



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)**

**Asian Development Bank (ADB) Loan No: 3100-PH**

**Department of Social Welfare and Development**

**For the Year Ended December 31, 2018**

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*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 Loan No. 3100-PH:  
Kapitbisig Laban sa Kahirapan-Comprehensive and  
Integrated Delivery of Social Services Project (KALAHI-  
CIDSS) – National Community Driven Development Project  
(NCDDP) for the Calendar Year 2018**

1. Pursuant to the Loan Agreement No. 3100-PH dated March 26, 2014, between the Asian Development Bank and the Republic of the Philippines, thru the Department of Social Welfare and Development, we have audited the accounts and operations of the *Kapitbisig Laban sa Kahirapan-Comprehensive and Integrated Delivery of Social Services Project (KALAHI-CIDSS) – National Community Driven Development Project (NCDDP)* for the period ended December 31, 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) obtain a reasonable assurance about whether the financial statements present fairly in all material respects the use of Loan proceeds and compliance with the financial covenants of the Loan Agreement as well as on the use of the procedures for imprest fund and statement of expenditures; (b) report on the deficiencies noted in the design or operation of the internal control system, the non-compliance on government laws, rules and regulations, and financial covenants of the Loan Agreement; and (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 the significant accounting policies and other explanatory information or the Notes to Financial Statements are shown in **Annexes A-G**.

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

## **BACKGROUND**

5. On March 26, 2014, a Loan Agreement was entered into between the Republic of the Philippines and Asian Development Bank (ADB), for a Loan in the amount of US\$372,103,895 to be applied to the financing of expenditures on the Project aimed that the Project Provinces and Municipalities achieve improved access to services and infrastructure and participate in more inclusive local disaster risk reduction and management planning, budgeting and implementation.

6. The Project comprises the following:

- (a) Output 1: Identification and completion of community-driven development subprojects including the provision of (i) planning grants to Beneficiaries to support participatory and gender-inclusive planning and effective project selection and implementation; and (ii) investment grants to Beneficiaries to support projects and activities that respond to community-identified priorities and are identified based on an open menu.
- (b) Output 2: Strengthening the institutional and organizational capacity of DSWD and Participating LGUs including providing training on applying environmental and social safeguard policies, responding to special circumstances such as vulnerability to disasters and climate change, presence of indigenous communities and areas affected by conflict, facilitating community organization in ways that ensure the inclusion and participation of marginalized groups in subprojects, embedding participatory approaches in government systems and processes and strengthening grievance redress and social accountability mechanisms for the Project.
- (c) Output 3: Enhancing program management, monitoring and evaluation systems including the development and maintenance of a management information

system used for tracking, measuring and reporting accomplishments on key performance indicators, undertaking studies on community-driven development and monitoring and evaluation.

7. The Project includes consulting services to develop the capacity of DSWD and Participating LGUs through the activities described above and to enhance program management, monitoring and evaluation systems through the activities described above.

8. The allocation and basis for withdrawal from the Loan Account is shown in the below Table:

**Table 1 – Allocation and Withdrawal of Loan Proceeds**

Number	Item	Total Amount Allocated for ADB Financing (\$)		Basis for Withdrawal from the Loan Account
		Category	Subcategory	
1	Grants	358,581,000		
1A	Investment		310,076,000	100% of total expenditure claimed
1B	Planning		48,505,000	100% of total expenditure claimed
2	Equipment, Vehicle and Furniture	1,073,000		100% of total expenditure claimed
3	Advocacy and IEC Materials	156,000		100% of total expenditure claimed
4	Training, Workshops and Meetings	9,413,000		
4A	ACT		3,829,000	100% of total expenditure claimed
4B	LGU/BUB Implementers		5,274,000	100% of total expenditure claimed
4C	NPMO/RPMO		310,000	100% of total expenditure claimed
5	Consulting Services	1,200,000		
5A	Capacity Development		1,000,000	100% of total expenditure claimed
5B	Advocacy		100,000	100% of total expenditure claimed
5C	Studies		100,000	100% of total expenditure claimed
6	Monitoring and Evaluation	1,160,000		100% of total expenditure claimed
7	Unallocated	520,895		
	<b>Total</b>	<b>372,103,895</b>		

9. The Project completion date is December 31, 2017.

10. 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.

11. 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

12. Manage the Loan Proceeds downloaded to fund approved community subprojects, as well as the regional operating cost requirements of the RO.

### Operational Highlights

13. As of December 31, 2018, a total of 15,181 projects funded thru Asian Development Bank Loan No. 3100-PH were completed. Shown in *Table 1* are the completed projects per region:

**Table 2 – Completed Projects per Region**

REGION	Island Group	No. of SPs	ADB		
			#SPs	Grant	LCC
IV- A (Calabarzon)	Luzon	3,532	693	501,288,789.84	24,625,125.10
IV-B (MIMAROPA)			1,237	1,247,348,023.14	104,884,295.39
V			1,602	2,657,751,450.03	76,361,963.12
VI	Visayas	10,217	3,764	3,110,502,513.90	186,873,197.20
VII			2,024	1,988,224,520.70	201,565,989.73
VIII			4,429	3,239,688,992.15	101,472,970.91
X	Mindanao	1,432	102	128,023,873.49	9,083,622.73
XI			328	398,339,060.00	26,336,387.25
XIII			1,002	1,194,572,679.03	86,011,756.91
Total			15,181	14,475,739,902.26	817,215,308.34

### Financial Highlights

14. Asian Development Bank Loan No. 3100-PH Disbursement Status ending December 2018 (in US\$):

**Table 3- Disbursement Status**

Project Category	Allocation (\$)	Utilized (\$)	Disbursement Rate	Unutilized (\$)
Grants	356,693,193.00	314,737,755.88	88%	41,955,437.12
Equipment, Vehicle and Furniture	1,073,000.00	912,707.24	85%	160,292.76
Advocacy and IEC Materials	65,571.00	64,588.29	99%	982.71
Training, Workshops and Meetings	12,412,131.00	8,702,807.81	70%	3,709,323.19
Consulting Services	700,000.00	105,621.13	15%	594,378.87
Monitoring and Evaluation	1,160,000.00	356,844.11	31%	803,155.89
Imprest Fund-WF	0.00	29,199,196.40	0%	(29,199,196.40)
<b>TOTAL</b>	<b>372,103,895.00</b>	<b>354,079,520.86</b>	<b>95%</b>	<b>18,024,374.15</b>

The unutilized balance of \$18,024,374.15 represents unwithdrawn amount from the loan proceeds. Of the total withdrawn amount of \$354,079,520.86, total disbursement amounted to \$324,880,324.46, thus, leaving unutilized balance of \$29,199,196.40 which consists of the following:

Particulars	US\$	PhP
Cash in bank foreign currency	\$11,667,104.89	615,136,438.22
Refunds from Field Offices	17,517,056.89	908,185,922.74
With Legal Issues	18,783.09	939,849.41
Interest Income to be Remitted to the BTr	(3,748.46)	(197,633.81)

15. The Financial Position and Financial Performance as of December 31, 2018 are presented below:

**Table 4 – Financial Position**

Particulars	Amount (in Pesos)		
	CY 2018	CY 2017 (Restated)	Increase/ (Decrease)
Assets	2,015,003,583.11	2,680,221,524.60	(665,217,941.49)
Liabilities	12,378,993.71	250,360,370.63	(237,981,376.92)
Government Equity	2,002,624,589.40	2,429,861,153.97	(427,236,564.57)

