



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)**

**World Bank/ International Bank for Reconstruction and
Development (IBRD)**

Loan No: 8335-PH

Department of Social Welfare and Development

For the Year Ended December 31, 2017



Republic of the Philippines
COMMISSION ON AUDIT

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

CONFIDENTIAL

June 27, 2018

HON. VIRGINIA N. OROGO

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

Madam:

Management Letter on the Audit of the Loan No. 8335-PH: Kapitbisig Laban sa Kahirapan-Comprehensive and Integrated Delivery of Social Services Project (KALAHI-CIDSS) – National Community Driven Development Project (NCDDP) World Bank/ International Bank for Reconstruction and Development (IBRD) Loan for the Calendar Year 2017

1. Pursuant to the Loan Agreement No. 8335-PH dated April 2, 2014, between the World Bank (WB)/ International Bank for Reconstruction and Development (IBRD) 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, 2017. 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 2017 and significant accounting policies and other explanatory information or the Notes to Financial Statements shown in **Annexes A-G**.

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, 2018 with concerned DSWD officials. The comments were incorporated in this report, where appropriate. The

significant audit observations and recommendations shall be incorporated in the Consolidated Annual Audit Report (CAAR) of the Department of Social Welfare and Development for CY 2017.

Operational Highlights

5. As of December 31, 2017, the number of completed projects per region undertaken by the DSWD funded thru WB/IBRD Bank Loan No. 8335-PH are as follows:

REGION	Island Group	No. of SPs	Completed		
			#SPs	Grant	LCC
CAR	Luzon	1,634	259	298,029,286.07	43,164,016.07
I			96	90,898,849.36	9,838,176.20
III			28	55,017,500.00	3,407,558.00
CALABARZON			444	315,693,291.15	30,136,139.81
MIMAROPA			160	228,093,853.95	8,956,852.07
V			647	959,747,807.62	16,323,451.50
VI	Visayas	2,731	484	531,908,151.34	13,264,429.23
VII			768	951,418,487.06	74,620,312.97
VIII			1,531	1,095,260,791.50	20,005,608.88
IX	Mindanao	2,841	1,229	1,148,549,657.79	166,081,446.04
X			554	788,306,010.09	95,538,872.21
XI			339	496,576,491.00	56,162,090.11
XII			374	541,788,097.46	22,976,870.89
XIII			345	495,837,381.49	34,732,253.51
Grand Total			7,258	7,997,125,655.87	595,208,077.49

A total of 9,518 sub-projects as of December 31, 2017 were covered for implementation which included the completed, on-going and not yet started, viz:

REGION	As of December 31, 2017		
	#SPs	Grant	LCC
CALABARZON	474	353,344,006.03	32,118,623.96
CAR	379	435,106,457.56	61,216,112.97
I	133	144,429,166.09	12,505,925.39
III	35	75,602,100.00	4,206,719.73
IX	1,547	1,516,489,621.87	212,247,004.16
MIMAROPA	258	425,720,187.97	22,678,537.18
V	1,172	1,886,801,586.26	60,620,455.38
VI	596	804,944,049.02	20,896,268.60
VII	1,011	1,316,774,402.03	116,176,970.24
VIII	1,592	1,175,698,637.90	21,469,988.41
X	962	1,490,129,764.82	141,541,397.15
XI	426	668,836,302.00	68,100,411.57
XII	563	838,702,226.81	41,711,077.48
XIII	370	534,340,402.49	36,525,713.51
Total	9,518	11,666,918,910.84	852,015,205.73

Financial Highlights

6. WB/IBRD Loan No. 8335-PH Disbursement Status ending December 2017 (in US\$):

Project Category	Allocation	Utilized	Disbursement Rate	Unutilized
Grants	380,192,500.00	279,034,306.00	73%	101,158,194.00
Goods/Consultancy/loc	97,610,000.00	78,360,079.00	80%	19,249,921.00
Front End Fee	1,197,500.00	1,197,500.00	100%	-
Total Project Cost	479,000,000.00	358,591,885.00	75%	120,408,115.00

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 and the pending/unrecorded liquidations with Community-Beneficiaries and KC-NCDDP Field Offices Finance resulted in the minimal settlements, long outstanding accounts, and accumulation of the KC-NCDDP IBRD and ADB account balances approximately P2,528,078,412.91 and P2,581,217,521.90, respectively as of year-end contrary to Sections 5.3 & 5.4 of COA Circular No. 2007-001.

We recommended and Management agreed to direct the concerned FOs to:

- i) **issue demand letter to organizations concerned in pursuant to the guidelines set forth in COA Memorandum 2017-010 and compel them to refund the unliquidated amount otherwise, file appropriate legal action, if warranted;**
 - ii) **include in the MOA stipulations such as the responsibility of the concerned NGOs/POs to account and settle the funds transferred, as well as legal sanctions in case of failure to liquidate the same; and**
 - iii) **require the KC-Regional Project Management Office to fast track the review and evaluation of the liquidation documents for the immediate recording of liquidations in the books.**
- b) The KC-NCDDP registered a Physical accomplishment of 81.32 percent as of December 31, 2017, slightly below the 85% KC-NCDDP Results Framework for CY 2017 requirement per loan agreement, thus, falling short to attain the objective of the project of providing the selected community of improved access to services and infrastructure and to participate in more inclusive management planning, budgeting and implementation.

We commended the DSWD PMO for the increase in accomplishment, however for the uncompleted SPs, we recommend that the Management require the concern ACTs and RPMOs personnel to:

- i) consistency monitor the on-going and unimplemented SPs especially those at the far-flung areas and fast track the completion of the SPs;
 - ii) seek assistance of the local government in the acquisition of project sites;
 - iii) make representation with the concern government agencies for the immediate release of clearances and permits needed for the projects;
 - iv) enjoin the community to work within the timeline of the project implementation;
 - v) furnish the BSPMCs with the list of good standing contractors and suppliers and blacklist erring contractors and suppliers.
- c) Fourteen SPs costing P15,335,831.33 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 Management agreed to require the concerned 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) conduct regular coordination with other infrastructure government agencies to avoid overlapping of projects to the extent that completed KC projects are inadvertently removed to make way for other agency's (DPWH) infra projects;
 - iii) strictly implement the provision of storage facilities before the delivery of the construction materials at the site to secure these materials;
 - iv) institute necessary action against the RPMO/ACT/BSPMC who will be found remiss in the monitoring and evaluation of the SPs; and
 - v) ensure that all work items necessary to make the project functional/operational are properly identified in the planning stage particularly in the preparation of the Program of Works.
- d) The lapses in monitoring and reporting by National Project Management Office and Regional Project Monitoring Office resulted to (a) low percentage of implementation/ downloading of community grants of 62.58% as against the 82.65% target per KC-NCDDP Operations Manual; and (b) huge unutilized amount of P4,804,885,660.06 remained in the bank as of December 31, 2017, thus depriving the community of the immediate benefits due them.
- d.1) There is a low percentage of financial implementation/downloading of community grants at only 62.58% as against the 82.65% target per KC-NCDDP Operations Manual.

d.2) There is huge unutilized accumulated amount of P4,804,885,660.06 that remained in the banks as of December 31, 2017, thus the projects was not made available to the intended beneficiaries at the most opportune time.

We recommended that the Management require the NPMO/RPMO to:

- i) **systematize the downloading of funds and ensure that the available proceeds are implemented in accordance with the approved budget, project milestones, performance expectations as well as and maximization of desired benefits within the period of project implementation; and**
 - ii) **prepare monthly monitoring reports as feedback mechanism to ensure that project deficiencies/problems encountered are appropriately/immediately addressed by concerned officials.**
- e) The completed infrastructure projects of KC-NCDDP as of December 31, 2017 were not immediately made available in the agency's website contrary to Section 92 on Transparency in Infrastructure Projects per GAA thus depriving the right of the people to information on matters of public concerns at the least possible cost on public funds.

We recommended and Management agreed to (a) require the NPMO to strictly comply with the said provision; and (b) instruct the web administrator and/or ICTMS to update the reports and information posted on the website of the agency on a regular basis.

B. DETAILED OBSERVATIONS AND RECOMMENDATIONS

Financial and Compliance

8. **The non-liquidation of fund transfers to various NGOs/POs and the pending/unrecorded liquidations with Community-Beneficiaries and KC-NCDDP Field Offices Finance resulted in the minimal settlements, long outstanding accounts, and accumulation of the KC-NCDDP IBRD and ADB account balances approximately P2,528,078,412.91 and P2,581,217,521.90, respectively as of year-end contrary to Sections 5.3 & 5.4 of COA Circular No. 2007-001.**

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. 2007-001, among others:

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.

