



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

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 Financial Audit of the  
KC-NCDDP ADB AF Typhoon Yolanda Multi-Donor Trust Fund  
(TYMDTF) Grant No. 0472-PHI  
for the Calendar Year 2018**

1. Pursuant to the Grant Agreement No. 0472-PHI dated March 21, 2016 between the Asian Development Bank and the Republic of the Philippines, thru the Department of Social Welfare and Development, we have conducted a financial audit of the TYMDTF Grant Fund 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 Auditors Lea T. Petero and Rosalinda N. De Guzman, both State Auditor IV, to (a) obtain a reasonable assurance about whether the financial statements present fairly in all material respects the TYMDTF Grant received; the actual expenditures incurred; conformity with the financial covenants of the Grant Agreement as well as on the use of the procedures for imprest fund and statement of expenditures applicable Arrangement Terms and Conditions; (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 Grant 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, and a summary of significant accounting policies and other explanatory information for calendar year 2018 are shown in **Annexes A-G**.

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

## I. BACKGROUND

5. On March 21, 2016, a Grant Agreement was entered into between the Asian Development Bank (ADB) and the Republic of the Philippines, through the Department of Social Welfare and Development (DSWD) as “Project Executing Agency” or “EA”, in order to achieve improved access to services and infrastructure and participate in more inclusive local disaster risk reduction and management planning, budgeting, and implementation by the subjected provinces and municipalities with grant amount of US\$5,000,000.00. The project is expected to complete on December 31, 2017, with closing date of June 30, 2018.

6. The Project, funded by the *Typhoon Yolanda Multi-Donor Trust Fund (TYMDTF) Grant*, aimed to provide additional financing to support livelihood community-driven development projects to restore livelihoods which remain unfunded in the KC-NCDDP.

7. The Project comprises the following:

- (a) Output 1: Identification and completion of 150 livelihood and economic support 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 by providing training on livelihood and economic support subproject preparation; and
- (c) Output 3: Enhancing program management, monitoring and evaluation systems including the completion of at least one study on effectiveness and impacts including a review of gender equality dimensions and livelihood gains.

## Financial Highlights

8. Details of the TYMDTF Grant Fund allocation and withdrawal pursuant to Grant Agreement are as follows:

Table 1 – Grant Fund Allocation and Withdrawal

Project Category	Allocation US\$	Percentage to Total	Basis for Withdrawal from the Grant Account
Grants	4,618,000	92.36%	
<i>Investment</i>	4,295,000		100 percent of total expenditure claimed
<i>Planning</i>	323,000		
Equipment and Furniture	20,000	0.40%	
Advocacy and IEC Materials	23,000	0.46%	
Training, Workshops and Meetings	120,000	2.40%	
Monitoring and Evaluation	130,000	2.60%	
Recurrent costs (aka IOC)	50,000	1.00%	
Unallocated	39,000	0.78%	
TOTAL	5,000,000	100.00%	

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

Table 2 – Financial Position

Particulars	Amount (in Pesos)		
	CY 2018	CY 2017 (Restated)	Increase/ (Decrease)
Assets	7,272,697.06	172,354,590.64	(165,081,893.58)
Liabilities	69,600.00	23,634,042.73	(23,564,44.73)
Government Equity	7,203,097.06	148,720,547.91	(141,517,450.85)

Table 3 – Financial Performance

Particulars	Amount (in Pesos)		
	CY 2018	CY 2017 (Restated)	Increase/ (Decrease)
<i>Sources of Fund</i>			
Revenue	81,854.11	176,586.12	(94,732.01)
Net Financial Assistance/ Subsidy	(83,816,391.94)	(3,479,120.13)	(80,337,271.81)
Gain on Foreign Exchange	6,486,829.11	5,822,182.83	664,646.28
Total	(77,247,708.72)	2,519,648.82	(79,767,357.54)
<i>Expenses</i>			
PS	0.00	0.00	0.00
MOOE	2,384,780.00	4,789,706.90	(2,404,926.90)
Loss on Foreign Exchange	2,300,755.02	5,254,850.69	(2,954,095.67)
Non-Cash Expenses	105,740.00	105,740.00	0.00
Total	4,791,275.02	10,150,297.59	(5,359,022.57)
Surplus (Deficit) for the Period	(82,038,983.74)	(7,630,648.77)	(74,408,334.97)

10. As of December 31, 2018, Grant proceeds utilization/withdrawal covering CYs 2016 to 2018 amounted to US\$4,537,188 or 91% of the total grants of US\$5,000,000, viz:

Table 4 – Status of Fund Allocation and Utilization

Project Category	Allocation		Utilization		
	US\$	Peso	US\$	Peso	Rate
Grants	4,618,000	222,552,825	4,229,665	203,838,000	92%
Equipment and Furniture	20,000	963,849	19,090	920,000	95%
Advocacy and IEC Materials	23,000	1,108,427	21,954	1,058,000	95%
Training, Workshops and Meetings	120,000	5,783,096	117,031	5,640,000	98%
Monitoring and Evaluation	130,000	6,265,021	127,546	6,146,775	98%
Recurrent costs (aka IOC)	50,000	2,409,623	21,902	1,055,512	44%
Unallocated	39,000	1,879,506	-	-	0%
TOTAL	5,000,000	240,962,347	4,537,188	218,658,287	91%

11. Of the total utilized grants, ₱166,179,389.64 was disbursed as of December 31, 2018, as follows:

Table 5 – Status of Fund Utilization and Disbursement

Project Category	Utilization			2017 Disbursement		Balance as of 12/31/2017	2018 Disbursement		Total Disbursement	
	US\$	Peso	Rate	Peso	Rate	Peso	Peso	Rate	Peso	Rate
Grants	4,229,665	203,838,000	92%	84,159,742.39	41.29%	119,678,257.61	79,633,593.80	66.54%	163,793,336.19	80.35%
Investment				78,074,362.35	38.30%		75,460,409.59	63.05%	153,534,771.94	75.32%
Less: Investment with pending legal issue							(1,023,472.00)	-0.86%	(1,023,472.00)	-0.50%
Investment, Net							74,436,937.59	62.20%	152,511,299.94	74.82%
Planning				6,085,380.04	2.99%		5,196,656.21	4.34%	11,282,036.25	5.53%
Equipment and Furniture	19,090	920,000	95%			920,000.00				
Advocacy and IEC Materials	21,954	1,058,000	95%			1,058,000.00				
Training, Workshops & Meetings	117,031	5,640,000	98%	387,524.51	6.87%	5,252,475.49	1,659,012.70	31.59%	2,046,537.21	36.29%
Monitoring and Evaluation	127,546	6,146,775	98%	47,516.24	0.77%	6,099,258.76	280,000.00	4.59%	327,516.24	5.33%
Recurrent costs	21,902	1,055,512	44%			1,055,512.00	12,000.00	1.14%	12,000.00	1.14%
TOTAL	4,537,188	218,658,287	91%	84,594,783.14	38.69%	134,063,503.86	81,584,606.50	60.86%	166,179,389.64	76.00%

## Operational Highlights

12. Communities from five regions (IVA, VI, VII, VIII, and XIII) identified a total of 128 Community-Driven Development Sub-projects, with total project cost of ₱197,531,366.97 funded from the Grant Fund and Local Community Counterpart amounting to ₱185,935,922.90 and ₱11,595,444.07, respectively. The details are shown in *Table 6*:

