



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

Management Letter

on the

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

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

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

Loan No: 8335-PH

Department of Social Welfare and Development

For the Year Ended December 31, 2018



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

CONFIDENTIAL

June 28, 2019

HON. ROLANDO JOSELITO D. BAUTISTA

Secretary

Department of Social Welfare and Development

Batasan Hills, Quezon City

Dear Secretary Bautista:

**Management Letter on the Audit of the World Bank/
International Bank for Reconstruction and Development
(WB/IBRD) Loan No. 8335-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 2018**

1. Pursuant to the Loan Agreement No. 8335-PH dated April 2, 2014, between the World Bank (WB)/ International Bank for Reconstruction and Development (IBRD) and the Republic of the Philippines, thru the Department of Social Welfare and Development, we have audited the accounts and operations of the *Kapitbisig Laban sa Kahirapan-Comprehensive and Integrated Delivery of Social Services Project (KALAHI-CIDSS) – National Community Driven Development Project (NCDDP)* for the period ended December 31, 2018. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAI). 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 Auditor Rosalinda N. De Guzman, State Auditor IV, to (a) verify the level of assurance that may be placed on Management's assertions on the financial statements; (b) determine the existence, sustainability, and adequacy of maintenance and monitoring with respect to at least ten percent (10%) of Subprojects; (c) provide recommendation for the improvement opportunities that we raised and confirmed by management; and (d) 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 2018 and significant accounting policies and other explanatory information or the Notes to Financial Statements shown in **Annexes A-G**.

4. We wish to bring to your attention our audit observations and recommendations which were earlier communicated through Audit Observation Memoranda (AOMs) and discussed in an exit conference conducted on May 21, 2019 with concerned DSWD officials. The comments were incorporated in this report, where appropriate. The significant audit observations and recommendations shall be incorporated in the Consolidated Annual Audit Report (CAAR) of the Department of Social Welfare and Development for CY 2018.

BACKGROUND

5. On April 2, 2014, a Loan Agreement was entered into between the Republic of the Philippines and the International Bank for Reconstruction and Development (IBRD), for a Loan in the amount of US\$479,000,000 to assist in financing the Project aimed to empower communities in targeted municipalities to achieve improved access to services and to participate in more inclusive local planning, budgeting and implementation.

6. The Project consists of the following parts:

Part 1. Barangay (Community) Sub-Grants for Planning and Investment

- a. Provision of Sub-grants to beneficiary Barangays to: (i) carry out specific activities for the orientation, consultation, participatory priority-setting, action planning, review and approval of Sub-projects at Barangay and inter-Barangay (municipal) levels, including the provision of technical assistance to ensure the quality of design and development of community infrastructure, facilities, services and other priority activities identified by communities; and (ii) develop and/or improve community-identified priority infrastructure, facilities and services and other priority activities identified by communities, including activities in response to an Eligible Crisis or Emergency, as needed.
- b. Provision of training and other technical support to strengthen the capacity of community volunteers to facilitate the implementation of Sub-projects.

Part 2. Local Capacity Building and Implementation Support

Carrying out of specific activities to strengthen the capacity of local government units and area coordination teams to conduct poverty reduction action planning, budget execution and public financial management, including to facilitate and oversee the planning and implementation of Sub-projects; carrying out of specific activities to strengthen the capacity of relevant sector and sub-national units and staff of national government agencies to enhance their community based activities; and review and revision of legal instruments, policies and guidelines to integrate and mainstream community-driven development principles.

Part 3. Project Administration, Monitoring and Evaluation

Carrying out of the day-to-day coordination, administration, procurement, financial management, environmental and social management; communication and dissemination of information to sensitize stakeholders to the Project's objectives, strategies and lessons learned; monitoring, evaluation and audit of the Project at the national, regional and sub-regional levels, including the carrying out of relevant studies for the purposes of the Project such as reviews of the technical quality of infrastructure, economic rates of return on investments, process monitoring of procedural variations in different contexts (conflict, disasters, indigenous populations), and analyses of outcomes of different methodological approaches; and provision of operational assistance to regional and municipal offices of DSWD in disaster affected areas to reestablish operational capacity.

7. The categories of Eligible Expenditures that may be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category are shown in *Table 1*:

Table 1 – Categories of Eligible Expenditures

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed (inclusive of Taxes)
(1) Goods, non-consulting services, consultants' services, Training and Operating Costs	97,610,000	100%
(2) Sub-grants under Part 1(a) of the Project	380,192,500	100% of amounts disbursed
(3) Front-end Fee	1,197,500	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(4) Interest Rate Cap or Interest Rate Collar premium	0	Amount due pursuant to Section 2.07 (c) of the Agreement
Total Amount	479,000,000	

8. The Loan's Closing Date is December 31, 2019.

9. The DSWD National Project Management Office (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 Financial Management (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.

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

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

Operational Highlights

11. As of December 31, 2018, a total of 11,524 sub-projects were covered in the implementation funded thru WB/IBRD Loan No. 8335-PH amounting to ₱14,225,270,293.72, consisting of completed, on-going and not yet started. The distribution per region viz:

Table 2 – Total Sub-projects as of Dec. 31, 2018

REGION	As of December 31, 2018	
	#SPs	Grant
CAR	576	559,762,719.09
I	183	221,082,107.50
III	53	113,366,631.82
IVA	512	398,205,912.01
IVB	377	514,645,008.10
V	1,193	1,957,119,588.14

REGION	As of December 31, 2018	
	#SPs	Grant
VI	681	876,900,879.70
VII	1,370	1,768,540,033.30
VIII	1,685	1,230,838,129.32
IX	1,863	1,901,618,511.27
X	1,282	2,049,825,294.50
XI	535	863,895,380.00
XII	704	1,028,256,253.68
XIII	510	741,213,845.29
Total	11,524	14,225,270,293.72

12. A total of 10,288 projects funded thru WB/IBRD Bank Loan No. 8335-PH amounting to ₱12,191,672,162.73 were completed as of December 31, 2018. The accomplishment per region are as follows:

Table 3 – Completed Projects as of December 31, 2018

REGION	Island Group	No. of SPs	Completed	
			#SPs	Grant
CAR	Luzon	2,520	484	481,877,716.47
I			140	154,985,469.54
III			47	99,357,941.60
IVA			483	362,118,231.51
IVB			309	411,130,335.40
V			1,057	1,641,790,378.45
VI	Visayas	3,675	658	810,522,075.56
VII			1,339	1,720,763,851.90
VIII			1,678	1,227,459,192.32
IX	Mindanao	4,093	1,566	1,507,539,352.96
X			995	1,502,178,928.16
XI			484	747,083,376.00
XII			540	790,407,503.57
XIII			508	734,457,809.29
Grand Total			10,288	12,191,672,162.73

Financial Highlights

13. The IBRD/WB loan proceeds of \$479,000,000.00 with implementation period of four years to five years and 6 months (5-1/2 years) with the corresponding allocations and utilizations of community grants, is shown in *Table 4*:

Table 4 – Summary of Allocation, Utilization and Unutilized Allocation

Particulars	IBRD/WB	
	Us Dollar	Philippine Peso
Loan Proceeds/ Allocation	479,000,000.00	19,447,000,000.00
Allocation Amount for Community Grants	380,192,500.00	15,435,815,000.00
Utilization Amount for Community Grant	275,459,145.97	13,288,946,649.83
Unutilized Allocation	104,733,354.03	2,146,868,350.17
% of Unutilized Allocation (US Dollar)	27.55%	

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

Table 5 – Program Components and Budget Requirement (in PhP'000,000)

Project Component	IBRD/WB	
	Budget/ Allocation ¹	Percentage
1. Community Grants -	16,158	83.09%
<i>Investment Grants</i>	15,023	77.25%
<i>Planning Grants</i>	1,135	5.84%
2. Technical Assistance	2,742	14.10%
3. Project Admin / ME	499	2.57%
Front-End Fee	49	0.25%
Total	19,448	100.00%