The SL balances of the *Receivables-Due from NGOs/POs* of KC-NCDDP disclosed accumulated balance of P5,109,295,934.81 as of December 31, 2017, of which P1,936,538,855.03 or 38 percent is in the custody of Barangay Sub-Project Management Committees and KC-NCDDP Finance of DSWD Field Offices. The details are summarized below:

Region	Balance as of 12/31/17	Still at KC-NCDDP FO for verification or compliance	Still at BSPMC	Others, for refund to CO
FOI	24,204,594.45		2,907,939.43	4,520.00
CAR	30,960,670.59		30,960,670.59	
FO III	22,042,787.49	12,128,007.72	8,291,109.83	
FO IV-A	79,517,961.43			
FO IV-B	299,475,885.14			
FO V	681,383,356.16			
FO VI	1,167,696,891.79	834,870,545.99	332,626,345.80	
FO VII	1,597,030,040.30			
FO VIII	120,331,314.50			
FO IX	189,536,585.43	105,927,400.37	74,192,241.79	1,018,164.60
FO X	524,187,763.79	180,563,577.45	105,237,647.21	
FO XI	184,570,883.32	20,252,420.00	68,026,763.69	
FO XII	159,331,500.58		159,331,500.56	
Caraga	29,025,699.84			
Total	5,109,295,934.81	1,153,741,951.53	781,774,218.90	1,022,684.60

Below are the observations per FOs

FOs	Observations
IVA	<ul style="list-style-type: none"> The amount of P11,135,041.03 is already past due or beyond one year, while most of the unliquidated balances were amounts only transferred on the latter part of September, 2017.
IV-B	<ul style="list-style-type: none"> Submission of periodic reports on project implementation, monitoring and fund utilization as prescribed under COA Circular No. 2012-001 as basis for the liquidation of the fund transfer was not covered and required in the MOA. Legal sanctions are not instituted in the MOA for implementing agencies in case of failure to liquidate the funds thus, the Implementing Agencies were not legally bound

FOs	Observations
	to accomplish the deliverables as agreed upon. <ul style="list-style-type: none"> The person/s or office who will conduct the monitoring of the KALAH! project is not specified in the MOA hence, it is difficult to pinpoint who is responsible for such task.
V	<ul style="list-style-type: none"> No demands are being made by DSWD Management for the subject long outstanding KALAH! fund transfer. The Accounting Unit no longer maintains hard copies of the GLs and SLs. The electronic NGAS started for 2016 transactions only, thus unavailability of data in the previous years.
VI	<ul style="list-style-type: none"> The Summary of the Community Disbursement and Liquidation Report as of December 31, 2017 showed that 24,612 DVs amounting to ₱834,870,545.99 pertaining to KC-NCDDP completed sub-projects were not yet recorded at year-end.

We recommended and Management agreed to direct the concerned FOs to:

- i) issue demand letter to organizations concerned in pursuant to the guidelines set forth in COA Memorandum 2017-010 and compel them to refund the unliquidated amount otherwise, file appropriate legal action, if warranted;
- ii) include in the MOA stipulations such as the responsibility of the concerned NGOs/POs to account and settle the funds transferred, as well as legal sanctions in case of failure to liquidate the same; and
- iii) require the KC-Regional Project Management Office to fast track the review and evaluation of the liquidation documents for the immediate recording of liquidations in the books.

FOs	Management Comments
IV-A	<ul style="list-style-type: none"> The amount has trimmed down already due to the submission of liquidation reports from various NGOs/POs in January, 2018.
IV-B	<ul style="list-style-type: none"> Management agreed with the Auditor's recommendations
V	<ul style="list-style-type: none"> The Regional Accountant also acknowledged that they no longer provide the complete details as prescribed after they have adopted e-NGAS. The complete data of every recipient can be found in the records of the RPMO and to comply with the recommendation to make the necessary adjustments for abnormal balances, issuance of periodic demands and adopt the COA guidelines provided for dormant accounts.
VI	<ul style="list-style-type: none"> 10,519 DVs amounting to ₱459,441,219.22 were already validated and transmitted as of February 28, 2018.
VII	<ul style="list-style-type: none"> Management will create a team to review the documents to support the liquidations. KC-NCDDP personnel in charge in handling the liquidations reports will make sure that such reports must pass through Accounting Unit for review and proper recording before this will be submitted to COA.

9. The KC-NCDDP registered a Physical accomplishment of 81.32 percent as of December 31, 2017, slightly below the 85% KC-NCDDP Results Framework for CY 2017 requirement per loan agreement, thus, falling short to attain the

objective of the project of providing the selected community of improved access to services and infrastructure and to participate in more inclusive management planning, budgeting and implementation.

Two years from the closing of the projects, the Intermediate Outcome for CY 2017 within which to complete the community project in accordance with technical plans, schedule and budget is 85% as compared to CY 2015 of 70% which is provided in the approved Results Framework of KC-NCDDP.

For the last three years of community project implementation of 2015 to 2017, the KALAHI-CIDSS – National Community-Driven Development Program (NCDDP) has approved a total of ₱29,685,661,575.20 Community Grants for the 25,099 SPs to be implemented nationwide. The Status of Accomplishment by the DSWD showed 20,410 completed projects or 81.32 percent of the total SPs, regional details are as follows:

KC-NCDDP Financial and Physical Accomplishment						
Region	Approved Budget per 2015 to 2017 WFP	Target No. of SPs	Completed No. SPs	Uncompleted *	Accomplishment	
					Physical	Financial
CAR	579,104,618.73	379	259	120	68.34%	290,375,829.48
I	162,421,825.93	133	96	37	72.18%	102,693,671.83
III	96,626,115.20	35	28	7	80.00%	44,648,190.00
IV-A	875,570,106.42	1,117	1,040	77	93.11%	702,915,848.22
IV-B	1,827,722,985.81	1,503	1,200	303	79.84%	1,181,952,695.99
V	6,099,643,041.72	2,707	1,642	1065	60.66%	3,475,598,778.33
VI	4,771,072,450.16	5,200	4,221	979	81.17%	3,453,085,188.16
VII	3,465,088,570.62	2,624	2,036	588	77.59%	3,222,371,316.05
VIII	4,627,405,577.00	6,105	5,786	319	94.77%	3,596,203,534.13
IX	1,620,873,044.90	1,547	1,229	318	79.44%	1,474,192,510.71
X	1,762,276,966.80	1,061	635	426	59.85%	1,105,248,362.58
XI	1,098,527,743.95	751	606	145	80.69%	778,332,655.00
XII	884,939,673.64	563	374	189	66.43%	593,578,171.78
CARAGA	1,814,388,854.35	1,374	1,258	116	91.56%	1,648,751,567.03
TOTAL	29,685,661,575.23	25,099	20,410	4,689	81.32%	21,669,948,319.29

* Includes ongoing and, not yet started projects

To validate the agency's reported accomplishment and in accordance with the loan agreement, the COA audit teams targeted eight 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.

Out of the 347 SPs validated, 311 or 89.62 percent was completed, 30 or 9.71 percent are on-going and 5 or 1.44 percent are not yet started, details as follows:

Field Office	Validation		Completed				On-Going			Not Yet Started (NYS)	
	No. of SP	Project Cost	No. of SPs	Project Cost	Fin' %	Physical %	No. of SPs	Project Cost	%	No. of SPs	Project Cost
CAR	26	29,169,978.52	22	21,762,373.42	74.61	84.62	2	5,101,545.35	7.69	2	2,306,059.75
IVB	33	25,166,111.92	30	22,618,171.86	89.88	90.91	3	2,547,940.06	9.09		
V	41	78,884,400.49	36	65,090,050.79	82.72	87.80	5	13,594,349.70	12.20		
VI	74	83,000,654.72	61	48,956,087.28	58.98	82.43	10	28,936,567.44	13.51	3	5,108,000.00
VII	32	43,636,303.85	31	41,524,051.85	95.16	96.88	1	2,112,252.00	3.13		
VIII	69	60,169,701.24	63	55,429,182.04	92.12	91.30	6	4,740,519.20	8.70		
XII	17	37,471,908.68	13	27,573,786.55	73.59	76.47	4	9,898,122.13	23.53		
Caraga	55	73,206,744.80	55	73,206,744.80	100.00	100.00					
Total	347	430,505,804.22	311	356,160,448.59	82.73	89.62	31	66,931,295.88	9.71	5	7,414,059.75

The above table of validated SPs showed the required Intermediate Outcome of 85% as generally attained by six regions with overall physical and financial accomplishment of 89.62 percent and 82.73 percent, respectively. Out of the eight regions, two regions scored below the desired intermediate outcome for CY 2017.

Interviews conducted with the community-beneficiaries disclosed the following causes of delays among others:

- large volume of SPs and far-flung communities;
- delays in acquisition of sites for the target project;
- clearances and permits from the concern government agencies are not immediately available;
- planning phase requires longer time especially in highly technical projects;
- reluctance of contractors and suppliers to engage in community SP implementation due to costly hauling of materials especially to far-flung areas, thus the frequent failure of bidding/canvass;

It is worthy to note that for the past three-year implementation of the project, there was an increasing pattern in agency's percentage of accomplishments, thus providing more community-beneficiaries access to basic social services, infrastructures and other benefits due them.

We commended the DSWD PMO for the increase accomplishment, however for the uncompleted SPs, we recommend that the Management require the concern ACTs and RPMOs personnel to:

- Regularly monitor the on-going and unimplemented SPs especially those at the far-flung areas and fast track the completion of the SPs;
- Seek assistance of the local government in the acquisition of project sites;

- c) Make representation with the concern government agencies for the immediate release of clearances and permits needed for the projects;
- d) Enjoin the community to work within the timeline of the project implementation;
- e) Furnish the BSPMCs with the list of good standing contractors and suppliers and blacklist erring contractors and suppliers.

Management commented that in CY 2017, additional 6,099 SPs have been funded, of which more than half or 53% started their implementation only in the 3rd and 4th quarter of the year, thus, most of the spill-over SPs from CY 2017 are expected to be completed within the 1st quarter of 2018 given the six months duration of SP implementation. As of February 28, 2018, the program has already completed a total of 20,996 SPs or additional 812 sub-projects. Based on the Project duration of KALAHI-CIDSS that is multi-year, our current performance gap from the results framework target of 85% (4 percentage points) is manageable, as we have 9% time left in our KALAHI-CIDSS Project duration this year before December 2018, and 16% in time left in year 2019.

10. **Fourteen SPs costing P15,335,831.33 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.**

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.

