



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

Management Letter

on the

**Emergency Assistance and Early Recovery for
Poor Municipalities Affected by Typhoon
Yolanda- Subcomponent A1
Grant No.: JFPR 9175-PHI**

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

June 27, 2018

HONORABLE VIRGINIA N. OROGO

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

Madam:

**Management Letter on the Audit of the Grant No. JFPR 9175-PHI:
Emergency Assistance and Early Recovery for Poor Municipalities Affected by
Typhoon Yolanda- Subcomponent A1
for the Calendar Year 2017**

1. Pursuant to the Grant Agreement No. JFPR 9175-PHI dated March 12, 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 *Emergency Assistance and Early Recovery for Poor Municipalities Affected by Typhoon Yolanda* 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 team led by Mesdames. Lea T. Petero and June L. Van Schoonneveldt both State Auditor IV, to (a) verify the level of assurance that may be placed on Management's assertions on the financial statements; (b) recommend agency improvement opportunities; and (c) determine the extent of implementation of prior years' audit recommendations.
3. The Independent Auditor's Report, Statement of Management Responsibility on the Financial Statements, the Project's statement of financial position, statement of financial performance, statement of cash flows and statement of changes in net assets/equity for the year then ended, and a summary of significant accounting policies and other explanatory information for calendar year 2017 are shown in **Annexes A-G**.
4. For CY 2017, no observations and recommendations were issued for the grant.

Operational Highlights

5. As of December 31, 2017, a total of 121 Sub-Projects (SP) were fully completed and two SPs nearly complete as follows:

PROJECT	Completed	89% to 94% Complete	Grand Total
Basic Access Infrastructure	26	1	27
Basic Social Services	85	1	86
Environmental Protection	10		10
Grand Total	121	2	123

Detailed as follows:

Category/Project	No. of SPs	KC Grant	LCC Amount	Total Project Cost
Basic Access Infrastructure	27	29,665,875.00	706,598.93	30,372,473.93
Bridge	3	6,833,342.00	231,754.68	7,065,096.68
Footpath / Foot Trail / Access Trail	7	6,340,637.00	53,551.50	6,394,188.50
Riprap Wall / Slope Protection / Erosion Control	2	1,239,095.00	8,753.75	1,247,848.75
Road	15	15,252,801.00	412,539.00	15,665,340.00
Basic Social Services	86	88,896,469.92	650,087.21	89,546,557.13
Barangay Hall	4	1,853,653.00	28,367.75	1,882,020.75
Community Center/Multi-Purpose Bldg	1	378,380.00	4,375.00	382,755.00
Day Care Center	5	2,752,606.00	24,625.02	2,777,231.02
Electrification / Lighting	34	29,152,964.95	266,313.14	29,419,278.09
Health Station	4	18,410,780.00	13,250.00	18,424,030.00
Other / For classification	5	3,385,229.13	2,000.00	3,387,229.13
School Building	13	17,878,438.84	87,478.75	17,965,917.59
Water System	20	15,084,418.00	223,677.55	15,308,095.55
Environmental Protection	10	6,309,865.00	60,950.50	6,370,815.50
Box Culvert / Drainage Canal	7	5,395,946.00	34,487.50	5,430,433.50
Riprap Wall / Slope Protection / Erosion Control	1	193,361.00	11,294.00	204,655.00
Seawall	1	461,113.00	4,375.00	465,488.00
Spillway / Overflow Bridge	1	259,445.00	10,794.00	270,239.00
Grand Total	123	124,872,209.92^{*1}	1,417,636.64	126,289,846.56

^{*1} The reported amount for Community Infrastructures per Statement of Expenditures amounted to P115,616,951.93 or \$ 2,598,099.90 as of 12/31/17, thus, the above KC-Grants is overstated by P9,255,257.99 due to deficient reporting and monitoring.