15. The community grants being the major financial component of the loan proceeds is distributed as follows:

Table 6– Community Grants Budget Requirement per WFP by Year (in PhP'000,000)

Year	WFP	Yearly Budget Allocation	% to WFP
2015	13,978	12,346	88.32%
2016	9,974	8,178	81.99%
2017	11,960	9,161	76.60%
2018	3,360	2,993	89.08%
TOTAL	39,272	32,678	83.21%

16. As of December 31, 2018, the WB/IBRD Loan No. 8335-PH Disbursement Status (in US\$) is shown in *Table 7*:

¹ The Program Financing Plan, KC-NCDDP Manual on Operation, April 2015

Table 7 – Status of Loan Disbursement as of December 31, 2018 (in US\$)

Project Category	Allocation	Utilized	Disbursement Rate	Unutilized
Grants	380,192,500.00	275,459,145.97	72%	104,733,354.03
Goods/Consultancy/IOC	97,610,000.00	89,055,391.00	91%	8,554,609.00
Front End Fee	1,197,500.00	1,197,500.00	100%	-
Working Fund	0.00	33,506,127.01	-	(33,506,127.01)
Total Project Cost	479,000,000.00	399,218,163.98	83%	79,781,836.02

17. The Financial Position and Financial Performance as of December 31, 2018 are presented in *Tables 8 and 9*, respectively:

Table 8 – Financial Position

Particulars	Amount (in Pesos)		
	CY 2018	CY 2017 (Restated)	Increase/ (Decrease)
Assets	4,113,740,369.65	3,832,197,666.85	281,542,702.80
Liabilities	122,491,731.43	199,394,053.98	(76,902,322.55)
Government Equity	3,991,248,638.22	3,632,803,612.87	358,445,025.35

Table 9 – Financial Performance

Particulars	Amount (in Pesos)		
	CY 2018	CY 2017 (Restated)	Increase/ (Decrease)
<i>Sources of Fund</i>			
Revenue	3,232,925.97	2,199,687.22	1,033,238.75
Net Financial Assistance/ Subsidy	323,605,190.37	2,978,711,521.73	(2,655,106,331.36)
Gain on Foreign Exchange	217,901,806.49	2,815,621.28	215,086,185.21
Total	544,739,922.83	2,983,726,830.23	(2,438,986,907.40)
<i>Expenses</i>			
PS	0.00	0.00	0.00
MOOE	93,027,878.57	1,494,240,374.42	(1,401,212,495.85)
Loss on Foreign Exchange	72,641,420.11	65,637,114.79	7,004,305.32
Financial Expenses	8,244.95	39,906.70	(31,661.75)
Non-Cash Expenses	16,188,699.99	15,438,882.05	749,817.94
Total	181,866,243.62	1,575,356,277.96	(1,393,490,034.34)
Surplus (Deficit) for the Period	362,873,679.21	1,408,370,552.27	(1,045,496,873.06)

A. SUMMARY OF OBSERVATIONS and RECOMMENDATIONS

18. The following are the significant observations and recommendations:

- a. Accumulation of long outstanding unliquidated fund transfers to various NGOs/POs of ₱2,263,079,021.47 due to non-submission of liquidation documents and pending/ unrecorded liquidations with Community-Beneficiaries and KC-NCDDP Field Offices Finance.

We recommended and Management agreed to require the NPMO/RPMO to:

- i. **issue Demand letter to organizations concerned 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 funds transferred, as well as legal sanctions in case of failure to liquidate the same; and**
 - iii. **fast track the review and evaluation of the liquidation documents for the immediate recording of liquidations in the books.**
- b. For CY 2018, the implementation of the KC-NCDDP registered a 95.63% financial accomplishment which exceeded the targeted threshold of 83.09% per KC-NCDDP Operations Manual; however, overall accomplishment for the four-year period recorded only 77.54% which is below the target threshold. Moreover, a huge unutilized amount of P1,250,362,272.69 remained in the bank as of December 31, 2018, thus depriving the community of the immediate benefits due them.

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

- i. **continue the systematized 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. **regularly prepare the monthly monitoring reports as feedback mechanism to ensure that project deficiencies/problems encountered are appropriately/ immediately addressed by concerned officials.**

- c. The KC-NCDDP registered a Physical accomplishment of 89.27 percent as of December 31, 2018, which exceeded the 85 percent threshold per KC-NCDDP Results Framework requirement for CY 2018 per loan agreement; thus, attaining the objective of the project of providing the selected community of improved access to services and infrastructure and participating in more inclusive Management planning, budgeting and implementation.

We commend the DSWD PMO for the increased accomplishment, however for the uncompleted SPs, we recommended that the Management require the concerned 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 from the local government in the acquisition of project sites;**
 - iii. make representation with the concerned 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.**
- d. Seven subprojects costing ₱10,978,006.92 validated by the DSWD-OSEC Teams and Regional Auditors 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 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; and**

- iii. **institute necessary action against the RPMO/ACT/BSPMC who will be found remiss in the monitoring and evaluation of the SPs.**

B. DETAILED OBSERVATIONS AND RECOMMENDATIONS

Long outstanding unliquidated fund transfers

19. **Accumulation of long outstanding unliquidated fund transfers to various NGOs/POs of ₱2,263,079,021.47 due to non-submission of liquidation documents and pending/ unrecorded liquidations with Community-Beneficiaries and KC-NCDDP Field Offices Finance.**

20. The Revised Guidelines and Documentary Requirements 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.

21. The account *Due from NGOs/POs* under Fund Cluster 02 – KC – NCDDP - IBRD of FOs disclosed an accumulated balance of ₱2,263,079,021.47 as of December 31, 2018 due to non-submission of liquidation documents, or liquidations are either in the custody of Barangay Sub-Project Management Committees (BSPMC) and KC-NCDDP Finance of DSWD Field Offices. The breakdown is shown in *Table 10*:

**Table 10 – Unliquidated Fund Transfers
as of December 31, 2018**

Region	Balance per Books
	FC 02-KC-NCDDP-IBRD
I	9,009,140.46
CAR	59,306,243.42
III	19,247,723.39
IV-A	0.00
IV-B	92,891,164.32
V	74,272,995.98
VI	267,007,679.54
VII	469,922,124.15
VIII	0.00
IX	318,109,446.97
X	630,333,574.94
XI	160,063,460.94
XII	152,657,850.53
XIII	10,257,616.83
Total	2,263,079,021.47

22. For FO V, the Auditor reported deficiencies such as: existence of dormant accounts, improper maintenance of subsidiary records, non-submission of JEVs and in bulk transmittal of FURs; in FO VI the unliquidated balance is due to non-submission of liquidation reports while in FO X, the liquidation amounting to ₱318,284,701.91 were not properly supported with documents.