During the validation, noted were the 14 SPs with deficiencies that may compromise the efficient and effective use of the facility as follows:

- a) Seven SPs costing P9,499,104.33 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. The deficiencies noted are summarized as follows:

- Non-functional Water System;
- Materials were left exposed and unsecured;
- Damaged road improvement/ concreting of pathway;



Non-functional Water System
Construction of Antadao Level II Water System
CAR MI, Province Sagada Antadao

- Defective Solar Lights;
 - Unimplemented road construction
- b) The results of validation revealed that the above deficiencies were attributed to the following:
- Lack of monitoring, technical assistance and close supervision to personnel/community involve in the implementation of the projects;
 - Lack of thorough coordination with DPWH and other agencies implementing similar projects in the area, thus completion of some projects are severely affected;
 - Unavailable secured storage to large quantity of materials;
- c) Noteworthy are 46 SPs implemented by the communities showed accomplishments which are beyond the technical specification of the project due to the spirit of “bayanihan” employed by the community.
- d) Seven sub-projects with a total of P5,836,727.00 were found to have deficiencies, of which, three (3) projects costing P6,395,000.00 were not yet operational/functional as of the time of validation due to non-identification and non-inclusion of indispensable work items in the Program of Works or MOA. Thus, the projects were not readily available/immediately used for intended purpose upon completion. In addition, some necessary work items which are indispensable to the functionality of the project were not in the Program of Works to be funded by DSWD or to be accomplished by the BSPMC, thus not implemented.



We recommended and Management agreed to require the concerned 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) Conduct regular coordination with other infrastructure government agencies to avoid overlapping of projects to the extent that completed KC projects are inadvertently removed to make way for other agency’s (DPWH) infra projects;

- c) Strictly implement the provision of storage facilities before the delivery of the construction materials at the site to secure these materials;
- d) Institute necessary action against the RPMO/ACT/BSPMC who will be found remiss in the monitoring and evaluation of the SPs; and
- e) ensure that all work items necessary to make the project functional/operational are properly identified in the planning stage particularly in the preparation of the Program of Works.

Management commented that the RPMOs will make necessary actions to implement the recommendations.

11. The lapses in monitoring and reporting by National Project Management Office and Regional Project Monitoring Office resulted to (a) low percentage of implementation/ downloading of community grants of 62.58% as against the 82.65% target per KC-NCDDP Operations Manual; and (b) huge unutilized amount of P4,804,885,660.06 remained in the bank as of December 31, 2017, thus depriving the community of the immediate benefits due them.

The NPMO as major player in achieving a sound financial management system of KC-NCDDP shall perform the following functions pursuant to KC-Financial Management Sub-Manual, in order to achieve an economical, efficient and effective FM system, among others:

- a) Set the phasing of Project implementation that will define the physical targets and budgetary requirements of the Annual Work and Financial Plan (WFP);
- b) Oversee the preparation of annual work and financial plan at the national and regional levels;
- c) Monitor the implementation of the Program in accordance with the approved annual work and financial plan/s and in compliance with the Operations Manual and sub-manuals

On the other hand, the following functions, among others, shall be the responsibility of the RO NCDDP FM Unit headed by the Regional Financial Analyst under the direction of the Regional Project Manager:

- a) In coordination with concerned Program Staff, prepare the Regional NCDDP Annual WFP
- b) Monitor the utilization of funds in accordance with approved Annual WFP
- c) Manage the Loan Proceeds downloaded to fund approved community subprojects, as well as the regional operating cost requirements of the RO.

The loan proceeds from IBRD/WB and ADB of \$479,000,000.00 and \$372,103,895.00 with implementation period of 4 to 5-1/2 years allocated community grants of \$380,192,500.00 and \$356,693,193.00, respectively are shown below:

Bank	Loan Proceeds		Allocation		Balance		% of Unutilized Allocation
	US Dollar	Philippine Peso	US Dollar	Philippine Peso	US Dollar	Philippine Peso	
IBRD/WB	\$479,000,000.00	19,447,000,000.00	380,192,500.00	15,022,000,000	158,704,639.24	7,923,011,704.77	41.74%
ADB	372,103,895.00	15,107,000,000.00	356,693,193.00	12,589,000,000	80,150,069.79	4,001,331,934.12	22.47%
Total	851,103,895.00	34,554,000,000.00	736,885,693.00	27,611,000,000	238,854,709.03	11,924,343,638.89	32.41%

The loan proceeds distribution per Program Component and Budget Requirement by Fund Source per KC-NCDDP Operations Manual, is shown below:

Project Component	Budget/ allocation	Percentage
Community Grants -	30,740	
Investment Grants	27,611	79.91%
Planning Grants	3,129	9.06%
Technical Assistance	2,962	8.57%
Project Admin/Monitoring Evaluation	803	2.32%
Front-End Fee	49	0.14%
Total	34,554	100.00%

The community grants being the major financial component of the project is distributed as follows:

Year	WFP	Yearly Budget Allocation	% to WFP
2015	13,978	12,345	88.32%
2016	9,974	8,178	81.99%
2017	11,960	9,161	76.59%
TOTAL	35,912	29,684	82.66%

* The P2,074 between the above tables is due to Foreign Exchange difference

It can be gleaned from the above table that the WFP % of CG to Budget for CYs 2015 and 2016 is greater than the Program Component % of CG to Budget of KC-NCDDP Operation Manual 79.91% while for CY 2017 slightly lower at 3% thus showing that the NPMO and ROs NCDDP FM set the phasing of the project implementation of said WFPs. Notwithstanding, the apparent diligence in crafting the WFP it was noted that:

- a) *There is a low percentage of financial implementation/downloading of community grants at only 62.58% as against the 82.65% target per KC-NCDDP Operations Manual.*

The actual implementation of the WFPs showing the downloading of grants vis-à-vis the Total Budget is shown below:

WFP vs KC-Finance Report				
Year	TOTAL BUDGET ALLOCATION	Actual Download of CG per KC-Finance Report	Difference	Percentage actual to Budget
2015	12,345,875,384.00	9,622,237,468.73	2,723,637,915.27	68.84%
2016	8,178,302,881.75	5,432,232,672.45	2,746,070,209.30	54.43%
2017	9,161,483,308.00	7,422,320,198.38	1,739,163,109.62	62.05%
TOTAL	29,685,661,573.75	22,476,790,339.56	7,208,871,234.19	62.58%

The above three-year period shows that the NPMO failed to target the percentage of implementation per year registering a low cumulative percentage of 62.58% unimplemented community grant instead of 82.65%, as of December 31, 2017.

As seen in the above table, CY 2016 plunged to 54.43% downloaded grants versus WFP. NPMO Finance explained that substantial amount of CGs were budgeted for following year, thus obligated in same year and implemented in 2017. This can be attributed to lapses in the implementation of the CG such as:

- i) delayed downloading of funds to field offices; and
 - ii) delayed preparation of monitoring reports to provide feedback on the status of the projects so that appropriate actions could be taken to address the issues at hand.
- b) There is huge unutilized accumulated amount of P4,804,885,660.06 that remained in the banks as of December 31, 2017, thus the projects was not made available to the intended beneficiaries at the most opportune time.*

Review of the fund utilization of KC-NCDDP revealed the huge accumulated amount of *P4,804,885,660.06* remained unused and in the actual custody of the banks at FOs and Central Office. The regional receipt of KC-NCDDP funds per region and its utilization with the CIB as of December 31, 2017 are as follows:

Cash in Bank, LCCA As of December 31, 2017			
Regions	Total amount downloaded (CY 2015-2017)	Cash in Bank ¹ as of 12/31/17	% Unutilized
CAR	527,708,814.57	15,017,069.00	2.85%
I - Ilocos Region	232,166,318.06	23,495,290.07	10.12%
III - Central Luzon	136,740,721.91	12,346,083.19	9.03%
IV - CALABARZON	952,999,892.78	35,593,601.67	3.73%
IV- MIMAROPA	1,825,990,185.18	166,896,431.94	9.14%
V - Bicol Region	4,731,957,630.67	524,458,163.64	11.08%

Cash in Bank, LCCA As of December 31, 2017			
Regions	Total amount downloaded (CY 2015-2017)	Cash in Bank ¹ as of 12/31/17	% Unutilized
VI - Western Visayas	4,589,827,635.54	930,685,285.84	20.28%
VII - Central Visayas	4,107,185,279.68	444,743,236.02	10.83%
VIII - Eastern Visayas	5,267,321,933.28	454,498,207.42	8.63%
IX - Zamboanga Peninsula	1,817,472,752.51	154,718,952.53	8.51%
X - Northern Mindanao	1,629,349,051.13	256,173,691.56	15.72%
XI - Davao Region	1,282,322,193.68	128,367,230.74	10.01%
XII - Soccsksargen	995,613,809.44	39,335,516.91	3.95%
XIII - Caraga	2,134,735,842.93	104,211,914.06	4.88%
<i>Total Per Region</i>	30,231,392,061.36	3,290,540,674.59	
<i>NPMO</i>		1,514,344,985.47	
TOTAL		4,804,885,660.06	

As deduced from the table unutilized amount ranges from 2% to as high as 20% of amount downloaded. Moreover, records show that out of the regional CIB of P3,290,540,674.59, P1,737,367,175.38 were only released to regions on the last quarter of 2017 and funds amounting to P1,514,344,985.47 still remained at the NPMO which should have been downloaded for the prosecution of the projects, thus contributing to the low percentage of accomplishment.

Based on the foregoing observations, it appears that the basic objective of the KC-NCDDP was not attained since the NPMO and RPMO missed the KC-NCDDP target of implementation for CYs 2015 to 2017 depriving the the community of the benefits due them.

We recommended that the Management require the NPMO/RPMO to:

- a) systematize the downloading of funds and ensure that the available proceeds are implemented in accordance with the approved budget, project milestones, performance expectations as well as and maximization of desired benefits within the period of project implementation; and
- b) prepare monthly monitoring reports as feedback mechanism to ensure that project deficiencies/problems encountered are appropriately/immediately addressed by concerned officials.