Financial Highlights

6. Disbursement Status ending December 2017 (in US\$ and in peso)

Project Category	Allocation		Utilized		Disbursement Rate	Unutilized	
	US\$	Peso	US\$	Peso		US\$	Peso
Civil Works	2,697,907	118,465,096	2,655,213	118,103,883	98%	42,694	2,129,012
Vehicles, Equipment, & Supplies	78,182	3,432,972	77,345	3,440,300	99%	837	41,745
Trainings, Workshops & Seminars	20,000	878,200	19,787	880,130	99%	213	10,617
Management and Coordination/ Consulting Services (5)	203,911	8,953,732	203,911	9,069,961	100%	-	-
TOTAL	3,000,000	131,730,000	2,956,256	131,494,274	99%	43,744	2,181,374^{*1}

^{*1} Returned to Bureau of Treasury amounting to P2,108,524.02 under JEVs#2017-09-000250, 2017-09-000251, 2017-11-000303 and 2017-11-000301, the difference vs the above total is due to FOREX

A. SUMMARY OF OBSERVATIONS and RECOMMENDATIONS

No significant observations for CY 2017

B. STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

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

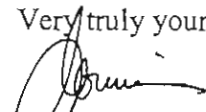
Status of Implementation	No. of Recommendations
Fully Implemented	3
Partially Implemented	0
Not Implemented	0

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

C. ACKNOWLEDGEMENT

8. 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 the 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 Implementation of Prior Years’ Audit Recommendations

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 **Japan Fund for Poverty Reduction – Assistance for Emergency Assistance and Early Recovery for Poor Municipalities Affected by Typhoon Yolanda**, 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 financial statements present fairly, in all material respects the financial position of the **Japan Fund for Poverty Reduction – Assistance for Emergency Assistance and Early Recovery for Poor Municipalities Affected by Typhoon Yolanda** 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
OIC-Supervising Auditor

June 27, 2018


Annex B

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**
Japan Fund for Poverty Reduction ADB Grant No. 9175-PHI

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


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

FEB 08 2018

Date Signed

February 9, 2018
Date Signed



DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT
Statement of Financial Position
 Consolidated Central and Regional Offices
 Japan Fund for Poverty Reduction ADB Grant No. 9175-PHI
 For the Period Ending December 31, 2017

	Note	2017	2016
ASSETS			
Current Assets			
Cash and Cash Equivalents	6	.00	2,011,324.56
Receivables	7	.00	27,864,634.30
Inventories		95,713.00	9,253.00
Total Current Assets		<u>95,713.00</u>	<u>29,971,671.86</u>
Non - Current Assets			
Property, Plant and Equipment	9	<u>2,472,356.03</u>	<u>3,072,593.00</u>
Total Non-Current Assets		<u>2,472,356.03</u>	<u>3,072,593.00</u>
Total Assets		<u>2,568,069.03</u>	<u>33,044,264.86</u>
LIABILITIES			
Current Liabilities		-	-
Non- Current Liabilities		-	-
Total Liabilities		-	-
NET ASSETS/EQUITY			
Accumulated Surplus/(Deficit)		<u>2,568,069.03</u>	<u>33,044,264.86</u>
Total Net Assets/Equity		<u>2,568,069.03</u>	<u>33,044,264.86</u>
Total Liabilities and Net Assets/Equity		<u>2,568,069.03</u>	<u>33,044,264.86</u>

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

Annex D



DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT
Statement of Financial Performance
Consolidated Central and Regional Offices
Japan Fund for Poverty Reduction ADB Grant No. 9175-PHI
For the Year Ended December 31, 2017

