



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

Management Letter

on the

**The Kapit-Bisig Laban sa Kahirapan-Comprehensive and
Integrated Delivery of Social Services
(KALAHI-CIDSS)**

**National Community Driven Development Project
(NCDDP)**

Loan No: 3100-PH

Department of Social Welfare and Development

For the Year Ended December 31, 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. 3100-PH: Kapitbisig Laban sa Kahirapan-Comprehensive and Integrated Delivery of Social Services Project (KALAHI-CIDSS) – National Community Driven Development Project (NCDDP) for the Calendar Year 2017

1. Pursuant to the Loan Agreement No. 3100-PH dated March 26, 2014, between the Asian Development Bank and the Republic of the Philippines, thru the Department of Social Welfare and Development, we have audited the accounts and operations of the *Kapitbisig Laban sa Kahirapan-Comprehensive and Integrated Delivery of Social Services Project (KALAHI-CIDSS) – National Community Driven Development Project (NCDDP)* for the period ended December 31, 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 the significant accounting policies and other explanatory information or the Notes to Financial Statements are 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 were 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 Asian Development Bank Loan No. 3100-PH are as follows:

REGION	Island Group	No. of SPs	ADB		
			#SPs	Grant	LCC
Calabarzon	Luzon	2,631	596	390,990,417.83	20,366,173.36
MIMAROPA			1,040	898,514,301.45	26,466,773.01
V			995	1,637,976,552.72	12,538,375.34
VI	Visayas	9,260	3,386	2,466,204,068.62	92,325,016.98
VII			1,619	1,555,498,018.06	115,911,441.55
VIII			4,255	2,956,858,143.95	62,199,545.73
X	Mindanao	1,261	81	94,811,420.56	6,006,846.39
XI			267	318,404,191.00	22,505,995.50
XIII			913	1,041,109,886.06	71,876,992.88
Total			13,152	11,360,367,000.25	430,197,160.74

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	ADB		
	#SPs	Grant	LCC
CALABARZON	643	450,261,911.87	22,735,192.15
MIMAROPA	1,244	1,227,828,954.08	55,644,349.80
V	1,534	2,607,951,329.64	43,916,782.32
VI	4,076	3,761,738,861.82	164,559,877.16
VII	2,141	2,161,889,629.28	182,749,313.12
VIII	4,513	3,306,447,870.44	70,964,069.09
X	99	120,247,312.97	8,013,203.06
XI	325	396,520,058.00	30,875,594.50
XIII	1,004	1,188,500,174.02	85,567,477.92
Total	15,579	15,221,386,102.10	665,025,859.11

Financial Highlights

6. Asian Development Bank Loan No. 3100-PH Disbursement Status ending December 2017 (in US\$):

Project Category	Allocation (\$)	Utilized (\$)	Disbursement Rate	Unutilized (\$)
Grants	358,693,193	345,088,620	97%	11,782,882
Equipment, Vehicle And Furniture	1,073,000	895,674	83%	177,326
Advocacy And Iec Materials	65,571	64,588	99%	983
Training, Workshops And Meetings	12,412,131	7,862,821	63%	4,549,310
Consulting Services	700,000	40,101	6%	659,899
Monitoring And Evaluation	1,160,000	124,717	11%	1,035,283
Unallocated				
Imprest Fund-Wf				
TOTAL PROJECT COST	372,103,895	354,076,521	95%	18,205,683

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 accomplishment, however for the uncompleted SPs, we recommend that the Management require the concern ACTs and RPMOs personnel to:

- i) Regularly 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	332,826,345.80	
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 ₱11,135,041.03 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 to accomplish the deliverables as agreed upon. The person/s or office who will conduct the monitoring of the KALAHi 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 KALAHi 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	Uncom-pleted *	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	78,684,400.49	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	30	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:

- a) large volume of SPs and far-flung communities;
- b) delays in acquisition of sites for the target project;
- c) clearances and permits from the concern government agencies are not immediately available;
- d) planning phase requires longer time especially in highly technical projects;
- e) 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:

- a) Regularly monitor the on-going and unimplemented SPs especially those at the far-flung areas and fast track the completion of the SPs;
- b) 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;
- Defective Solar Lights;
- Unimplemented road construction



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

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) Moreover, 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.