23. **We recommended and Management agreed to require the NPMO/RPMO to:**

- a. **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;**
- b. **include in the MOA stipulations such as the responsibility of the concerned NGOs/POs funds transferred, as well as legal sanctions in case of failure to liquidate the same; and**
- c. **fast track the review and evaluation of the liquidation documents for the immediate recording of liquidations in the books.**

Monitoring and reporting of KC-NCDDP Projects

24. For CY 2018, the implementation of the KC-NCDDP registered a 95.63 percent financial accomplishment which exceeded the targeted threshold of 83.09 percent per KC-NCDDP Operations Manual; however, overall accomplishment for the four-year period recorded only 77.54 percent which is below the target threshold. Moreover, a huge unutilized amount of ₱1,250,362,272.69 remained in the bank as of December 31, 2018, thus depriving the community of the immediate benefits due them.

a) *Percentage of financial implementation/downloading of community grants for CY 2018 marked a 95.63 percent accomplishment as against the 83.09 percent target per KC-NCDDP Operations Manual, while overall accomplishment recorded a shortfall of 77.54 percent.*

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

Table 11 – WFP vs KC-Finance Report in PhP

Year	WFP	TOTAL BUDGET ALLOCATION	Actual Download of CG per KC-Finance Report ²	Difference	Percentage of	
					Actual Downloaded to Budget Allocation	Budget Allocation to WFP
2015	13,724,165,000.00	12,345,875,384.00	9,622,237,468.73	2,723,637,915.27	77.94%	89.96%
2016	8,269,569,000.00	8,178,302,881.75	5,432,232,672.45	2,746,070,209.30	66.42%	98.89%
2017	9,811,465,000.00	9,161,483,308.00	7,422,320,198.38	1,739,163,109.62	81.02%	93.37%
2018	3,360,259,000.00	2,992,783,300.00	2,862,000,201.27	130,783,098.73	95.63%	89.06%
Total	35,165,458,000.00	32,678,444,873.75	25,338,790,540.83	7,339,654,332.92	77.54%	92.93%

26. The above four-year period shows that the NPMO exceeded the target percentage of implementation in CY 2018 registering at 95.63%. However, the cumulative percentage registered a 77.54% which was below the targeted percentage of 83.09% per KC-NCDDP Operations Manual as of December 31, 2018.

b) *Unutilized accumulated balance of cash in bank of ₱1,250,362,272.69, thus the projects were not made available to the intended beneficiaries at the most opportune time.*

27. Review of the fund utilization of KC-NCDDP revealed the huge accumulated amount of ₱1,250,362,272.69 which remained unused and in the banks at FOs and Central Office. The receipt of KC-NCDDP funds per region and its utilization recorded under the *Cash in Bank, LCCA* account and the balance as of December 31, 2018 are as follows:

³ KC-NCDDP Finance Report of Releases as of December 31, 2018

Table 12 - Cash in Bank, LCCA, As of December 31, 2018

Regions	Total amount downloaded (CY 2015-2018)	Amount utilized	Cash in Bank ³ as of 12/31/18	% Unutilized
CAR	727,732,680.48	697,554,689.94	30,177,990.54	4.15%
I - Ilocos Region	274,256,905.52	266,709,514.98	7,547,390.54	2.75%
III - Central Luzon	196,286,021.91	164,804,767.35	31,481,254.56	16.04%
IV - CALABARZON	523,378,254.81	460,084,771.17	63,293,483.64	12.09%
IV- MIMAROPA	723,907,507.24	663,397,277.26	60,510,229.98	28.36%
V - Bicol Region	2,431,720,644.59	2,290,490,069.52	141,230,575.07	5.81%
VI - Western Visayas	1,309,454,919.84	1,241,568,481.14	67,886,438.70	5.18%
VII - Central Visayas	2,157,584,028.00	2,084,896,469.99	72,687,558.01	3.37%
VIII - Eastern Visayas	1,977,490,331.91	1,882,576,758.33	94,913,573.58	4.80%
IX - Zamboanga Peninsula	2,132,001,808.82	2,047,630,849.81	84,370,959.01	3.96%
X - Northern Mindanao	2,187,686,987.93	2,052,850,919.32	134,836,068.61	6.16%
XI - Davao Region	1,013,687,497.54	985,117,386.50	28,570,111.04	2.82%
XII - Soccsksargen	1,175,258,643.05	1,140,846,829.46	34,411,813.59	2.93%
XIII - Caraga	1,069,832,264.61	1,047,787,592.48	22,044,672.13	2.06%
<i>Total Per Region</i>	17,900,278,496.25		873,962,119.00	
<i>Undetermined Utilization and Cash in Bank</i>				
NIR	12,429,821.97	0.00	0.00	
<i>Total Amount</i>	17,912,708,318.22	17,026,316,377.25	873,962,119.00	4.88%
<i>NPMO</i>			376,400,153.69	
TOTAL			1,250,362,272.69	6.98%

28. As deduced from *Table 12*, the total unutilized amount is only 6.98 percent of amount downloaded with an equivalent money value of ₱1,250,362,272.69 is still huge which can fund for the prosecution of as many projects that can benefit the intended beneficiaries at the most opportune time.

29. **We recommended that the Management require the NPMO/RPMO to:**

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

30. The NPMO claimed that overall financial accomplishment of the program is 89% rather than 77.54%. Likewise, it put emphasis on the exclusion of waived amount in the computation of financial performance of the program.

³ KC-NCDDP Trial Balance per Region, as of December 31, 2018

31. As a rejoinder, the audit team agreed that waived amount should not be included in computing for the percentage of financial accomplishment in as much as the amount remains unreleased. However, the audit team noted that in arriving at the 89% as claimed by NPMO, the waived amount was added to the grant release, hence the overall high percentage. Also, it may be worthy to note that the CY 2018 accomplishment per audit marked a high percentage of 95.63% compared to NPMO's data which gave a low of 40.22%. Further, it may be informed that the data used by the audit team were provided by the NPMO, but nevertheless we are much willing to provide further clarification on the matter.

32. In addition, the Management submitted the following comments/explanation:

- a) The NPMO has the duty to ensure the availability of resources once the community requests the funds. The availability of cash, as explained also in the previous year's AOM, consists of the processes that take an average of two (2) months before the cash is deposited from the funding institution to the community account. The program must ensure that the cash is available hence the need to strategize in consideration of these processes which are mostly external in nature and beyond the control of the program. May we also note that around PhP 1.15 Billion worth of sub-projects were prioritized on the last quarter of the year 2018 and by which requests for releases, along with the other on-going sub-projects, will be processed during the year 2019 hence the balance.
- b) Moreover, the funds downloaded to the Field Offices are mostly community grants needed for the whole Community Empowerment Activity Cycle (CEAC) and it does not necessarily coincide with the fiscal year of the government. Thus, it is apparent that the program will have balances as of end of FY 2018 which will be utilized and liquidated by the end of the cycle.
- c) The corrected cash balance amounted to **P872,709,317.90**.
- d) The program strongly disagrees with the audit team's claim as quoted "*...thus depriving the community of the immediate benefits due them*". In fact, it is the opposite. The NPMO fully understands the process it must go through before the cash is downloaded to Central Office. Indeed, the program must get the balance in time to comply with its whole process and make the cash readily available for the beneficiaries hence the need to retain cash balance at the end of the year. These balances are in fact the result of the continuous pursuit of the program to ensure that the funds are readily accessible to the beneficiaries.

Auditor's Rejoinder:

33. The Audit Team obtained the amounts of Cash-in-Bank as of December 31, 2018 from the KC-NCDDP Trial Balance per Region. Comparison of the balance per audit

against per Management showed that discrepancies consist of FOs III, IVA, IVB, V, VII, IX, and X, as shown in the Table below:

Regions	Cash in Bank as of 31 December 2018		
	Per Management	Per AOM	Difference
III	31,544,990.76	31,481,254.56	63,736.20
IV-A	63,296,495.67	63,293,483.64	3,012.03
IV-B	60,501,367.69	60,510,229.98	-8,862.29
V	139,919,887.94	141,230,575.07	-1,310,687.13
VII	72,687,558.09	72,687,558.01	0.08
IX	84,370,959.02	84,370,959.01	0.01
X	134,836,068.62	134,836,068.61	0.01

34. The bulk of discrepancy was from FO V, hence, we further recommend that the KC-NCDDP – Accounting Office and the Regional Accountants concerned should reconcile their books to arrive at corrected amount of Cash-in-Bank balances.