**Table 5 – Financial Performance**

Particulars	Amount (in Pesos)		
	CY 2018	CY 2017 (Restated)	Increase/ (Decrease)
Sources of Fund			
Revenue	1,559,784.36	3,088,684.30	(1,528,899.94)
Net Financial Assistance/ Subsidy	(362,197,155.88)	2,334,120,172.03	(2,696,317,327.91)
Gain on Foreign Exchange	54,486,980.77	26,786,934.82	27,700,045.95
<b>Total</b>	<b>(306,150,390.75)</b>	<b>2,363,995,791.15</b>	<b>(2,670,146,181.90)</b>
Expenses			
PS	00.0	0.00	0.00
MOOE	89,245,736.16	541,477,181.57	(452,231,445.41)

Particulars	Amount (in Pesos)		
	CY 2018	CY 2017 (Restated)	Increase/ (Decrease)
Loss on Foreign Exchange	22,321,432.20	33,671,710.88	(11,350,278.68)
Non-Cash Expenses	5,576,347.58	5,349,805.36	226,542.22
<b>Total</b>	<b>117,143,515.94</b>	<b>580,498,697.81</b>	<b>(463,355,181.87)</b>
<b>Surplus (Deficit) for the Period</b>	<b>(423,293,906.69)</b>	<b>1,783,497,093.34</b>	<b>(2,206,791,000.03)</b>

#### A. SUMMARY OF OBSERVATIONS and RECOMMENDATIONS

16. The following are the significant observations and recommendations:

- a) The non-submission of liquidation reports for the completed KALAHI-CIDDS Sub-projects at DSWD Field Office VI, amounting to ₱40,862,475.96 resulted in the minimal settlements of long outstanding accounts.

**We recommended and Management agreed to direct the:**

- i) **KC-Regional Project Management Office to demand from the NGOs/POs for the submission of liquidation documents of fund transfers for the immediate recording of liquidations in the books of accounts;**
- ii) **Accounting unit to take up in their books of account the liquidation of the confirmed completed projects; and**
- iii) **KC-Regional Project Management Office to fast track the review and evaluation of the liquidation documents for the immediate recording of liquidations in the books.**
- b) The KC-NCDDP registered a Physical accomplishment of 97.75 percent as of December 31, 2018, which exceeded the 85% 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 and Management agreed to 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 of the local government in the acquisition of project sites;
  - iii) make representation with the concern government agencies for the immediate release of clearances and permits needed for the projects;
  - iv) enjoin the community to work within the timeline of the project implementation; and
  - v) furnish the BSPMCs with the list of good standing contractors and suppliers and blacklist erring contractors and suppliers.
- c) Thirty-one sub-projects costing ₱29,849,700.89 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 KC-Regional Project Management Office (RPMO) to:**

- i) coordinate and provide technical assistance to the concerned Community Group/Barangay for the immediate repair/rectification of the noted defects/deficiencies; and
- ii) ensure the completion of the on-going sub-projects for the full continuity and functionality of the SPs for the benefit of the intended beneficiaries.

## **B. DETAILED OBSERVATIONS AND RECOMMENDATIONS**

### *Long outstanding unliquidated fund transfer*

17. **The non-submission of liquidation reports for the completed KALAHI-CIDDS Sub-projects at DSWD Field Office VI amounting to ₱40,862,475.96 resulted in the minimal settlements of long outstanding accounts.**

18. The Revised Guidelines and Documentary for Common Government Transactions on Fund Transfers to Non-Government Organizations/Peoples Organizations (NGOs/POs) is prescribed under COA Circular No. 2007-001, among others:



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

*Section 5.4 – Within sixty (60) days after the completion of the project, the NGO/PO shall submit the final Fund Utilization Report certified by its Accountant and approved by its President/Chairman to the GO, together with the inspection report and certificate of project completion rendered/issued by the GO authorized representative, list of beneficiaries with their acceptance/acknowledgment of the project/funds/goods/services received. The validity of these documents shall be verified by the internal auditor or equivalent officials of the GO and shall be the basis of the GO in recording the fund utilization in its books of accounts. These documents shall support the liquidation of funds granted to the NGO/PO.*

19. The account *Due from NGOs/POs* under Fund Cluster 02 of FO VI, disclosed an accumulated balance of ₱40,862,475.97 as of December 31, 2018, pertains to the funds transferred for the implementation of the KALAHI-CIDSS sub-projects. These sub-projects were already completed as of December 31, 2018, however, liquidation reports were not submitted; hence, there were no basis for dropping the balance from the books.

20. **We recommended and Management agreed to require the:**

- i) KC-Regional Project Management Office to demand from the NGOs/POs for the submission of liquidation documents of fund transfers for the immediate recording of liquidations in the books of accounts;**
- ii) Accounting unit to take up in their books of account the liquidation of the confirmed completed projects; and**
- iii) KC-Regional Project Management Office to fast track the review and evaluation of the liquidation documents for the immediate recording of liquidations in the books.**

*Physical Accomplishment of 85 percent per Results Framework for CY 2018 was attained – KC-NCDDP*

21. **The KC-NCDDP registered a physical accomplishment of 97.75 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.**

22. 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.

23. For the last four years of community project implementation from 2015 to 2018, the KC-NCDDP has approved a total of ₱15,200,721,686.50 for Community Grants for the 15,531 Subprojects (SPs) to be implemented nationwide. The Status of Accomplishment by the DSWD showed 15,181 completed projects or 97.75 percent of the total SPs, the regional details are summarized in *Table 6*:

**Table 6 - 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
IV-A	503,758,488.59	695	693	2		99.71%
IV-B	1,277,460,716.82	1,254	1,237	17		98.64%
V	2,738,734,799.68	1,637	1,602	9	26	97.86%
VI	3,653,310,674.36	4,015	3,764	132	119	93.75%
VII	2,048,025,774.01	2,053	2,024	5	24	98.59%
VIII	3,257,841,588.16	4,444	4,429	15		99.66%
X	128,677,905.87	103	102	1		99.03%
XI	398,339,060.00	328	328			100%
CARAGA	1,194,572,679.03	1,002	1,002			100%
<b>TOTAL</b>	<b>15,200,721,686.50</b>	<b>15,531</b>	<b>15,181</b>	<b>181</b>	<b>169</b>	<b>97.75%</b>

\*Includes ongoing, waived/damaged, with OL and not yet started projects

24. 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; and
- 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.

25. Out of the 259 SPs validated by DSWD-OSEC Teams, 256 or 98.84 percent was completed and 3 or 1.16 percent are on-going, to wit:

**Table 7 - Result of Validation by the DSWD-OSEC Teams**

Field Office	Per Validation		Completed				On-Going		
	No. of SPs	Project Cost	No. of SPs	Project Cost	Financial %	Physical %	No. of SPs	Project Cost	Physical %
IV-A - Quezon	41	48,529,595.25	41	48,529,595.25	100.00%	100.00%			
IV-B - Romblon	43	72,655,684.76	42	70,715,084.76	97.33%	97.67%	1	1,940,600.00	2.33%
V - Camarines Sur	10	13,742,792.74	10	13,742,792.74	100%	100%			
V - Masbate	24	41,501,128.65	24	41,501,128.65	100%	100%			
VI - Antique	33	40,556,814.76	32	39,057,114.76	96.30%	96.97%	1	1,499,700.00	3.03%
VI - Negros Occ.	34	45,937,334.36	33	45,492,991.36	99.03%	97.06%	1	444,343.00	2.94%
VIII- Biliran & Leyte	43	61,438,792.91	43	61,438,792.91	100%	100%			
VIII-Eastern Samar	31	25,913,236.52	31	25,913,236.52	100%	100%			
<b>Total</b>	<b>259</b>	<b>350,275,380.35</b>	<b>256</b>	<b>346390737.35</b>	<b>98.89%</b>	<b>98.84%</b>	<b>3</b>	<b>3,884,643.00</b>	<b>1.16%</b>

26. As deduced from the above table, overall, the required Intermediate Outcome of 85 percent was attained by five regions with a physical accomplishment of 98.84 percent and 98.89 percent financial accomplishment.