**Table 6 – Sub-projects identified with corresponding funding**

Project Category	No. of SPs	KC Grant	LCC Amount	Project Cost
Boat	9	14,791,413.00	305,025.00	15,096,438.00
Eco-tourism	1	1,825,415.29	25,500.00	1,850,915.29
Livelihood Equipment/Building/Center	61	89,612,241.50	5,248,956.12	94,861,197.62
Livelihood Training	24	18,454,319.00	971,197.25	19,425,516.25
Multi-Purpose Vehicle (Land)	6	9,515,770.00	96,653.75	9,612,423.75
Pre & Post Harvest Facilities	17	19,439,756.57	308,959.68	19,748,716.25
Training & Learning Center/ Facility	1	2,100,000.00	805,253.75	2,905,253.75
Water System	5	22,756,904.83	5,266,085.01	28,022,989.84
Artificial Coral Reef	1	1,763,450.00	206,550.00	1,970,000.00
Others	3	3,174,751.00	217,145.88	3,391,896.88
<b>Grand Total</b>	<b>128</b>	<b>183,434,021.19</b>	<b>13,451,326.44</b>	<b>196,885,347.63</b>

13. As reported by the National Program Management Office (NPMO), out of the 128 Sub-projects, 106 SPs were completed, 2 non-functional, 3 on-going, 14, waived or damaged and 1 with objection letter. The breakdown of the status as to Physical Accomplishments of Sub-projects (SPs) per regional location as of December 31, 2018, is shown as follows:

**Table 7 – Status of Accomplishment of Sub-projects**

Region	No. of SPs	Completed SPs		As Built			On-Going		Waived/Damaged SPs		With Objection Letter	
		No.	Grant	No.	Grant	Remarks	No.	Grant	No.	Grant	No.	Grant
IV-A	5	5	6,715,350.00									
VI	27	23	36,991,406.00	2	3,100,000.00	Functional			1	2,950,000.00	1	2,650,000.00
VII	34	32	38,714,444.00	2	3,931,250.00	Non-Functional						
VIII	55	39	41,840,827.90				3	11,609,228.00	13	14,043,810.29		
XIII	7	7	20,887,705.00									
<b>Total</b>	<b>128</b>	<b>106</b>	<b>145,149,732.90</b>	<b>4</b>	<b>7,031,250.00</b>		<b>3</b>	<b>11,609,228.00</b>	<b>14</b>	<b>16,993,810.29</b>	<b>1</b>	<b>2,650,000.00</b>
<b>Total Cost of 128 SPs = PhP183,434,021.19</b>												

14. The summary of audit observations and recommendations discussed in Part II of this Report are as follows:

- a) The objective of the Project was not attained due to delayed implementation and lack of personnel to oversee the project as manifested by its low financial accomplishment of 72.70% and reported physical accomplishment of 70.66%.

**We recommended and Management agreed to review its capacity to implement projects before entering into agreement to ensure that project objectives are achieved and desired benefits of the grant are maximized to ensure that beneficiaries are not deprived from the benefits thereof.**

- b) Accumulation of long outstanding unliquidated fund transfers to various NGOs/POs of PhP3,127,035.35 due to non-submission of liquidation reports and pending/ unrecorded liquidations with Community-Beneficiaries and KC-NCDDP Field Offices Finance.

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

- 1) **KC-Regional Project Management Office of DSWD FO VI 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;**
  - 2) **Accounting unit of both FOs VI and VII to take up in their books of account the liquidation of the confirmed completed L&E projects; and**
  - 3) **Closely monitor the utilization of funds transferred to implementing agencies and to take-up immediately in the books of accounts, liquidation of said funds pursuant to COA Circular No. 2007-001 dated October 25, 2007.**
- c) The lack of check and review of disbursement vouchers and supporting documents of KALAHI CIDDS-Livelihood and Enterprise (L&E), for submission to COA, resulted to several deficiencies noted such as lack of signatures of proper officials and unsubmitted vouchers totaling PhP10,226,360.72 in violation of Paragraph 5 & 6 of Section 4 of PD 1445, thereby casting doubt on the validity and the regularity of the transactions.

**We recommended for management of DSWD FO VII to:**

- 1) **Require the concerned payees to correct the abovementioned deficiencies and to submit the DVs/liquidations and supporting documents with total amount of ₱10,226,360.72, otherwise, these shall be suspended/disallowed in audit.**

- 2) **Instruct concerned personnel to conduct proper checking and review on the DVs/liquidations and other supporting documents before submitting them to COA, so that suspensions/ disallowances in audit could be avoided.**
- 3) **Ensure strict compliance of Paragraph 5 & 6, Section 4 of PD 1445.**

## II. OBSERVATIONS AND RECOMMENDATIONS

### Project Evaluation

15. **The objective of the Project was not attained due to delayed implementation and lack of personnel to oversee the project as manifested by its low financial accomplishment of 72.70% and reported physical accomplishment of 70.66% or 106 completed projects out of the 150 livelihood and economic support community-driven development subprojects to be identified and completed as stipulated in the Grant Agreement.**

16. The audit and evaluation of the said Project is an update and follow-up from the previous year's audit.

17. In CY 2018, records show that there were no further withdrawals from the TYMDTF Grant Fund balance of US\$462,812.00 as of December 31, 2017 where it registered a 91% utilization (*Table 4*). However, we observed that as of December 31, 2018 the Project still registered a) low financial accomplishment of 72.70%; with corresponding b) low physical accomplishment of 70.66%. The details are discussed in the succeeding paragraphs.

#### ***a. Low financial accomplishment of 72.70%***

18. The Financial Reports of KC-NCDDP AF as of December 31, 2018 and the Summary of Statement of Expenditures (SOE) for CY 2018, amounts in US\$ and PhP are shown in *Tables 8* and *9*, respectively:

*Table 8 – Status of Financial Accomplishment as of December 31, 2018  
(In US \$ Amount)*

Project Category	Utilization		2017 Disbursement	Balance As of 12/31/17	2018 Disbursement		Total Disbursement As of 12/31/2018		Balance As of 12/31/2018	
	Amount	Rate	Amount	Amount	Amount	Rate	Amount	Rate	Amount	Rate
(a)	(b)	(c)	(d)	(e) = (a-d)	(f)	(g) = f / e	(h) = d + f	(i) = h/b	(j) = b-h	(k) = j/b
Grants	4,229,665.00	92%	1,691,171.64	2,538,493.36	1,560,924.78	61.49%	3,252,096.42	76.89%	977,568.58	23.11%
<i>Investment</i>			<i>1,569,400.19</i>		<i>1,480,043.75</i>	<i>58.30%</i>	<i>3,049,443.94</i>	<i>72.10%</i>		
<i>Less: Investment with pending legal issue</i>					<i>(19,744.81)</i>	<i>-0.78%</i>	<i>(19,744.81)</i>	<i>-0.47%</i>		
<i>Investment, Net</i>					<i>1,460,298.94</i>	<i>57.53%</i>	<i>3,029,699.13</i>	<i>71.63%</i>		

Project Category	Utilization		2017 Disbursement	Balance As of 12/31/17	2018 Disbursement		Total Disbursement As of 12/31/2018		Balance As of 12/31/2018	
	Amount	Rate	Amount	Amount	Amount	Rate	Amount	Rate	Amount	Rate
(a)	(b)	(c)	(d)	(e) = (a-d)	(f)	(g) = f / e	(h) = d + f	(i) = h/b	(j) = b-h	(k)= j/b
<i>Planning</i>			121,771.45		100,625.84	3.96%	222,397.29	5.26%		
Equipment and Furniture	19,090.00	95%		19,090.00					19,090.00	100.00%
Advocacy and IEC Materials	21,954.00	95%		21,954.00					21,954.00	100.00%
Training, Workshops & Meetings	117,031.00	98%	4,915.74	112,115.26	32,103.58	28.63%	37,019.32	31.63%	80,011.68	68.37%
Monitoring and Evaluation	127,546.00	98%	3,790.51	123,755.49	5,430.22	4.39%	9,220.73	7.23%	118,325.27	92.77%
Recurrent costs (aka IOC)	21,902.00	44%		21,902.00	236.05	1.08%	236.05	1.08%	21,665.95	98.92%
<b>TOTAL</b>	<b>4,537,188.00</b>	<b>91%</b>	<b>1,699,877.89</b>	<b>2,837,310.11</b>	<b>1,598,694.63</b>	<b>56.35%</b>	<b>3,298,572.52</b>	<b>72.70%</b>	<b>1,238,615.48</b>	<b>27.30%</b>