35. Moreover, the unutilized accumulated bank balance of ₱873,962,119.00 from FOs plus the amount of ₱1,284,534,313.77 from the NPMO or a total of ₱2,158,496,432.77 as at year-end, represents 64.24 percent of the CY 2018 budget of ₱3,360,259,000.00 (Table 4 – WFP for CY 2018); thus, showing a utilization of only 35.76 percent compared to the cash at year-end.

Physical Accomplishment of 85 percent per Results Framework for CY 2018 was attained

36. **The KC-NCDDP registered a Physical accomplishment of 89.27 percent as of December 31, 2018, which exceeded the 85 percent threshold per KC-NCDDP Results Framework requirement for CY 2018 per loan agreement; thus, attaining the objective of the project of providing the selected community of improved access to services and infrastructure and participating in more inclusive Management planning, budgeting and implementation.**

37. The Intermediate Outcome for CY 2018 within which to complete the community project in accordance with technical plans, schedule and budget is 85 percent which is provided in the approved Results Framework of the KC-NCDDP.

38. For the last four years of community project implementation from 2015 to 2018, the KC-NCDDP-IBRD has approved a total of ₱14,225 million for Community Grants for the 11,524 subprojects (SPs) to be implemented nationwide. The Status of Accomplishment by the DSWD showed 10,288 completed projects or 89.27 percent of the total SPs, the regional details of which are as follows:

Table 13 - Financial and Physical Accomplishment

Region	Approved Grant as of December 2018	Target No. of SPs	Completed No. of SPs	Not Completed*	As Built	% of Physical Accomplishment
CAR	559,762,719.09	576	484	92	0	84.02%
I	221,082,107.50	183	140	43	0	76.50%
III	113,366,631.82	53	47	6	0	88.68%
IV-A	398,205,912.01	512	483	29	0	94.34%
IV-B	514,645,008.10	377	309	66	2	91.96%
V	1,957,119,588.14	1193	1057	129	7	88.60%
VI	876,900,879.70	681	658	23	0	96.62%
VII	1,768,540,033.33	1370	1339	31	0	97.74%
VIII	1,230,838,129.32	1685	1678	7	0	99.58%
IX	1,901,618,511.27	1863	1566	297	0	84.06%
X	2,049,825,294.50	1282	995	287	0	77.61%
XI	863,895,380.00	535	484	51	0	90.46%
XII	1,028,256,253.29	704	540	164	0	76.70%
CARAGA	741,213,845.29	510	508	2	0	99.61%
TOTAL	14,225,270,293.36	11,524	10,288	1,227	9	89.27%

39. To validate the agency's reported accomplishment and in accordance with the loan agreement, the OSEC audit team selected five regions with materiality as one of the 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) Evaluate the financial support/sustainability of the completed SPs;
- d) 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.

40. Out of the 58 SPs validated by DSWD-OSEC Teams, 56 or 96.55 percent was completed, four (4) or 1.27 percent are on-going and one (1) not yet started, to wit:

Table 14 – Result of Validation by the DSWD-OSEC Teams

Field Office	Per Validation		Completed				On-Going			Not Yet Started (NYS)	
	No. of SPs	Project Cost	No. of SPs	Project Cost	Financial %	Physical %	No. of SPs	Project Cost	Physical %	No. of SPs	Project Cost
IV-A - Quezon	5	5,462,439.72	5	5,462,439.72	100.00%	100.00%					
IV-B - Romblon	10	19,370,290.23	10	19,370,290.23	100.00%	100.00%					
V - Camarines Sur	17	31,159,717.51	17	31,159,717.51	100.00%	100.00%					
V - Masbate	14	27,692,514.58	12	20,609,668.33	74.42%	85.71%	1	2,526,746.25	On-going	1	4,556,100.00

Field Office	Per Validation		Completed				On-Going			Not Yet Started (NYS)	
	No. of SPs	Project Cost	No. of SPs	Project Cost	Financial %	Physical %	No. of SPs	Project Cost	Physical %	No. of SPs	Project Cost
VI - Antique	2	2,360,840.19	2	2,360,840.19	100.00%	100.00%					
VI - Negros Occ.	6	9,831,630.51	6	9,831,630.51	100.00%	100.00%					
VIII-Eastern Samar	4	3,934,891.95	4	3,934,891.95	100.00%	100.00%					
	58	99,812,234.69	56	92,729,478.44	92.90%	96.55%	1	2,526,746.25	1.72%	1	4,556,100.00

41. As deduced from the above table, overall, the required Intermediate Outcome of 85 percent was attained by five regions with a physical accomplishment of 96.55 percent and 92.90 percent financial accomplishment.

42. Validation likewise disclosed delays in the implementation of projects which are caused primarily by the following factors, 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 concerned government agencies are not immediately available;
- d) planning phase requires longer time especially for 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;

43. It is worthy to note that for the past four-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.

44. We likewise noted that in Kanlurang Maligaya, Agdangan, Quezon Province (Region IVA) showed accomplishments implemented by the community beyond the technical specification of the project that is, Construction of 20 units Street Lights. The community was able to purchase additional two streetlights from their savings due to the spirit of "bayanihan" employed by the community.

45. **We commend the DSWD PMO for the increased accomplishment, however for the uncompleted SPs, we recommended that the Management require the concerned 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 from the local government in the acquisition of project sites;
- c. make representation with the concerned 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.

46. In response to the AOM, Management pointed out some inconsistencies and lacking information in the audit data that may lead to incorrect interpretation and misleading information and requested reconciliation and clarification to provide the NPMO a concrete standing ground in addressing those findings. The audit team agreed to have reconciliation and clarification of data and some issues per NPMO's request.

Subprojects (SPs) with deficiencies

47. **Seven subprojects costing ₱10,978,006.92 validated by the DSWD-OSEC Teams and Regional Auditors 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.**

48. 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.

49. Validation by the DSWD CO Audit Teams disclosed that one (1) SP (Concreting of Access Road measuring 0.502 km.) costing ₱4,636,317.77 was found to have deficiencies that may compromise the efficient and effective use of the facility. Per Data Base the Sub-Project was completed on October 31, 2018, but during validation the financial accomplishment is still 90% per Grant and 98.40% physical accomplishment. The SP was OVAL-SHAPE design allegedly in preparation for the future construction of public market.

50. Likewise, validation conducted by the DSWD Regional Auditors reported that out of 30 SPs costing ₱57,760,012.74, 6 SPs costing ₱6,341,689.15 were damaged and/or with deficiencies noted. Breakdown of which is shown in *Table 15*:

Table 15 - SPs with Deficiency/ies

FOs	SPs Validated		SPs with Deficiency/ies			Remarks
	No.	Amount	No.	Name of SP	Amount	
IV-B	10	12,793,908.00	1	Rehabilitation of Day Care Center	252,644.00	Remained unfinished and non-functioning.
VI	19	43,170,014.75	4	Construction of 3 Solar Powered Street Lights; 1 improving Security & Disaster Preparedness through Community Managed Solar Electrification of Multi-purpose Hall/Evacuation Center	4,292,955.16	Limited function or not-functioning; Not yet turned-over to the Barangay/ Community Group; No battery replacement.
XIII	1	1,796,089.99	1	Water System Sub-project	1,796,089.99	With unutilized water tanker, and sustainability of the SP were affected
	30	57,760,012.74	6		6,341,689.15	

51. The above deficiencies were attributed to the following:
- a) Lack of monitoring, technical assistance and close supervision to personnel/community involved in the implementation of the projects;
 - b) Lack of thorough coordination with DPWH and other agencies implementing similar projects in the area, thus completion of some projects are severely affected; and
 - c) Lack of orientation to the organization/community group/LGU for sustainability and maintenance aspect of the SPs.
52. The failure of RPMO as well as project proponents to monitor and resolve project issues resulted to the uncorrected and unreported deficiencies in the project implementation and completion, thus affecting the satisfactory completion and maximum utilization of SPs.
53. **We recommended and Management agreed to require the 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; and

- c. institute necessary action against the RPMO/ACT/BSPMC who will be found remiss in the monitoring and evaluation of the SPs.

