785.54	3,871,372.14

16. Maintenance and Other Operating Expenses**16.1 Traveling Expenses**

Particulars	2015	2016
Traveling Expenses - Local	P 5,270,279.40	7,081,727.61

Traveling Expenses 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 2016.

16.2 Training and Scholarship Expenses

Particulars	2015	2016
Training Expenses	52,891,298.88	139,457,572.93

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.

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16.3 Supplies and Materials Expenses

Particulars	2015	2016
Office Supplies Expenses	293,961.20	458,680.50
Accountable Forms Expenses	1,700.00	
Other Supplies and Materials Expenses	30,998.00	276,522.00
Total Supplies and Materials Expenses	P 326,729.20	735,202.50

Account Name	2016
Semi Expendable Machinery and Equipment Exp	140,449.00
Semi Expendable Furniture and Fixture Exp	79,659.40
Total	220,108.40

16.4 Professional Services

Particulars	2015	2016
Consultancy Services		14,649,395.38
Other Professional Services	476,089.05	23,000.00
Total Professional Services	476,089.05	14,672,395.38

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

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

16.10 Other Maintenance and Operating Expenses

Particulars	2015	2016
Advertising Expenses	788,121.98	
Printing and Publication Expenses	898,682.25	338,175.00
Representation Expenses		1,240.00
Rent/Lease Expenses		127,400
Other Maintenance and Operating Expenses	39,730.00	
Total Other Maintenance and Operating Expenses	1,726,534.23	466,815.00

17. Financial Expenses

Particular	2015	2016
Bank Charges	P103,992.56	P 76,144.24

The account generally refers to withholding tax fees for interest earned on bank deposit balance.

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18. Depreciation

Particulars	2015	2016
Depreciation - Machinery and Equipment	816,793.19	1,982,960.21
Depreciation - Transportation Equipment	1,204,430.43	2,344,268.42
Depreciation - Furniture, Fixtures and Books	24,162.99	39,110.61
Depreciation – Other Property, Plant and Equipment	18,119.67	103,887.60
Total Depreciation	P 2,063,506.28	4,470,226.84

The Depreciation for Machinery and Equipment, Transportation Equipment, Furniture and Fixtures and Books, are periodic cost allocation for the wear and tear the Department's PPE.

19. Amortization

Account Name	2015	2016
Amortization-Intangible Assets	P 15,833.34	

20. Net Financial Assistance/Subsidy**Financial Assistance/Subsidy from NGAs, LGUs, GOCCs**

Particulars	2015	2016
Subsidy from National Government	8,918,957,701.19	912,848,667.29
Subsidy from Central Office		2,123,110,285.66
Total Financial Assistance/Subsidy from NGAs, LGUs		3,035,958,952.95
Less:		
Subsidy to Regional Offices/Staff Bureaus		2,123,110,285.66
Subsidy to Other Operating Units		1,795,140.07
Subsidies – Others	1,170,855,115.74	2,345,221,192.53
Total Financial Assistance/Subsidy to NGAs, LGUs		4,470,126,618.26
Net Financial Assistance/Subsidy	7,748,102,585.45	1,434,167,665.31.78

21. Non-operating Income, Gain, or Losses**21.1 Non Operating Income/Gain**

Particulars	2015	2016
Gain on Foreign Exchange (FOREX)	139,658,057.15	104,136,371.95
Total Non-Operating Income/Gain		

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21.2 Non Operating Losses

Particulars	2015	2016
Loss on Foreign Exchange (FOREX)	24,813,329.34	102,034,069.60
Total Non-Operating Losses		

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.

20. Key Management Personnel

The key management personnel of the DSWD are the Head of the Agency, the members of the Executive Committee which consists of the Undersecretaries and the Assistant Secretaries, and the members of the Management Committee which consists of the Directors