Table 9 – Status of Financial Accomplishment as of December 31, 2018  
(In PhP Amount)

Project Category	Utilization			2017 Disbursement	Balance as of 12/31/2017	2018 Disbursement	Total Disbursement	Balance
	US\$	PhP	Rate	(in PhP)				
Grants	4,229,665.00	203,838,000	92%	84,159,742.39	119,678,257.61	79,633,593.80	163,793,336.19	40,044,663.81
<i>Investment</i>				78,074,362.35		75,460,409.59	153,534,771.94	
<i>Less: Investment with pending legal issue</i>						(1,023,472.00)	(1,023,472.00)	
<i>Investment, Net</i>						74,436,937.59	152,511,299.94	
<i>Planning</i>				6,085,380.04		5,196,656.21	11,282,036.25	
Equipment and Furniture	19,090.00	920,000	95%		920,000.00			920,000.00
Advocacy and IEC Materials	21,954.00	1,058,000	95%		1,058,000.00			1,058,000.00
Training, Workshops & Meetings	117,031.00	5,640,000	98%	387,524.51	5,252,475.49	1,659,012.70	2,046,537.21	3,593,462.79
Monitoring and Evaluation	127,546.00	6,146,775	98%	47,516.24	6,099,258.76	280,000.00	327,516.24	5,819,258.76
Recurrent costs (aka IOC)	21,902.00	1,055,512	44%		1,055,512.00	12,000.00	12,000.00	1,043,512.00
<b>Total</b>	<b>4,537,188.00</b>	<b>218,658,287</b>	<b>91%</b>	<b>84,594,783.14</b>	<b>134,063,503.86</b>	<b>81,584,606.50</b>	<b>166,179,389.64</b>	<b>52,478,897.36</b>

19. As can be gleaned from Table 8 and Table 9, out of the total withdrawn amount of US\$4,537,188.00 (PhP218,658,287.00), only US\$3,298,572.52 (PhP166,179,389.64) or 72.70 percent was expended or disbursed. The breakdown of the remaining amount of US\$1,238,615.48 (PhP52,478,897.36) is composed of the following details:



**Table 10 – Details on the Working Fund Balance as of December 31, 2018**

Particulars	Amount in		Percentage against Total Withdrawal
	US \$	PhP	
1. Unspent/Unutilized amount from the Cash-in-Bank-Foreign Currency, Savings Account	970,607.14	51,610,093.46	21.39%
2. Refunds from the Field Offices	248,263.35	12,834,368.99	5.47%
3. Investment with Pending Legal Issue	19,744.81	1,023,472.00	0.44%
4. FOREX Gain from 2016 to 2018		(12,989,037.44)	
<b>Total</b>	<b>1,238,615.30</b>	<b>52,478,897.01</b>	<b>27.30%</b>

20. Refunds from Field Offices (*Item 2 of Table 10*) in the amount of PhP12,834,368.99 or US\$248,263.35 pertains to unspent balance of the amount transferred to the following regions:

Region	Amount Refunded
Region IV-A	PhP 273,721.65
Region VI	5,863,100.87
Region VII	1,219,735.20
Region VIII	5,477,811.27
<b>Total</b>	<b>PhP12,834,368.99</b>

21. Both *Items 1 and 2* in *Table 10* have been remitted to the Bureau of the Treasury during the year, recorded under JEV No. 2018-12-000396/ADA No. 2018-12-02 and JEV No. 2018-12-000395/Check No. 269474, respectively.

22. With regard to the *Investment with Pending Legal Issue* amounting to US\$19,744.81 (PhP1,023,472.00), based on the Narrative/Incident Report furnished to the DSWD-COA, this pertains to the case of unauthorized withdrawals allegedly committed by an Area Coordinator of Brgy. Calingnan, Catubig, Northern Samar. Although the said amount represents only 0.44% of the total withdrawal, it still has a significant impact on the implementation of the Project.

23. It is worth mentioning that in the same report, included therein as another incident of unauthorized withdrawal in the amount of US\$18,783.09 (PhP939,849.41) allegedly perpetrated by the same person, for the implementation of sub-projects in Brgy. San Jose, Mapanas, Northern Samar, but the sub-project/s involved in the said case was/were funded under ADB Loan No. 3100.

24. An update on the said case, from the report dated 5 March 2019, of the OIC Regional Director, DSWD Field Office VIII, addressed to the Asst. Secretary for Specialized Programs, DSWD Central Office, furnished to this Office, revealed that and quoted below:

“Xxx, the 13 Complaints re Unauthorized Withdrawals which were filed last December 12, 2018 before the Provincial Prosecutor of Catarman, Northern Samar were resolved as DISMISSED due to lack of direct evidence or witness implicating the Respondent to have falsified the checks leading to the unauthorized withdrawals. Nevertheless, we have already filed the Motion for Reconsideration stating relevant circumstances that would implicate the Respondent, xxxxxxxxxx to have committed the crime estafa thru falsification of commercial documents.”

25. As an update on the above cases, the Director of DSWD Finance and Management Service, in his letters, both dated June 13, 2019, had instructed the Director, Accounting Service, Bureau of the Treasury, to deposit to the Asian Development Bank the amount of US\$19,744.81 and US\$ 18,783.09 under references Grant 0472-PHI Refund of Advance and Loan 3100-PHI Refund of Advance, respectively.

**b. Low physical accomplishment of 70.66%.**

26. Consistent with the low financial accomplishments, KC NCDDP AF Report on Physical Accomplishments showed that out of the 150 subprojects to be undertaken and completed, 128 projects were started and only 106 projects or 70.66% had been completed as of December 31, 2018, thus the low accomplishment. The details are shown in *Table 11*.

**Table 11 – Status of Physical Accomplishment as of December 31, 2018**

Region	No. of SPs	Completed SPs		As Built			On-Going		Waived/Damaged SPs		With Objection Letter	
		No.	Grant	No.	Grant	Remarks	No.	Grant	No.	Grant	No.	Grant
IV-A	5	5	6,715,350.00									
VI	27	23	36,991,406.00	2	3,100,000.00	Functional			1	2,950,000.00	1	2,650,000.00
VII	34	32	38,714,444.00	2	3,931,250.00	Non-Functional						
VIII	55	39	41,840,827.90				3	11,609,228.00	13	14,043,810.29		
XIII	7	7	20,887,705.00									
Total	128	106	145,149,732.90	4	7,031,250.00		3	11,609,228.00	14	16,993,810.29	1	2,650,000.00

27. The planned target per grant agreement was 150 projects of which only 128 projects with an updated total cost of PhP183,433,981.19 were identified as of year-end, this suggests the executing agency’s non-compliance with the grant agreement.

28. Moreover, as can be gleaned from *Table 11*, a total of 20 SPs with an aggregate amount of PhP35,184,288.29, representing 16% of the total started SPs, were not yet completed nor beneficial to the concerned recipients, thus, defeating the purpose and objectives of the Project. These SPs were either waived/damaged (14 SPs costing PhP16,993,810.29), on-going (3 SPs costing PhP11,609,228.00), with objection letter (1 SP costing PhP2,650,000.00), and as-built but were not functional (2 SPs costing PhP3,931,250.00).