DCC was incomplete and was not fully functional.
MIMAROPA Oriental Mindoro Pinamlayan Wawa

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.

- 17 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:

- In coordination with concerned Program Staff, prepare the Regional NCDDP Annual WFP
- Monitor the utilization of funds in accordance with approved Annual WFP
- 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:

Summary of Loan Proceeds and Balances							
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:

Program Components and Budget Requirement (in PhP'000,000)		
Program Component	Budget/ allocation	Percentage
Community Grants -	30,740	
Investment Grants	27,311	79.91%
Planning Grants	3,125	9.99%
Technical Assistance	2,692	8.37%
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:

Community Grants Budget Requirement per WFP by Year (in PhP'000,000)			
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	29,685*	82.66%

* The P2,074 between 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 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%
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	1,617,472,752.51	154,718,952.53	9.56%
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%
Total Per Region	30,231,392,061.36	3,290,540,674.59	
NPMO		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:

- 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
- 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 Provisions 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	21,669,943,319.29	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:

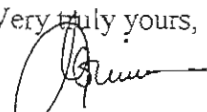
Status of Implementation	No. of Recommendations
Fully Implemented	9
Partially Implemented	3
Not Implemented	1

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

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
Commission on Audit
Batasan Hills Quezon City

Annexes:

- A – Independent Auditor's Report
- B – Statement of Management Responsibility on the Financial Statements
- C – Statement of Financial Position
- D – Statement of Financial Performance
- E – Statement of Cash Flows
- F – Statement of Changes in Net Assets/Equity
- G - Notes to Financial Statements
- H – Status of Prior Year's Audit



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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Kapit-bisig Laban sa Kahirapan – Comprehensive and Integrated Delivery of Social Services: National Community Driven Development Project – Asian Development Bank, which comprise the statement of financial position as at December 31, 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-ADB as of December 31, 2017 and its financial performance, statement of cash flows and statement of net assets/equity for the year then ended in accordance with Philippine Public Sector Accounting Standards.

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

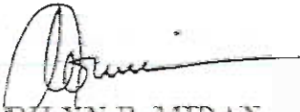
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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

ICG-Supervising Auditor

June 27, 2018

Annex B

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

National Community-Driven Development Project
ADB Loan No. 3100 -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 the regard, management maintains a system of accounting and recording 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-ADB
(in Philippine Peso)

	2017	2016
ASSETS		
Current Assets		
Cash and Cash Equivalents (Note 6)	2,260,859,135.21	1,286,834,346.14
Receivables (Notes 7)	2,581,856,864.94	2,675,971,393.85
Inventories (Note 8)	1,381,221.05	251,204.99
Other Current Assets (Note 11)	2,494,551.50	1,642,598.00
Total Current Assets	<u>4,846,591,772.70</u>	<u>3,964,699,542.98</u>
Non - Current Assets		
Property, Plant and Equipment (Note 9)	26,775,685.64	29,208,677.42
Intangible Assets (Note 10)	107,666.66	126,666.66
Total Non-Current Assets	<u>26,883,352.30</u>	<u>29,335,344.08</u>
Total Assets	<u>4,873,475,125.00</u>	<u>3,994,034,887.06</u>
LIABILITIES		
Current Liabilities		
Financial Liabilities (Note 12)	243,206,734.84	235,715,965.53
Inter-Agency Payables (Note 13)	6,369,995.26	2,442,185.46
Other Payables (Note 14)	235,130.53	2,853.53
Total Current Liabilities	<u>249,813,860.63</u>	<u>238,161,004.52</u>
Non- Current Liabilities		
Total Non- Current Liabilities		
Total Liabilities	<u>249,813,830.63</u>	<u>238,161,004.52</u>
NET ASSETS/EQUITY		
Accumulated Surplus/(Deficit)	4,623,661,264.37	3,755,873,882.54
Total Net Assets/Equity	<u>4,623,661,264.37</u>	<u>3,755,873,882.54</u>
Total Liabilities and Net Assets/Equity	<u>4,873,475,125.00</u>	<u>3,994,034,887.06</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-ADB
 (in Philippine Peso)