	Note	2017	2016
Revenue			
Service and Business Income	11	3,239.42	29,571.58
Total Revenue		3,239.42	29,571.58
Less: Current Operating Expenses			
Financial Expenses	13	233.41	5,726.12
Maintenance and other Operating Expenses	12	0.00	242,455.00
Non-Cash Expenses	14	600,236.97	600,236.97
Total Current Operating Expenses		600,470.38	848,418.09
Surplus/(Deficit) from Current Operations		(597,230.96)	(818,846.51)
Financial Assistance/Subsidy			
Financial Assistance/Subsidy from NGAs, LGUs, GOCCs	15	0.00	0.00
Less: Financial Assistance/Subsidy to NGAs, LGUs, GOCCs, NGOs/POs-Subsidies Others		293,462.210	2,577,422.42
Net Financial Assistance/Subsidy	15	(293,462.21)	(2,577,422.42)
Other Non-Operating Income			
Gains	16	24,883.22	65,266.33
Losses	16	(14,315.42)	(31,560.58)
Surplus/(Deficit) for the period		(880,125.37)	(3,362,563.18)

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



DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT

Statement of Cash Flows

Consolidated Central and Regional Offices
Japan Fund for Poverty Reduction ADB Grant No. 9175-PHI
For the Year Ended December 31, 2017

	2017	2016
Cash Flows From Operating Activities		
Cash Inflows		
Receipt of Notice of Cash Allocation	-	-
Collection of Income/Revenues	2,305.79	29,571.58
Receipt of Intra-Agency Fund Transfers	-	-
Other Receipts	406,282.15	-
Adjustments	1,414,329.68	33,705.75
Total Cash Inflows	1,822,917.62	63,277.33
Cash Outflows		
Remittance to National Treasury	219.29	-
Payment of Expenses	1,743,243.09	17,167,494.04
Remittance of Personnel Benefit Contributions and Mandatory Deductions	-	50,785.36
Release of Inter-Agency Fund Transfers	-	-
Release of Intra-Agency Fund Transfers	-	-
Other Disbursements	2,108,304.73	-
Adjustments	-	28,500.00
Total Cash Outflows	3,851,767.11	17,246,779.40
Net Cash Provided by (Used in) Operating Activities	(2,028,859.49)	(17,183,502.07)
Cash Flows from Investing Activities		
Cash Outflows	-	-
Purchase/Construction of Property, Plant and Equipment	-	.20
Total Cash Outflows	-	.20
Cash Provided By (Used In) Investing Activities	-	(.20)
Increase/(Decrease) in Cash and Cash Equivalents	(2,028,849.49)	(17,183,502.27)
Effects of Exchange Rate Changes on Cash and Cash Equivalents	17,524.93	.00
Add: Cash Balance, Beginning January 1	2,011,324.56	19,194,826.83
Cash Balance, Ending December 31	0.00	2,011,324.56



DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT
Statement of Changes in Net Assets/Equity
Consolidated Central and Regional Offices
Japan Fund for Poverty Reduction ADB Grant No. 9175-PH1
For the Year Ended December 31, 2017

	2017	2016
Balance, January 1	33,044,264.86	118,824,170.07
Changes in Accounting Policy	-	-
Prior Period Adjustments/Unrecorded Income and Expenses	-	82,417,342.03
Restated Balance	33,044,264.86	36,406,828.04
Changes in Net Assets/Equity for 2017	-	-
Adjustment of net revenue recognized directly in net assets/equity	(28,181,521.49)	-
Closing of Cash-Treasury/Agency Deposit - Regular	(28,181,521.49)	-
Closing of Cash-Treasury/Agency Deposit - Trust	-	-
Surplus/(Deficit) for the period	(380,125.37)	(3,362,563.18)
Total recognized revenue and expense for the period	(29,061,646.86)	(3,362,563.18)
Others	(1,414,548.97)	-
Balance at December 31	2,568,069.03	33,044,264.86

NOTES TO FINANCIAL STATEMENTS
Fund 171 – JFPR
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 14, 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, Office-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., just and peaceful society

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 "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 the 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

- Japan Fund for Poverty Reduction – Assistance for Emergency Assistance and Early Recovery for Poor Municipalities Affected by Typhoon Yolanda (JFPR Project No. 9175-PHI) – This is a financial assistance provided by Japan under the JFPR administered by Asian Development Bank in the amount not exceeding \$20M for the Republic of the Philippines. This will benefit about 1.2 million individuals from 74 municipalities in the region that was hit hardest by Typhoon Yolanda. A certain amount will be used for the rehabilitation projects to be implemented through Kapit-Bisig Laban sa Kahirapan – CIDSS. KALAHI-CIDSS targets the speedy rehabilitation of 220 small-scale municipal and community infrastructures in 13 municipalities using the community-driven development a (CDD) strategy, a development approach that focuses on empowering and building up the capacities of citizens and local government units so they will be able to lift own communities out of poverty.