Management commented that KC-NCDDP Program has an established monitoring and reporting mechanism and provided the following clarifications in the context of budgetary requirements, obligation and release of community grants under the KC-NCDDP modality:

- a) The Total Budget Allocation for Community Grants (CG) per WFP pertains to the municipal block grant of the municipalities per year of implementation based on the Program's yearly target. However, there is a

certain number of municipalities that waived or deferred their implementation each year due to various reasons; hence the allocated CG for these municipalities remain available, not obligated on a certain year and therefore not released. This allocation may be forwarded to the succeeding year/s. The waived or deferred amount which had been forwarded to the succeeding budget year shall appear in that year's budget allocation, thus getting the total budget allocation from 2015 to 2017 and comparing it to the cumulative amount of the downloaded CGs must not be the accurate calculation of the performance on implementation/downloading of CGs. The allocation of one municipality might have been reflected in two budget years which increased the denominator thereby understating the performance on release of the community grants.

- b) The total obligation under CGs as of December 31, 2017 amounted to P26,883,528,478.36. In consideration of the cumulative CG releases of P22,476,790,339.56, the percentage of the CGs releases over the obligation is 84%. It may be noted that this performance is considerable and in fact above the 82.65% target per KC_NCDDP Operations Manual. The Obligated CGs pertains to the total amount of the approved sub-project costs committed by the Agency to be downloaded to the community beneficiaries. However, the download of fund is not made automatically upon approval of the SP as each barangay must undergo the proper process and must comply with the proper documentary requirements.
- c) The KC-NCDDP has a mechanism in which the total sub-project costs are obligated in full, based on the Municipal Inter-Barangay Forum Resolution, but the actual release of fund is made in three tranches (i.e. first tranche – 50% of total SP cost; second tranche - 40% of total SP cost and third tranche – 10% of total sub-project cost).
- d) The total amount obligated is not expected to immediately be disbursed as the individual sub-project must reached a certain percentage of physical accomplishment prior to the release of the succeeding fund.

Auditor's Rejoinder

We noted the comment of the Agency, however, it is reminded that the program is to be implemented within the period as agreed upon to which the KC-NCDDP Operations Manual had clearly established the Program Component and Budget Requirement by Fund Source. The obligated community grants to be implemented the following year aside from the appropriation for the year will only increase the weight of the need to complete the project within the targeted percentage per Manual of Operation.

Management likewise provided the following comments on the huge unutilized amounts in the FO/CO banks:

- a) The availability of cash at the KC-NCDDP bank account is subject to an average of two months processing period. The Agency have to strategize to ensure that the cash is always available in order to keep the continuous operation and implementation of the sub-projects with a specific consideration of the impending closure of the sub-projects funded by Asian Development Bank by June 30, 2018.
- b) The remaining cash at the ROs and CO bank account at December 31, 2017 amounting to P4.8 billion is in fact just enough for the anticipated disbursement in the 1st Quarter of 2018 amounting to P3.6 billion based on the Monthly Disbursement Plan.

Auditor's Rejoinder

The unutilized amount of ₱4,804,885,660.06 as at year-end represents 40.17 percent of the CY 2017 budget of ₱11,960,957,428.73, thus showing a utilization of only 59.83 percent compared to the cash at year end.

12. **The completed infrastructure projects of KC-NCDDP as of December 31, 2017 were not immediately made available in the agency's website contrary to Section 92 on Transparency in Infrastructure Projects per GAA thus depriving the right of the people to information on matters of public concerns at the least possible cost on public funds.**

Section 92 On Transparency in Infrastructure Projects of the General Provision for Fiscal Year 2017 provides that “ *All agencies of the government shall post the following their respective websites, the period indicated:*

- (a) *The project title, location and detailed description...; and*
- (b) *The detailed actual cost of the project; and variation orders issued, if any, within thirty (30) calendar days from the issuance of certificate of completion.*

The heads of the agencies and web administrators or their equivalent shall be responsible for ensuring compliance with this section.

Verification of the DSWD website on April 10, 2018 versus records of National Project Monitoring Office as of December 31, 2017, revealed the following:

Project	Website	Projects per NPMO		Remarks
		No. of SPs as of 12/31/2017	Project Cost	
KC-NCDDP	Postings of SPs as of September 2016 with details on the location, project name, amounts of grant, local contribution counterpart, estimated total project cost, date started and completed, percentage of physical accomplishment and status;	20,410	21,669,948,319.29	Updated infrastructure projects were not immediately made available in the agency's website as of April 10, 2018,

The non-posting of projects in the website of the agency is in violation with Section 92 on Transparency in Infrastructure Projects per GAA, depriving the right of the people to information on matters of public concerns at the least possible cost on public funds.

We recommended and Management agreed to (a) require the NPMO to strictly comply with the said provision; and (b) instruct the web administrator and/or ICTMS to update the reports and information posted on the website of the agency on a regular basis.

Management informed that posting of KC-NCDDP SPs on the agency website has been updated on April 30, 2018.

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:

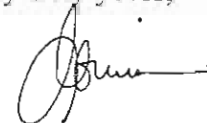
Status of Implementation	No. of Recommendations
Fully Implemented	14
Partially Implemented	5
Not Implemented	0

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,



MARILYN B. MIRAN
OIC-Supervising Auditor
DSWD Audit Group

cc Cluster 6- Health & Science Director
National Government Sector
Department of Social Welfare and Development
Batasan Hill, Q.C.

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 – World Bank/International Bank for Reconstruction and Development**, which comprise the statement of financial position as at December 31, 2017, 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.

Opinion

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 – WB/IBRD** as of December 31, 2017 and of its financial performance, statement of cash flows and statement of net assets/equity for the year then ended in accordance with Philippine Public Sector Accounting Standards;

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.

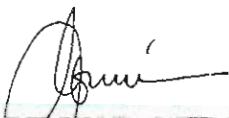
Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Our audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the Auditor's professional judgment, including the assessment of the risk 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 agency'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 agency's internal control. Our 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.

COMMISSION ON AUDIT

By:



MARILYN B. MIRAN
State Auditor IV
OIC-Supervising Auditor

June 27, 2018


**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**
National Community-Driven Development Project
WB / IBRD Loan No. 6335 - PH

The management of Department of Social Welfare and Development is responsible for all information and representations contained in the accompanying Statement of Financial Position as of December 31, 2017 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.


WAYNE C. BELIZAR
Director, Financial Management Service

FEB 08 2018
Date Signed


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

February 9, 2018
Date Signed



DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT

Statement of Financial Position

As of December 31, 2017

Support to Foreign-Assisted Fund - General Fund - New General Appropriations - NCDDP-WB/IBRD
(in Philippine Peso)

Annex C

	2017	2016
ASSETS		
Current Assets		
Cash and Cash Equivalents (Note 6)	2,545,347,513.91	858,036,807.98
Receivables (Note 7)	2,528,787,178.72	2,430,366,049.17
Inventories (Note 8)	15,704,527.94	8,416,085.71
Total Current Assets	<u>5,089,839,220.57</u>	<u>3,299,702,160.46</u>
Non - Current Assets		
Property, Plant and Equipment (Note 9)	65,518,122.23	73,183,402.40
Other Non-Current Assets (Note 10)	1,482,873.12	2,992,657.60
	<u>67,000,995.35</u>	<u>76,176,060.00</u>
Total Assets	<u>5,156,840,215.92</u>	<u>3,372,995,002.86</u>
LIABILITIES		
Current Liabilities		
Financial Liabilities (Note 11)	85,728,159.34	106,161,708.32
Inter-Agency Payables (Note 12)	10,415,945.46	22,674,142.31
Other Payables (Note 13)	1,260,197.01	1,501,126.83
Total Current Liabilities	<u>97,404,301.81</u>	<u>130,336,977.46</u>
Non- Current Liabilities	841,959.82	3,495,250.88
Total Non- Current Liabilities	<u>841,959.82</u>	<u>3,495,250.88</u>
Total Liabilities	<u>98,246,261.63</u>	<u>133,832,228.34</u>
NET ASSETS/EQUITY		
Accumulated Surplus/(Deficit)	5,058,593,954.29	3,239,162,774.52
Total Net Assets/Equity	<u>5,058,593,954.29</u>	<u>3,239,162,774.52</u>
Total Liabilities and Net Assets/Equity	<u>5,156,840,215.92</u>	<u>3,372,995,002.86</u>

This statement should be read in conjunction with the accompanying notes.



Department of Social Welfare and Development
STATEMENT OF FINANCIAL PERFORMANCE
For the period ending December 31, 2017
NCDDP-WB/IBRD
(in Philippine Peso)

Annex D

	2017	2016
Revenue		
Service and Business Income (Note 14)	2,007,664.47	2,147,950.29
Other Non-Operating Income (Note 15)	22,252.72	20,227.34
Gains	11,775.50	
Total Revenue	<u>2,041,692.69</u>	<u>2,168,177.63</u>
less: Current Operating Expenses		
Maintenance and Other Operating Expenses (Note 16)	1,472,709,151.07	903,606,666.37
Financial Expenses (Note 17)	40,930.26	3,657.33
Non-Cash Expenses		
Depreciation (Note 18)	<u>16,062,235.65</u>	<u>10,570,062.64</u>
Current Operating Expenses	<u>1,488,812,316.98</u>	<u>914,180,386.34</u>
Surplus/(Deficit) from Current Operations	<u>(1,486,770,624.29)</u>	<u>(912,012,208.71)</u>
Financial Assistance/Subsidy from NGA, LGUs, GOCCs (Note 19)		
Subsidy from National Government	6,972,023,178.19	3,674,605,313.26
Subsidy from Central Office	6,061,809,681.18	
Less: Subsidies-Others-Financial	<u>8,254,144,900.65</u>	<u>2,258,799,375.30</u>
Net Financial Assistance/Subsidy	<u>4,779,687,958.72</u>	<u>1,415,805,937.96</u>
Gains (Note 20.1)	2,799,621.28	106,268,390.13
Losses (Note 20.2)	<u>(65,637,114.79)</u>	<u>(51,936,748.14)</u>
Surplus(Deficit) for the period	<u>3,230,079,840.92</u>	<u>558,125,371.24</u>