Annex D

	2017	2016
Revenue		
Service and Business Income (Note 15)	2,903,584.30	3,871,452.14
Shares, Grants and Donations (Note 17)	185,100.00	0.00
Total Revenue	3,088,684.30	3,871,452.14
less: Current Operating Expenses		
Maintenance and Other Operating Expenses (Note 18)	469,396,307.48	162,633,821.82
Financial Expenses (Note 19)	89,575.81	76,144.24
Non-Cash Expenses		
Depreciation (Note 18)	5,330,805.36	4,470,226.84
Amortization-Intangible Assets (Note 19)	19,000.00	0.00
Current Operating Expenses	474,835,688.65	167,180,192.90
Surplus (Deficit) from Current Operations	1,613,848,695.65	1,704,271,259.24
Financial Assistance/Subsidy from NGA, LGUs, GOCCs (Note 21)		
Subsidy from National Government/Central Office	10,560,240,154.19	912,848,667.29
Less: Subsidies-Others-Financial	8,226,119,982.16	2,347,016,332.60
Net Financial Assistance/Subsidy	2,334,120,172.03	(1,434,167,665.31)
Gains (Note 22)	26,786,934.82	104,136,371.95
Losses (Note 22)	(33,671,710.88)	(102,034,069.60)
Surplus(Deficit) for the period	1,855,488,391.62	(1,595,374,103.72)

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



DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT
 Statement of Changes in Net Assets/Equity
 Consolidated Central and Regional Offices
 NCDDP-ADB
 (in Philippine Peso)
 For the Year Ended December 31, 2017

	2017	2016
Balance at December 31, 2016	3,755,873,882.54	7,873,961,209.46
Changes in Accounting Policy	(985,627,937.32)	
Restated Balance	2,770,245,945.22	7,873,961,209.46
Changes in Net Assets/Equity for CY		
Adjustment of net revenue recognized directly in net assets/equity	(2,073,072.47)	(2,518,045,036.54)
Surplus/(Deficit) for the period	1,855,488,391.62	(1,595,374,103.72)
Total recognized revenue and expense for the period	1,853,415,319.15	4,113,419,140.26
Others	0.00	(4,668,186.66)
Balance at December 31, 2017	4,623,661,264.37	3,755,873,882.54

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

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, 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 charge, 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 lives shall not be amortized.

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	82,826.30	220,760.00
Cash in Bank - Local Currency, Current Account	1,741,848,226.25	840,344,911.15
Cash in Bank - Foreign Currency, Savings Account	518,928,082.66	446,268,674.99
Total	2,260,859,135.21	1,286,834,346.14

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 as follows:

National Community Driven Development Project (Peso) - ADB

Cash in Bank Foreign Currency Savings Account includes the deposits from Grants and Donations and loan proceeds received by DSWD from the following:

National Community Driven Development Project (Dollar) - ADB

7. Receivables

7.1 Loans and Accounts Receivables

Accounts	2017	2016
Due to Officers Other Funds	290,294.00	0.00
Due from Non-Government Organizations/ People's Organizations	2,581,217,521.90	2,675,967,701.69
Other Receivables	349,049.04	1,404.16
Total	2,581,856,864.94	2,675,969,105.85

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 ADB the downloading of fund to Brgys started on February 2015. The total amount released to different Brgys was P1,339,440,123.79. The total liquidated amount was P1,030,038,135.00 and the total amount of refund from excess fund transfer was P19,402,052.51.

7.2 Inter-Agency Receivables

Account Name	2017	2016
Due from National Government Agencies	0.00	2,288.00
Total	0.00	2,288.00

8. Inventories

Inventory items of the Department include the following:

Account Name	2017	2016
Inventories Held for Consumption		
Office Supplies Inventory	1,237,878.00	175,086.94
Accountable Forms, Plates and Stickers Inventory	0.00	1,400.00
Other Supplies and Materials Inventory	65,018.05	65,018.05
Sub-total	1,302,896.05	241,504.99
Semi-Expendable Inventories		
Semi-Expendable Office Equipment	78,325.00	9,700.00
Sub-total	78,325.00	9,700.00
TOTAL	1,381,221.05	251,204.99

The account Office Supplies Inventory for consumption consists of office supplies and IT supplies in stockpile for KC-NDCCP RPMO and ACT staffs.