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

Observations	Ref.	Management Comments/Actions Taken	Status of Implementation	Results of Auditor's Validation
<p>1) Inadequate monitoring of Liquidation Reports and release of additional fund transfers to IAs with unliquidated balances resulted in the accumulation of outstanding balances of Due from LGUs of ₱3.492 million.</p> <p>We recommended that Management, if sending of confirmation did not work, the accounting may personally visit the different LGUs to monitor the unliquidated balances and follow up the liquidation and/or request refunds for the unutilized balances (FO XI).</p>	CY 2015 CAAR	<p>The Accountant sends communications to LGUs on a regular basis (semestral) showing unliquidated balances. Both the Accountant and the program focal coordinate for its implementation update.</p>	Fully Implemented	Due from LGU had been Liquidated as of 12/31/16
<p>2) The delayed or non-liquidation of fund transfers to Implementing Agencies due to (a) lack of and/or inappropriate documentations submitted, (b) inadequate monitoring of submission of LRs from the IAs, resulted in the long outstanding and accumulation of the balance of the account Due from NGOs/POs amounting to ₱8.216 billion as of year-end.</p> <p>We recommended that the DSWD Secretary direct FO Directors concerned to:</p> <ul style="list-style-type: none"> • Direct the ACTs to require BSPMCs strict compliance on the prompt submission of DVs and supporting documents to the DSWD Regional Office to ensure the timely preparation and recording of the liquidation reports and the submission of the disbursement vouchers and other related documents to COA: 	CY 2015 CAAR	<p>The RPMO has already directed the ACT/SRPMO on the regular and prompt submission of DVs and supporting documents. Disbursement Vouchers will be subjected to Municipal Fiduciary Review Workshop prior to submission to COA.</p>	Fully implemented	<p>As of 12/31/2016 the total ending balance was P2,675,967,701.69</p> <p>Reiterated in this report under Observation No. 8 page 6</p>
<p>3) The procurement of IT equipment amounting to P1.165 million in FO V was awarded to a non-complying and non-responsive supplier whose quotations for laptops and desktops did not meet</p>	CY 2015 CAAR	<p>Management reconstituted all Technical Working Groups to ensure compliance with the procurement laws</p>		

Observations	Ref.	Management Comments/Actions Taken	Status of Implementation	Results of Auditor's Validation
<p>We recommended that the Secretary require the concern ACTs and RPMOs personnel to:</p> <p>a) Regularly monitor the on-going and unimplemented SPs and determine the causes of delays and address the issues and concerns to fast track the completion of the SPs;</p> <p>b) Furnish the BSPMCs with the list of good standing contractors and suppliers and blacklist erring contractors and suppliers;</p> <p>c) Require the BSPMCs to strictly adhere to the KALAH I policy as to the prescribed period of project implementation by the timely submission of the requests for fund release and supporting documents; Instruct the BSPMCs to start the procurement activity while awaiting for the downloading of the community grants;</p> <p>d) Fast track the downloading of community grants to BSPMC;</p> <p>e) Closely monitor, supervise and provide technical assistance to the BSPMC during project implementation and immediately correct the defects/deficiencies noted for the full continuity and functionality of the SPs for the benefits of the intended beneficiaries; and</p> <p>f) Instruct the ACTs to properly monitor the status of SPs implementation within their area</p>		<p>The RCIS will submit a Tactical plans to complete the SPs by December 2016. The plan contains detailed strategies per subprojects to ensure that completion activities are undertaken.</p> <p>NPMO and RPMO will closely (e.g. weekly) monitor the actions to be undertaken through field visits and provision of TA to the SRPMO and ACTs.</p> <p>ACTs are instructed to fill-out properly the geo-tagging web app (including the reasons for non and slow moving SPs) in order to provide necessary assistance/TA immediately.</p> <p>SRPMOs and RPMOs to intensify monitoring of sub-projects during SPI.</p>	<p>Fully Implemented</p> <p>Fully Implemented</p> <p>Fully Implemented</p> <p>Fully Implemented</p> <p>Fully Implemented</p> <p>Fully Implemented</p>	<p>All 574 SPs have been completed as of December 31, 2016 due to the monitoring undertaken by the ACTs.</p> <p>BSPMCs adhered to the timely submission of requests for fund as there was increase in the percentage of completion of SPs for CY 2016. .</p> <p>Community grants for SPs validated for CY 2015 were already downloaded and SPs were completed.</p> <p>Sustainability Evaluation as a means to monitor the status of SP is being undertaken.</p>