27. Validation likewise disclosed delays in the implementation of projects which are caused primarily by the following, among others:

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

28. 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.

29. We likewise noted that 37 SPs implemented by the communities showed accomplishments which are beyond the technical specification of the project due to the spirit of "bayanihan" employed by the community.

30. We commend the DSWD PMO for the increased accomplishment, however, for the uncompleted SPs, we recommended and Management agreed to 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 concern government agencies for the immediate release of clearances and permits needed for the projects;
- iv) enjoin the community to work within the timeline of the project implementation; and
- v) furnish the BSPMCs with the list of good standing contractors and suppliers and blacklist erring contractors and suppliers.

*Subprojects (SPs) with deficiencies*

31. Thirty one subprojects costing ₱29,849,700.89 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.

32. 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.

33. Validation by the DSWD CO Audit Teams disclosed that 29 SPs costing ₱26,539,700.89 were found to have deficiencies that may compromise the efficient and effective use of the facility. Some of the deficiencies noted are as follows:

- a) Damaged rural access road improvement/concreting of pathway/drainage canal/river control extension;
- b) Defective/damaged Solar Street Lights;
- c) Classrooms/day care centers that were damaged, unfinished/not functioning and construction still on-going;
- d) The Barangay/Community Group/Associations were inactive, not registered/accredited, and if registered/accredited, these were not renewed or updated.

34. Likewise, validation conducted by the DSWD Regional Auditors particularly in FO VI reported that out of fourteen (14) SPs inspected amounting to ₱18,080,668.43, two (2) of which worth ₱3,310,000.00 were found with deficiencies due to the inadequate coordination of KC RPMO with the community group/barangay, thus, defects were not corrected immediately in order to maintain the functionality and sustainability of the sub-projects.

**Table 5 - SPs with Deficiency/ies**

FO S	SPs Validated		SPs with Deficiency/ies			Remarks
	No.	Amount	No.	Name of SP	Amount	
VI	14	18,080,668.43	1	Two-classroom elementary school building with amenities;	1,593,000.00	Limited function or not-functioning; and
			1	Flood Control / River Control (including Box Culvert/Drainage/Canal intended to reduce or prevent flooding)	1,717,000.00	Damaged due to flash flood.
	<b>14</b>	<b>18,080,668.43</b>	<b>2</b>		<b>3,310,000.00</b>	

35. 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.

36. DSWD FO VI Management commented as follows:

- For the damaged Flood/River Control SP in Balac-balac, Culasi, Antique, an incident report was made by the community and the MLGU, through its MDRRMO; allocated funds for the repair and now waiting for approval of the supplemental budget. RPMO will coordinate with the MLGU, Community and the Barangay on the implementation of the repair;
- The one-unit two-classroom elementary school building with amenities in Esperanza, Culasi, Antique was funded under ADB and was not completed after the loan closing date on June 30, 2018. After the loan closing date, the MLGU executed an exit MOA and part of that MOA is for the MLGU to complete the sub-project. Based on the assessment of Municipal Engineers, the physical accomplishment is already 97.02 percent with commitment to complete the project before the end of March 2019. RPMO will continuously monitor the completion of this ADB sub-project to provide benefits and address the needs of the community especially the students.

37. **We recommended and Management agreed to require the KC-Regional Project Management Office (RPMO) to:**

- i) coordinate and provide technical assistance to the concerned Community Group/Barangay for the immediate repair/rectification of the noted defects/deficiencies; and
- ii) ensure the completion of the on-going sub-projects for the full continuity and functionality of the SPs for the benefits of the intended beneficiaries.

38. 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**

39. 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	16
Partially Implemented	0
Not Implemented	0

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

**D. ACKNOWLEDGEMENT**

41. 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  
 Commission on Audit  
 Batasan Hills Quezon City



**Annexes:**

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



# Annexes



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

## INDEPENDENT AUDITOR'S REPORT

### **The Secretary**

Department of Social Welfare and Development  
Batasan Hills, Quezon City

We have audited the accompanying financial statements of **Kapit-bisig Laban sa Kahirapan – Comprehensive and Integrated Delivery of Social Services: National Community Driven Development Project – Asian Development Bank**, which comprise the Statement of Financial Position as at December 31, 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 other explanatory information.

### **Opinion**

In our opinion, the accompanying financial statements presents fairly, in all material respects, the financial position of the **apit-bisig Laban sa Kahirapan – Comprehensive and Integrated Delivery of Social Services: National Community Driven Development Project-ADB** as at December 31, 2018, and its financial performance, cash flows and changes in 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 ADB Loan No. 3100-PH**


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

11 FEB 2019

Date Signed

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

12 Feb 2019

Date Signed



**DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT**  
**Detailed Statement of Financial Position (Consolidated)**  
**Consolidated Central and Regional Offices**  
**Asian Development Bank (in Philippine Peso)**  
**For the Year Ended December 31, 2018**

	2018	Restated 2017
<b>ASSETS</b>		
<b>Current Assets</b>		
<b>Cash and Cash Equivalents</b>	<b>1,523,270,598.30</b>	<b>2,548,341,096.91</b>
<b>Cash on Hand</b>	-	<u>82,826.30</u>
Cash - Collecting Officer	-	82,826.30
Petty Cash	-	-
<b>Cash in Bank - Local Currency</b>	<u>908,134,160.08</u>	<u>2,029,330,187.95</u>
Cash in Bank - Local Currency, Bangko Sentral Ng Pilipinas	-	-
Cash in Bank - Local Currency, Current Account	908,134,160.08	2,029,330,187.95
<b>Cash in Bank - Foreign Currency</b>	<u>615,136,438.22</u>	<u>518,928,082.66</u>
Cash in Bank - Foreign Currency, Savings Account	615,136,438.22	518,928,082.66
<b>Treasury/Agency Cash Accounts</b>	-	-
Cash - Tax Remittance Advice	-	-
<b>Receivables</b>	<u>471,279,585.49</u>	<u>101,121,302.84</u>
<b>Inter-Agency Receivables</b>	-	-
Due from National Government Agencies	-	-
Due from Local Government Units	-	-
<b>Other Receivables</b>	<u>471,279,585.49</u>	<u>101,121,302.84</u>
Receivables - Disallowances/Charges	-	-
Due from Officers and Employees	-	-
Due from Other Funds	-	290,294.00
Due from Non-Government Organizations/People's Organizations	471,279,585.49	100,481,959.80
Other Receivables	-	349,049.04
Allowance for Impairment - Other Receivables	-	-
Net Value - Other Receivables	-	<u>349,049.04</u>
<b>Inventories</b>	<u>596,005.48</u>	<u>1,381,221.05</u>
<b>Inventory Held for Consumption</b>	<u>232,321.05</u>	<u>1,302,896.05</u>
Office Supplies Inventory	160,903.00	1,237,878.00
Accountable Forms, Plates and Stickers Inventory	-	-
Construction Materials Inventory	-	-
Other Supplies and Materials Inventory	71,418.05	65,018.05
Other Supplies and Materials for Distribution	-	-
<b>Semi-Expendable Machinery and Equipment</b>	<u>363,684.43</u>	<u>78,325.00</u>
Semi-Expendable Machinery	-	-
Semi-Expendable Office Equipment	203,500.00	78,325.00

