



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

## **Management Letter**

**on the**

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

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

**World Bank/ International Bank for Reconstruction  
and Development (IBRD)  
Loan No: 8335-PH**

**Department of Social Welfare and Development**

**For the Year Ended December 31, 2019**



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

**CONFIDENTIAL**

December 14, 2020

**HON. ROLANDO JOSELITO D. BAUTISTA**

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

**Dear Secretary Bautista:**

**Management Letter on the Audit of the World Bank (WB) / International Bank for Reconstruction and Development (IBRD) Loan No. 8335-PH: Kapitbisig Laban sa Kahirapan-Comprehensive and Integrated Delivery of Social Services Project (KALAHI-CIDSS) – National Community Driven Development Project (NCDDP) for the Calendar Year 2019**

1. Pursuant to the Loan Agreement dated April 2, 2014 between the World Bank (WB)/ International Bank for Reconstruction and Development (IBRD) and the Republic of the Philippines, thru the Department of Social Welfare and Development, we have audited the accounts and operations of Loan No. 8335-PH - *Kapitbisig Laban sa Kahirapan-Comprehensive and Integrated Delivery of Social Services Project (KALAHI-CIDSS) – National Community Driven Development Project (NCDDP)* for the period ended December 31, 2019. The audit was 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 to (a) verify the level of assurance that may be placed on Management's assertions on the financial statements; (b) determine the existence, sustainability, and adequacy of maintenance and monitoring with respect to at least ten per cent (10%) of Sub-projects; (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 2019 and 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 in lieu of an exit conference, a Summary of Audit Observations and Recommendations (SAOR) was forwarded to the concerned officials of the DSWD on December 18, 2020 for information and further comment, if any. The comments were incorporated in this report, where appropriate. The significant audit observations and recommendations from the individual MLs of Audit Team Leaders of DSWD Field Offices have been incorporated in the Consolidated Annual Audit Report (CAAR) of the Department of Social Welfare and Development for CY 2019.

## **BACKGROUND**

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

6. The Project consists of the following parts:

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

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

### **Part 2. Local Capacity Building and Implementation Support**

Carrying out of specific activities to strengthen the capacity of local government units and area coordination teams to conduct poverty reduction action planning, budget execution and public financial management, including to facilitate and oversee the planning and implementation of Sub-projects; carrying out of specific activities to strengthen the capacity of relevant sector and sub-national units and staff of national government agencies to enhance their community based

activities; and review and revision of legal instruments, policies and guidelines to integrate and mainstream community-driven development principles.

### **Part 3. Project Administration, Monitoring and Evaluation**

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

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

*Table 1 – Categories of Eligible Expenditures*

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

8. In reference with the letter dated December 17, 2019 of the Acting Country Director, World Bank/International Bank for Reconstruction and Development (IBRD) to the Honorable Secretary of the Department of Finance, the Bank:

- (1)  *cancels, as of December 11, 2019, an amount of forty million Dollars from the amounts allocated to the Categories of the withdrawal table in Section IV.A.2 of Schedule 2 to the Loan Agreement, including: (i) eight million Dollars (\$8,000,000) from Category (1), and (ii) thirty-two million Dollars (\$32,000,000) from Category (2), as set forth in the revised withdrawal table in the Annex to this letter; and*
- (2)  *established December 31, 2020 as the later date for the purposes of paragraph 2 of Section IV.B of Schedule 2 to the Loan Agreement.*

9. In accordance with the approved extension for the implementation of the said Loan, below is the Revised Withdrawal Table:

**Table 2 – Loan No. 8335-PH Revised Withdrawal Table**

<b>Category</b>	<b>Amount of the Loan Allocated (expressed in USD)</b>	<b>Percentage of Expenditures to be financed (inclusive of Taxes)</b>
(1) Goods, non-consulting services, consultants' services, Training and Operating Costs	89,610,000	100%
(2) Sub-grants under Part 1(a) of the Project	348,192,500	100% of amounts disbursed
(3) Front-end Fee	1,197,500	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(4) Interest Rate Cap or Interest Rate Collar premium	0	Amount due pursuant to Section 2.07 (c) of the Agreement
(5) Amount cancelled as of December 11, 2019	40,000,000	
<b>Total Amount</b>	<b>479,000,000</b>	

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

### Operational Highlights

12. As reported as of December 31, 2019, a total of 12,808 sub-projects were covered in the implementation, funded thru WB/IBRD Loan No. 8335-PH amounting to PhP16,052,256,512.82, consisting of completed, as built-functional, on-going, damaged, replaced, waived, with objection letter, and not yet started. The distribution per region viz:

*Table 3 – Total Sub-Projects as of December 31, 2019*

<b>Region</b>	<b>No. of SPs</b>	<b>Amount of Grant</b>
CAR	582	₱ 559,759,717.09
I	190	224,616,357.42
III	71	168,326,231.82
IVA	692	616,290,288.11
IVB	437	603,514,490.16
V	1,226	2,010,644,444.14
VI	699	928,050,945.80
VII	1,623	2,085,491,365.55
VIII	1,906	1,468,475,661.07
IX	1,863	1,901,294,549.62
X	1,560	2,506,942,401.05
XI	693	1,115,835,771.52
XII	705	1,028,540,742.18
XIII	561	834,473,547.29
<b>Total</b>	<b>12,808</b>	<b>₱16,052,256,512.82</b>

13. A total of 12,675 sub-projects funded thru WB/IBRD Bank Loan No. 8335-PH amounting to PhP15,823,487,564.65 were completed as of December 31, 2019. The accomplishment per region are as follows:

*Table 4 – Completed Projects as of December 31, 2019*

Region	Island Group	Completed	
		#SPs	Grant
CAR	Luzon	580	₱ 557,959,126.23
I		190	224,616,357.42
III		71	168,326,231.82
IVA		692	616,290,288.11
IVB		433	597,214,284.31
V		1,208	1,977,692,546.20
<b>Sub-total</b>		<b>3,174</b>	<b>4,142,098,834.09</b>
VI	Visayas	697	925,128,990.80
VII		1,622	2,083,631,665.55
VIII		1,902	1,467,023,927.07
<b>Sub-total</b>		<b>4,221</b>	<b>4,475,784,583.42</b>
IX	Mindanao	1,847	1,875,234,415.25
X		1,534	2,456,844,992.43
XI		646	1,030,283,494.01
XII		694	1,010,915,788.66
XIII		559	832,325,456.79
<b>Sub-total</b>		<b>5,280</b>	<b>7,205,604,147.14</b>
<b>Total</b>		<b>12,675</b>	<b>₱15,823,487,564.65</b>

### Financial Highlights

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

*Table 5 – Summary of Allocation, Utilization and Unutilized Allocation  
As of December 31, 2019*

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

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

**Table 6 – Program Components and Budget Requirement  
(in PhP'000,000)**

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

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

**Table 7– Community Grants Budget Requirement per WFP by Year  
(in PhP'000,000)**

Year	WFP	Yearly Budget Allocation	% to WFP
2015	13,978	12,346	88.32%
2016	9,974	8,178	81.99%
2017	11,960	9,161	76.60%
2018	3,360	2,993	89.08%
2019	1,416	1,340	94.63%
<b>TOTAL</b>	<b>40,688</b>	<b>34,018</b>	<b>83.61%</b>

17. As of December 31, 2019, the WB/IBRD Loan No. 8335-PH Disbursement Status (in US\$) is shown in *Table 8*:

**Table 8 – Status of Loan Disbursement as of December 31, 2019  
(in US\$)**

Project Category	Allocation	Cancelled Amount	Utilized	Balance	Disburse- ment Rate
Grants	380,192,500.00	(32,000,000.00)	324,877,898.25	23,314,601.75	85.45%
Goods/Consultancy/ IOC	97,610,000.00	(8,000,000.00)	89,087,529.29	522,470.71	91.27%
Front End Fee	1,197,500.00		1,197,500.00	0.00	100%
Working Fund	0.00		23,837,072.46	(23,837,072.46)	
<b>Total Project Cost</b>	<b>479,000,000.00</b>	<b>(40,000,000.00)</b>	<b>439,000,000.00</b>	<b>0.00</b>	<b>91.65%</b>

18. The Financial Position and Financial Performance as of December 31, 2019 are presented in *Tables 9* and *10*, respectively:

<sup>1</sup> The Program Financing Plan, KC-NCDDP Manual on Operation, April 2015

Table 9 – Financial Position

Particulars	Amount (in Pesos)		
	CY 2019	CY 2018 (Restated)	Increase/ (Decrease)
Assets	1,792,311,340.48	2,245,512,961.80	(453,201,621.32)
Liabilities	15,157,910.86	122,273,427.82	(107,115,516.96)
Government Equity	1,777,153,429.62	2,123,239,533.98	(346,086,104.36)

Table 10 – Financial Performance

Particulars	Amount (in Pesos)		
	CY 2019	CY 2018 (Restated)	Increase/ (Decrease)
<b>Sources of Fund</b>			
Revenue	851,924.32	3,232,925.97	(2,381,001.65)
Net Financial Assistance/ Subsidy	(296,657,400.29)	(1,553,046,877.00)	1,256,389,476.71
Gain on Foreign Exchange	5,382,939.85	217,901,806.49	(212,518,866.64)
<b>Total</b>	<b>(290,422,536.12)</b>	<b>2,983,726,830.23</b>	<b>1,041,489,608.42</b>
<b>Expenses</b>			
PS	0.00	0.00	0.00
MOOE	4,526,635.98	84,352,617.99	(79,825,982.01)
Loss on Foreign Exchange	35,364,427.58	72,641,420.11	(37,276,992.53)
Financial Expenses	2,182.58	8,244.95	(6,062.37)
Non-Cash Expenses	14,473,548.45	16,220,997.44	(1,747,448.99)
<b>Total</b>	<b>54,366,794.59</b>	<b>173,223,280.49</b>	<b>(118,856,485.90)</b>
<b>Surplus (Deficit) for the Period</b>	<b>(344,789,330.71)</b>	<b>(1,505,135,425.03)</b>	<b>1,160,346,094.32</b>