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 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 difficulties;

- . 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).

a. 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.

De-recognition

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

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

3.3 Cash and cash equivalents

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

3.4 Inventories

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

After initial recognition, inventory is measured at the lower cost and net realizable value. However to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower 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 item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired, or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

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.

De-recognition

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

3.6 Changes in accounting policies and estimates

The DSWD recognize 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 asset/equity for the earliest prior period presented.

3.7 Foreign currency transactions

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

At each reporting date:

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

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

3.8 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 is 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 recognizes 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 corresponding liability is recognized.

Measurement of Liabilities in Initial Recognition from Non-Exchange Transactions

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

Fees and fines not related to taxes

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

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

Gifts and Donations

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

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

On initial recognition, gifts and donations including goods in-kind are measured at their fair value as at the date of acquisition, which were ascertained by reference to an active market, or by appraisal. An appraisal

of the value of an asset is normally undertaken by a member of the valuation profession who holds a recognized and relevant professional qualification. For many assets, the fair value are ascertained by reference to quoted price in an active and liquid market.

Transfers

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

Services in-Kind

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

Transfers from other government entities

Revenues from non-exchange transactions with other government entities and the related assets are measured at fair market value and recognized on obtaining control of the assets (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 (Name of Entity) and can be measured reliably.

3.9 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 comparative 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.

3.10 Impairment of Non-Financial Assets

Impairment of non-cash-generating assets

The DSWD assesses at its 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 are held with Primary objective generating a commercial return. Therefore, non-cash gene-Rating assets would be those assets from which the DSWD does not intend (as its primary objective) to realize a commercial return.

3.11 Measurement uncertainty

The preparation of financial statements in conformity with PPSAS, requires, management to make estimates and assumptions that effect the reporting amounts of assets and liabilities, at the date of the financial statements and the reported amounts of the revenue and expenses during the period. Items requiring the use of the 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 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 in Bank - Local Currency, Current Account	-	1,366,414.58
Cash in Bank - Foreign Currency, Savings Account	-	644,909.98
Total	.00	2,011,324.56

7. Other Receivables

Account Name	2017	2016
Due from Non-Government Organizations/People's Organizations	-	27,864,634.30
Total	.00	27,864,634.30

8. Inventories

Account Name	2017
Inventory Held for Consumption	
Other Supplies & Materials Inventory	8,553.00
Sub-Total	8,553.00
Semi-Expendable ICT Equipment	39,910.00
Semi-Expendable Furniture & Fixtures	47,250.00
Total	95,713.00

9. Property, Plant and Equipment

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

Particulars	Buildings and Other Structures	Machinery and Equipment	Furniture and Fixtures	Other Property and Equipment	Total
Carrying Amounts, January 1, 2017	2,244,659.29	765,411.73	30,081.48	32,440.50	3,072,593.00
Depreciation (as per Financial Performance)	(241,977.45)	(345,197.02)	(3,828.50)	(9,234.00)	(600,236.97)
Carrying amount, Dec. 31, 2017 (as per Financial Position)	2,002,681.84	420,214.71	26,252.98	23,206.50	2,472,356.03
Gross Cost (asset Acct Balance per Statement of Financial Position)	2,547,131.10	1,293,800.10	40,300.00	48,600.00	3,929,831.20
Less: Accumulated Depreciation	(544,449.27)	(873,585.38)	(14,047.02)	(25,393.50)	(1,457,475.17)
Carrying Amt., Dec. 31, 2017 (per Statement of Financial Position)	2,002,681.83	420,214.72	26,252.98	23,206.50	2,472,356.03

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. Financial Liabilities

Account Name	2017(Current)	2016(Current)
Accounts Payable	-	24,469.52
Total	-	24,469.52

11. Service and Business Income

Account Name	2017	2016
Interest Income	3,239.42	29,571.58
Total	3,239.42	29,571.58

Interest Income represents income earned from various bank accounts of the Department.