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 Eqt.	Total
Carrying Amount, Jan. 1, 2017	9,604,813.22	18,351,281.37	279,814.64	972,768.19	29,208,677.42
Additions/Acquisitions	2,858,407.99	39,405.80	0.00	0.00	2,897,813.57
Reclassification	0.00	0.00	0.00	0.00	0.00
Total	12,463,220.99	18,390,687.17	279,814.64	972,768.19	32,106,490.99
Disposals					
Depreciation (As per St. of Financial Performance)	(2,414,699.25)	(12,672,800.10)	(44,315.20)	(198,990.81)	(5,330,805.36)
Adjustments	0.00	0.00	0.00	0.00	0.00
Impairment Loss (As per St. of Fin'l Performance)	0.00	0.00	0.00	0.00	0.00
Carrying amount, Dec. 31, 2017 (As per St of Fin'l Performance)	10,048,521.74	15,717,887.07	235,499.44	773,777.39	26,775,685.64
Gross Cost (Asset Acct. Balance per St. of Financial Position)	15,255,083.92	21,909,494.81	325,630.00	1,101,407.00	38,591,615.73
Less: Accu. Depreciation	(5,206,562.18)	(6,191,607.74)	(90,130.56)	(327,629.61)	(11,815,930.09)
Allowance of Impairment	0.00	0.00	0.00	0.00	0.00
Carrying Amount Dec. 31, 2017 (As per Statement of Financial Position)	10,048,521.74	15,717,887.07	235,499.44	773,777.39	26,775,685.64

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

10. Intangible Assets

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

Particulars	Computer Software
Carrying Amount, January 1, 2017	126,666.66
Addition Purchased/Acquired thru exchange on non-exchange transaction	0.00
Adjustment	0.00
Impairment Loss Reversed (as per Statement of Financial Performance)	0.00
Total	1,266,66.66
Disposals	0.00
Amortization recognized (As per Statement of Financial Performance)	(19,000.00)
Impairment Loss (As per Statement of Financial Performance)	0.00
Other Charges	0.00
Carrying Amount, December 31, 2017 (As per Statement of Financial Performance)	107,666.66
Gross Coat (Balance per Statement of Financial Position)	142,500.00
Less: Accumulated Amortization (including accumulated impairment loss)	34,833.34
Carrying Amount, December 31, 2017 (As per Statement of Financial Position)	107,666.66

11. Other Assets

11.1 Advances

Account Name	2017	2016
Advances to Operating Expenses	2,494,551.50	1,105,398.00
Advances to Special Disbursing Officers	0.00	537,200.00
Total	2,494,551.50	1,642,598.00

12. Financial Liabilities

Account Name	2017	2016
	Current	Current
Accounts Payable	241,421,166.65	235,715,965.53
Due to Officers and Employees	1,787,568.19	0.00
Total	243,208,734.84	235,715,965.53

In Central Office, the Accounts Payable of P1,077,351.87 includes the balance represents the various claims of creditors as of December 31, 2017.

13. Inter-Agency Payables

Account Name	2017		2016	
	Current	Non-Current	Current	Non-Current
Due to BIR	6,369,395.26		2,441,585.46	
Due to Pag-IBIG	600.00		600.00	
Total	6,369,995.26		2,442,185.46	

In Central Office, due to BIR consists of income tax deducted from employees, consultant, specialist and suppliers to be remitted to the Bureau of Treasury during the first month of the ensuing year.

14. Other Payables

Account Name	2017		2016	
	Current	Non-Current	Current	Non-Current
Other Payables	235,130.53		2,853.53	
Total	235,130.53		2,853.53	

15. Service and Business Income

Account Name	2017	2016
Fines and Penalties - Service Income	114,064.27	1,417.20
Interest Income	2,789,520.03	3,869,954.94
Total	2,903,584.30	3,871,372.14

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.