Department of Social Welfare and Development
STATEMENT OF CASH FLOWS
 For the period ending December 31, 2017
NCDDP- WB/IBRD
 (in Philippine Peso)

	2017	2016
Cash Flows From Operating Activities		
Cash Inflows		
Receipt of Notice of Cash Allocation	6,972,023,178.19	3,674,605,313.26
Collection of Service and Business Income	24,083.89	-
Collection of Other Income	2,037,356.79	1,648,679.17
Receipt of shares, grants and donations	-	825,640.80
Collection of Receivables	18,041.00	-
Receipt of Inter-Agency Fund Transfers	34,242,004.24	17,227,075.50
Receipt of Intra-Agency Fund Transfers	6,061,809,681.18	4,371,698,974.67
Other Receipts	16,712,620.43	22,192,261.85
Adjustments	16,839,750.34	18,539,795.24
Total Cash Inflows	13,103,706,716.06	8,106,737,740.49
Cash Outflows		
Remittance to National Treasury	1,709,507.29	10,319,095.76
Payment of Expenses	2,061,389,705.85	1,488,039,638.02
Purchase of Inventories	20,491,840.31	9,938,065.46
Grant of Cash Advances	8,187,464.72	5,238,308.47
Prepayments	884,826.32	-
Payment of Accounts Payable	201,947,620.83	387,847,973.48
Remittance of Personnel Benefit Contributions and Mandatory Deductions	130,544,232.39	102,596,231.51
Grant of Financial Assistance/Subsidy	2,838,367,367.27	2,020,274,691.87
Release of Inter-Agency Fund Transfers	-	-
Release of Intra-Agency Fund Transfers	6,061,809,681.18	4,371,698,974.67
Other Disbursements	770,353.77	412,349,764.44
Adjustments	19,348,688.01	259,467,795.62
Total Cash Outflows	11,345,451,287.74	9,067,770,539.30
Cash Provided by (Used in) Operating Activities	1,758,255,428.32	(961,032,798.81)
Cash Flows from Investing Activities	8,107,228.88	47,567,254.83
Cash Inflows	-	-
Total Cash Inflows	-	-
Cash Outflows	8,107,228.88	47,567,254.83
Purchase/Construction of Property, Plant & Equip	8,107,228.88	47,567,254.83
Total Cash Outflows	8,107,228.88	47,567,254.83
Increase (Decreased in Cash And Cash Equivalents	-	-
Effects of Exchange Rate Changes on Cash and Cash Equivalents	(62,837,493.51)	206,553,154.09
Total Cash Provided By (Used in) Operating, Investing and Financing Activities	1,687,310,705.93	(802,046,899.55)
Add: Cash Balance, Beginning January 1, 2017	858,036,807.98	1,660,083,707.53
Cash Balance, Ending December 31, 2017	2,545,347,513.91	858,036,807.98



Department of Social Welfare and Development
Statement of Changes in Net Assets/Equity
Consolidated Central and Regional Offices
NCDDP- WB/IBRD
(in Philippine Peso)

Annex F

For the period ending December 31, 2017

	<u>2017</u>	<u>2016</u>
Balance at December 31, 2015/2014	3,239,162,774.52	3,910,552,123.79
Changes in Accounting Policy		
Prior Period Adjustments	<u>(1,408,939,153.86)</u>	<u>(1,226,608,156.62)</u>
Restated Balance	1,830,223,620.66	2,683,943,967.17
Changes in Net Assets/Equity for CY		
Adjustment of net revenue recognized directly in net assets/equity	(1,709,507.29)	
Surplus/(Deficit) for the period	<u>3,230,079,840.92</u>	<u>558,125,371.24</u>
Total recognized revenue and expense for the period	5,058,593,954.29	3,242,069,338.41
Others		<u>(2,906,563.89)</u>
Balance at December 31, 2016/2015	<u>5,058,593,954.29</u>	<u>3,239,162,774.52</u>

NOTES TO FINANCIAL STATEMENTS
KALAHI-CIDSS National Community Driven and Development (NCDDP)
International Bank for Reconstruction and Development (IBRD)
 CY 2017

1. General Information/Agency Profile

The financial statements of Department of Social Welfare and Development-Office of the Secretary were authorized for issue on February 09, 2018 as shown in the Statement of Management Responsibility for Financial Statements signed by Director Wayne C. Belizar, Director for Financial Management Service and Assistant Secretary Rodolfo M. Santos, Officer-in-Charge for General Administrative and Support Services.

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 "all Filipinos free from hunger and poverty, have equal access to opportunities, enabled by a fair, just and peaceful society".

In the pursuit of its vision, the DSWD mission is to "lead in formulation, implementation, and coordination of social welfare and development policies and programs for and with the poor, vulnerable and disadvantaged".

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.

DSWD Central Office registered office address is located in Constitution Hills, Batasan Pambansa Complex, Main Road, Quezon City, Philippines.

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.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification.

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

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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.

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.

Evidence of impairment may include the following indicators:

- The debtors or a group of debtors are experiencing significant financial difficulty;
- Default or delinquency in interest or principal payments;
- The probability that debtors will enter bankruptcy or other financial reorganization;
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults).

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.

3.3 Cash and Cash Equivalent

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

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 recognized 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 change, that class of the inventory is measured at the lower of cost and current replacement cost.

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 items 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.

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.

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 as 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) in the surplus or deficit when the asset is derecognized.

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

3.6 Intangible Assets

Initial Recognition of Depreciation

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.

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 asset is assessed as either finite or indefinite.

Intangible asset with a finite life is amortized over the 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 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 assets are considered to modify the amortization period and 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.

3.7 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
- 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.

3.8 Foreign currency transactions

Transaction 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.

3.9 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.

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.

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) 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 Department of Social Welfare and Development and can be measured reliably.

3.10 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.

3.11 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.

3.12 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.

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	2017	2016
Cash – Cash Collecting Officer	1,067,662.76	106,418.76
Petty Cash Fund	170,500.00	
Cash in Bank - Local Currency, Current Account	1,618,192,473.43	676,607,633.62
Cash in Bank - Foreign Currency, Savings Account	925,916,877.72	181,322,755.60
Total	2,545,347,513.91	858,036,807.98

Cash-Collecting Officers includes unremitted collection of income to the Bureau of Treasury.

Cash in Bank- Local Currency Account includes the funds that were deposited with Authorized Government Depository Bank (AGDB) in accordance with GAFMIS Circular Letter No. 2003-005 dated November 21, 2003:

DSWD Social Welfare and Development Reform Project consist of fund transfer from Designated Account for the operating requirements of the project.

DSWD Over the Counter (OTC) Set 1 for OTC payments intended for Set 1 beneficiaries which includes 25% funding from GOP and 75% Loan Proceeds.

Cash in Bank Foreign Currency Savings Account includes the advances and replenishments to the Designated Account of the Project.

7. Receivables

7.1 Loans and Accounts Receivables

Accounts	2017	2016
Due to Officers and Employees	810.00	1,300.00
Due from Other Funds	20,425.00	0.00
Due from Non-Government Organizations/People's Organizations	2,528,078,412.91	2,429,761,874.85
Other Receivables	334,645.96	520,539.67
Total	2,528,434,293.87	2,430,283,714.52

Due from NGOs/POs for CY 2017 includes transfers to Barangay Communities for the implementation of KALAHI-CIDSS-NCDDP programs and projects.

Other Receivables pertains to the payment of cash advance of COA Auditors for the travelling expense for the conduct of validation/inspection of various DSWD projects.

In FO VIII, Due from Non-Government Organizations/People's Organizations account are the request of fund release (RFR) to preferred barangays through Municipal Inter-Barangay Forum. In WB the downloading of fund to Brgys started on April 2015 worth P452,404,933.42. The total liquidated amount was P349,530,313.74 and a total amount of P6,051,243.71 was refund from excess of fund transfer.

7.2 Inter-Agency Receivables

Account Name	2017	2016
Due from National Government Agencies	352,884.85	82,334.55
Total	352,884.85	82,334.55

Due from National Government Agencies pertains to advance payment made to the Procurement Service for the purchase of office supplies.

8. Inventories

Inventory items of the Department include the following:

Account Name	2017	2016
Inventories Held for Consumption		
Office Supplies Inventory	7,767,807.60	2,602,538.14
Accountable Forms, Plates and Stickers Inventory	548,395.00	78,351.00
Other Supplies and Materials Inventory	911,190.71	587,378.21

Account Name	2017	2016
Sub-total	9,227,393.31	3,268,267.35
Semi-Expendable Inventories		
Semi-Expendable Machinery	23,200.00	0.00
Semi-Expendable Office Equipment	380,182.00	253,655.00
Semi-Expendable Information and Communications Equipment	3,708,633.38	3,176,804.01
Semi-Expendable Sports Equipment	4,100.00	0.00
Semi-Expendable Other Machinery and Equipment	19,768.00	19,768.00
Semi-Expendable Furniture and Fixtures	2,341,251.25	1,697,591.35
Sub-total	6,477,134.63	5,147,818.36
TOTAL	15,704,527.94	8,416,085.71

9. Property, Plant and Equipment

Property, Plant and Equipment for CY 2017 are summarized as follows:

	Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Books	Other Property, Plant and Eqpt.	Total
Carrying Amount, Jan. 1, 2017	58,100,223.60	11,480,280.93	3,299,543.73	303,354.14	73,183,402.40
Additions/Acquisitions	5,701,271.44	3,096,569.13			8,797,840.57
Reclassification			(383,179.89)	(17,705.20)	(400,885.09)
Total	63,801,495.04	14,576,850.06	2,916,363.84	285,648.94	81,580,357.88
Disposals					
Depreciation (As per St. of Financial Performance)	(13,544,706.24)	(1,990,523.79)	(428,200.30)	(95,860.52)	(16,062,235.65)
Adjustments					
Impairment Loss (As per St. of Fin'l Performance)					
Carrying amount, Dec. 31, 2017 (As per St of Fin'l Performance)	50,256,788.80	12,586,326.27	2,488,163.54	186,843.62	65,518,122.23
Gross Cost (Asset Acct. Balance per St. of Financial Position)	76,222,199.50	16,193,734.28	3,253,431.78	402,379.00	96,071,744.56
Less: Accu. Depreciation	(25,965,410.70)	(3,607,408.01)	(765,268.24)	(215,535.38)	(30,553,622.33)
Allowance of Impairment					
Carrying Amount Dec. 31, 2017 (As per Statement of Financial Position)	50,256,788.80	12,586,326.27	2,488,163.54	186,843.62	65,518,122.23

10. Other Assets

10.1 Advances

Account Name	2017	2016
Advances to Special Disbursing Officer	478,729.90	2,683,545.90
Advances to Officers and Employees	272,745.44	73,470.00
Advances to Operating Expenses	0.00	126,201.70
Total	751,475.34	2,883,217.60

10.2 Prepayments

Account Name	2017	2016
Prepaid Rent	539,600.00	91,440.00
Prepaid Registration	1,105.42	0.00
Prepaid Insurance	90,692.36	0.00
Total	631,397.78	91,440.00

Other Prepayments include cash bonds to PAL Express (Philippine Airlines) and Cebu Air, Inc. (Cebu Pacific Air) to maintain the credit limit with the said service providers.

10.3 Guaranty Deposits

Account Name	2017	2016
Guaranty Deposits	100,000.00	18,000.00
Total	100,000.00	18,000.00

Other Assets pertains to the unserviceable machineries and equipment of the Department.

11. Financial Liabilities

Account Name	2017		2016	
	Current	Non-Current	Current	Non-Current
Accounts Payable	70,494,951.26	834,986.63	103,206,847.03	3,493,797.69
Due to Officers and Employees	14,885,678.63	6,973.19	2,888,611.50	1,453.19
Tax Refund Payable	347,529.45	0.00	66,249.79	0.00
Total	85,728,159.34	841,959.82	106,161,708.32	3,495,250.88

The Accounts Payable includes unreleased checks subject for reversion on the ensuing year and the balance represents various claims of creditors as of December 31, 2017.

In FO IX, the Accounts Payable includes P15,672,916.48 consists of catering services, postage, community grants, etc. which represents LP Acct. # 0192-0358-80 amounting to P15,024,023.70 for the current year 2017 and prior year of P648,892.74 which to be reconciled for 2018.

Due to Officers and Employees consist of unpaid salaries, fringe benefits, reimbursement of transportation and per diem and unclaimed checks as of December 31, 2017.

12. Inter-Agency Payables

Account Name	2017	2016
	Current	Current
Due to BIR	10,139,401.95	21,957,573.23
Due to Pag-IBIG	200,767.51	480,008.08
Due to PhilHealth	30,016.00	28,776.00
Due to GOCCs	45,760.00	207,785.00
Total	10,415,945.46	22,674,142.31

Due to Pag-IBIG comprises of Pag-IBIG Premiums, Multi-Purpose Loan and Housing Loans and are also remitted during the first month of the ensuing year.

Due to BIR consists of income tax deducted from employees, consultant, specialist and suppliers and to be remitted on the ensuing year.

Due to GOCCs represents voluntary contribution to SSS deducted from the cost of service of MOA workers to be remitted during the first month of the ensuing year.

13. Other Payables

Account Name	2017	2016
	Current	Current
Due to Other Funds	96,889.00	0.00
Other Payables	1,163,308.01	1,501,126.83
Total	1,260,197.01	1,501,126.83

Due to Other Funds are erroneous refund made to World Bank of unutilized Cash Advances to SDOs amounting to P96,889.00 in FO X..

The Other Payables includes members' contribution and loans to SWEMC, SWEAP, MBA and Prosper deducted from members' salaries to be remitted in ensuing year.

In FO IX, the Other Payables includes the LP Account in the amount of P57,582.88 which will be remitted in 2018.

14. Service and Business Income

Account Name	2017	2016
Fines and Penalties - Service Income	5,545.87	57,141.61
Other Service Income	0.36	0.00
Interest Income	2,002,118.24	2,090,808.68

Total	2,007,664.47	2,147,950.29
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The account Fines and Penalties - Service Income is the amount charged or being collected by the Department from various contractors/ suppliers for late delivery of goods and services as specified in the Purchase Order.

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

15. Other Non-Operating Income

Account Name	2017	2016
Miscellaneous Income	22,252.72	20,227.34
Total	22,252.72	20,227.34

16. Maintenance and Other Operating Expenses

16.1 Traveling Expenses

Particulars	2017	2016
Traveling Expenses - Local	226,967,391.45	18,343,737.24
Total Traveling Expenses	226,967,391.45	18,343,737.24

Traveling Expenses – Local includes transportation, per diem, allowances and accommodation of DSWD Officials and Employees during travels on official business to attend various trainings/seminars, consultation meetings for the period January to December 2017.

16.2 Training and Scholarship Expenses

Particulars	2017	2016
Training Expenses	168,323,389.18	120,073,442.57
Total Training and Scholarship Expenses	168,323,389.18	120,073,442.57

Training Expenses consists of payment of honorarium of resource persons, board and lodging and or hotel accommodation of participants to various seminar, training - workshops.

16.3 Supplies and Materials Expenses

Particulars	2017	2016
Office Supplies Expenses	29,577,921.12	3,023,210.01
Accountable Forms Expenses	58,396.00	12,549.00
Fuel, Oil and Lubricants Expenses	2,616,133.98	1,263.81
Semi-Expendable Machinery and Equipment Expenses	668,919.00	2,003,905.05
Semi-Expendable Furniture, Fixtures and Books Expenses	462,304.50	1,888,671.99
Other Supplies and Materials Expenses	799,029.76	552,484.97

Particulars	2017	2016
Total Supplies and Materials Expenses	34,182,704.36	7,482,084.83

16.4 Utility Expenses

Particulars	2017	2016
Water Expenses	663,208.81	97,191.67
Electricity Expenses	7,538,384.35	570,574.81
Total Utility Expenses	8,201,593.15	667,766.48

Water Expenses are payments made to Maynilad Water Services for the water consumption of DSWD Central Office – KC Building.

Electricity Expenses are payments made to Meralco for the electricity consumption of DSWD Central Office – KC Building.

16.5 Communication Expenses

Particulars	2017	2016
Postage and Courier Services	589,033.74	0.00
Telephone Expenses	19,228,881.06	1,083,676.42
Internet Subscription Expenses	1,938,099.20	3,951.46
Total Communication Expenses	21,756,014.00	1,087,627.88

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

16.6 Awards/Rewards and Prizes

Particulars	2017	2016
Prizes	623,300.00	0.00
Total Prizes	623,300.00	0.00

Prizes represents payment of cash awards and plaque/medals given to employees. It also includes cash prizes to Cluster talent presentation during the DSWD 2017 Yea-End Evaluation Workshop and Fellowship held last December 15, 2017.

16.7 Professional Services

Particulars	2017	2016
Auditing Services	31,160.00	0.00
Consultancy Services	91,694,764.59	29,340,758.61
Other Professional Services	865,140,961.97	698,998,599.62

Particulars	2017	2016
Auditing Services	31,160.00	0.00
Total Professional Services	956,866,886.56	728,339,358.23

Auditing Services are payments made to PLDT for current charges of DSWD-COA telephone lines. It also includes the procurement of Brother consumables, (150) reams copy laser paper for the production of the Consolidated Annual Audit Report (CAAR) and the delivery of two (2) units Panasonic Multifunction Printer for use of DSWD-COA.

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

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

16.8 General Services

Particulars	2017	2016
Janitorial Services	5,001,217.60	14,656.32
Security Services	8,403,337.62	122,798.01
Total Professional Services	13,404,555.22	137,454.33

Janitorial Services are payments made for janitorial services rendered at DSWD Fields Offices.

Security Services includes payments to security services rendered at various DSWD Field Offices.

16.9 Repairs and Maintenance

Particulars	2017	2016
Repairs and Maintenance - Buildings and Other Structures	512,298.15	2,563,590.43
Repairs and Maintenance - Machinery and Equipment	684,944.48	3,332,415.00
Repairs and Maintenance - Transportation Equipment	5,667,430.93	479,564.96
Repairs and Maintenance - Furniture and Fixtures	22,750.00	538,250.00
Total Repairs and Maintenance Expenses	6,887,423.56	6,913,820.39

16.10 Taxes, Insurance Premiums and Other Fees

Particulars	2017	2016
Taxes, Duties and Licenses	23,368.92	0.00
Fidelity Bond Premiums	22,500.00	0.00
Insurance Expenses	365,971.51	0.00
Total Taxes, Insurance Premiums and Other Fees	411,840.43	0.00

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

16.11 Labor and Wages

Particulars	2017	2016
Labor and Wages	46,000.00	0.00
Total	46,000.00	0.00

16.12 Other Maintenance and Operating Expenses

Particulars	2017	2016
Advertising Expenses	4,657,954.40	389,970.00
Printing and Publication Expenses	350,302.00	841,245.00
Representation Expenses	4,179,903.03	353,503.05
Transportation and Delivery Expenses	327,404.82	112,000.00
Rent/Lease Expenses	22,241,269.38	3,626,950.00
Other Maintenance and Operating Expenses	3,281,219.53	15,055,446.92
Total Other Maintenance and Operating Expenses	35,038,053.16	20,379,114.97

Advertising Expenses includes newspaper publication or advertorial for Invitation to Bid for the procurement of goods and services.