	2018	Restated 2017
Semi-Expendable Information and communications Technology Equipment	160,184.43	-
Semi-Expendable Communication Equipment	-	-
Semi-Expendable Disaster Response and Rescue Equipment	-	-
Semi-Expendable Sports Equipment	-	-
Semi-Expendable Other Machinery and Equipment	-	-
Semi-Expendable Furniture and Fixtures	-	-
<b>Other Current Asset</b>	<b>-</b>	<b>2,494,551.50</b>
<b>Advances</b>	<b>-</b>	<b>2,494,551.50</b>
Advances for Operating Expenses	-	2,494,551.50
Advances to Special Disbursing Officer	-	-
Advances to Officers and Employees	-	-
<b>Total Current Assets</b>	<b>1,995,146,189.27</b>	<b>2,653,338,172.30</b>
<b>Non - Current Assets</b>		
<b>Property, Plant and Equipment</b>	<b>19,749,727.18</b>	<b>26,775,685.64</b>
<b>Machinery and Equipment</b>	<b>7,608,000.94</b>	<b>10,048,521.74</b>
Office Equipment	3,080,539.99	2,487,900.99
Accumulated Depreciation - Office Equipment	1,694,935.13	934,251.59
<b>Net Value</b>	<b>1,385,604.86</b>	<b>1,553,649.40</b>
Information and Communication Technology Equipment	12,096,340.89	12,441,520.93
Accumulated Depreciation - Information and Communication Technology Equipment	6,067,887.72	4,184,368.94
<b>Net Value</b>	<b>6,028,453.17</b>	<b>8,257,151.99</b>
Other Machinery and Equipment	325,662.00	325,662.00
Accumulated Depreciation - Other Machinery and Equipment	131,719.09	87,941.65
Accumulated Impairment Losses - Other Machinery and Equipment		
<b>Net Value</b>	<b>193,942.91</b>	<b>237,720.35</b>
<b>Transportation Equipment</b>	<b>11,910,852.08</b>	<b>15,717,887.07</b>
Motor Vehicles	20,231,494.81	21,909,494.81
Accumulated Depreciation - Motor Vehicles	8,320,642.73	6,191,607.74
Accumulated Impairment Losses - Motor Vehicles		
<b>Net Value</b>	<b>11,910,852.08</b>	<b>15,717,887.07</b>
<b>Furniture, Fixtures and Books</b>	<b>191,184.21</b>	<b>235,499.44</b>
Furniture and Fixtures	325,630.00	325,630.00
Accumulated Depreciation - Furniture and Fixtures	134,445.79	90,130.56
<b>Net Value</b>	<b>191,184.21</b>	<b>235,499.44</b>
<b>Other Property, Plant and Equipment</b>	<b>39,689.95</b>	<b>773,777.39</b>
Other Property, Plant and Equipment	115,890.00	1,101,407.00
Accumulated Depreciation - Other Property, Plant and Equipment	76,200.05	327,629.61
Accumulated Impairment Losses - Other Property, Plant and Equipment		

	2018	Restated 2017
Net Value	39,689.95	773,777.39
<b>Intangible Assets</b>	<b>107,666.66</b>	<b>107,666.66</b>
<b>Intangible Assets</b>		
Computer Software	142,500.00	142,500.00
Accumulated Amortization - Computer Software	34,833.34	34,833.34
<b>Net Value</b>	<b>107,666.66</b>	<b>107,666.66</b>
<b>Total Non-Current Assets</b>	<b>19,857,393.84</b>	<b>26,883,352.30</b>
<b>TOTAL ASSETS</b>	<b>2,015,003,583.11</b>	<b>2,680,221,524.60</b>
<b>LIABILITIES AND NET ASSETS/EQUITY</b>		
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
<b>Financial Liabilities</b>	<b>12,350,707.79</b>	<b>243,755,244.84</b>
<b>Payables</b>	<b>12,350,707.79</b>	<b>243,755,244.84</b>
Accounts Payable	12,350,707.79	241,967,676.65
Due to Officers and Employees	-	1,787,568.19
Tax Refund Payable	-	-
<b>Inter-Agency Payables</b>	<b>28,285.92</b>	<b>6,369,995.26</b>
<b>Inter-Agency Payables</b>	<b>28,285.92</b>	6,369,995.26
Due to BIR	28,285.92	6,369,395.26
Due to GSIS	-	-
Due to Pag-IBIG	-	600.00
Due to PhilHealth	-	-
Due to NGAs	-	-
Due to GOCCs	-	-
Due to LGUs	-	-
<b>Other Payables</b>	<b>-</b>	<b>235,130.53</b>
Other Payables		
Due to Other Funds	-	-
Other Payables	-	235,130.53
<b>Total Current Liabilities</b>	<b>12,378,993.71</b>	<b>250,360,370.63</b>
<b>TOTAL LIABILITIES</b>	<b>12,378,993.71</b>	<b>250,360,370.63</b>
<b>NET ASSETS/EQUITY</b>		
<b>Net Asset/Equity</b>	<b>2,002,624,589.40</b>	<b>2,429,861,153.97</b>
<b>Net Asset/Equity</b>		
Accumulated Surplus/(Deficit)	2,002,624,589.40	2,429,861,153.97
<b>TOTAL NET ASSETS/EQUITY</b>	<b>2,002,624,589.40</b>	<b>2,429,861,153.97</b>
<b>TOTAL LIABILITIES AND NET ASSETS/EQUITY</b>	<b>2,015,003,583.11</b>	<b>2,680,221,524.60</b>

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





Department of Social Welfare and Development  
**Detailed Statement of Financial Performance (Consolidated)**  
 Consolidated Central and Regional Offices  
 Asian Development Bank  
 As of December 31, 2018

	2018	Restated 2017
<b>REVENUE</b>		
Service and Business Income		
Service Income	75,855.52	114,064.27
Fines and Penalties - Service Income	75,855.52	114,064.27
Other Service Income		-
Business Income	1,483,928.84	2,789,520.03
Interest Income	1,483,928.84	2,789,520.03
Total Service and Business Income	1,559,784.36	2,903,584.30
Grants and Donations		185,100.00
Income from Grants and Donations in Kind		185,100.00
Gains		
Other Gains		-
<b>Total Revenue</b>	<b>1,559,784.36</b>	<b>3,088,684.30</b>
Less: Current Operating Expenses		
Maintenance and Other Operating Expenses		
Traveling Expenses	166,360.50	21,977.00
Traveling Expenses - Local	166,360.50	21,977.00
Training and Scholarship Expenses	45,144,996.26	441,632,789.57
Training Expenses	45,144,996.26	441,632,789.57
Supplies and Materials Expenses	84,725.00	474,479.13
Office Supplies Expenses	84,725.00	452,610.00

	2018	Restated 2017
Accountable Forms Expenses	-	-
Welfare Goods Expenses	-	-
Fuel, Oil and Lubricants Expenses	-	-
Semi-Expendable Machinery and Equipment Expenses	-	18,980.00
Semi-Expendable Furniture, Fixtures and Books Expenses	-	2,288.00
Other Supplies and Materials Expenses	-	601.13
<b>Professional Services</b>	<b>43,748,614.40</b>	<b>99,155,785.87</b>
Auditing Services	-	-
Consultancy Services	2,352,918.40	3,498,998.77
Other Professional Services	41,395,696.00	95,656,787.10
<b>Other Maintenance and Operating Expenses</b>	<b>101,040.00</b>	<b>192,150.00</b>
Advertising Expenses	-	-
Printing and Publication Expenses	-	15,750.00
Representation Expenses	-	-
Transportation and Delivery Expenses	-	-
Rent/Lease Expenses	25,200.00	158,400.00
Other Maintenance and Operating Expenses	75,840.00	18,000.00
<b>Total Maintenance and Other Operating Expenses</b>	<b>89,245,736.16</b>	<b>541,477,181.57</b>
<b>Financial Expenses</b>		
Financial Expenses	36,435.09	89,575.81
Bank Charges	36,435.09	89,575.81
Other Financial Charges	-	-
<b>Total Financial Expenses</b>	<b>36,435.09</b>	<b>89,575.81</b>
Non-Cash Expenses		