54. We appreciate NPMO's commitment to ensure that the Program shall maintain the regular monitoring of sub-projects not only as to physical accomplishment but on empowerment of the beneficiary communities through the area coordinating teams and Sub/Regional Project Management Offices by equipping them with the necessary knowledge on the different processes and stages of implementation.

C. STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

55. 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	17
Partially Implemented	0
Not Implemented	0

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

D. ACKNOWLEDGEMENT

57. 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,



CORAZON S. ROCAS
Supervising Auditor
DSWD Audit Group

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

Annexes:

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

Annexes



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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of **Kapit-bisig Laban sa Kahirapan – Comprehensive and Integrated Delivery of Social Services: National Community Driven Development Project – World Bank/International Bank for Reconstruction and Development**, which comprise the Statement of Financial Position as at December 31, 2018, and the Statement of Financial Performance, Statement of Cash Flows and Statement of Changes in Net Assets/Equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and a summary of significant accounting policies and other explanatory information.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the **Kapit-bisig Laban sa Kahirapan – Comprehensive and Integrated Delivery of Social Services: National Community Driven Development Project – WB/IBRD** as at December 31, 2018, and of its financial performance, statement of cash flows and statement of net assets/equity, for the year then ended in accordance with the Philippine Public Sector Accounting Standards (PPSAS)

Basis for Opinion

We conducted our audit in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the agency in accordance with the Revised Code of Conduct and Ethical Standards for Commission on Audit Officials and Employees (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

As part of an audit in accordance with ISSAIs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.
- Obtain an understanding of internal control relevant to the audit 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
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit observations, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them

all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

COMMISSION ON AUDIT

By:



CORAZON S. ROCAS

State Auditor V

Supervising Auditor

June 28, 2019





Annex B

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS
National Community-Driven Development Project WB/IBRD Loan No. 8335-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, 2018** 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, Finance and Management Service


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

11 FEB 2019

Date Signed

12 Feb 2019

Date Signed



DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT
Statement of Financial Position
As of December 31, 2018

Annex C

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

	2018	2017
ASSETS		
Current Assets		
Cash and Cash Equivalents (Note 6)	1,780,819,588.17	2,544,998,386.68
Receivables (Note 7)	2,263,837,105.60	1,204,459,165.13
Inventories (Note 8)	12,622,133.49	12,901,819.44
Other Current Assets (Note 10)	511,915.20	1,202,435.68
Total Current Assets	<u>4,057,790,742.46</u>	<u>3,763,561,806.93</u>
Non - Current Assets		
Property, Plant and Equipment (Note 9)	55,949,627.19	68,635,859.92
	<u>55,949,627.19</u>	<u>68,635,859.92</u>
Total Assets	<u>4,113,740,369.65</u>	<u>3,832,197,666.85</u>
LIABILITIES		
Current Liabilities		
Financial Liabilities (Note 11)	117,905,623.33	186,945,322.46
Inter-Agency Payables (Note 12)	3,957,689.28	10,338,051.61
Other Payables (Note 13)	628,418.82	2,110,679.91
Total Current Liabilities	<u>122,491,731.43</u>	<u>199,394,053.98</u>
Non- Current Liabilities		
Total Non- Current Liabilities		
Total Liabilities	<u>122,491,731.43</u>	<u>199,394,053.98</u>
NET ASSETS/EQUITY		
Accumulated Surplus/(Deficit)	3,991,248,638.22	3,632,803,612.87
Total Net Assets/Equity	<u>3,991,248,638.22</u>	<u>3,632,803,612.87</u>
Total Liabilities and Net Assets/Equity	<u>4,113,740,369.65</u>	<u>3,832,197,666.85</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, 2018
NCDDP-WB/IBRD
(in Philippine Peso)

Annex D

	2018	2017
Revenue		
Service and Business Income(<i>Note 14</i>)	3,114,382.04	2,165,659.00
Other Non-Operating Income(<i>Note 15</i>)	118,543.93	22,252.72
Gains	0.00	11,775.00
Total Revenue	<u>3,232,925.97</u>	<u>2,199,687.22</u>
less: Current Operating Expenses		
Maintenance and Other Operating Expenses (<i>Note 16</i>)	93,027,878.57	1,494,240,374.42
Financial Expenses (<i>Note 17</i>)	8,224.95	39,906.70
Non-Cash Expenses		
Depreciation (<i>Note 18</i>)	<u>16,188,699.99</u>	<u>15,438,882.05</u>
Current Operating Expenses	<u>109,224,823.51</u>	<u>1,509,719,163.17</u>
Surplus/(Deficit) from Current Operations	<u>(105,991,897.54)</u>	<u>(1,507,519,475.95)</u>
Financial Assistance/Subsidy from NGA, LGUs, GOCCs (<i>Note</i>)		
Subsidy from National Government	2,040,563,460.72	6,972,023,178.19
Subsidy from Central Office	2,243,939,536.79	6,061,809,681.18
Less: Subsidies-Others-Financial	<u>3,960,897,807.14</u>	<u>10,055,121,337.64</u>
Net Financial Assistance/Subsidy (<i>Note 19</i>)	323,605,190.37	2,978,711,521.73
Gains (<i>Note 20.1</i>)	217,901,806.49	2,815,621.28
Losses (<i>Note 20.2</i>)	<u>(72,641,420.11)</u>	<u>(65,637,114.79)</u>
Surplus(Deficit) for the period	<u>362,873,679.21</u>	<u>1,408,370,552.27</u>



Department of Social Welfare and Development
STATEMENT OF CASH FLOWS
 For the period ending December 31, 2018
NCDDP- WB/IBRD
 (in Philippine Peso)

	2018	2017
Cash Flows From Operating Activities		
Cash Inflows		
Receipt of Notice of Cash Allocation	-	6,972,023,178.19
Collection of Service and Business Income	3,262,260.08	1,762,313.45
Collection of Other Income	2,037,356.79	1,648,679.17
Receipt of shares, grants and donations	-	-
Collection of Receivables	-	18,041.00
Receipt of Inter-Agency Fund Transfers	-	34,242,004.24
Receipt of Intra-Agency Fund Transfers	2,242,413,176.87	6,061,809,681.18
Other Receipts	18,139,359.10	16,712,620.43
Adjustments	17,679,112.23	16,839,750.34
Total Cash Inflows	4,322,057,369.00	13,103,407,588.83
Cash Outflows		
Remittance to National Treasury	4,129,526.63	1,709,507.29
Payment of Expenses	408,367,683.55	2,061,439,705.85
Purchase of Inventories	5,234,524.52	20,491,840.31
Grant of Cash Advances	356,981.15	8,187,464.72
Prepayments	-	884,826.32
Payment of Accounts Payable	54,636,583.82	201,947,620.83
Remittance of Personnel Benefit Contributions and Mandatory Deductions	19,080,712.10	130,544,232.39
Grant of Financial Assistance/Subsidy	2,152,426,919.19	2,838,367,367.27
Release of Inter-Agency Fund Transfers	-	-
Release of Intra-Agency Fund Transfers	2,242,106,931.88	4,061,809,681.18
Other Disbursements	-	770,353.77
Adjustments	341,346,886.24	19,348,688.01
Total Cash Outflows	5,227,686,749.08	11,345,451,287.74
Cash Provided by (Used in) Operating Activities	(905,629,380.08)	1,757,906,301.09
Cash Flows from Investing Activities	3,749,430.80	8,107,228.88
Cash Inflows	-	-
Total Cash Inflows	-	-
Cash Outflows	3,749,430.80	8,107,228.88
Purchase/Construction of Property, Plant & Equip	-	-
Total Cash Outflows	3,749,430.80	8,107,228.88
Increase (Decreased in Cash And Cash Equivalents	-	-
Effects of Exchange Rate Changes on Cash and Cash Equivalents	145,200,012.37	(62,837,493.51)
Total Cash Provided By (Used in) Operating, Investing and Financing Activities	(764,178,798.51)	1,686,961,578.70
Add: Cash Balance, Beginning January 1, 2017	2,544,998,386.68	858,036,807.98
Cash Balance, Ending December 31, 2017	1,780,819,588.17	2,544,998,386.68