29. The project's low accomplishment had been attributed to the following:
- The initial receipt of Cash Allocation was on August 31, 2016, as shown in the Foreign Currency passbook of KC-NCDDP AF, after five (5) months from the date of signing of the grant agreement on March 21, 2016;
  - KC-Finance report on the KC-NCDDP AF Releases revealed that the bulk of the CYs 2016 and 2017 budget, marked at 71.79% of ₱78,074,362.35 or ₱56,261,935.75 was downloaded to the regions only in the last quarter of 2017, as shown in the table below.

*Table 12 – Fund Transfer/Downloaded to Regions for CYs 2016 and 2017*

Regions	Budget Year	2017				
		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
IV-A	2017				5,372,280.00	5,372,280.00
VI	2017	1,000,000.00	3,070,914.00	1,350,800.00	10,958,641.00	16,380,355.00
VII	2016	3,280,000.00	1,830,000.00	1,411,800.00	1,866,750.00	8,388,550.00
	2017		1,317,369.00	1,800,000.00	8,095,750.00	11,213,119.00
VIII	2016		4,166,888.40		16,314,325.95	20,481,214.35
XIII	2016		2,165,790.40			2,165,790.40
	2017			418,864.80	13,654,188.80	14,073,053.60
<b>Grand Total</b>		<b>4,280,000.00</b>	<b>12,550,961.80</b>	<b>4,981,464.80</b>	<b>56,261,935.75</b>	<b>78,074,362.35</b>
Recap:	2016	3,280,000.00	8,162,678.80	1,411,800.00	18,181,075.95	31,035,554.75
	2017	1,000,000.00	4,388,283.00	3,569,664.80	38,080,859.80	47,038,807.60
<b>Total</b>		<b>4,280,000.00</b>	<b>12,550,961.80</b>	<b>4,981,464.80</b>	<b>56,261,935.75</b>	<b>78,074,362.35</b>

- The *Table* below shows the downloaded budget to regions for CY 2018, of which the amount of ₱1,023,472.00 was deducted. This amount pertains to the *Investment with Legal Issue* as discussed in the preceding paragraphs.

*Table 13 – Fund Transferred/Downloaded to Regions in CY 2018*

Reg.	Budget Year	2018 - 2019				
		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
IV-A	2018	1,208,959.42				1,208,959.42
VI	2017		(96,256.10)	(3,744.00)	(305,110.11)	(405,110.21)
	2018	9,186,140.77	12,811,067.00	0.00	0.00	21,997,207.77
VII	2017	(367,482.00)	0.00	(129,144.75)	(611,000.00)	(1,107,626.75)
	2018	13,275,390.00	5,334,846.00	0.00	0.00	18,610,236.00
	2019	3,686,520.00				3,686,520.00
VIII	2018	288,380.00	27,981,750.72	0.00	<b>(1,023,472.00)</b>	27,246,658.72
XIII	2018	445,135.20	2,336,448.53	0.00	418,508.91	3,200,092.64
<b>Grand Total</b>		<b>27,723,043.39</b>	<b>48,367,856.15</b>	<b>(132,888.75)</b>	<b>(1,521,073.20)</b>	<b>74,436,937.59</b>
Recap	2017	(367,482.00)	(96,256.10)	(132,888.75)	(916,110.11)	(1,512,736.96)
	2018	24,404,005.39	48,464,112.25	0.00	- 604,963.09	72,263,154.55

Reg.	Budget Year	2018 - 2019				
		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
	2019	3,686,520.00	0.00	0.00	0.00	3,686,520.00
<b>Total</b>		<b>27,723,043.39</b>	<b>48,367,856.15</b>	<b>(132,888.75)</b>	<b>(1,521,073.20)</b>	<b>74,436,937.59</b>

- d) The delayed downloading of funds to regions resulted in a domino effect to other activities such as the planning for social preparations, the conduct of technical assistance and the trainings and meetings of various stakeholders which only took place in the last quarter of 2017 as shown in the withdrawal applications schedules;
- e) The personnel assigned to the loan funded project of KC-NCDDP are the same personnel responsible for the KC-NCDDP AF, thus the projects of the latter only add to the large volumes of SPs being handled by area coordinators of KC-NCDDP.

30. Given the low utilization rates both for the financial and physical aspects of the Project, the opportunities to restore and uplift the livelihood of the targeted communities thru the KC-NCDDP AF was not maximized to achieve its objective within the project closing date of December 31, 2017.

**31. We recommended that Management review its capacity to implement projects before entering into agreements to ensure that project objectives are achieved and desired benefits of the grant are maximized to ensure that beneficiaries are not deprived from the benefits thereof.**

### **Financial and Compliance**

**Accumulation of long outstanding unliquidated fund transfers to various NGOs/POs of Php3,127,035.35 due to non-submission of liquidation documents and pending/unrecorded liquidations with Community-Beneficiaries and KC-NCDDP Field Offices Finance.**

32. 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.*

33. The account *Receivables-Due from NGOs/POs* under Fund Cluster 04, of FOs VI and VII disclosed an accumulated balance of PhP3,127,035.35 as of December 31, 2018, which were either in the custody of Barangay Sub-Project Management Committees (BSPMC) and KC-NCDDP Finance of DSWD Field Offices. The details are summarized below with corresponding observations per FOs:

**Table 14 – Unliquidated Receivables – Due from NGOs/POs**  
as of December 31, 2018

<b>Region</b>	<b>Amount of Unliquidated Receivable</b>	<b>Remarks</b>
VI	167,927.48	Liquidation reports not yet submitted
VII	2,959,107.87	Still outstanding, even if its Livelihood and Enterprise (L&E) projects have been completed/implemented and the corresponding funds have been fully utilized and liquidated.  The accounting unit failed to monitor the utilization of fund transfers and take up in the books the liquidation.
<b>Total</b>	<b>3,127,035.35</b>	

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

- a) **KC-Regional Project Management Office of DSWD FO VI 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;**
- b) **Accounting unit of both FOs VI and VII to take up in their books of account the liquidation of the confirmed completed L&E projects; and**
- c) **Closely monitor the utilization of funds transferred to implementing agencies and to take-up immediately in the books of accounts, liquidation of said funds pursuant to COA Circular No. 2007-001 dated October 25, 2007.**

## Internal Control

***Deficiencies observed in the course of audit are manifestations of inadequacy of internal control system.***

35. Section 3.a.1, Chapter II of the Government Accounting Manual, Vol. I, states that *it is the declared policy of the State that all resources of the government shall be managed, expended or utilized in accordance with laws and regulations, and safeguarded against loss or wastage through illegal or improper disposition, with a view of ensuring efficiency, economy and effectiveness in the operations of government. The responsibility to take care that such policy is faithfully adhered to rests directly with the chief or head of the government agency concerned.*

36. Internal controls should achieve the following objectives:

- Compliance with applicable laws, rules and regulations in the management of resources;
- Safeguarding of resources against waste, loss, unauthorized use and misappropriation;
- Use of resources in the most economical and effective manner and in such a way as to attain the goals of the agency;
- Proper recording and reporting of transactions to ensure that reports are reliable, accurate and timely.

37. Results of audit by the Audit Team of DSWD Field Office No. VII of the financial transactions and review of operations revealed several deficiencies that are manifestations of inadequate/poor internal control system, revealed the following

**The lack of check and review of disbursement vouchers and supporting documents of KALAHI CIDDS-Livelihood and Enterprise (L&E), for submission to COA, resulted in several deficiencies noted such as lack of signatures of proper officials and unsubmitted vouchers totaling PhP10,226,360.72 in violation of Paragraph 5 & 6 of Section 4 of PD 1445, thereby casting doubt on the validity and regularity of the transactions.**

38. Fundamental principles governing the financial transactions and operation of any government agency as provided under Paragraph 5 & 6 Section 4 of Presidential (PD) No. 1445 provides that “Disbursements of government funds shall invariably bear the approval of the proper officials. That claims against government funds shall be supported with complete documentation, sufficient and relevant documents to establish validity of claim.”