16. Other Non-Operating Income

Account Name	2017	2016
Miscellaneous Income	0.00	80.00
Total	0.00	80.00

17. Shares, Grants and Donations

Particulars	2017	2016
Income from Grants and Donations in Kind	185,100.00	0.00
Total	185,100.00	0.00

18. Maintenance and Other Operating Expenses

18.1 Traveling Expenses

Particulars	2017	2016
Traveling Expenses - Local	21,977.00	7,081,727.61
Total Traveling Expenses	21,977.00	7,081,727.61

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.

18.2 Training and Scholarship Expenses

Particulars	2017	2016
Training Expenses	370,091,915.48	139,457,572.93
Total Training and Scholarship Expenses	370,091,915.48	139,457,572.93

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

18.3 Supplies and Materials Expenses

Particulars	2017	2016
Office Supplies Expenses	452,610.00	458,680.50
Semi-Expendable Machinery and Equipment Expenses	18,980.00	140,449.00
Semi-Expendable Furniture, Fixtures and Books Expenses	2,288.00	79,659.40
Other Supplies and Materials Expenses	601.13	276,522.00
Total Supplies and Materials Expenses	474,479.13	955,310.90

18.4 Professional Services

Particulars	2017	2016
Consultancy Services	2,958,998.77	14,649,395.38
Other Professional Services	95,656,787.10	23,000.00
Total Professional Services	98,615,785.57	14,672,395.38

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

18.5 Other Maintenance and Operating Expenses

Particulars	2017	2016
Printing and Publication Expenses	15,750.00	338,175.00
Representation Expenses	0.00	1,240.00
Rent/Lease Expenses	158,400.00	127,400.00
Other Maintenance and Operating Expenses	18,000.00	0.00
Total Other Maintenance and Operating Expenses	192,150.00	466,815.00

19. Financial Expenses

Account Name	2017	2016
Bank Charges	89,575.81	76,144.24
Total	89,575.81	76,144.24

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

20. Non-Cash Expenses

20.1 Depreciation

Particulars	2017	2016
Depreciation - Machinery and Equipment	2,414,699.25	1,982,960.21
Depreciation - Transportation Equipment	2,672,800.10	2,344,268.42
Depreciation - Furniture, Fixtures and Books	44,315.20	39,110.61
Depreciation - Other Property, Plant and Equipment	198,990.81	103,887.60
Total Depreciation	5,330,805.36	4,470,226.84

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.

20.2 Amortization

Particulars	2017	2016
Amortization-Intangible Assets	19,000.00	0.00
Total	19,000.00	0.00

21. Net Financial Assistance/Subsidy

Financial Assistance/Subsidy from NGAs, LGUs, GOCCs

Particulars	2017	2016
Subsidy from National Government	5,243,873,633.98	912,848,667.29
Subsidy from Central Office	5,316,366,520.21	0.00
Total	10,560,240,154.19	912,848,667.29

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

Particulars	2017	2016
Subsidies from Regional Offices (Staff Bureaus)	5,316,366,520.21	0.00
Subsidy – Others and to Operating Units	2,909,753,461.95	2,347,016,332.60
Total	8,226,119,982.16	2,347,016,332.60

Net Financial Assistance/Subsidy	2,334,120,172.03	(1,434,167,665.31)
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The account Subsidy from National Government is further broken down as follows:

Particulars	Amount
Receipt of Notice of Allocation (NCA)	5,243,573,633.98
Tax Remittance Advice (TRA)	0.00
TOTAL	5,243,573,633.98
ADD/DEDUCT:	
NTA	0.00
Adjustment	0.00
SING Balance	5,243,873,633.98

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.

22. Non-operating Income, Gain, or Losses

21.1 Non Operating Income/Gain

Particulars	2017	2016
Gain on Foreign Exchange (FOREX)	26,786,934.82	104,136,371.05
Total Non-Operating Income/Gain	26,786,934.82	104,136,371.95

21.2 Non Operating Losses

Particulars	2017	2016
Loss on Foreign Exchange (FOREX)	33,671,710.88	102,034,069.60
Total Non-Operating Losses	33,671,710.88	102,034,069.60

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.