Printing and Publication Expenses includes payment to Center for Community Journalism and Development Inc. for the KC Gender Workshop and Publication of the Gender Coffee table book and Japi Printzone Corporation for the procurement of 9,000 pcs of KC CEAC/Volunteers Kit/booklets

Representation Expenses represents payment to the food served during the conduct of meeting with the DSWD stakeholders.

17. Financial Expenses

Account Name	2017	2016
Bank Charges	40,930.26	3,657.33
Total	40,930.26	3,657.33

The account Bank Charges generally refers to cable charges for funds credited to Foreign Currency Accounts of various KC NCDDP projects.

18. Non-Cash Expenses

18.1 Depreciation

Particulars	2017	2016
Depreciation - Machinery and Equipment	13,544,706.24	9,279,346.23
Depreciation - Transportation Equipment	1,990,523.79	797,593.29
Depreciation - Furniture, Fixtures and Books	428,200.30	392,555.62
Depreciation - Other Property, Plant and Equipment	98,805.32	100,567.50
Total Depreciation	16,062,235.65	10,570,062.64

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

19. Net Financial Assistance/Subsidy

Financial Assistance/Subsidy from NGAs, LGUs, GOCCs

Particulars	2017	2016
Subsidy from National Government	6,972,023,178.19	3,674,605,313.26
Subsidy from Central Office	6,061,809,681.18	4,377,624,507.08
Total	13,033,832,859.37	8,052,229,820.34

Less: Financial Assistance/Subsidy to NGAs, LGUs, GOCCs, NGOs/POs

Particulars	2017	2016
Subsidies from Regional Offices (Staff Bureaus)	6,061,809,681.18	4,377,624,507.08
Subsidy - Others	2,192,335,219.47	2,258,799,375.30
Total	8,254,144,900.65	6,636,423,882.38

Net Financial Assistance/Subsidy	4,779,687,958.72	1,415,805,937.96
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The account Subsidy from National Government is further broken down as follows:

Particulars	Amount
Receipt of Notice of Allocation (NCA)	6,972,023,178.19
Tax Remittance Advice (TRA)	0.00
TOTAL	6,972,023,178.19
ADD/(DEDUCT):	
NTA	0.00
Adjustment	0.00
SING Balance	6,972,023,178.19

The account Subsidies to Regional Offices (Staff Bureaus) pertains to transfer of funds through funding checks charged against Loan Proceeds and Other Trust Accounts to Field Offices for the implementation of various projects/programs/activities.

20. Non-operating Income, Gain, or Losses

21.1 Non Operating Income/Gain

Particulars	2017	2016
Gain on Foreign Exchange (FOREX)	2,799,621.28	106,264,606.53
Other Gains	11,775.50	3,783.60
Total Non-Operating Income/Gain	2,811,396.78	106,268,390.13

21.2 Non Operating Losses

Particulars	201	2016
Loss on Foreign Exchange (FOREX)	65,637,114.79	51,936,748.14
Total Non-Operating Losses	65,637,114.79	51,936,748.14

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.

21. Budget Information

The Original Budget for the project per General Appropriations Act of 2017 is P10,229,160,000.00 of which P4,581,704,000.00 is chargeable to IBRD.

22. Related Party Transactions

22.1 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 of the Offices, Bureaus and Services.

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>The weak internal control in the processing and release of checks, resulted in the loss of government funds amounting to P838,653.24.</p> <p>We recommended that the Management require the persons liable to:</p> <ul style="list-style-type: none"> • refund/recover the amount representing irregular disbursements amounting to <u>P838,653.24</u>; • conduct necessary investigation to and initiate legal action against the erring employees if warranted; • revisit/review the current internal control procedures within the FCD and make the necessary improvements in order to fill-up the loopholes which has been taken advantage by the perpetrators to accomplish their illegal acts. 		<p>On August 22, 2017, the Audit Team issued the following NSSDC covering the restituted amounts:</p> <p>NSSDC No. 2017-001-P660,347.96 NSSDC No. 2017-002-P178,305.28 NSSDC No. 2017-003-P29,312.01</p> <p><u>P867,965.25</u></p> <p>The DSWD demanded the refund of the said amount with the Land Bank of the Philippines (LBP) considering the certain lapses within the bank. On this, the LBP already restituted and credited to the DSWD Designated Account the total amount of PhP867,653.25 on June 20, 2017</p> <p>The DSWD already sought assistance from the National Bureau of Investigation (NBI) on the said irregular disbursements. However, the result of the NBI investigation has not yet</p>	<p>Fully Implemented</p> <p>Fully Implemented</p> <p>Fully Implemented</p>	<p>Verified and noted that the LBP has already restituted and credited to the DSWD Designated Account the total amount of P867,965.25 per Credit Advice dated June 201, 2017</p>

Observations	Ref.	Management Comments/Actions Taken	Status of Implementation	Results of Auditor's Validation
		<p>been released.</p> <p>The Department has already taken steps to strengthen its internal control system such as preparation of Advice of Checks Issued and Cancelled (ACIC) for all trust/current accounts of LBP, assigning of authorized verifier of checks and issuance/signing/releasing of checks, among others. In addition, the Check Releasing Logbook or the Check Warrant Register is now being updated after preparation of ACIC by the assigned account controller. Also, before releasing the check, the assigned Releasing Officer ensures that the Check Releasing Logbook or the Check Warrant Register together with the Disbursement Vouchers are signed, and all other required documents, if any, are complied with.</p>		
Accountable forms without money value totaling 102 representing commercial checks issued by the LBP were not presented upon request and were not accounted in the Report of Accountability of Accountable Forms for CY		Justification was submitted dated April 12, 2017 by the Cashier and informed that in view of the volume of work in the Division, she did not have the luxury of time to go over every piece of documentation of	Fully Implemented	

Observations	Ref.	Management Comments/Actions Taken	Status of Implementation	Results of Auditor's Validation
<p>2016, thus resulting to unauthorized use and loss of government funds amounting to P367,141.92.</p> <p>We recommended and the Management agreed to require the Accountable Officer (Cashier) to submit justification/explanation of the unaccounted checks and why it was not reported immediately to proper authorities.</p>		<p>financial reports submitted by her staff. Because of this, lapses have been noted in the internal control on the custodianship of the used and unused checks. Lessons were learned that all documents/ reports submitted to her office are now being thoroughly reviewed by Unit Heads and verified by Administrative Officer III and Supervising Administrative Officer.</p> <p>With regards to reporting the matter to proper authorities, she informed that the FMS Director gathered the concerned staff of the Cash Division last April 25, 2016 to discuss the issue and instructed them on the actions to be undertaken. Upon review of the submitted report of the cash Division by the FMS Director, the issue was immediately reported to the Office of Undersecretary requesting a thorough investigation on the case.</p> <p>Further, DSWD requested the assistance of the NBI to look into the said negotiated checks that are unaccounted.</p>		

Observations	Ref.	Management Comments/Actions Taken	Status of Implementation	Results of Auditor's Validation
<p>The non-liquidation of WB/IBRD loan funded transfers to various NGOs/POs resulted in the accumulation of the account balance of approximately ₱2.43 billion or 38.08 per cent of the total community grants as of year-end.</p> <p>We recommended that the Management direct FO Directors concerned to:</p> <ul style="list-style-type: none"> • Direct Accounting Division to: <ul style="list-style-type: none"> ✓ 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; • Ensure that necessary provisions on control measures in the 		<p>Management commented that the status of unliquidated fund transfers after December 31, 2016, are as follows:</p> <p>FO CAR Project personnel commented that teams previously assigned in the provinces to monitor the projects have been pulled out in 2016 when the projects have been completed. After the pull-out, very minimal follow up has been done on the liquidation of the funds, hence the past due balances.</p> <p>Also, management commented that efforts are being intensified in following up liquidation of the fund transfers.</p> <p>FO I The issue of those unliquidated amounts which were reported as bank charges, the Accountant will require the BSPMC head a certification that the balances unliquidated were bank charges for these to be considered as liquidation of the same, in adherence with the recommendation made by the audit team. Accordingly, all the</p>	<p>Partially Implemented</p>	<p>With similar observation in CY 2017 CAAR/ODA. Reiterated in this report, pages 5 to 7</p>

Observations	Ref.	Management Comments/Actions Taken	Status of Implementation	Results of Auditor's Validation
<p>implementation of the project up to liquidation of funds are included in the Memorandum of Agreement with NGOs/POs for accountability purposes; and</p> <ul style="list-style-type: none"> Assign specific personnel to monitor and follow up utilization reports of fund transfers to NGOs/POs. 		<p>Kalahi BUB projects that were enumerated thereto were already liquidated on December 2016.</p> <p>FO 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.</p> <p>FO VI Management comments are as follows: a) 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; b) The CY 2016 fund transfers are with on-going project implementation; DSWD Team created for the monitoring and collection of reports from</p>	Partially Implemented	