Observations	Ref.	Management Comments/Actions Taken	Status of Implementation	Results of Auditor's Validation
of responsibilities and ensure that all information/reports are accurate, complete, and consistent with Program standards				
<p>5) SPs costing P9,087,401.60 were with deficiencies/issues, and not in keeping with KC-NCDDP policy guidelines.</p> <p>We recommend that Management require the ACT/RPMO personnel to:</p> <p>a) Closely monitor, supervise and provide technical assistance to the BSPMC during project implementation and immediately correct the defects/deficiencies noted for the full continuity and functionality of the SPs for the benefits of the intended beneficiaries;</p> <p>b) Make necessary representations with the concerned Barangay Chairman to address the stop order and resolve the issue being raised;</p> <p>c) Strictly implement the provision of storage facilities before the delivery of the construction materials at the site to secure these materials; and</p> <p>d) Hold accountable the RPMO/ACT who will be found remiss in the monitoring and evaluation of the SPs.</p>	CY 2015 CAAR	<p>Defects/deficiencies have been fixed.</p> <p>Defects/deficiencies have been fixed</p> <p>Defects/deficiencies have been fixed</p> <p>The RPMO and SPRMO ensure that the Area Coordinating Teams must conduct regular re orientation, coaching and mentoring to the BSPMC. The ACTs also ensure that all technical documents and other supporting documents must be presented during the Barangay Assembly and followed by series of meetings with the volunteers for transparency and accountability.</p> <p>Management also ensures that newly hired staff are well trained and</p>	<p>Fully Implemented</p> <p>Fully Implemented</p> <p>Fully Implemented</p> <p>Fully Implemented</p>	<p>SPs are operational and useful.</p> <p>SP had been implemented</p> <p>SP had been completed</p> <p>Necessary actions were undertaken by conducting regular meetings with stakeholders and concerned barangay officials.</p>

Observations	Ref.	Management Comments/Actions Taken	Status of Implementation	Results of Auditor's Validation
		oriented for them to be capable of transferring the knowledge, skills and attitude to the BSPMCs		
<p>6) Validation of the community grant releases to BSPMC amounting to P217,240,364.93 showed a difference of P48,086,447.46 as against the KC-NCDDP report due to deficient reporting and monitoring mechanism of projects, thus affecting the accuracy of the reported project accomplishments to various stakeholders</p> <p>We recommend that the Secretary:</p> <p>a) Instruct the ACTs to properly monitor the status of SPs implementation within their area of responsibilities and ensure that all information/reports are accurate, complete, and consistent with Program standards;</p> <p>b) Conduct reconciliation of unrecorded community grants in the KC-NCDDP Report vis-à-vis in the books of BSPMC and ensure that project reports are validated before this are issued to various stakeholders; and</p> <p>c) Direct the RPMO/ACT to conduct final inspection of the SPs and prepare the FIR, SPCR, CCA and furnish copy to the barangay local government and other stakeholders.</p>	CY 2015 CAAR	<p>Reconciled reports on community grants from the Community to the National levels and discrepancies were reconciled.</p>	<p>Fully Implemented</p> <p>Fully Implemented</p> <p>Fully Implemented</p>	<p>CY 2015 already reconciled but with similar finding in this report under Observation No. 11 page 12-13.</p> <p>CY 2015 already reconciled but with similar finding in this report under Observation No. 11 page 12-13.</p> <p>SP documents were prepared and filed. SPs had turned-over.</p>
<p>7) The National Project Management Office (NPMO) has not faithfully implemented the KC-NCDDP M&E System in, reporting, monitoring and evaluating KALAHI projects, thus registering a low/non-utilization financial accomplishment.</p> <p>We recommended that the Management require the NPMO/RPMO to faithfully adhere</p>	CY 2015 CAAR	<p>Coordinated with DILG and secure guidelines for inclusion in revised ODM Manual</p> <p>Tracking of status of community formation and capability building assistance and conduct of Sustainability Evaluation</p>	Fully Implemented.	Validation showed that a software is being developed to integrate various components and streamlining processes in encoding, data review and submission

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<p>with the provisions of the KC M & E to ensure that the projects are implemented in accordance with the approved budget, project milestones, performance expectations as well as and maximization of desired benefits and to guide them in their decision making.</p>		<p>Monitoring forms were developed and submitted to M&E for inclusion in the PIMS database. Status of compliance of FOs will be tracked as part of program Review.</p> <p>Guidance to ACTs on organizational formation, registration and strengthening will be provided in the revised ODM manual.</p> <p>Provision of guidance on the following:</p> <ul style="list-style-type: none"> a) Ownership of lot for subprojects prior to construction in the RFP requirements and Social Safeguards Manual. b) Turn-over and Acceptance of completed subprojects in the Infrastructure Manual. c) Conduct of Functionality Audit to ensure all completed SPs, especially with tariff, are operated and maintained by O&M groups. <p>Manual revision programmed in 2nd quarter of 2017.</p>		