	2018	Restated 2017
<b>Depreciation</b>	<b>5,576,347.58</b>	<b>5,330,805.36</b>
Depreciation - Machinery and Equipment	2,757,805.01	2,414,699.25
Depreciation - Transportation Equipment	2,736,311.15	2,672,800.10
Depreciation - Furniture, Fixtures and Books	44,315.23	44,315.20
Depreciation - Other Property, Plant and Equipment	37,916.19	198,990.81
Amortization		
<b>Amortization</b>	<b>-</b>	<b>19,000.00</b>
Amortization - Intangible Assets	-	19,000.00
<b>Total Non-Cash Expenses</b>	<b>5,576,347.58</b>	<b>5,349,805.36</b>
<b>Total Current Operating Expenses</b>	<b>94,858,518.83</b>	<b>546,916,562.74</b>
<b>Surplus (Deficit) from Current Operations</b>	<b>(93,298,734.47)</b>	<b>(543,827,878.44)</b>
Financial Assistance/Subsidy		
Financial Assistance/Subsidy		
Financial Assistance/Subsidy from NGAs, LGUs, GOCCs	1,877,688,045.22	10,560,240,154.19
Subsidy from National Government	1,278,614,154.92	5,243,873,633.98
Subsidy from Central Office	599,073,890.30	5,316,366,520.21
<b>Less: Financial Assistance/Subsidy to NGAs, LGUs, GOCCs, NGOs/POs</b>	<b>2,239,885,201.10</b>	<b>8,226,119,982.16</b>
Subsidy to NGAs		
Subsidy to Regional Offices	599,073,890.30	5,316,366,520.21
Financial Assistance to NGOs/POs	-	-
Internal Revenue Allotment	-	-
Subsidies - Others	1,640,811,310.80	2,909,753,461.95
<b>Net Financial Assistance/Subsidy</b>	<b>(362,197,155.88)</b>	<b>2,334,120,172.03</b>
<b>Gains</b>	<b>54,486,980.77</b>	<b>26,786,934.82</b>
Gain on Foreign Exchange (FOREX)	54,473,918.45	26,786,934.82

	2018	Restated 2017
Other Gains	13,062.32	
<b>Losses</b>	<u>22,321,432.20</u>	<u>33,671,710.88</u>
Loss on Foreign Exchange (FOREX)	22,288,254.68	33,671,710.88
Other Losses	33,177.52	
<b>Surplus (Deficit) for the Period</b>	<u>(423,330,341.78)</u>	<u>1,783,407,517.53</u>

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



Department of Social Welfare and Development

Annex E

Statement of Changes in Net Assets/Equity  
As of December 31, 2018  
Asian Development Bank

PARTICULARS	2018	Restated 2017
<b>Balance at December 31, 2017 Carried Forward</b>	<b>2,429,861,153.97</b>	
Changes in Accounting Policy		
Prior Period Adjustments/Unrecorded Income and Expenses	-	
Other Adjustments		
<b>Restated Balances</b>	<b>2,429,861,153.97</b>	<b>648,526,708.91</b>
Changes in Net Assets/Equity for Calendar Year		
Adjustment of Net Revenue recognized directly in Net Assets/Equity		
<i>Closing of Cash - Treasury/Agency Deposit - Regular</i>	(3,906,222.79)	(2,073,072.47)
<i>Closing of Cash - Treasury/Agency Deposit - Trust</i>		
Surplus/(Deficit) for the Period	(423,330,341.78)	1,783,407,517.53
Total Recognized Revenue and Expenses for the Period	(427,236,564.57)	1,781,334,445.06
Others		
<b>Balance at December 31, 2018</b>	<b><u>2,002,624,589.40</u></b>	<b><u>2,429,861,153.97</u></b>



**DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT**  
**Statement of Changes in Net Assets/Equity**  
**Consolidated Central and Regional Offices**  
**NCDDP-ADB**  
**(in Philippine Peso)**  
**For the Year Ended December 31, 2018**

**Annex F**

	<u>2018</u>	<u>Restated 2017</u>
<b>Cash Flows From Operating Activities</b>		
<b>Cash Inflows</b>		
<b>Receipt of Notice of Cash Allocation</b>	<b><u>1,278,614,154.92</u></b>	<b><u>5,243,873,633.98</u></b>
Receipt of Notice of Cash Allocation	-	5,243,873,633.98
Receipt of Notice of Transfer of Cash Allocation	-	-
Constructive Receipt of NCA for TRA	-	-
Receipt of Working Fund for Foreign-Assisted Projects	1,278,614,154.92	-
<b>Collection of Income/Revenues</b>	<b><u>1,496,743.30</u></b>	<b><u>2,233,536.15</u></b>
Collection of service and business income	546,925.46	-
Collection of other income	949,817.84	2,233,536.15
Receipt of shares, grants and donations	-	-
Receipt of prior years' income	-	-
<b>Receipt of Inter-Agency Fund Transfers</b>	<b><u>-</u></b>	<b><u>40,047,093.00</u></b>
Receipt of cash for the account of NGAs/LGUs/GOCCs	-	-
Receipt of funds for the implementation of projects from NGAs/LGUs/GOCCs	-	-
Receipt of funds for other inter-agency transactions	-	40,047,093.00
<b>Receipt of Intra-Agency Fund Transfers</b>	<b><u>599,324,415.80</u></b>	<b><u>5,316,366,520.21</u></b>
Receipt of funds from CO/Bureaus/ROs/OU's for implementation of programs/projects	599,073,890.30	5,316,366,520.21
Receipt of working fund by Foreign-Service Posts	-	-
Receipt of funds for other intra-agency transactions	250,525.50	-
<b>Other Receipts</b>	<b><u>373,492,947.02</u></b>	<b><u>20,654,156.85</u></b>
Receipt of deposits on Letters of Credits	-	-
Receipt of refund of guaranty deposits	-	-
Receipt of refund of fund transfers	326,316,824.07	-
Receipt of payment for liquidated damages	-	-
Receipt of unused Petty Cash Fund	-	-
Receipt of unearned revenue	-	-
Receipt of other deferred credits	-	-

	<u>2018</u>	<u>Restated 2017</u>
Refund of overpayment of Personal Services	-	-
Refund of overpayment of Maintenance and Other Operating Expenses	11,839,878.90	738,107.73
Receipt of refund of cash advances	35,336,244.05	18,793,576.88
Other miscellaneous receipts	-	1,122,472.24
<b>Adjustments</b>	<b><u>4,985,352.48</u></b>	<b><u>74,153,786.72</u></b>
Restoration of cash for unreleased checks	274,895.58	981,933.35
Restoration of cash for cancelled/lost/stale checks/ADA	4,710,456.90	73,027,894.25
Other adjustments - inflow	-	143,959.12
<b>Total Cash Inflows</b>	<b><u>2,257,913,613.52</u></b>	<b><u>10,697,328,726.91</u></b>
<b>Cash Outflows</b>		
Replenishment of negotiated MDS checks	-	-
<b>Remittance to National Treasury</b>	<b><u>291,388,184.49</u></b>	<b><u>2,073,072.47</u></b>
Remittance of current year's income/revenue	290,237,334.86	2,073,072.47
Remittance of prior year's income/revenue	-	-
Remittance of trust receipts	-	-
Remittance of refunds, overpayments and disallowances and other receipts	1,150,849.63	-
<b>Payment of operating expenses</b>	<b><u>520,814,941.05</u></b>	<b><u>550,730,234.04</u></b>
Payment of personnel services	-	-
Payment of maintenance and other operating expenses	520,778,505.96	550,648,450.28
Payment of financial expenses	36,435.09	10,679.82
Liquidation of cash advances granted during the year	-	-
Replenishment of Petty Cash	-	-
Payment of Current Year's Accounts Payable	-	71,103.94
<b>Purchase of Inventories</b>	<b><u>135,381.09</u></b>	<b><u>3,542,730.52</u></b>
Purchase of inventories for sale	-	-
Purchase of inventories for distribution	135,381.09	-
Purchase of inventories for consumption	-	3,542,730.52
Purchase of semi-expendable machinery and equipment	-	-
<b>Grant of Cash Advances (Unliquidated During the Year)</b>	<b><u>319,189.00</u></b>	<b><u>1,790,692.00</u></b>
Advances for operating expenses	-	274,854.00
Advances for Payroll	-	-