39. During the review and verification of submitted liquidations and supporting documents for funds transferred to Barangay Nug-as, Alcoy, Cebu, the following deficiencies were noted:

**Table 15 – Deficiencies noted in the Liquidations of Fund Transfer**

DV No.	Check No.	Date of Check	Payee	Particulars	Amount (PhP)	Deficiencies / Remarks
NUG-01-LE022	22834	06.11.18	Macias Electronic Part Supply Inc.	Payment for bakery equipment under package 11 for the bakery project at Nug-as per P.O. #Nug-02-LE011.	13,060.72	Abstract of Canvass/ Quotation lacks signature of the approving officer/ BSPMC Chairperson.
NUG-01-LE018	22828	06.06.18	Richard P. Anore	Payment for labor payroll, May 14 to June 2, 2018.	117,000.00	DTR of Carlo Amaca for June 1 & 2, 2018 lacks signature of the BSPMC Chairperson.
				<b>Total</b>	<b>130,060.72</b>	

40. Further review of transactions showed that the following DVs and its supporting documents were not submitted to COA.

**Table 16 – Disbursement Vouchers (DV) and Supporting Documents not Submitted**

BTF No.	Date	Payee	Purpose	Amount (PhP)
BTF #2017-12-011-L&E-FO-ADB	12/21/17	San Jose, Negros Oriental, Barangay Jilocon	Transfer of fund for Processing Facility with Amenities on Virgin Coconut Oil Production in Barangay Jilocon, San Jose, Negros Oriental.	1,648,125.00
BTF #2017-07-003-L&E-NIR-ADB	07/31/17	La Libertad, Negros Oriental, Barangay Mandapaton	Transfer of fund for Upscaling the Barangay Sagip-Saka as a Strategy for Climate Change Adaptation & Sustainable Upland Development in Barangay Mandapaton, La Libertad, Negros Oriental.	1,800,000.00
BTF #2017-10-007-L&E-FO-ADB	10/30/17	Tayasan, Negros Oriental, Barangay Dalaupon	Transfer of fund for Cattle Fattening in Barangay Dalaupon, Tayasan, Negros Oriental.	1,066,750.00
BTF #2017-06-002-L&E-NIR-ADB	06/09/17	Vallehermoso, Negros Oriental, Barangay Malangsa	Transfer of fund for Packaging Dispersal of 30 Carabaos with Steel Melboured Plow in Barangay Malangsa, Vallehermoso, Negros Oriental.	1,080,000.00
BTF #2017-12-011-L&E-FO-ADB	07/31/17	Pres. Carlos P. Garcia, Bohol, Barangay Santo Rosario	Transfer of fund for Skills Training on Pump Boat Making and Fishing Gear cum Provision of Starter Kit in Barangay Santo Rosario, Pres. Carlos P. Garcia, Bohol.	1,621,425.00

<b>BTF No.</b>	<b>Date</b>	<b>Payee</b>	<b>Purpose</b>	<b>Amount (PhP)</b>
BTF #2017-07-004- L&E-FO-ADB	07/31/17	San Remigio, Cebu, Barangay Tacup	Transfer of fund for Acquisition of Two (2) Units Motorized Banca with Complete Fishing Implement and Accessories in Barangay Tacup, San Remigio, Cebu.	1,146,800.00
BTF #2018-01-002-L&E-FO-ADB	01/17/18	Sogod, Cebu, Barangay Calumboyan	Transfer of fund for Skills Training on Enterprise Development cum Installation of Water Refilling Station in Barangay Calumboyan, Sogod, Cebu.	1,733,200.00
<b>Total</b>				<b>10,096,300.00</b>

41. The aforesaid deficiencies totaling PhP10,226,360.72 cast doubt as to the validity and regularity of the transactions.

42. **We recommended and Management agreed to require the Regional Director to:**

- a) **Ensure that the abovementioned deficiencies are corrected and the DVs/liquidations and supporting documents with total amount of ₱10,226,360.72 are submitted, otherwise, these shall be suspended/disallowed in audit.**
- b) **Instruct concerned personnel to conduct proper checking and review on the DVs/liquidations and other supporting documents before submitting them to COA, so that suspensions/ disallowances in audit could be avoided.**
- c) **Ensure strict compliance with Paragraph 5 & 6, Section 4 of PD 1445.**

43. During the exit conference, DSWD FO Management assured the Audit Team thereat to comply with the abovementioned deficiencies within the month of March 2019. Compliance of the audit recommendation is on-going.

44. The Audit Team will continue to monitor the implementation of the audit recommendation.

### **III. STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS**

45. We made a follow-up on the actions taken by DSWD Management to implement the recommendations of the prior year and noted the following:



**Table 9 – Status of Prior Year’s Audit Recommendations**

<b>Status of Implementation</b>	<b>No. of Recommendations</b>	<b>% of Implementation</b>
Implemented	2	67%
Partially Implemented/On-going	1	33%
<b>Total</b>	<b>3</b>	<b>100%</b>

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

47. Audit observations and recommendations with impact on the financial statements and compliance issues which are continuously monitored are reiterated with modification in Part II of this Report.

#### **IV. ACKNOWLEDGEMENT**

48. We wish to express our appreciation to the Management and staff of the 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

**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 Recommendation

CC: Cluster Director, Cluster 6- Health & Science  
National Government Sector



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

## **INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of **Typhoon Yolanda Multi-Donor Trust Fund** 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 **Typhoon Yolanda Multi-Donor Trust Fund** 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 International Standards of Supreme Audit Institutions (ISSAIs)

### **Basis for Opinion**

We conducted our audit in accordance with the 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.

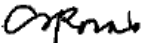
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit observations, including any significant deficiencies in internal control that we identify during our audit.

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



**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS  
Asian Development Bank-KC NCDDP Project – AF Grant No. 0472-PHI**


The management of **Department of Social Welfare and Development** is responsible for all information and representations contained in the accompanying Statement of Financial Position as of **December 31, 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**  
**STATEMENT OF FINANCIAL POSITION**  
**ADB - NCDDP - Additional Financing**  
**Consolidated Central and Regional Offices**  
As of December 31, 2018

	Note	<u>2018</u>	<u>2017 (Restated)</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	6	<u>86,233.78</u>	<u>144,006,164.20</u>
Cash on Hand		-	2,340.00
Cash - Collecting Officer		-	2,340.00
Cash in Bank - Local Currency, Current Account		71,707.26	68,732,060.51
Cash in Bank - Foreign Currency, Savings Account		14,526.52	75,271,763.69
<b>Receivables</b>	7	<u>6,947,156.97</u>	<u>27,501,337.63</u>
<b>Other Receivables</b>		<u>6,947,156.97</u>	<u>27,501,337.63</u>
Due from Non-Government Organizations/People's Organization		6,947,156.97	27,500,892.28
Other Receivables		-	445.35
<b>Total Current Assets</b>		<u>7,033,390.75</u>	<u>171,507,501.83</u>
<b>Non-Current Assets</b>			
<b>Property, Plant and Equipment</b>	8	<u>239,306.31</u>	<u>345,046.30</u>
Machinery and Equipment		<u>239,306.31</u>	<u>345,046.30</u>
Information and Communication Technology Equipment		556,526.30	556,526.30
Accumulated Depreciation - ICT Equipment		(317,219.99)	(211,480.00)
<b>Other Current Assets</b>			
<b>Advances</b>	9		<u>502,042.51</u>
Advances to Operating Expenses			502,042.51
<b>TOTAL ASSETS</b>		<u>7,272,697.06</u>	<u>172,354,590.64</u>