Department of Social Welfare and Development
Statement of Changes in Net Assets/Equity
Consolidated Central and Regional Offices
NCDDP- WB/IBRD
(in Philippine Peso)
For the period ending December 31, 2018

Annex F

	2018	2017
Balance at December 31, 2018/2017	3,632,803,612.87	
Changes in Accounting Policy		
Prior Period Adjustments		
Restated Balance	3,632,803,612.87	2,226,142,567.89
Changes in Net Assets/Equity for CY		
Adjustment of net revenue recognized directly in net assets/equity	(4,428,653.86)	(1,709,507.29)
Surplus/(Deficit) for the period	362,873,679.21	1,408,370,552.27
Total recognized revenue and expense for the period	358,445,025.35	1,406,661,044.98
Others		
Balance at December 31, 2018	<u>3,991,248,368.22</u>	<u>3,632,803,612.87</u>

NOTES TO FINANCIAL STATEMENTS
KALAHI-CIDSS National Community Driven and Development (NCDDP)
International Bank for Reconstruction and Development (IBRD)
CY 2018

1. General Information/Agency Profile

The financial statements of Department of Social Welfare and Development-Office of the Secretary were authorized for issue on February 09, 2019 as shown in the Statement of Management Responsibility for Financial Statements signed by Director Wayne C. Belizar, Director for Financial Management Service and Assistant Secretary Rodolfo M. Santos, Officer-in-Charge for General Administrative and Support Services.

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

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

The Department's vision is directed towards the attainment of "all Filipinos free from hunger and poverty, have equal access to opportunities, enabled by a fair, just and peaceful society".

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

In coordinate social protection and poverty reduction solutions for and with the poor, vulnerable and disadvantaged".

1.1. Programs/Projects/Activities

Foreign Assisted Program

KALAHY-CIDSS National Community Driven Development Project (NCDDP) – a poverty alleviation program of the National Government implemented by the DSWD. It is supported by the Philippine Development Plan (2011-2016). Approved on 18 January 2013, it is the expansion into a national scale of the operations of community-driven development (CDD), a strategy that has been tried and proven effective in KALAHY-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 for local and foreign currencies, and treasury/agency account

3.4. Inventories

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

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

the inventory is measured at the lower of cost and current replacement cost.

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

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

3.5. Property, Plant and Equipment

Recognition

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

The characteristics of PPE are as follows:

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

An item of PPE is recognized as an asset if:

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

Measurement at Recognition

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

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

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

Cost includes the following:

- Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- expenditure that is directly attributable to the acquisition of the items; and

- initial estimate of the costs of dismantling and removing the items and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired, or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Measurement After Recognition

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

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

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

Depreciation

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

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

Initial Recognition of Depreciation

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

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

Depreciation Method

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

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

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

Estimated Useful Life

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

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

Impairment

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

Derecognition

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

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

3.6. Intangible Assets

Recognition and Management

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 a finite life is amortized over its useful life.

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	2018	2017
Cash – Cash Collecting Officer	148,714.51	1,083,662.76
Petty Cash Fund	90.00	120,500.00
Cash in Bank - Local Currency, Current Account	1,250,362,272.69	1,617,877,346.20
Cash in Bank - Foreign Currency, Savings Account	530,305,510.97	925,916,877.72
Total	1,780,819,588.17	2,544,998,386.68

Cash in Bank- Local Currency, Current 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:

National Community Driven Development Project (Peso)-WB IBRD

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

National Community Driven Development Project (Dollar)-WB IBRD

7. Receivables

7.1. Inter-Agency Receivables

Account Name	2018		
	Current	Non-Current	Total
Due from National Government Agencies		347,094.85	347,094.85
Total		347,094.85	347,094.85

7.2. Other Receivables

Account Name	2018	2017
Due from Officers and Employees	770.00	40,483.80
Due from Other Funds		1,062,010.81
Due from Non-Government Organizations/People's Organizations	2,263,079,021.47	1,202,706,522.71
Other Receivables	410,219.28	297,262.96
TOTALS	2,263,490,010.75	1,204,106,280.28

8. Inventories

Inventory items of the Department include the following:

Account Name	2018	2017
Inventories Held for Consumption		
Office Supplies Inventory	7,097,721.01	7,767,807.60
Accountable Forms, Plates and Stickers Inventory	548,745.00	548,395.00
Other Supplies and Materials Inventory	1,366,971.11	921,395.00
Other Supplies and Materials for Distribution		10,106.91
Sub-total	9,013,437.12	9,247,659.81
Semi-Expendable Inventories		
Semi-Expendable Machinery	0.00	23,200.00
Semi-Expendable Office Equipment	454,679.81	318,182.00
Semi-Expendable Information and Communications Equipment	1,891,455.01	947,658.38
Semi-Expendable Sports Equipment	4,100.00	4,100.00
Semi-Expendable Other Machinery and Equipment	19,768.00	19,768.00
Semi-Expendable Furniture and Fixtures	1,238,693.55	2,341,251.25
Sub-total	3,608,696.37	3,654,159.63
TOTAL	12,622,133.49	12,901,809.44

9. Property, Plant and Equipment

Property, Plant and Equipment for CY 2018 are summarized as follows:

Particulars	Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Books	Other Property, Plant and Eqpt.	Total
Carrying Amount, Jan. 1, 2018	52,079,113.08	13,657,050.11	2,712,853.11	188,843.62	68,637,859.92
Additions/Acquisitions	9,224,909.63	-	332,756.06	26,801.04	9,584,466.73
Reclassification	(2,908,122.70)	(293,628.80)	-	-	(3,201,751.50)
Total	58,395,900.01	13,363,421.31	3,045,609.07	215,644.66	75,020,575.15
Disposals	(,2658,492.00)	-	-	-	(2,658,492.00)

Particulars	Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Books	Other Property, Plant and Eqpt.	Total
Depreciation (As per Statement of Financial Performance)	(13,542,184.37)	(2,053,788.77)	(520,005.68)	(72,721,017)	(16,188,699.99)
Adjustments	350,384.41	(766,206.48)	195,691.52	(3,625.42)	(223,755.97)
Impairment Loss (As per Statement of Financial Performance)	-	-	-	-	-
Carrying amount, Dec. 31, 2018 (As per Statement of Financial Performance)	42,545,608.05	16,193,734.28	3,700,040.49	246,407.00	100,406,368.03
Gross Cost (Asset Acct. Balance per Statement of Financial Position)	80,266,186.26	16,193,734.28	3,253,431.78	402,379.00	96,071,744.56
Less: Accumulated Depreciation	(37,720,578.21)	(5,650,308.22)	(978,745.48)	(107,108.93)	(44,456,740.84)
Allowance for Impairment					
Carrying Amount Dec. 31, 2018 (As per Statement of Financial Position)	42,545,608.05	10,543,426.06	2,721,295.01	139,298.07	55,949,627.19

10. Other Current Assets

10.1. Advances

Account Name	2018	2017
Advances to Officers and Employees	6,329.28	221,288.00
Advances to Special Disbursing Officer	194,965.92	478,729.90
TOTAL	201,295.20	700,017.90

10.2. Prepayments

Account Name	2018	2017
Prepaid Rent	310,620.00	310,620.00
Prepaid Insurance		90,692.36
Prepaid Registration		1,105.42
TOTAL	310,620.00	402,417.78

10.3. Deposits

Account Name	2018	2017
Guaranty Deposits	-	100,000.00
TOTAL	-	100,000.00

11. Financial Liabilities

Account Name	2018		2017	
	Current	Non-Current	Current	Non-Current
Accounts Payable	116,137,853.66	12,351.01	171,853,170.10	834,986.63
Due to Officers and Employees	1,472,439.00	1,700.00	13,902,663.09	6,973.19
Tax Refund Payable	381,279.66	0.00	347,529.45	0.00
Total	117,891,572.32	14,051.01	186,103,362.64	841,959.82

12. Inter-Agency Payables

Account Name	2018	2017
	Current	Current
Due to BIR	3,823,805.77	10,061,508.10
Due to Pag-IBIG	131,467.51	200,767.51
Due to PhilHealth	2,416.00	30,016.00
Due to GOCCs	0.00	45,760.00
Total	3,957,689.28	10,338,051.61

Due to BIR consists of income tax deducted from employees, consultant, specialist and suppliers and to be remitted to the Bureau of Internal Revenue during the first month of the ensuing year.