## A. DETAILED OBSERVATIONS AND RECOMMENDATIONS

### *Financial and Compliance*

#### *Non-reconciliation of the Cash-in-Bank–Local Currency Current Account*

19. The total consolidated balance of the *Cash-in-Bank – Local Currency, Current Account (CIB-LCCA)* under Fund Cluster (FC) 02/Foreign Assisted Projects (FAPs) of Php283,721,756.03 as of December 31, 2019 is not reconcile with the total amount of Php281,059,822.60 as shown in Part B.9 and 10 (Schedule 4) of the Financial Reports on the Designated Account for CY 2019 of WB/IBRD Loan No. 8335, resulting to a reporting difference of Php2,661,933.43, casting doubts on the reliability of both reports.

20. Quoted hereunder are certain specific provisions of Chapter 19 – Financial Reporting of the Government Accounting Manual (GAM), Volume I, prescribing “the manner in which the general purpose financial statements (GPFS) should be prepared and

presented to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities.”

- a. Sec. 2.f, *Financial Reporting* – is the process of preparation, presentation and submission of general purpose financial statements and other reports. The objective of financial reporting is to provide information about the entity that is useful to users for accountability purposes and decision-making.
- b. Sec. 3. Purpose of Financial Statements – x x x. Specifically, the objectives of general purpose financial reporting in the public sector should be to provide information useful for decision making, and to demonstrate the accountability of the entity for the resources entrusted to it, by:
  - 1. providing information about the sources, allocation, and uses of financial resources;
  - 2. providing information about how the entity financed its activities and met its cash requirements;
  - 3. providing information that is useful in evaluating the entity's ability to finance its activities and to meet its liabilities and commitments;
  - 4. providing information about the financial condition of the entity and changes in it;
  - 5. providing aggregate information useful in evaluating the entity's performance in terms of service costs, efficiency and accomplishments.”
- c. Sec. 4 – Responsibility for Financial Statements. The responsibility for the fair presentation and reliability of financial statements rests with the management of the reporting entity, particularly the head of finance/accounting office and the head of entity or his authorized representative. X x x.”
- d. Sec. 6.e. - Reliability – reliable information is free from material error and bias, and can be depended on by users to represent faithfully that which it purports to represent or could reasonably be expected to represent.
- e. Sec. 6.g. Substance over form – if information is to represent faithfully the transactions and other events that it purports to represent, it is necessary that they be accounted for and presented in accordance with their substance and economic reality, and not merely their legal form. The substance of transactions or other events is not always consistent with their legal form.
- f. Sec. 7. Fair Presentation and Compliance with PPSAS. Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue, and expenses set out in PPSASs. The application of PPSASs, with additional disclosures when

necessary, is presumed to result in financial statements that achieve a fair presentation. (Par. 27, PPSAS 1)

21. The above-quoted provisions from GAM, developed through the Philippine Public Sector Accounting Standards (PPSAS) and harmonized with the International Public Sector Accounting Standards (IPSAS), were relevant in the review and evaluation of the financial statements and related reports.

22. Verification and reconciliation of the balances between the account *CIB-LCCA* of FC 02/FAPs and that of *Schedule 4 - Bank Transfer from LBP Account No. 3124-0064-64 to 3122-1024-40 (FO Cash Download and Transfer to Peso Account)* in the Financial Reports on the Designated Account for WB/IBRD Loan No. 8335 for CY 2019, in order to determine the correctness of the amount reported therein, revealed a total reporting difference of PhP2,661,933.43, as shown in *Table 11*, below:

<b>Regions</b>	<b>Cash-in-Bank LCCA<sup>1</sup></b>	<b>WB FR Schedule 4<sup>2</sup></b>	<b>Difference</b>
CAR	₱1,643,437.22	₱ 1,642,407.22	₱ 1,030.00
I – Ilocos Region	5,420,106.64	5,420,106.64	0.00
III – Central Luzon	5,004,410.38	5,004,410.38	0.00
IV-A – CALABARZON	5,354,352.47	5,330,660.21	23,692.26
IV-B – MIMAROPA	10,919,386.09	10,676,704.44	242,681.65
V – Bicol Region	10,794,128.98	12,368,646.53	(1,574,517.55)
VI – Western Visayas	46,954,044.23	46,944,288.82	9,755.41
VII – Central Visayas	48,400,574.95	47,135,234.99	1,265,339.96
VIII – Eastern Visayas	29,259,208.97	29,253,225.35	5,983.62
IX – Zamboanga Peninsula	11,614,075.69	11,614,075.70	(0.01)
X – Northern Mindanao	48,864,429.90	48,831,286.73	33,143.17
XI – Davao Region	26,260,941.97	26,274,217.40	(13,275.43)
XII – SOCCSKSARGEN	3,100,974.19	1,218,504.25	1,882,469.94
XIII – CARAGA	27,202,010.91	27,202,010.91	0.00
<b>Total per Region</b>	<b>280,792,082.59</b>	<b>278,915,779.57</b>	<b>1,876,303.02</b>
<b>NPMO</b>	2,929,673.44	2,144,043.03	785,630.41
<b>TOTAL</b>	<b>₱283,721,756.03</b>	<b>₱281,059,822.60</b>	<b>₱ 2,661,933.43</b>

<sup>1</sup> Culled from the Consolidated Trial Balance of DSWD as of 12/31/2019

<sup>2</sup> Culled from the WB/IBRD Loan No. 8335 FR on Designated Account 2019

23. Inquiry from the FAPs Accounting Section on the said reporting differences were presented in *Table 12* below.

**Table 12 – Reconciliation Provided to the Audit Team**  
(by the FAPs Accounting)

Regions	Difference	Interest Income for remit. to BTr region	Improper charging -on-going recon. in regions	Refunds for identification-on going reconciliation in regions	Total	Still Unreconciled Difference
(a)	(b)	(c)	(d)	(e)	(f)	
CAR	1,030.00	361.58		668.42	1,030.00	-
I	0.00				-	-
III	0.00				-	-
IV-A	23,692.26	21,053.20		2,639.06	23,692.26	(0.00)
IV-B	242,681.65	265,503.23		1,649,585.27	1,915,088.50	(1,672,406.85)
V	(1,574,517.55)	143,571.46	(1,796,695.47)	78,606.46	(1,574,517.55)	-
VI	9,755.41	9,755.41		-	9,755.41	(0.00)
VII	1,265,339.96		(8,914.33)	1,274,254.29	1,265,339.96	-
VIII	5,983.62	5,983.62			5,983.62	(0.00)
IX	(0.01)				-	(0.01)
X	33,143.17	86,003.32	(72,934.38)	20,074.23	33,143.17	0.00
XI	(13,275.43)	(13,275.43)			(13,275.43)	0.00
XII	1,882,469.94	2,204.28		1,880,265.66	1,882,469.94	-
XIII	0.00				-	-
<b>Sub-Total</b>	<b>1,876,303.02</b>	<b>521,160.67</b>	<b>(1,878,544.18)</b>	<b>4,906,093.39</b>	<b>3,548,709.88</b>	<b>(1,672,406.86)</b>
<b>NPMO</b>	<b>785,630.41</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>785,630.41</b>
<b>TOTAL</b>	<b>2,661,933.43</b>	<b>521,160.67</b>	<b>(1,878,544.18)</b>	<b>4,906,093.39</b>	<b>3,548,709.88</b>	<b>(886,776.45)</b>

24. Anent from the above *Table 12*, the noted differences were allegedly due to the following which needed further verification to correct such:

1. Interest income which is still subject for remittance to the Bureau of Treasury (BTr) in region of concerned FOs;
2. Improper charging in the total amount of PhP1,878,544.18, the nature and the accounts affected still unknown and reconciliation with concerned FOs, is likewise on-going; and
3. Refunds totaling PhP4,906,093.39, of which confirmation from the concerned FOs is needed.

25. In view of the above, the noted deficiencies, if not corrected and/or adjusted in the books of accounts, is tantamount of non-observance of the above quoted provisions of the GAM which renders the presentation of the financial statements and of the WB/IBRD Loan No. 8335 *Financial Report on the Designated Account* for CY 2019, unreliable.

26. **We recommended that Management require the Chief Accountants of all concerned Field Offices and of the DSWD Central Office to make further verification of the noted differences and/or deficiencies and to:**

- a) remit to the BTr in the regions the accumulated interest income of PhP521,160.67;

- b) **conduct further verification and/or investigation on the alleged improper charging in the total amount of PhP1,878,544.18. Any result of which should be reflected both in the financial statements of the Department and in the WB/IBRD Financial Report thru adjusting/correcting entries duly supported with valid and legal documents;**
- c) **confirm with the concerned FOs on the refunds totaling PhP4,906,093.39 and its immediate return/remittance to the DSWD Central Office; and**
- d) **reconcile with the respective books of accounts of the FAPs Accounting Section and of the DSWD Central Office the amount of PhP785,630.41 and make the necessary adjustment, if warranted.**

27. Management commented that KALAHI-CIDDS (KC) Finance designated account records cannot be compared with the bank balances of Field Offices (FOs) and Central Office (CO) as shown in the Commission on Audit (COA) AOM. The KC Finance designated account records reflect the funds downloaded to FOs and Statement of Expenditures (SOEs) including expenditures at the CO and FOs, while the bank balances are the cash transfers to FOs from the CO including any interest income and refunds from sub-projects.