	<u>2018</u>	<u>Restated 2017</u>
Advances for special purpose/time-bound undertaking	222,300.00	1,419,118.00
Advances to officers and employees	96,889.00	96,720.00
Payment of Deposits	-	-
Payment of other deposits	-	-
<b>Payment of Prior Year's Accounts Payable</b>	<b><u>123,356,522.67</u></b>	<b><u>32,147,495.79</u></b>
Payment of prior year's Accounts Payable	110,402,847.48	30,445,267.61
Payment of prior year's operating expenses	12,953,675.19	1,702,228.18
<b>Remittance of Personnel Benefit Contributions and Mandatory Deductions</b>	<b><u>24,456,803.15</u></b>	<b><u>14,808,481.44</u></b>
Remittance of taxes withheld covered by TRA	-	-
Remittance of taxes withheld not covered by TRA	20,459,927.33	13,948,463.29
Remittance of GSIS/Pag-IBIG/PhilHealth	-	-
Remittance of other personnel benefits contributions and mandatory deductions	96,713.86	-
Remittance of Other Payables	3,900,161.96	860,018.15
<b>Grant of Financial Assistance/Subsidy</b>	<b><u>1,662,989,995.39</u></b>	<b><u>3,775,827,551.61</u></b>
Grant of other subsidies	1,662,989,995.39	3,775,827,551.61
<b>Release of Inter-Agency Fund Transfers</b>	<b><u>-</u></b>	<b><u>-</u></b>
Release of funds for the implementation of projects from NGAs/LGUs/GOCCs	-	-
Release of funds for other inter-agency transactions	-	-
<b>Release of intra-agency fund transfers</b>	<b><u>649,465,355.40</u></b>	<b><u>5,028,884,558.51</u></b>
Release of NTCA to Bureaus/ROs/OU's for implementation of programs/projects	-	-
Release of funds to Bureaus/ROs/OU's for implementation of programs/projects	599,073,890.30	-
Release of working funds to Foreign-Service Posts	-	-
Release of funds for other intra-agency transactions	50,391,465.10	5,028,884,558.51
<b>Other Disbursements</b>	<b><u>-</u></b>	<b><u>(0.01)</u></b>
Refund of Excess Working Fund	-	-
Refund of excess income	-	-
Other miscellaneous disbursements	-	(0.01)
<b>Adjustments</b>	<b><u>41,831,759.85</u></b>	<b><u>16,983,573.71</u></b>
Reversion of unused NCA	-	-
Adjustment for dishonored checks	158,113.18	-
Adjustment for Cash Shortage	-	-



	<u>2018</u>	<u>Restated 2017</u>
Reversing Entry for Unreleased Checks in the Previous Year	41,585,254.67	16,981,967.53
Other adjustments - outflow	88,392.00	1,606.18
Total Cash Outflows	<u>3,314,758,132.09</u>	<u>9,426,788,390.08</u>
Cash Provided by (Used in) Operating Activities	<u>(1,056,844,518.57)</u>	<u>1,270,540,336.83</u>
<b>Cash Flows from Investing Activities</b>		
<b>Cash Inflows</b>		
Total Cash Inflows	-	-
<b>Cash Outflows</b>		
Purchase/Construction of Investment Property	-	-
<b>Purchase/Construction of Property, Plant and Equipment</b>	<u>411,643.81</u>	<u>2,148,809.99</u>
Purchase of machinery and equipment	411,643.81	2,148,809.99
Total Cash Outflows	<u>411,643.81</u>	<u>2,148,809.99</u>
Cash Provided by (Used in) Investing Activities	<u>(411,643.81)</u>	<u>(2,148,809.99)</u>
<b>Cash Flows from Financing Activities</b>		
<b>Cash Inflows</b>		
Total Cash Inflows	-	-
<b>Cash Outflows</b>		
Total Cash Outflows	-	-
Cash Provided by (Used in) Financing Activities	-	-
Effects of Exchange Rate Changes on Cash and Cash Equivalents	32,185,663.77	(6,884,776.07)
<b>Total Cash Provided by (Used in) Operating, Investing and Financing Activities</b>	<u>(1,025,070,498.61)</u>	<u>1,261,506,750.77</u>
<b>Add: Cash Balance, Beginning January 1,</b>	2,548,341,096.91	1,286,834,346.14
<b>Cash Balance, Ending December 31,</b>	<u>1,523,270,598.30</u>	<u>2,548,341,096.91</u>

**KALAHI-CIDSS National Community Driven Development Project (NCDDP) –  
Asian Development Bank (ADB)  
Consolidated Central Office and Field Offices  
Notes to Financial Statements  
For the year ended December 31, 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, 2018 as shown in the Statement of Management Responsibility for Financial Statements signed by Director Wayne C. Belizar, Director for Financial Management Service and Assistant Secretary Rodolfo M. Santos, Officer-in-Charge for General Administrative and Support Services.

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

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

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

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

**1.1 Programs/Projects/Activities**

❖ **Foreign Assisted Program**

- KALAHI-CIDSS National Community Driven Development Project (NCDDP) - a poverty alleviation program of the National Government implemented by the DSWD. It is supported by the Philippine Development

Plan (2011-2016). Approved on 18 January 2013, it is the expansion into a national scale of the operations of community-driven development (CDD), a strategy that has been tried and proven effective in Kalahi-CIDSS (Kapit-Bisig Laban saKahirapan-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 equivalents**

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

## **3.4 Inventories**

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

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

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

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

## **3.5 Property, Plant and Equipment**

### ***Recognition***

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

The characteristics of PPE are as follows:

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

An item of PPE is recognized as an asset if:

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

#### ***Measurement at Recognition***

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

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

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

Cost includes the following:

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

#### ***Measurement After Recognition***

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

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

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

#### ***Depreciation***

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

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

### ***Initial Recognition of Depreciation***

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

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

### ***Depreciation Method***

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

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

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

### ***Estimated Useful Life***

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

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

### ***Impairment***

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

### ***Derecognition***

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

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

### **3.6 Intangible Assets**

#### ***Recognition and Measurement***

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

Intangible assets acquired separately are initially recognized at cost.

#### ***Intangible Assets Acquired through Non-Exchange Transactions***

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

#### ***Internally Generated Intangible Assets***

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

#### ***Recognition of an Expense***

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

#### ***Subsequent Measurement***

The useful life of the intangible assets is assessed as either finite or indefinite. Intangible assets with a finite life is amortized over its useful life:

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

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

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

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



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

### **3.7 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**

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

At each reporting date:

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

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

### **3.9 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 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 - Collecting Officer		82,826.30
Cash in Bank – Local Currency, Current Account	908,134,160.08	2,029,330,187.95
Cash in Bank – Foreign Currency, Savings Account	615,136,438.22	518,928,082.66
<b>Total</b>	<b>1,523,270,598.30</b>	<b>2,548,341,096.91</b>

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

- National Community Driven Development Project(Peso) - ADB

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

- National Community Driven Development Project (Dollar) - ADB

## 7. Other Receivables

Account Name	2018	2017
Due from Other Funds	0.00	290,294.00
Due from Non-Government Organizations/People's Organizations	471,279,585.49	100,481,959.80
Other Receivables	0.00	349,049.04
<b>TOTALS</b>	<b>471,279,585.49</b>	<b>101,121,302.84</b>