13. Other Payables

Account Name	2018	2017
	Current	Current
Due to Other Funds	800.00	765,785.36
Other Payables	627,618.82	1,344,894.55
Total	328,418.82	2,110,679.91

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

14. Service and Business Income

Account Name	2018	2017
Fines and Penalties - Service Income	105,163.84	5,545.87
Other Service Income	0.00	0.36
Interest Income	3,009,218.20	2,160,112.77
Total	3,114,382.04	2,165,659.00

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

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

15. Other Non-Operating Income

Account Name	2018	2017
Miscellaneous Income	106,748.38	22,252.72
Proceeds from Insurance/Indemnities	11,795.55	0.00
TOTAL	118,543.93	22,252.72

16. Maintenance and Other Operating Expenses

16.1. Traveling Expenses

Particulars	2018	2017
Traveling Expenses - Local	4,186,276.50	231,439,221.71
Total Traveling Expenses	4,186,276.50	231,439,221.71

16.2. Training and Scholarship Expenses

Particulars	2018	2017
Training Expenses	15,427,574.71	168,323,389.18
Total Training and Scholarship Expenses	15,427,574.71	168,323,389.18

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

16.3. Supplies and Materials Expenses

Particulars	2018	2017
Office Supplies Expenses	8,360,681.03	29,640,158.81
Accountable Forms Expenses	350.00	58,396.00
Fuel, Oil and Lubricants Expenses	768,681.52	2,666,133.98
Semi-Expendable Machinery and Equipment Expenses	272,634.55	3,493,694.00
Semi-Expendable Furniture, Fixtures and Books Expenses	65,920.00	462,304.50
Other Supplies and Materials Expenses	661,778.24	37,357.61
Total Supplies and Materials Expenses	10,130,045.34	36,358,044.90

16.4. Utility Expenses

Particulars	2018	2017
Water Expenses	10,535.00	663,208.81
Electricity Expenses	79,208.57	7,650,989.39
Total Utility Expenses	89,743.57	8,314,198.20

16.5. Communication Expenses

Particulars	2018	2017
Postage and Courier Services	8,111.00	589,033.74
Telephone Expenses	7,081,567.25	18,988,060.71
Internet Subscription Expenses	580,372.43	1,611,379.20
Total Communication Expenses	7,670,050.68	21,188,473.65

16.6. Awards/Rewards and Prizes

Particulars	2019	2017
Prizes	78,000.00	623,000.00
Total Prizes	78,000.00	623,000.00

Prizes represent payments of the winners of the 4th National Bayani Ka! Awards held on October 14, 2018.

16.7. Professional Services

Particulars	2018	2017
Auditing Services	0.00	31,160.00
Consultancy Services	5,082,026.23	92,944,235.93
Other Professional Services	43,618,335.77	869,050,124.02
Total Professional Services	48,700,362.00	962,025,519.95

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

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

16.8. General Services

Particulars	2018	2017
Janitorial Services	0.00	4,696,836.18
Security Services	523,240.76	8,353,131.36
Total Professional Services	523,240.76	13,049,967.54

16.9. Repairs and Maintenance

Particulars	2018	2017
Repairs and Maintenance – Buildings and Other Structures	239,822.00	725,643.54
Repairs and Maintenance - Machinery and Equipment	166,140.50	729,807.28
Repairs and Maintenance - Transportation Equipment	635,613.68	5,572,572.13

Particulars	2018	2017
Repairs and Maintenance - Furniture and Fixtures	0.00	22,750.00
Total Repairs and Maintenance Expenses	1,041,576.18	7,150,772.95

16.10. Taxes, Insurance Premiums and Other Fees

Particulars	2018	2017
Fidelity Bond Premiums	0.00	22,500.00
Taxes, Duties and Licenses	0.00	23,368.92
Insurance Expenses	91,797.78	363,702.45
Total Taxes, Insurance Premiums and Other Fees	91,797.78	409,571.37

16.11. Labor and Wages

Particulars	2018	2017
Labor and Wages	-	46,000.00
Total Labor and Wages	-	46,000.00

16.12. Other Maintenance and Operating Expenses

Particulars	2018	2017
Advertising Expenses	1,344,525.00	4,752,954.40
Printing and Publication Expenses	453,375.00	350,302.00
Representation Expenses	743,650.00	4,193,903.03
Transportation and Delivery Expenses	18,144.00	327,404.82
Rent/Lease Expenses	2,317,807.05	21,063,107.98
Other Maintenance and Operating Expenses	211,700.00	14,642,242.74
Total Other Maintenance and Operating Expenses	5,089,211.05	45,311,914.97

17. Financial Expenses

Account Name	2018	2017
Bank Charges	8,244.95	39,906.70
Total	8,224.95	39,906.70

18. Non-Cash Expenses

18.1. Depreciation

Particulars	2018	2017
Depreciation - Machinery and Equipment	13,542,184.37	12,892,923.89
Depreciation - Transportation Equipment	2,053,788.77	1,990,523.79
Depreciation - Furniture, Fixtures and Books	520,005.68	456,629.05
Depreciation - Other Property, Plant and Equipment	72,721.17	98,805.32
Total Depreciation	16,188,699.99	15,438,882.05

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

19. Net Financial Assistance/Subsidy

Particulars	2018	2017
Financial Assistance/Subsidy from NGAs, LGUs, GOCCs		
Subsidy from National Government	2,040,563,460.72	6,972,023,178.19
Subsidy from Central Office	2,243,939,536.79	6,610,809,681.18
Total	4,284,502,997.51	13,033,832,859.37
Less: Financial Assistance/Subsidy to NGAs, LGUs, GOCCs, NGOs/POs		
Subsidies from Regional Offices (Staff Bureaus)	2,243,939,536.79	6,061,809,681.18
Subsidy - Others	1,716,958,270.35	3,993,311,656.46
Total	3,960,897,807.14	10,055,121,337.64
Net Financial Assistance/Subsidy	323,605,190.37	2,978,711,521.73

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

Particulars	Amount
Receipt of Notice of Allocation (NCA)	2,040,563,460.72
Tax Remittance Advice (TRA)	0.00
TOTAL	2,040,563,460.72
ADD/(DEDUCT):	0.00
NTA	0.00
Lapsed/Reversion of Lapsed NCA	2,040,563,460.72
Total	2,040,563,460.72
Total	2,040,563,460.72

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

20. Non-operating Income, Gain, or Losses

20.1. Non-Operating Income/Gain

Particulars	2018	2017
Gain on Foreign Exchange (FOREX)	217,836,250.06	2,815,621.28
Other Gains	75,555.43	11,775.50
Total Non-Operating Income/Gain	217,901,806.49	2,827,396.78

20.2. Non-Operating Losses

Particulars	2018	2017
Loss on Foreign Exchange (FOREX)	72,626,238.69	65,637,114.79
Other Losses	15,181.42	0.00
Total Non-Operating Losses	72,641,420.11	65,637,114.79

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

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

21. Budget Information

The original budget per General Appropriations Act of 2018 is P5,375,085,000.00 as well as the total allocated/released to the Department.