12. Maintenance and Other Operating Expenses

12.1 Training Expenses

Particulars	2017	2016
Training Expenses	-	242,455.00
Total	0.00	242,455.00

13. Financial Expenses

Accounts Name	2017	2016
Bank Charges	233.41	5,726.12
Total	233.41	5,726.12

The account Bank Charges generally refers cable changes for electronic fund transfers of Foreign Currency Account of Japan Projects.

14. Non-Cash Expenses

Depreciation

Particulars	2017	2016
Depreciation-Buildings and Other Structures	241,977.45	241,977.45
Depreciation-Machinery and Equipment	345,197.02	345,197.02
Depreciation-Furniture, Fixtures and Books	3,828.50	3,828.50
Depreciation-Other Property, Plant and Equipment	9,234.00	9,234.00
Total	600,236.97	600,236.97

The Depreciation for Machinery and Equipment and Transportation Equipment are periodic cost allocation for the wear and tear of the Department's PPE.

15. Net Financial Assistance/Subsidy

Financial Assistance/Subsidy from NGAs

Particulars	2017	2016
Subsidy from National Government Agency	-	-
Subsidy from Other Funds	-	-
Subsidy from Central Office	-	-
Total Fin'l Assistance/Subsidy from NGAs, LGUs	0.00	0.00

Less: Financial Assistance/Subsidy to NGAs

Particulars	2017	2016
Subsidy from Regional Offices/Staff Bureaus	-	-
Subsidies-Others	293,462.21	2,577,422.42
Total Financial Assistance/Subsidy to NGAs, LGUs	293,462.21	2,577,422.42
Net Financial Assistance/Subsidy	(293,462.21)	(2,577,422.42)

Subsidy Income from National Government Agency pertains to the Notice of Cash Allocation which was credited to the Authorized Government Depository Bank (AGDB) Accounts.

16. Non-operating Income, Gain, or Losses

Non Operating Income/Gain

Account Name	2017	2016
Gain on Foreign Exchange (FOREX)	24,883.22	65,266.33
Total	24,883.22	65,266.33

Non Operating Losses

Particulars	2017	2015
Loss on Foreign Exchange (FOREX)	14,315.42	31,560.58
Total Non-Operating Losses	14,315.42	31,560.58

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.

**STATUS OF IMPLEMENTATION OF PRIOR YEARS'
AUDIT RECOMMENDATIONS
CY 2017**

Observations	Ref.	Management Comments/Actions Taken	Status of Implementation	Results of Auditor's Validation
<p><i>Unliquidated fund transfers to NGOs/POs</i></p> <p>Community grants amounting to P27,864,634.30 or 29.02 percent of P96,017,263.23 transferred to various NGOs/POs in 2015 remained unliquidated as of December 31, 2016, thus appropriate transactions not recognized in the books.</p> <p>We recommended that the Management direct FO Directors concerned to:</p> <p>a. Direct Accounting Division to:</p> <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; <p>b. Ensure that necessary provisions on control measures in the implementation of the project up to liquidation of funds are included in the Memorandum of Agreement with NGOs/POs for accountability purposes; and</p> <p>c. Assign specific personnel to monitor and follow up utilization reports of fund transfers to NGOs/POs.</p>	2016 CAAR	<p>As of December 31, 2017, P27,864,634.30 was liquidated in time with the revised project closing on June 30, 2017.</p> <p>The designated staff in the Accounting Section intensified the monitoring and submission of LRs and refund of unutilized balance, if any</p>	Fully Implemented	The whole amount was fully liquidated and subject to audit