*Auditor's Rejoinder*

28. The KC Financial Reports (FR) on the Designated Account can be compared with the bank balances of the DSWD Field Offices considering that the FOs are maintaining two (2) separate bank accounts for Fund Cluster 02 (FAPs): KC-NCDDP and GOP Funds, same with the DSWD Central Office accounts.

29. Likewise, the reconciling items presented by the FAPs Accounting on the noted differences between the cash in bank balances (CIB-LCCA, Fund Cluster 02) and of the FR on the Designated Account (WB/IBRD) are still subject to further verification and confirmation from the DSWD FOs, particularly the reconciling items from DSWD FO IV-B (PhP1,672,406.85) and FOs V, VII and X on improper charging of Fund Source.

*Incurrence of Commitment Fees*

30. **The non-utilization of Official Development Assistance (ODA) loan proceeds from the Asian Development Bank (ADB) and International Bank of Reconstruction and Development (IBRD)/World Bank (WB) for CYs 2014 to 2019 totalling USD 157.774 million resulted to incurrence of commitment fees totaling USD4.046 million or PhP201.883 million as of December 2019.**

31. Commitment Fee (CF) is a fee paid to a bank that accrue on the loan’s undisbursed amount (amount of loan less amounts withdrawn from time to time) commencing 60 days after the date of the Loan Agreement and become due only after loan effectiveness. This CF is charged by the foreign lending institutions like the ADB and IBRD/WB aside from interest charges and other fees as indicated in the loan agreements.

32. Loan agreements entered into by the Philippine Government with foreign institutions contain provision on payment of commitment fees to ensure utilization of the loan proceeds within the approved Implementation Schedule and to avoid delay in the implementation of the program/projects. The commitment fees also ensure that the Philippine Government maximizes the utilization of the loan before its closing date.

33. As of December 31, 2019, the Department of Social Welfare and Development had four (4) ODA loans, two Asian Development Bank loans and two World Bank loans, namely:

<b>Financial Institution</b>	<b>Program/Projects</b>	<b>Loan Reference</b>
Asian Development Bank (ADB)	KC-NCDDP	3100-PHI
	Social Protection Support Project – Additional Financing (SPSP-AF)/Technical Assistance Special Fund	3369-PHI
International Bank for Reconstruction and Development (IBRD)/World Bank (WB)	KALAH-CIDSS National Community-Driven Development Project (KC-NCDDP)	8335-PH
	Second Social Welfare Development Reform Project (SWDRP II)	8584-PH

34. Confirmation from the Bureau of the Treasury (BTr) disclosed that as of December 31, 2019, out of the total programmed loans of USD1,700,853,895.00, only USD1,543,079,520.85 (PhP76,253,703,556.94) was availed, leaving an aggregate balance of USD157,774,374.15, details as presented in *Table 13*, below.

**Table 13 – Schedule of Loan Availment from BTr**  
as of December 31, 2019  
(In US\$)

<b>Creditor/ Loan Account No.</b>	<b>Project Name</b>	<b>Loan Commit- ment</b>	<b>Loan Availment</b>	<b>Availment Rate</b>	<b>Unwithdrawn Amount</b>
IBRD 8335-PH	KALAH-CIDSS National Community-Driven Development Project (KC-NCDDP)–orld Bank (WB)	479,000,000	439,000,000.00 <sup>1</sup>	91.65%	40,000,000.00
ADB 3100- PHI	KC-NCDDP – Asian Development Bank (ADB)	372,103,895	354,079,520.85	95.16%	18,024,374.15
IBRD 8584-PH	Second Social Welfare Development Reform Project (SWDRP II)	448,750,000	450,000,000.00 <sup>2</sup>	100.28%	(1,250,000.00)

Creditor/ Loan Account No.	Project Name	Loan Commit- ment	Loan Availment	Availment Rate	Unwithdrawn Amount
ADB 3369- PHI	Social Protection Support Project – Additional Financing (SPSP-AF)	400,000,000	300,000,000.00	74.81%	101,000,000.00
	SPSP-AF / ADB Technical Assistance Special Fund	1,000,000			
<b>Total</b>		<b>1,700,853,895</b>	<b>1,543,079,520.85</b>		<b>157,774,374.15</b>

<sup>1</sup> Includes front-end fee of US\$1,197,500.00

<sup>2</sup> Includes front-end fee of US\$1,125,000.00

35. For the six (6) years, covering the period 2014 to 2019, upon the effectivity of the loan agreements, the government had incurred commitment fees in the aggregate amount of USD4,045,610.12 (PhP201,883,259.77), due to the delayed withdrawal/availment of loan proceeds which have affected the smooth implementation of the following foreign-assisted programs/projects by the DSWD, as follows:

*Table 14 – Schedule of Commitment Fees*

As of December 31, 2019

Creditor/ Loan Account No.	Project Name	Unwithdrawn Amount (USD)	Commitment Fees Incurred	
			USD	PhP
IBRD 8335-PH	KALAHI-CIDSS National Community-Driven Development Project (KC-NCDDP) – World Bank (WB)	40,000,000.00	0.00	0.00
ADB 3100-PHI	KC-NCDDP – Asian Development Bank (ADB)	18,024,374.15	1,056,047.54	49,473,579.30
IBRD 8584-PH*	Second Social Welfare Development Reform Project (SWDRP II)	(1,250,000.00)	1,647,062.58	83,962,073.39
ADB 3369-PHI	Social Protection Support Project – Additional Financing (SPSP-AF)	101,000,000.00	1,342,500.00	68,447,607.08
	SPSP-AF / ADB Technical Assistance Special Fund			
<b>Total</b>		<b>157,774,374.15</b>	<b>4,045,610.12</b>	<b>201,883,259.77</b>

36. As can be gleaned from the above, Management was only able to withdraw/availed the total amount of USD1,543 million of the total project/programmed budget of USD1,701 million with an availment rate ranging from 74.81% to 100%, for CYs 2014 to 2019, resulting in the accumulation of unwithdrawn fund balance of USD157.774 million and incurrence of total commitment fees of USD4.046 million or PhP201.883 million as of December 31, 2019.

37. Likewise, although IBRD/WB Loan No. 8584 reached a 100% availment rate as of December 31, 2019 (*Table 13*), a total Commitment Fee of US\$1,647,062.58

(PhP83,962,073.39) (Table 14) was charged against the Philippine Government due to delayed/non-availment of the expected disbursements, as shown below:

Expected Disbursements		Actual Disbursements/Availment			Remarks on Availment
Annual	Cumulative	Value Date	Annual	Cumulative	
110,000,000	110,000,000	June 28, 2016	1,125,000	1,125,000	Small availment for CY 2016
110,000,000	220,000,000	Jan. 9, 2017	220,000,000	221,125,000	Late availment for CY 2016
110,000,000	330,000,000	July 9, 2018	100,000,000	321,125,000	Below the expected disbursement
120,000,000	450,000,000	March 29, 2019	128,875,000	450,000,000	

38. Inquiry with management revealed that in the case of KALAHI Projects under IBRD Loan No. 8335 and ADB Loan No. 3100, succeeding availments of said loans from the first withdrawal was made thru reimbursement basis. That is, the amount to be withdrawn is based on the amount disbursed and reported by the DSWD Field Offices, which most likely, resulted to low availment/withdrawal from the Banks.

39. Likewise, in the case of IBRD Loan No. 8584-Ph and ADB Loan 3369-PHI, DSWD Management has no control over the availment or withdrawal of these loans from the Banks considering that the said proceeds of the said Program Loans were incorporated in the General Appropriations Act. These were availed by the DSWD for the implementation of the Pantawid Program thru the issuance of Special Allotment Release Order (SARO) and the corresponding Notice of Cash Allocation (NCA) from the Department of Budget and Management.

40. In view of the above, although the DSWD Management has no full control in the availment of the said program loans but being one of the program implementors should be informed that due to non-availment of the loan on scheduled dates/period, it resulted in the incurrence of commitment fees totaling US\$4.045 million (PhP201.883 million).

**41. We recommended that for future availment of foreign loans, Management should discuss with the oversight agencies, such as the National Economic Development Authority (NEDA), Department of Finance (DOF), Bureau of Treasury (BTr) and the Department of Budget and Management the strict implementation of the program/project and to observed the Implementation Schedule as embodied in the loan agreement, to minimize, if not to avoid incurrence of commitment fees/charges.**

*KC-NCDDP financial accomplishment and utilization*

**42. The KC-NCDDP registered a 90.08% financial accomplishment which exceeded the targeted threshold of 83.08% per KC-NCDDP Operation Manual; however, overall accomplishment for the five-year period recorded only 78.23%**

**which is below the target threshold. Moreover, a huge unutilized amount of PhP283,721,756.03 remained in the bank as of December 31, 2019, thus depriving the community of the immediate benefits due them.**

43. Consistent for the last five years, the National Project Management Office (NPMO), in pursuant to KC-Financial Management Sub-Manual and in order to achieve an economical, efficient and effective Financial Management (FM) System, performs the following functions:

- 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 WFP at the national and regional levels;
- c) Monitor the implementation of the Program in accordance with the approved annual WFPs and in compliance with the Operations Manual and sub-manuals.