Observations	Ref.	Management Comments/Actions Taken	Status of Implementation	Results of Auditor's Validation
		LGUs will conduct the same activities from NGOs/POs,		
<p>The agency employed the services of various Technical Service Providers (TSP) and paid an aggregate amount of ₱1,281,216.99 for the year 2015 and ₱10,140,262.51 for the period January to July 2016, in violation of COA Circular No. 85-55A dated September 8, 1985 as restated under COA Circular No. 2012-003 dated October 29, 2012, resulting to extravagant and unnecessary use of government funds. (FO X)</p> <p>We recommended that the DSWD Regional Director at FO X strictly comply with the provision of the KC-NCDDP Program Procurement Guidelines on hiring and selection of TSPs to facilitate the attainment of project development objectives and avoid the disallowance of the expenditure.</p>		<p>In response to above observation in connection with KALAHI CIDSS NCDDP engagement with Technical Service Provider (TSP) using Technical Assistance Fund (TAF) in Region 10, the following justifications were provided:</p> <p>a) The KALAHI – CIDSS National Community – Driven Development Program (KC-NCDDP) covers 847 target municipalities in 58 provinces in 14 regions of the country. Scaling-up the KALAHI-CIDSS, the KC-NCDDP increases the KALAHI-CIDSS geographical coverage by more than 250% where DSWD Field Office 10 has a target of 83 municipalities covering 414 barangays for FY 2015 and 1,151 barangays for FY 2016 respectively. In addition to increased geographic coverage, another increase of subprojects are also expected with the introduction of another modality by the program to address fast early recovery and rehabilitation assistance to the affected municipalities using an accelerated implementation process where 100% of the calamity affected barangays has the entitlement to avail sub-projects thus, hiring of Technical Service Provider to augment the Technical Facilitators using KC NCDDP Technical Assistance Fund (TAF) is deemed necessary.</p> <p>b) With reference to the guidelines on the Use of</p>	Fully Implemented	The Management resorted to Community-Managed Procurement

Observations	Ref.	Management Comments/Actions Taken	Status of Implementation	Results of Auditor's Validation
		<p>Technical Assistance Fund (TAF) for KALAHI CIDSS-NCDDP dated November 7, 2014, the TAF can be accessed in two modalities using the Community managed TAF and Regional Managed TAF. While it is true that only few municipalities opted for the community managed procurement and others were procured using regionally managed process, the management is vehemently denying that there was no misinformation or any manipulation just to employ regionally managed TAF for the advantage of the community. As part of the process, the Barangay Sub-Project Management Committee were given the first privilege to look for local based TSP to engaged with. The procurement for regional managed TAF was only initiated when the BSPMC failed to submit inventories of local TSP to the Regional Program Management Office (RPMO) as basic reference for hiring local TSP. As an outcome for the non-availability of local TSP, the concerned Municipal Inter-Barangay Forum (MIBF) and Municipal Development Council (MDC) issued a resolution addressed to RPMO to initiate a regionally managed procurement consistent with the process stipulated in TAF guideline dated November 7, 2014.</p> <p>c) In accordance to the Term of Reference (TOR) of the TSP as attached in the Contract of Service, the scope and deliverables are limited only and specific to the provision</p>		

Observations	Ref.	Management Comments/Actions Taken	Status of Implementation	Results of Auditor's Validation
		<p>stated in sections A & B: that "technical assistance in the implementation that includes profile and topographic/hydrographic surveys for the site of proposed sub-project and consequently the preparation of site development plan, detailed engineering plan, program of works, detailed cost estimates. Construction specification and structural analysis, if applicable." While Section C of the Contract of Service specified that "in cases when there is need to correct/change the technical documents the same will be returned to the TSP for enhancement/corrections and be made within the specified schedule." Section C Contract of Service, clearly explained that the TSP output and deliverables are first submitted in the form of draft copies or electronic copies to Area Coordinating Team (ACT) and are subjected for Technical Facilitator's enhancement and correction. In most cases, the Technical Facilitator being the first hand end-user of the TSP outputs, he/she has the discretion to adjust and finalize technical design based on the budgetary requirements and cost parameters and prevailing technical standards set forth by the KALAHI CIDSS NCDDP. Our record shows that the identified gaps that caused for the delay of sub-project implementation are not only attributed to the TSP but as well as by the Technical Facilitator's failure to timely complete the given tasked for the finalization of technical documents vis-à-vis the issuance of clearances and</p>		

Observations	Ref.	Management Comments/Actions Taken	Status of Implementation	Results of Auditor's Validation
		certificates to process TSP payment at the RPMO level.		
<p>Increase in the salaries of the KALAHI Specialists/Consultants have no basis since there was no rebidding conducted nor was there any stipulations in the TOR. Moreover no performance evaluation was made before the consultants are rehired. (FO X)</p> <p>We recommended that the Regional Director strictly adhere to the provisions of the TOR and a periodic evaluation before rehiring made to assess the performance of the consultant.</p>		<p>In a letter received on October 11, 2016, management commented that it is clearly specified in the memorandum from DSWD Secretary and National Project Director for KC-NCDDP dated July 7, 2014 and duly amended by memorandum dated August 18, 2014 that for the purpose of standardization of Consultancy Rate, the following is the basis in the allocation and computation:</p> <p>a) An equivalent position in the government was determined for reach consultancy position indicated in the approved KC - NCDDP staffing plan on the basis of the scope and complexity of the tasks and responsibilities enumerated in the approved Term of Reference (TOR);</p> <p>b) A 20% premium was added to the existing salary grade under step 1 of the equivalent position in the government as indicated in the fourth tranche monthly salary schedule for Civilian Personnel of the National Government effective June 1, 2012 issued by the Office of the President;</p> <p>c) A 5% step increment for every two (2) years of service was applied in consideration of services rendered by the individual consultants to the project overtime determined as follows:</p> <p>d) The initial or entry rate of the Consultant/Specialist is determined on the number of years of service from the first</p>	Fully Implemented	<p>The increase in the salaries of the KALAHI Specialist/Consultants are not valid and binding in the absence of a contract stipulating it and the step increment cannot be applied to the consultants since they are not covered by the Salary Standardization law.</p>

Observations	Ref.	Management Comments/Actions Taken	Status of Implementation	Results of Auditor's Validation
		<p>engagement when he/she signed the contract as consultant staff with KALAHI CIDSS;</p> <p>e) This consultancy rate has been duly approved between the department's Secretary and funding agencies: World Bank and Asian Development Bank (ADB) with consequently the issuance of the No Objection Letter (NOL);</p> <p>f) This consultancy rate is implemented and applied in the 15 regions in the country, thus, Specialists/Consultants in Region 10 are not only subjected with this rate, but also specialists in other regions.</p>		
<p>As of December 31, 2016 KC-NCDDP-WB/IBRD funded SPs registered a Physical accomplishment of 71.54 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.</p> <p>We commend the Management PMO for exerting efforts to facilitate competition of</p>				

Observations	Ref.	Management Comments/Actions Taken	Status of Implementation	Results of Auditor's Validation
<p>targeted projects, however for the uncompleted SPs, we recommended that the Management and PMO require the concern ACTs and RPMOs personnel to:</p>				
<ul style="list-style-type: none"> • 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; 			Fully Implemented	Targets for CY 2016 SPs completed
<ul style="list-style-type: none"> • Furnish the BSPMCs with the list of good standing contractors and suppliers and blacklist erring contractors and suppliers; 			Fully Implemented	Memorandum forwarded to BSPMCs for compliance
<ul style="list-style-type: none"> • Require the BSPMCs to strictly adhere to the KALAHU policy as to the prescribed period of project implementation by the timely submission of the requests for fund release and supporting documents; 			Fully Implemented	Memorandum forwarded to BSPMCs for compliance
<ul style="list-style-type: none"> • Fast track the downloading of community grants to BSPMC; and 			Partially Implemented	With similar observation in CY 2017 CAAR/ODA. Reiterated in this report

Observations	Ref.	Management Comments/Actions Taken	Status of Implementation	Results of Auditor's Validation
<ul style="list-style-type: none"> Avoid reshuffling of project personnel within the period of implementation, if feasible. 			Fully Implemented	Memorandum forwarded to FOs for compliance
<p>Five SPs under the KC-NCDDP-WB/IBRD costing ₱22,189,550.00 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.</p> <p>We recommended and the Management agreed to require the concerned FO ACT/RPMO personnel to:</p> <ul style="list-style-type: none"> 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 			Fully Implemented	Memorandum forwarded for compliance

Observations	Ref.	Management Comments/Actions Taken	Status of Implementation	Results of Auditor's Validation
<p>beneficiaries;</p> <ul style="list-style-type: none"> Strictly implement the provision of storage facilities before the delivery of the construction materials at the site to secure these materials; and 			Partially Implemented	Noted partial compliance of FOs due to lack of resources.
<ul style="list-style-type: none"> Hold accountable the RPMO/ACT/BSPMC who will be found remiss in the monitoring and evaluation of the SPs. 			Fully Implemented	Memorandum issued for compliance
<p>Validation of the community grant to BSPMC amounting to ₱88,712,418.25 funded under the KC-NCDDP-WB/IBRD loan showed a difference of ₱2,944,423.62 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 reiterate our last year's recommendation that the Management require the concerned FO to:</p> <ul style="list-style-type: none"> instruct the ACTs to properly monitor the status of SPs 		<p>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:</p> <p>a) the SP existing physical and financial progress should have reached the % required; and</p> <p>b) the BSPMCs or the excess amount to be refunded to DSWD.</p>	Fully Implemented	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.

Observations	Ref.	Management Comments/Actions Taken	Status of Implementation	Results of Auditor's Validation
<p>implementation within their area of responsibilities and ensure that all information/reports are accurate, complete, and consistent with Program standards; and</p> <ul style="list-style-type: none"> 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 these are issued to various stakeholders. 			Partially Implemented	On-going encoding of actual fund utilized per KC-NCDDP NPMO-Monitoring and Evaluation Team
<p>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.</p> <p>We recommended and the Management agreed to require the concerned FO:</p> <ul style="list-style-type: none"> O&M groups thru 			Fully Implemented	

Observations	Ref.	Management Comments/Actions Taken	Status of Implementation	Results of Auditor's Validation
<p>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; and</p> <ul style="list-style-type: none"> RPMO/ Monitoring and Evaluation Team, ACT to conduct capacity building initiatives and trainings to ensure that O&M groups are equipped to manage SPs. 			Fully Implemented	<p>Noted series of meetings in CY 2017 for the purpose</p> <p>Noted series of Trainings in CY 2017 for the purpose</p>