	Note	<u>2018</u>	<u>2017 (Restated)</u>
<b>LIABILITIES AND NET ASSETS/EQUITY</b>			
<b>Current Liabilities</b>			
<b>Financial Liabilities</b>		<b>69,600.00</b>	<b>23,488,111.24</b>
Account Payables	10	69,600.00	23,488,111.24
<b>Inter-Agency Payables</b>		<b>-</b>	<b>109,931.49</b>
Due to BIR		-	109,931.49
<b>Intra-Agency Payables</b>		<b>-</b>	<b>30,000.00</b>
Due to Other Funds		-	30,000.00
<b>Other Payables</b>		<b>-</b>	<b>6,000.00</b>
Other Payables		-	6,000.00
<b>Total Current Liabilities</b>		<b>69,600.00</b>	<b>23,634,042.73</b>
<b>TOTAL LIABILITIES</b>		<b>69,600.00</b>	<b>23,634,042.73</b>
<b>NET ASSETS/EQUITY</b>			
<b>EQUITY</b>			
Accumulated Surplus/(Deficit)		7,203,097.06	148,720,547.91
<b>Total Net Assets/Equity</b>		<b>7,203,097.06</b>	<b>148,720,547.91</b>
<b>TOTAL LIABILITIES and NET ASSETS/EQUITY</b>		<b>7,272,697.06</b>	<b>172,354,590.64</b>

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



## DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT

## Statement of Financial Performance

## Consolidated Central and Regional Offices

## Typhoon Yolanda Multi-Donor Trust Fund

## ADB-NCDDP-Additional Financing, Grant No. 0472-PHI

For the Year Ended December 31, 2018

	Note	2018	2017-Restated
<b>REVENUE</b>			
<b>Service and Business Income</b>			
Business Income		<b>81,854.11</b>	<b>176,586.12</b>
Interest Income	14	81,854.11	176,586.12
<b>Total Revenue</b>		<b>81,854.11</b>	<b>176,586.12</b>
<b>Less: Current Operating Expenses</b>			
<b>Maintenance and Other Operating Expenses</b>			
<b>Traveling Expenses</b>		<b>38,784.00</b>	<b>141,791.76</b>
Traveling Expenses - Local	15.1	38,784.00	141,791.76
<b>Training and Scholarship Expenses</b>		<b>1,977,532.20</b>	<b>4,127,791.48</b>
Training Expenses	15.2	1,977,532.20	4,127,791.48
<b>Professional Services</b>		<b>44,262.30</b>	<b>508,123.66</b>
Other Professional Services	15.3	44,262.30	508,123.66
<b>Other Maintenance and Operating Expenses</b>		<b>324,201.50</b>	<b>12,000.00</b>
Representation Expenses		44,201.50	-
Rent/Lease Expenses		280,000.00	12,000.00
<b>Total Maintenance and Other Operating Expenses</b>		<b>2,384,780.00</b>	<b>4,789,706.90</b>
<b>Non-Cash Expenses</b>			
<b>Depreciation</b>		<b>105,740.00</b>	<b>105,740.00</b>
Depreciation - Machinery and Equipment	17	105,740.00	105,740.00
<b>Total Non-Cash Expenses</b>		<b>105,740.00</b>	<b>105,740.00</b>
<b>Total Current Operating Expenses</b>		<b>2,490,520.00</b>	<b>4,895,446.90</b>
<b>Surplus (Deficit) from Current Operations</b>		<b>(2,408,665.89)</b>	<b>(4,718,860.78)</b>



	<u>Note</u>	<u>2018</u>	<u>2017-Restated</u>
<b>Financial Assistance/Subsidy</b>	<i>18</i>		
<b>Financial Assistance/Subsidy from LGUs, GOCCs</b>		<b>19,218,430.82</b>	<b>219,281,178.50</b>
Subsidy from National Government		-	71,008,289.26
Subsidy from Other Funds		-	80,000.00
Subsidy from Central Office		19,218,430.82	148,192,889.24
<b>Less: Financial Assistance/Subsidy to LGUs, GOCCs, NGOs/POs</b>		<b>103,034,822.76</b>	<b>222,760,298.63</b>
Subsidy to Regional Offices/Staff Bureaus		19,218,430.82	148,192,889.24
Subsidies - Others		83,816,391.94	74,567,409.39
<b>Net Financial Assistance/Subsidy</b>		<b><u>(83,816,391.94)</u></b>	<b><u>(3,479,120.13)</u></b>
<b>Other Non-Operating Income</b>	<i>19</i>		
<b>Gains</b>		<b>6,486,829.11</b>	<b>5,822,182.83</b>
Gain on Foreign Exchange (FOREX)		6,486,829.11	5,822,182.83
<b>Losses</b>		<b>2,300,755.02</b>	<b>5,254,850.69</b>
Loss on Foreign Exchange (FOREX)		2,300,755.02	5,254,850.69
<b>Surplus/(Deficit) for the Period</b>		<b><u><u>(82,038,983.74)</u></u></b>	<b><u><u>(7,630,648.77)</u></u></b>

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



**DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT**  
**COMPARATIVE STATEMENT OF CASH FLOWS**  
**FUND CLUSTER 4-CONSOLIDATED (NCDDP-ADB-AF)**  
**FOREIGN-ASSISTED/GRANTS FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>2018</u>	<u>2017</u>
<b>Cash Flows From Operating Activities</b>		
<b>Cash Inflows</b>		
Receipt of Notice of Cash Allocation	-	<b>71,008,289.26</b>
Receipt of Notice of Cash Allocation	-	71,008,289.26
Collection of Income/Revenues	<b>83,846.11</b>	<b>176,586.12</b>
Collection of service and business income	6,450.92	12,064.09
Collection of other income	77,395.19	164,522.03
Receipt of Inter-Agency Fund Transfers	-	<b>40,000.00</b>
Receipt of funds for other inter-agency transactions	-	40,000.00
Receipt of Intra-Agency Fund Transfers	<b>26,738,066.89</b>	<b>148,232,889.24</b>
Receipt of funds from CO/Bureaus/ROs/Ous for implementation of program	26,738,066.89	148,192,889.24
Receipt of funds for other intra-agency transactions	-	40,000.00
Other Receipts	<b>20,371,694.87</b>	<b>22,871,676.00</b>
Refund of overpayment of Maintenance and Other Operating Expenses	88,524.60	-
Receipt of refund of cash advances	19,175,543.52	22,841,676.00
Other miscellaneous receipts	1,107,626.75	30,000.00
Adjustments	<b>4,192,621.59</b>	<b>795,588.63</b>
Restoration of cash for cancelled/lost/stale checks/ADA	4,186,074.09	-
Restoration of cash for unreleased checks	-	789,177.86
Other adjustments - Inflow	6,547.50	6,410.77
<b>Total Cash Inflows</b>	<b><u>51,386,229.46</u></b>	<b><u>243,125,029.25</u></b>
<b>Cash Outflows</b>		
Remittance to National Treasury	<b>50,000.00</b>	<b>22,838,766.00</b>
Payment of Expenses	<b>62,848,239.45</b>	<b>24,114,065.91</b>
Payment of maintenance and other operating expenses	62,848,239.45	24,113,361.25
Payment of financial expenses	-	704.66
Grant of Cash Advances	-	<b>513,732.51</b>
Advances for operating expenses	-	502,042.51
Advances to officers and employees	-	11,690.00
Payment of Accounts Payables	<b>986,509.13</b>	<b>4,914.00</b>