44. Likewise, the responsibility of the Regional Office (RO) NCDDP FM Unit for the last five year of operations, among others, are as follows:

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

45. The loan proceeds from IBRD/WB of \$479,000,000.00 with initial implementation period of 4-1/2 years with the corresponding allocations and utilizations of community grants is shown in *Table 15* below:

**Table 15 – Loan Proceeds Allocation and Utilization**  
As of December 31, 2019

<b>Particulars</b>	<b>US Dollar</b>	<b>Philippine Peso</b>
Bank Allocation	479,000,000.00	19,447,000,000.00
Allocation Amount/Status of Loan Grants as of 12/31/2019 <sup>1</sup>	439,000,000.00	21,048,211,328.22
Balance	40,000,000.00	
% of Unutilized Allocation	8.35%	

<sup>1</sup> Based on confirmation from the Bureau of Treasury

46. As an update on the status of the IBRD Loan Agreement No. 8335, quoted hereunder is a portion of the letter dated December 17, 2019, from the Acting Country

Director Achim Fock, of the World Bank addressed to the Honorable Secretary Carlos G. Dominguez, Department of Finance, wherein the Bank:

- (1)  *cancels, as of December 11, 2019, an amount of forty million Dollars from the amounts allocated to the Categories of the withdrawal table in Section IV.A.2 of Schedule 2 to the Loan Agreement, including (i) eight million Dollars (\$8,000,000) from Category (1), and (ii) thirty-two million Dollars (\$32,000,000) from Category (2), as set forth in the revised withdrawal table in the Annex to this letter; and*
- (2)  *has established December 31, 2020 as the later date for the purposes of paragraph 2 of Section IV.B of Schedule 2 to the Loan Agreement.*

47. Thus, the total amount of US\$40,000,000 has been cancelled effective December 11, 2019 and the closing date of the Loan has been extended up to December 31, 2020.

48. Below is the loan proceeds distribution per Program Component and Budget Requirement per KC-NCDDP Operations Manual:

**Table 16-Program Components and Budget Requirement**  
(in PhP'000,000)

<b>Project Component</b>	<b>Budget/ Allocation<sup>2</sup></b>	<b>Percentage</b>
Community Grants -	<b>16,158</b>	<b>83.08</b>
<i>Investment Grants</i>	<i>15,023</i>	<i>77.25</i>
<i>Planning Grants</i>	<i>1,135</i>	<i>5.83</i>
Technical Assistance	<b>2,742</b>	<b>14.10</b>
Project Admin/Monitoring Evaluation	<b>499</b>	<b>2.57</b>
Front-End Fee	<b>49</b>	<b>0.25</b>
<b>Total</b>	<b>19,448</b>	<b>100.00%</b>

<sup>2</sup> The Program Financing Plan, KC-NCDDP Manual on Operation, April 2015

49. The Community Grants being the major financial component of the loan proceeds is distributed as shown below:

**Table 17 – Community Grants Budget Requirement per WFP by Year**  
(in PhP 000,000)

<b>Year</b>	<b>WFP</b>	<b>Yearly Budget Allocation</b>	<b>% to WFP</b>
2015	13,978	12,346	88.32
2016	9,974	8,178	81.99
2017	11,960	9,161	76.60
2018	3,140	2,993	95.32
2019	1,416	1,340	94.63
<b>Total</b>	<b>40,468</b>	<b>34,018</b>	<b>84.06</b>

50. For CY 2019, in the review of the financial implementation of the Community Grants, the following deficiencies were disclosed:

- a) *Financial implementation/downloading of community grants for CY 2019 marked at 90.08% accomplishments as against the 83.08% target per KC-NCDDP Operations Manual. However, overall accomplishment recorded a shortfall of 78.23%.*

51. The actual implementation of the WFPs for the last five (5) years showing the downloading of grants *vis-à-vis* the Total Budget is shown in *Table 18*, hereof.

**Table 18 – Downloaded Community Grants vs. Budget Allocation**

Year	WFP	Total Budget Allocation	Actual Download of Comm. Grant	Difference	Percentage of	
					Actual Download to Budget Allocation	Budget Allocation to WFP
2015	13,724,165,000.00	12,345,875,384.00	9,622,237,468.73	2,723,637,915.27	77.94%	89.96%
2016	8,269,569,000.00	8,178,302,881.75	5,432,232,672.45	2,746,070,209.30	66.42%	98.90%
2017	9,811,465,000.00	9,161,483,308.00	7,422,320,198.38	1,739,163,109.62	81.02%	93.38%
2018	3,140,259,000.00	2,992,783,300.00	2,862,000,201.27	130,783,098.73	95.63%	95.30%
2019	1,415,521,092.00	1,340,256,836.00	1,275,162,434.52	140,358,657.48	90.08%	94.68%
<b>Total</b>	<b>36,505,714,836.00</b>	<b>34,093,965,965.75</b>	<b>26,613,952,975.35</b>	<b>7,480,012,990.40</b>	<b>78.23%</b>	<b>93.00%</b>

52. As can be gleaned from the above *Table*, the five-year period shows the target percentage of implementation for CY 2019 registering at 90.08%. However, the cumulative percentage of 78.23% implemented community grant was still below the targeted percentage of 83.08% per KC-NCDDP Operations Manual as of December 31, 2019.