22. Prior Period Adjustment

Liquidation of prior years' cash advances, other maintenance and operating expenses refunds and adjustments resulting to overstatement of Net Assets/Equity of 2017. The effect on the 2017 Statement of Financial Performance and Financial Position.

Effect on 2017 Statement of Financial Performance

Particulars	Amount
Net Increase in Income Accounts	173,994.53
Net Increase in Expense Accounts	(1,821,883,283.18)
Decrease in Surplus/Deficit	(1,821,709,288.65)

Effect on 2017 Statement of Financial Position

Particulars	Amount
Net Decrease in Assets	(1,324,642,549.07)
Net Increase in Liabilities	(101,147,792.35)
Net Increase in Net Equity (Beg. Balance)	(395,918,947.23)
Decrease in Net/Assets/Equity	(1,821,709,288.65)

23. Related Party Transactions

23.1. Key Management Personnel

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

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

Observations	Ref.	Management Comments/Actions Taken	Status of Implementation	Results of Auditor's Validation
<p>The 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 and 5.4 of COA Circular No. 2007-001.</p> <p><i>(Similar observation shown in CY 2016 ML)</i></p> <p>We recommended and Management agreed to direct the concerned FOs to :</p> <p>a. 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;</p>			Implemented	<p><i>With revised/updated recommendation or revised/updated information. Reiterated in ODA and in this report, pages 9-11.</i></p>

Observations	Ref.	Management Comments/Actions Taken	Status of Implementation	Results of Auditor's Validation
<p>b. Include in the MOA stipulations such as the responsibility of the concerned NGOs/POs to account and settle the fund transferred, as well as legal sanctions in case of failure to liquidate the same; and</p>			Implemented	
<p>c. Require the KC-Regional Project Management Office to fast track the review and evaluation of the liquidation for the immediate recording of liquidations in the books.</p>			Implemented	
<p>The KC-NCDDP registered a Physical Accomplishment of 81.32 percent as of December 31, 201, slightly below the 85% KC-NCDDP Results Frameworks 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.</p> <p><i>(Similar observation shown in CY 2016 ML)</i></p> <p>We commended the DSWD PMO for the increase in accomplishment, however, for the uncompleted SPs, we</p>		<p>The Program shall attain the target physical</p>		<p>As of November 30, 2018, the percentage of</p>

Observations	Ref.	Management Comments/Actions Taken	Status of Implementation	Results of Auditor's Validation
<p>recommended that the Management require the concerned ACTs and RPMOs personnel to:</p> <p>a. Regularly monitor the on-going and unimplemented SPs especially those at the far-flung areas and fast track the completion of the SPs;</p>		<p>accomplishment based on the Results Framework towards the loan closing date.</p> <p>Both the national and regional offices have been continuously strengthening its monitoring and technical assistance especially to the Are/Municipal Coordinating Team and LGUs to improve program implementation</p>	Implemented	physical accomplishment is 92%. This is 7% above the 85% KC-NCDDP results Framework.
<p>b. Seek assistance of the local government in the acquisition of project sites;</p> <p>c. Make representation with the concerned government agencies for the immediate release of clearances and permits needed for the projects;</p> <p>d. Enjoin the community to work within the timeline of the project implementation;</p> <p>e. Furnish the BSPMCs with the list of the good standing contractors and suppliers and blacklist erring contractors and suppliers.</p>		<p>In terms of coordination with other agencies, KC-NCDDP sub projects are being subjected to reviews by municipal interagency committee composed of heads of different departments, which is also a way of ensuring complementation and maximization of resources among agencies.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>	<p><i>With revised/updated recommendation or revised/updated information. Reiterated in CAAR, ODA and in this report pages, 15-17.</i></p>
<p>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</p>				

Observations	Ref.	Management Comments/Actions Taken	Status of Implementation	Results of Auditor's Validation
<p>monitor and resolve project issues, thus may compromise the efficient and effective use of the facility and not in keeping with KC-NCDDP Community Empowerment Activity Cycle and Monitoring and Evaluation Sub-Manual for Program Implementer.</p>				
<p><i>(Similar observation shown in CY 2016 ML)</i></p>				
<p>We recommended and Management agreed to require the concerned ACT/RPMO personnel to:</p> <p>a. Closely monitor, supervise and provide technical assistance to the BSPMC during project implementation and immediately correct the defective/deficiencies noted for the full continuity and functionality of the SPs for the benefits of the intended beneficiaries;</p> <p>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</p>		<p>Both the National and the Regional Offices have been continuously strengthening its monitoring and technical assistance especially to the Area/Municipal Coordinating Teams and LGUs to improve program implementation.</p> <p>The NPMO will be flagging the sub-projects with noted discrepancies as (PINCOs (Problem, Issues, Concerns and Observations) to concerned RPMOs in order to ensure continuous monitoring and satisfactory resolution of the issues.</p>	<p>Implemented</p> <p>Implemented</p>	<p>There are two remaining Sub-Projects still ongoing and about to start repair works</p> <p>All SPs aside from the two SPs have been completed and functional.</p> <p>Initial meeting with LGU was conducted to take action on repairs and deficiencies noted</p> <p><i>With revised/updated recommendation</i></p>

Observations	Ref.	Management Comments/Actions Taken	Status of Implementation	Results of Auditor's Validation
<p>agency's (DPWH) infra projects;</p> <p>c. Strictly implement the provision of storage facilities before the delivery of the construction materials at the site to secure these materials;</p>			Implemented	<p><i>or revised/updated information. Reiterated in CAAR, ODA and in this report pages 18-19</i></p>
<p>d. Institute necessary action against the RPMO/ ACT/ BSPMC who will be found remiss in the monitoring and evaluation of the SPs; and</p> <p>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.</p>			Implemented	
<p>The lapses in monitoring and reporting by NPMO and RPMO 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.</p>				

Observations	Ref.	Management Comments/Actions Taken	Status of Implementation	Results of Auditor's Validation
<p>We recommended that the Management require the NPMO/RPMO to:</p> <p>a. Systematize the downloading of funds and ensure that the available proceeds are implemented in accordance with the approved budget, project milestones, performance expectations as well as and maximization of desired benefits within the period of project implementation; and</p>		<p>The KC NCDDP Program has stringent control in the management of community grant funds as its downloading to the community beneficiaries is based on the immediate fund requirement per Program of Work.</p>	Implemented	
<p>b. Prepare monthly monitoring reports as feedback mechanism to ensure that project deficiencies/problems encountered are appropriately/immediately addressed by concerned officials.</p>		<p>KC NCDDP Program has an established monitoring and reporting mechanism. This includes, among others, regular monitoring and technical assistance to the Regional Offices, Municipalities and Barangays; Financial Management Assessment; Task Force; Monthly Reporting of Financial status on Budget Utilization, Liquidation and Closure; Geotagging database; Grievance Redress System.</p>	Implemented	<p>The program is regularly updating the status of projects in the KC NCDDP website and geotagging web application</p>
<p>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</p>				

Observations	Ref.	Management Comments/Actions Taken	Status of Implementation	Results of Auditor's Validation
<p>of public concerns at the least possible cost on public funds</p> <p>We recommended and Management agreed to:</p> <p>a. Require the NPMO to strictly comply with the said provision; and</p>			Implemented	The program is regularly updating the status of projects in the KC-NCDDP website and geotagging webapp.
<p>b. Instruct the web administrator and/or ICTMS to update the reports and information period on the website of the agency on a regular basis.</p>			Implemented	