### 8.A. Inventories

Inventory items of the Department includes the following:

Account Name	2018	2017
Office Supplies Inventory	160,903.00	1,237,878.00
Other Supplies and Materials Inventory	71,418.05	65,018.05
<b>TOTAL</b>	<b>232,321.05</b>	<b>1,302,896.05</b>

## 8.B. Semi-Expendable Machinery and Equipment

Account Name	2018	2017
Semi-Expendable Office Equipment	203,500.00	78,325.00
Semi-Expendable ICT	160,184.43	0.00
<b>TOTAL</b>	<b>363,684.43</b>	<b>78,325.00</b>

## 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 Equipment	TOTAL
Carrying Amount, January 1, 2018	10,048,521.74	15,717,887.07	235,499.44	773,777.39	26,775,685.64
Additions/Acquisitions	434,944.40	-	-	-	434,944.40
Reclassification	(117,660.19)	-	-	-	(117,660.19)
<b>Total</b>	<b>10,365,805.95</b>	<b>15,717,887.07</b>	<b>235,499.44</b>	<b>773,777.39</b>	<b>27,092,969.85</b>
Disposals	-	-	-	-	-
Depreciation (As per Statement of Financial Performance)	(2,757,805.01)	(2,736,311.15)	(44,315.23)	(39,916.19)	(5,578,347.58)
Adjustments	-	(1,070,723.84)	-	(694,171.25)	(1,764,895.09)
Impairment Loss (As per Statement of Financial Performance)	-	-	-	-	-
Carrying Amount, December 31, 2018 (As per Statement of Financial Position)	<b>7,608,000.94</b>	<b>11,910,852.08</b>	<b>191,184.21</b>	<b>39,689.95</b>	<b>19,749,727.18</b>
Gross Cost (Asset Account Balance per Statement of Financial Position)	15,502,542.88	20,231,494.81	325,630.00	115,890.00	36,175,557.69
Less : Acc. Depreciation	(7,894,541.94)	(8,320,642.73)	(134,445.79)	(76,200.05)	(16,425,830.51)
Allowance for Impairment	-	-	-	-	-
<b>Carrying Amount, December 31, 2018 (As per Statement of Financial Position)</b>	<b>7,608,000.94</b>	<b>11,910,852.08</b>	<b>191,184.21</b>	<b>39,689.95</b>	<b>19,749,727.18</b>

In Central Office, transactions for Machinery and Equipment includes purchases of ICT Equipment amounting to P434,944.40.

### 9.1. Intangible Assets

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

Particulars	Computer Software
Carrying Amount, January 1, 2018	107,666.66
Additions-Purchased/Acquired thru exchange on non-exchange transaction	
Adjustment	
Impairment Loss Reversed (As per Statement of Financial Performance)	
Total	
Disposals	
Amortization recognized (As per Statement of Financial Performance)	0.00
Impairment Loss (As per Statement of Financial Performance)	-
Other Changes	-
<b>Carrying Amount, December 31, 2018 (As per Statement of Financial Position)</b>	<b>107,666.66</b>
<b>Gross Cost (Balance per Statement of Financial Position)</b>	142,500.00
Less : Accumulated Amortization (including accumulated impairment loss)	(34,833.34)
<b>Carrying Amount, December 31, 2018 (As per Statement of Financial Position)</b>	<b>107,666.66</b>

## 10. Other Current Assets

### 10.1 Advances

Account Name	2018	2017
Advances to Operating Expenses	0.00	2,494,551.50
<b>TOTAL</b>	<b>0.00</b>	<b>2,494,551.50</b>

## 11. Financial Liabilities

Account Name	2018		2017	
	Current	Non-Current	Current	Non-Current
Accounts Payable	12,350,707.79	-	241,967,676.65	-
Due to Officers and Employees			1,787,568.19	
<b>Total</b>	<b>12,350,707.79</b>	<b>-</b>	<b>243,755,244.84</b>	<b>-</b>

## 12. Inter-Agency Payables

Account Name	2018		2017	
	Current	Non-Current	Current	Non-Current

Due to BIR	28,285.92	-	6,369,395.26
Due to Pag-IBIG			600.00
<b>Total</b>	<b>28,285.92</b>	<b>-</b>	<b>6,369,995.26</b>

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

### 13. Other Payables

Account Name	2018		2017	
	Current	Non-Current	Current	Non-Current
Other Payables	0.00		235,130.53	
<b>Total</b>	<b>0.00</b>		<b>235,130.53</b>	

### 14. Service and Business Income

Account Name	2018	2017
Fines and Penalties - Service Income	75,855.52	114,064.27
Interest Income	1,483,928.84	2,789,520.03
<b>Total</b>	<b>1,559,784.36</b>	<b>2,903,584.30</b>

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. Shares, Grants and Donations

Account Name	2018	2017
Income from Grants and Donations in Kind	0.00	185,100.00
<b>TOTAL</b>	<b>0.00</b>	<b>185,100.00</b>

### 16. Maintenance and Other Operating Expenses

#### 16.1 Traveling Expenses

Particulars	2018	2017
Traveling Expenses - Local	166,360.50	21,977.00
<b>Total Traveling Expenses</b>	<b>166,360.50</b>	<b>21,977.00</b>

### 16.2 Training and Scholarship Expenses

Particulars	2018	2017
Training Expenses	45,144,996.26	441,632,789.57
<b>Total Training and Scholarship Expenses</b>	<b>45,144,996.26</b>	<b>441,632,789.57</b>

**Training Expenses** consist of payment of board and lodging and or hotel accommodation of participants to various seminar, training – workshops.

### 16.3 Supplies and Materials Expenses

Particulars	2018	2017
<b>Office Supplies Expenses</b>	<b>84,725.00</b>	<b>452,610.00</b>
Semi-Expendable Machinery and Equipment Expenses	0.00	18,980.00
Semi-Expendable Furniture Fixtures and Books Expenses		2,288.00
Other Supplies and Materials Expenses		601.13
<b>Total Supplies and Materials Expenses</b>	<b>84,725.00</b>	<b>474,479.13</b>

### 16.4 Professional Services

Particulars	2018	2017
Consultancy Services	2,352,918.40	3,498,998.77
Other Professional Services	41,395,696.00	95,656,787.10
<b>Total Professional Services</b>	<b>43,748,614.40</b>	<b>99,155,785.87</b>

**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.

### 16.5 Other Maintenance and Operating Expenses

Particulars	2018	2017
Printing and Publication Expenses	0.00	15,750.00
Rent/Lease Expenses	25,200.00	158,400.00
Other Maintenance and Operating Expenses	75,840.00	18,000.00
<b>Total Other Maintenance and Operating Expenses</b>	<b>101,040.00</b>	<b>192,150.00</b>



**17. Financial Expenses**

Account Name	2018	2017
Bank Charges	36,435.09	89,575.81
<b>Total</b>	<b>36,435.09</b>	<b>89,575.81</b>

**18. Non-Cash Expenses****18.1 Depreciation**

Particulars	2018	2017
Depreciation - Machinery and Equipment	2,757,805.01	2,414,699.25
Depreciation - Transportation Equipment	2,736,311.15	2,672,800.10
Depreciation - Furniture, Fixtures and Books	44,315.23	44,315.20
Depreciation - Other Property, Plant and Equipment	37,916.19	198,990.81
<b>Total Depreciation</b>	<b>5,576,347.58</b>	<b>5,330,805.36</b>

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

**18.2 Amortization**

Particulars	2018	2017
Amortization – Intangible Assets	0.00	19,000.00
<b>Total</b>	<b>0.00</b>	<b>19,000.00</b>

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

Particulars	2018	2017
Subsidy from National Government	1,278,614,154.92	5,243,873,633.98
Subsidy from Central Office	599,073,890.30	5,316,366,520.21
<b>Total Financial Assistance/Subsidy from NGAs, LGUs</b>	<b>1,877,688,045.22</b>	<b>10,560,240,154.19</b>

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

Particulars	2018	2017
Subsidy to Regional Offices/Staff Bureaus	599,073,890.30	5,316,366,520.21
Subsidies - Others	1,640,811,310.80	2,909,753,461.95
<b>Total Financial Assistance/Subsidy to NGAs, LGUs</b>	<b>2,239,885,201.10</b>	<b>8,226,119,982.16</b>
<b>Net Financial Assistance/Subsidy</b>	<b>(362,197,155.88)</b>	<b>2,334,120,172.03</b>

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

Particulars	Amount
Receipt of Notice of Cash Allocation (NCA)	1,278,614,154.92
Tax Remittance Advice (TRA)	
<b>Sub-Total</b>	<b>1,278,614,154.92</b>
Less:	
NTA	
Lapsed/Reversion of Lapsed NCA	
Refunds	0.00
<b>Sub-Total</b>	<b>0.00</b>
<b>Total</b>	<b>1,278,614,154.92</b>

The account Subsidy 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 less refund of unexpended balance to the Central Office.