	<u>2018</u>	<u>2017</u>
Remittance of Personnel Benefit Contributions and Mandatory Deductions	<b>337,749.73</b>	<b>134,024.71</b>
Remittance of taxes withheld not covered by TRA	270,546.21	134,024.71
Remittance of taxes withheld covered by TRA	67,203.52	-
Grant of Financial Assistance/Subsidy	<b>26,056,540.96</b>	<b>59,755,490.63</b>
Grant of other subsidies	22,989,035.16	46,101,301.83
Grant of subsidies obligated in prior years	3,067,505.80	13,654,188.80
Release of Intra-Agency Fund Transfers	<b>31,779,078.16</b>	<b>148,192,889.24</b>
Issuance of funding checks by HO/CO/ROs to ROs/OUTs	26,738,066.89	148,192,889.24
Release of other intra-agency fund transfers	5,041,011.27	-
Reversal of Unutilized NCA	<b>7,793,357.72</b>	-
Adjustments	<b>65,524,284.73</b>	<b>55,697.32</b>
Reversion/Return of unused NCA	64,444,462.45	-
Reversing entry for unreleased checks in previous year	789,177.86	55,697.32
Other adjustments - Outflow	290,644.42	-
<b>Total Cash Outflows</b>	<b><u>195,375,759.88</u></b>	<b><u>255,609,580.32</u></b>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b><u>(143,989,530.42)</u></b>	<b><u>(12,484,551.07)</u></b>
<b>Cash Flows from Investing Activities</b>		
<b>Cash Inflows</b>		
<b>Total Cash Inflows</b>	<u>-</u>	<u>-</u>
<b>Cash Outflows</b>		
<b>Total Cash Outflows</b>	<u>-</u>	<u>-</u>
<b>Net Cash Provided By (Used In) Investing Activities</b>		
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<b><u>(143,989,530.42)</u></b>	<b><u>(12,484,551.07)</u></b>
<b>Effects of Exchange Rate Changes on Cash and Cash Equivalents</b>	<b>69,600.00</b>	<b>560,921.37</b>
<b>Cash and Cash Equivalents, January 1</b>	<b>144,006,164.20</b>	<b>155,929,793.90</b>
<b>Cash and Cash Equivalents, December 31</b>	<b><u>86,233.78</u></b>	<b><u>144,006,164.20</u></b>



**Department of Social Welfare and Development**  
**Comparative Statement of Changes in Net Assets/Equity**  
**[04104152] Special Account - Foreign Assisted/Grants -**  
**Asian Devt. Bank - KC NCDDP Project - AF Grant No. 0472-PHI**  
 As of December 31, 2018

	<b>2018</b>	<b>2017-Restated</b>
<b>Balance, January 1, 2018</b>	<b>148,720,547.91</b>	<b>156,351,196.68</b>
Changes in Accounting Policy		
Prior Period Adjustments/Unrecorded Income and Expenses		
Less: Remittance to BTR	59,126,666.57	
<b>Restated Balances</b>	<b>89,593,881.34</b>	<b>156,351,196.68</b>
<b>Changes in Net Assets/Equity for Calendar Year</b>		
Adjustment of Net Revenue recognized directly in Net Assets/Equity Surplus/(Deficit) for the Period	(82,038,983.74)	(7,630,648.77)
Total Recognized Revenue and Expenses for the Period	(82,038,983.74)	(7,630,648.77)
Remittance to Bureau of Treasury	(351,800.54)	
<b>Balance, December 31, 2018</b>	<b>7,203,097.06</b>	<b>148,720,547.91</b>

**NOTES TO FINANCIAL STATEMENTS**  
**ADB-NCDDP-Additional Financing**  
**CY 2018**

**1. General Information/Agency Profile**

The financial statements of Department of Social Welfare and Development-Office of the Secretary were authorized for issue on February 14, 2019 as shown in the Statement of Management Responsibility for Financial Statements signed by Director Wayne C. Belizar, Director for Finance and Management Service and Under Secretary Jose Ernesto B. Gaviola, Office of the Undersecretary for General Administrative and Support Services Group.

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

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

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

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

## 1.1 Programs/Projects/Activities

### ❖ Foreign Assisted Program

- **KC NCDDP ADB AF Typhoon Yolanda Multi-Donor Trust Fund (TYMDTF) Grant No. 0472-PHI** - This is a financial assistance from the Typhoon Yolanda Multi-Donor Trust Fund (TYMDFT) administered by ADB. The objective of the Project is that 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.
- **ADB Grant** is for Integrated People Driven Model Community Project and various construction projects of Transitional Shelter Units for families affected by Typhoon Yolanda.

DSWD Central Office registered office address is located in Constitution Hills Batasang 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.

### ***De-recognition***

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.

### ***De-recognition***

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

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

## **3.3 Cash and Cash Equivalents**

Cash and cash equivalent comprises 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.

### ***De-recognition***

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

## **3.6 Changes in Accounting Policies and Estimates**

The DSWD 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.

### 3.7 Foreign Currency Transactions

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

At each reporting date:

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

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

### 3.8 Revenue from Non-Exchange Transactions

#### *Recognition and Measurement of Assets from Non-Exchange Transactions*

An inflow of resources from a non-exchange transaction, other than services in-kind, that meets the definition of an asset 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 recognized 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.

### ***Gifts and Donations***

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

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

On initial recognition, gifts and donations including goods in-kind are measured at their fair value as at the date of acquisition, which were ascertained by reference to an active market, or by appraisal. An appraisal of the value of an asset is normally undertaken by a member of the valuation profession who holds a recognized and relevant professional qualification. For many assets, the fair value was ascertained by reference to quoted prices in an active and liquid market.

### ***Transfers***

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

### ***Services in-Kind***

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

### ***Transfers from Other Government Entities***

Revenues from non-exchange transactions with other government entities and the related assets are measured at fair 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 [Name of Entity] and can be measured reliably.

## **3.9 Budget information**

The annual budget is prepared on a cash basis and is published in the government website.

A separate Statement of Comparison of Budget and Actual Amounts (SCBAA) was prepared since the budget and financial statements were not prepared on 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.

## **3.10 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.

### 3.11 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

<b>Account Name</b>	<b>2018</b>	<b>2017 (Restated)</b>
Cash – Collecting Officer	-	2,340.00
Cash in Bank - Local Currency, Current Account	71,707.26	68,732,060.51
Cash in Bank - Foreign Currency, Savings Account	14,526.52	75,271,763.69
Cash - Treasury/Agency Deposit, Trust	-	-
<b>Total</b>	<b>86,233.78</b>	<b>144,006,164.20</b>

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

❖ **Foreign Assisted Projects**

- **KC NCDDP ADB AF Typhoon Yolanda Multi-Donor Trust Fund (TYMDTF) Grant No. 0472-PHI**

**Cash in Bank-Foreign Currency, Savings Account** includes the deposits from Grants and Donation received by DSWD.

- **KC NCDDP ADB AF Typhoon Yolanda Multi-Donor Trust Fund (TYMDTF) Grant No. 0472-PHI**

**7. Receivables**

**Other Receivables**

<b>Account Name</b>	<b>2018</b>	<b>2017 (Restated)</b>
Due from NGOs/POs	6,947,156.97	27,500,892.28
Other Receivables	-	445.35
<b>Total</b>	<b>6,947,156.97</b>	<b>27,501,337.63</b>

The Due from NGOs/POs for CY 2018 comprise the following Field Offices: **FO VI-Php167,927.48, FO VII-Php5,755,757.49, and FO VIII-Php1,023,472.00.** This account pertains to transfer of funds to barangay communities for projects adopting KALAHYON-CIDSS scheme.