23. Budget Information

The Original Budget for the project per General Appropriations Act of 2017 is P10,229,160,000.00 of which P5,229,761,000.00 is chargeable to ADB.

24. Related Party Transactions

24.1 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>1) As of December 31, 2016 KC-NCDDP registered a Physical accomplishment of 83.55 percent and exceeding the 70.00% KC-NCDDP Results Framework per loan agreement, thus the objective of the project to provide target beneficiaries of improved access to services and infrastructure and to participate in more inclusive management planning, budgeting and implementation in their community had been generally achieved.</p> <p>We commended the Management and PMO for exerting efforts to facilitate completion of targeted projects, however for the uncompleted SPs, we recommend that the Management require the concern ACTs and RPMOs personnel to:</p> <p>a) Regularly monitor the on-going and unimplemented SPs and determine the causes of delays and address the issues and concerns to fast track the completion of the SPs;</p> <p>b) Furnish the BSPMCs with the list of good standing contractors and suppliers and blacklist erring contractors and suppliers; and</p> <p>c) Require the BSPMCs to strictly adhere to the KALAH policy as to the prescribed period of project implementation by the timely submission of the requests for fund release and supporting documents;</p>	CY 2016 CAAR			
			Fully Implemented	Targets for CY 2016 SPs completed
			Fully Implemented	Memorandum forwarded to BSPMCs for compliance
			Fully Implemented	Memorandum forwarded to BSPMCs for compliance

Observations	Ref.	Management Comments/Actions Taken	Status of Implementation	Results of Auditor's Validation
d) Fast track the downloading of community grants to BSPMC; and e) Avoid reshuffling of project personnel within the period of implementation, if feasible.			Partially Implemented	With similar observation in CY 2017 CAAR/ODA. <i>Reiterated in this report</i>
			Fully Implemented	Memorandum forwarded to FOs for compliance
2) Eight SPs costing P12,907,672.8 were found to have deficiencies/issues, due to failure of RPMO/SRPMO as well as project proponents to monitor and resolve project issues, thus may compromise the efficient and effective use of the facility and not in keeping with KC-NCDDP Community Empowerment Activity Cycle and Monitoring and Evaluation Sub-Manual for Program Implementer. We recommended and the Management agreed to require the concerned FO ACT/RPMO personnel to:	CY 2016 CAAR			
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;			Fully Implemented	Memorandum forwarded for compliance
b) 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.
c) 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

Observations	Ref.	Management Comments/Actions Taken	Status of Implementation	Results of Auditor's Validation
<p>3) Validation of the community grant to BSPMC amounting to P83,629,087.27 showed a difference of P1,191,585.07 as against the KC-NCDDP report due to deficient reporting and monitoring mechanism of projects, thus affecting the accuracy of the reported project accomplishments to various stakeholders.</p> <p>We reiterated our last year's recommendations that the Management require the concerned FO to:</p> <p>a) instruct the ACTs to properly monitor the status of SPs implementation within their area of responsibilities and ensure that all information/reports are accurate, complete, and consistent with Program standards; and</p> <p>b) conduct reconciliation of unrecorded community grants in the KC-NCDDP Report vis-à-vis in the books of BSPMC and ensure that project reports are validated before this are issued to various stakeholders.</p>	CY 2016 CAAR	<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>the SP existing physical and financial progress should have reached the percentage required; and</p> <p>the BSPMCs or the excess amount to be refunded to DSWD.</p>	<p>Fully Implemented</p> <p>Partially Implemented</p>	<p>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.</p> <p>On-going encoding of actual fund utilized per KC-NCDDP NPMO-Monitoring and Evaluation Team</p>
<p>4) 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> <p>a) O&M groups thru RPMO/Area Coordinating Team submit</p>	CY 2016 CAAR			

Observations	Ref.	Management Comments/Actions Taken	Status of Implementation	Results of Auditor's Validation
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			Fully Implemented	Noted series of meetings in CY 2017 for the purpose
b) RPMO/ Monitoring and Evaluation Team, ACT to conduct capacity building initiatives and trainings to ensure that O&M groups are equipped to manage SPs.			Fully Implemented	Noted series of Trainings in CY 2017 for the purpose