## 20. Non-operating Income, Gain, or Losses

### 20.1 Non-Operating Income/Gain

Particulars	2018	2017
Gain on Foreign Exchange (FOREX)	54,473,918.45	26,786,934.82
Other Gains	13,062.32	
<b>Total Non-Operating Income/Gain</b>	<b>54,486,980.77</b>	<b>26,786,934.82</b>

### 20.2 Non-Operating Losses

Particulars	2018	2017
Loss on Foreign Exchange (FOREX)	22,288,254.68	33,671,710.88
Other Losses	33,177.52	
<b>Total Non-Operating Losses</b>	<b>22,321,432.20</b>	<b>33,671,710.88</b>

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 budget allocated/released to the Department.

## 22. Prior Period Adjustment

Liquidation of prior years' cash advances, other maintenance and operating expenses refunds and adjustments on the payment of prior years' not yet due and demandable are the prior period adjustments resulting to overstatement of Net Assets/Equity of 2017. The effect of restatement on those financial statements is summarized below. There is an effect on the 2017 Statement of Financial Performance and Financial Position.

Effect on 2017 Statement of Financial Performance

Particular	Amount
Net Increase in Expense Accounts	(72,080,874.09)
<b>Decrease in Surplus/Deficit</b>	<b>(72,080,874.09)</b>

Effect on 2017 Statement of Financial Position

Particular	Amount
Net Decrease in Assets	(2,193,253,600.40)
Net Increase in Liabilities	(546,510.00)
Net Decrease in Net Equity (Beg Balance)	2,121,719,236.31
<b>Decrease in Net Assets/equity</b>	<b>(72,080,874.09)</b>

## 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><b>1. 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 ₱2,528,078,412.91 and ₱2,581,217,521.90, respectively as of year-end contrary to Sections 5.3 &amp; 5.4 of COA Circular No. 2007-001.</b></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> <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> <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>			<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>	<p><i>With revised/updated recommendation or revised/updated information. Reiterated in ODA and in this report pages 5-7.</i></p>
<p><b>2. The KC-NCDDP registered a Physical accomplishment of 81.32 percent as at</b></p>		<p>The Program shall attain the target</p>		

Observations	Ref.	Management Comments/ Actions Taken	Status of Implementation	Results of Auditor's Validation
<p><b>December 31, 2017, slightly below the 85 percent KC-NCDDP Results Framework for CY 2017 requirement per loan agreement; thus, falling short of 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</b></p>		<p>physical accomplishment based on the Results Framework towards the loan closing date.</p> <p>Both the national and regional offices have been</p>		<p>As of November 30, 2018, the percentage of physical accomplishment is 92%. This is 7% above the 85% KC-NCDDP results Framework.</p>
<p>We commended the DSWD PMO for the increase in accomplishment, however, for the uncompleted SPs, we recommended that the Management require the concern ACTs and RPMOs personnel to</p> <ol style="list-style-type: none"> <li>a. Consistency monitor the on-going and unimplemented SPs especially those at the far-flung areas and fast track the completion of the SP;</li> <li>b. Seek assistance of the local government in the acquisition of project sites;</li> <li>c. Make representation with the concern government agencies for the immediate release of clearances and permits needed for the projects;</li> <li>d. Enjoin the community in work within the timeline of the project implementation;</li> <li>e. Furnish the BSPMCs with the list of the good standing contractors and suppliers and blacklist erring contractors and suppliers.</li> </ol>		<p>continuously strengthening its monitoring and technical assistance especially to the Area/Municipal Coordinating Team and LGUs to improve program implementation</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>Implemented</p> <p>Implemented</p>	

Observations	Ref.	Management Comments/ Actions Taken	Status of Implementation	Results of Auditor's Validation
<p><b>3. Fourteen (14) SPs costing ₱15,335,831.33 were found to have deficiencies/issues, due to the failure of the Regional Project Management Office (RPMO)/Sub-Regional Project Management Office (SRPMO) as well as the project proponents to monitor and resolve project issues; thus, this may compromise the efficient and effective use of the facility and is not in keeping with the KC-NCDDP Community Empowerment Activity Cycle and Monitoring and Evaluation Sub-Manual for Program Implementer.</b></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 defects/deficiencies noted for the full continuity and functionality of the SPs for the benefit of the intended beneficiaries;</p> <p>b. Regularly coordinate with other government infrastructure agencies to avoid overlapping of projects to the extent that completed KC projects are inadvertently removed to make way for other agency's (DPWH) infrastructure 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> <p>d. Institute necessary action against the RPMO/ACT/BSPMC who will be</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</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p>	<p>There are 2 remaining Sub-Projects still on-going and about to start repair works</p> <p>All SPs aside from the 2 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>Reiterated in CAAR, ODA and in this report pages 11-</i></p>

Observations	Ref.	Management Comments/ Actions Taken	Status of Implementation	Results of Auditor's Validation
<p>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>		<p>RPMOs in order to ensure continuous monitoring and satisfactory resolution of the issues.</p>	<p>Implemented</p>	<p><i>15, with revised/updated recommendation or revised/updated information.</i></p>
<p><b>4. The lapses in monitoring and reporting of the National Project Management Office (NPMO) and the Regional Project Monitoring Office (RPMO) resulted in: (a) a low percentage of implementation/downloading of community grants of 62.58 percent as against the 82.65 percent target per KC-NCDDP Operations Manual; and (b) huge unutilized amount of ₱4,804.886 million remained in the bank as at December 31, 2017; thus, depriving the community of the immediate benefits due them.</b></p> <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>b. Prepare monthly monitoring reports as feedback mechanism to ensure that project deficiencies/ problems encountered are appropriately/ immediately addressed by concerned officials.</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> <p>The 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</p>	<p>Implemented</p> <p>Implemented</p>	<p>The Program is regularly updating the status of projects in the KC-NCDDP website and geotagging webapp.</p>

Observations	Ref.	Management Comments/ Actions Taken	Status of Implementation	Results of Auditor's Validation
		Force; Monthly Reporting of Financial Status on Budget Utilization, Liquidation and Closure; Geotagging database; Grievance Redress System.		
<p>5.The completed infrastructure projects of KC-NCDDP as of December 31, 2017 were not immediately made available in the agency's website contrary to Section 92 on Transparency in Infrastructure Projects per GAA, thus depriving the right of the people to information on matters of public concerns at the least possible cost on public funds</p> <p>We recommended and Management agreed to:</p> <p>a. Require the NPMO to strictly comply with the said provisions; and</p> <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>			<p>Implemented</p> <p>Implemented</p>	<p>The program is regularly updating the status of projects in the KC NCDDP website and geotagging web application</p>