**8. Property, Plant and Equipment**

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

<b>Particulars</b>	<b>Machinery and Equipment</b>
<b>Carrying Amount, Jan. 1, 2018</b>	<b>345,046.30</b>
Less: Accumulated Depreciation	(105,740.00)
Add: Restated Amount-FO V	
<b>Carrying Amount, Dec. 31, 2018</b> (per Statement of Financial Position)	<b>239,306.30</b>
Gross Cost (Asset Acct Balance per Statement of Financial Position)	<b>556,526.30</b>
Less: Accumulated Depreciation	(317,220.00)
<b>Carrying Amount Dec 31, 2018</b> (per Statement of Financial Position)	<b>239,306.30</b>



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

**9. Advances**

<b>Account Name</b>	<b>2018</b>	<b>2017</b>
Advances to Operating Expenses	-	502,042.51

**10. Financial Liabilities**

<b>Account Name</b>	<b>2018 (Current)</b>	<b>2017 (Current)</b>
Accounts Payable	69,600.00	23,488,111.24
<b>Total</b>	<b>69,600.00</b>	<b>23,488,111.24</b>

The **Accounts Payable** of PhP69,600.00 represents unreleased checks for various creditors as of December 31, 2018.

**11. Inter-Agency Payables**

<b>Account Name</b>	<b>2018 (Current)</b>	<b>2017 (Current)</b>
Due to BIR	-	109,931.49
<b>Total</b>	<b>-</b>	<b>109,931.49</b>

**12. Intra-Agency Payables**

<b>Account Name</b>	<b>2018 (Current)</b>	<b>2017 (Current)</b>
Due to Other Funds	-	30,000.00
<b>Total</b>	<b>-</b>	<b>30,000.00</b>

**13. Other Payables**

<b>Account Name</b>	<b>2018 (Current)</b>	<b>2017 (Current)</b>
Other Payables	-	6,000.00
<b>Total</b>	<b>-</b>	<b>6,000.00</b>

**14. Service and Business Income**

<b>Account Name</b>	<b>2018</b>	<b>2017</b>
Interest Income	81,854.11	176,586.12
<b>Total</b>	<b>81,854.11</b>	<b>176,586.12</b>

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

## 15. Maintenance and Other Operating Expenses

### 15.1 Traveling Expenses

Account Name	2018	2017
Traveling Expenses - Local	38,784.00	141,791.76
<b>Total</b>	<b>38,784.00</b>	<b>141,791.76</b>

**Traveling Expenses - Local** includes airfare, pre-travel allowance, accommodation and daily subsistence allowance of DSWD Officials and Employees during travels on official business to attend various trainings/seminars, consultation meetings for the period January to December 2018.

### 15.2 Training and Scholarship Expenses

Account Name	2018	2017
Training Expenses	1,977,532.20	4,127,791.48
<b>Total</b>	<b>1,977,532.20</b>	<b>4,127,791.48</b>

**Training Expenses** consists of payment of honorarium of resource persons, board and lodging and or hotel accommodation of participants to various seminars, trainings and workshops.

### 15.3 Professional Services

Account Name	2018	2017
Other Professional Services	44,262.30	508,123.66
<b>Total</b>	<b>44,262.30</b>	<b>508,123.66</b>

**Other Professional Services** are services paid to DSWD hired workers under Contract of Service (CoS), Job Orders Services (JOs) and Memorandum of Agreement workers (MOAs)

## 16. Other Maintenance and Operating Expenses

Account Name	2018	2017
Representation Expenses	44,201.50	-
Rent/Lease Expenses	280,000.00	12,000.00
<b>Total</b>	<b>324,201.50</b>	<b>12,000.00</b>

## 17. Non-Cash Expenses.

### Depreciation:

Account Name	2018	2017
Depreciation - Buildings	-	-
Depreciation - Machinery and Equipment-ICT	105,740.00	105,740.00
<b>Total</b>	<b>105,740.00</b>	<b>105,740.00</b>

The Depreciation for the Buildings, Machinery and Equipment-Information and Communication Technology Equipment are periodic cost allocation for the wear and tear of the Department's PPE.

## 18. Net Financial Assistance/Subsidy

### Financial Assistance/Subsidy from NGAs:

Account Name	2018	2017
Subsidy from National Government Agency	-	71,008,289.26
Subsidy from Other Funds	-	80,000.00
Subsidy from Central Office	19,218,430.82	148,192,889.24
<b>Total</b>	<b>19,218,430.82</b>	<b>219,281,178.50</b>

### Less: Financial Assistance/Subsidy to NGAs

Account Name	2018	2017
Subsidy to Regional Offices/Staff Bureaus	19,218,430.82	148,192,889.24
Subsidies - Others	83,816,391.94	74,567,409.39
<b>Total</b>	<b>103,034,822.76</b>	<b>222,760,298.63</b>
<b>Total Net Financial Assistance/Subsidy</b>	<b>(83,816,391.94)</b>	<b>(3,479,120.13)</b>

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

## 19. Other Non-operating Incomes/Gains or Losses

### Non-Operating Income/Gains

Account Name	2018	2017
Gains on Foreign Exchange (FOREX)	6,486,829.11	5,822,182.83
<b>Total</b>	<b>6,486,829.11</b>	<b>5,822,182.83</b>

## Non-Operating Losses

<b>Account Name</b>	<b>2018</b>	<b>2017</b>
Loss on Foreign Exchange (FOREX)	2,300,755.02	5,254,850.69
<b>Total</b>	<b>2,300,755.02</b>	<b>5,254,850.69</b>

**Gains on Foreign Exchange (FOREX)** are 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.

## 20. Budget Information

The total Automatic Appropriations received for this fund source amounted to **PhP18,519,950.00**.

### III – STATUS OF IMPLEMENTATION OF PRIOR YEAR’S AUDIT RECOMMENDATIONS

Audit Observations/ Recommendations	Ref.	Management Comments/ Action Taken	Status of Implementation	Results of Validation
<p><i>1. The projects under the KC-NCDDP Additional Financing as of December 31, 2017 were not posted in the Agency’s website contrary to Section 92 of CY 2017 GAA on Transparency in Infrastructure Projects, thus depriving the right of the people to information on matters of public concerns at the least possible cost on public funds.</i></p> <p><b>We recommended the Management to require the NPMO to strictly comply with the Section 92 of CY 2017 GAA.</b></p>	ML 2017 Pages 4 - 5	Projects being undertaken by KC-NCDDP were posted in DSWD website	Fully Implemented	Posts were as of 12/31/2018, 02/08/2019 and 4/12/2019, as browsed from the DSWD website
<p><i>2. The delayed implementation and lack of personnel to oversee the project contributed to the low financial and physical accomplishment of 38.69% and 7.81%, respectively, thus not fully accomplishing the purpose of the grant to restore and uplift the livelihood of the targeted communities.</i></p> <p><b>We recommended the Management to make representation with the ADB (grantor) to request for project extension and make necessary actions to address</b></p>	ML 2017 Pages 5 – 8	Management has continuously provided technical assistance to LGUs and PDOs and constantly followed-up the implementation of the projects	Partially Implemented	For CY 2018, financial and physical accomplishment registered low percentage of 72.70% and 70.66%, respectively  Reiterated in paragraph

Audit Observations/ Recommendations	Ref.	Management Comments/ Action Taken	Status of Implementation	Results of Validation
<p>the noted causes of the low accomplishment to facilitation the completion of the projects and maximize the desired benefits of the grant.</p>				<p>25, page 19 of the Report.</p>
<p>3. Due from NGOs/POs and Accounts Payable is overstated by P2,885,625.00 due to erroneous recording of unreleased community grants as of December 31, 2017 in Region VI.</p> <p><b>We recommended that the Management direct the Accounting Division in Region VI to make necessary adjustments in the books of accounts</b></p>	<p>ML 2017 Pages 8 – 9</p>	<p>The Management had made the necessary adjustments in the books for the overstatements.</p>	<p>Fully implemented</p>	