- b) *Unutilized accumulated balance of the consolidated Cash-in-Bank-Local Currency, Current Account (CIB-LCCA) of P283,721,756.03 per books as of December 31, 2019 showed that projects for intended beneficiaries were not made available.*

53. Review of the fund utilization of the KC-NCDDP for CY 2019, revealed a huge accumulated amount of PhP283,721,756.03, which remained unutilized and in the banks at DSWD FOs and Central Office as of year-end of 2019. In *Table 19* below shows the receipt of KC-NCDDP Funds per region and its utilization recorded under the *Cash-in-Bank – Local Currency Current Account (LCCA)* account as of December 31, 2019:

**Table 19 – Cash-in-Bank, LCCA**  
As of December 31, 2019

Regions	Total Amount Downloaded (CY 2015-2019)	Amount Utilized	Cash-in-Bank Balance as of 12/31/2019	Percentage Unutilized
CAR	750,860,980.50	749,217,543.28	1,643,437.22	0.22%
I – Ilocos Region	315,127,410.75	309,707,304.11	5,420,106.64	1.72%
III – Central Luzon	222,857,121.91	217,852,711.53	5,004,410.38	2.25%

Regions	Total Amount Downloaded (CY 2015-2019)	Amount Utilized	Cash-in-Bank Balance as of 12/31/2019	Percentage Unutilized
IV-A – CALABARZON	1,253,977,632.22	1,248,623,279.75	5,354,352.47	0.43%
IV-B – MIMAROPA	2,099,500,018.07	2,088,580,631.98	10,919,386.09	0.52%
V – Bicol Region	5,202,162,870.93	5,191,368,741.95	10,794,128.98	0.21%
VI – Western Visayas	5,259,449,543.36	5,212,495,499.13	46,954,044.23	0.89%
VII – Central Visayas	4,786,441,535.42	4,738,040,960.47	48,400,574.95	1.01%
VIII – Eastern Visayas	5,521,250,053.19	5,491,990,844.22	29,259,208.97	0.53%
IX – Zamboanga Peninsula	2,256,903,880.03	2,245,289,804.34	11,614,075.69	0.51%
X – Northern Mindanao	2,923,594,873.05	2,874,730,443.15	48,864,429.90	1.67%
XI – Davao Region	1,677,963,019.03	1,651,702,077.06	26,260,941.97	1.57%
XII – SOCCSKSARGEN	1,203,850,757.15	1,200,749,782.96	3,100,974.19	0.26%
XIII – CARAGA	2,518,186,012.57	2,490,984,001.66	27,202,010.91	1.08%
<b>Total per Region</b>	<b>35,992,125,708.18</b>	<b>35,711,333,625.59</b>	<b>280,792,082.59</b>	<b>0.78%</b>
<b>NPMO</b>			2,929,673.44	
<b>TOTAL</b>			<b>283,721,756.03</b>	

54. As can be gleaned from the above *Table 19*, unutilized amount ranges from 0.21% to as high as 2.25% of the total amount downloaded for the five-year period coverage. Further verification revealed that the total amount of Php231,156,610.53, which represents 82.32% of the *Cash-in-Bank* balance of Php280.792 million at the banks of the Field Offices were only released to the regions on the last quarter of CY 2019. Although the percentage of utilization is high, still, the funds for projects intended to beneficiaries were not made available.

55. We reiterated with modification our last year recommendation that the Management require both the NPMO and RPMO to:

- a) continue the systematized downloading of funds to maximize the desired output, and;
- b) ensure that the available proceeds intended for the proposed projects are implemented in accordance with approved budget.

56. On the shortfall of 78.23%, Management commented that the NPMO validated the amounts presented in Table 4 of the AOM and has found discrepancies. The overall financial accomplishment of the Program is 95%, instead of the reported 78.23%, hence attaining the above the state target of 83.08%.

57. And on the unutilized accumulated Cash-in-Bank balance of Php283,721,756.03, they further commented that this is mainly attributable to the waived community grants. Please note that the Program downloads cash to the Field Offices (FOs) based on the issued Sub-ARO to the FOs which is equivalent to the full amount of Municipal Grant Allocation. However, for reasons mentioned in the above response, there are instances that barangays/municipalities waived the grant allocation, hence the accumulated balance

that were no longer downloaded to the community and has remained in the FOs bank accounts as at end of the year. Relatively, these cash balances will be used for the requests for fund releases of communities this FY 2020.

*Auditor's Rejoinder*

58. We noted the comment management, however, considering that the reported financial accomplishments from CYs 2015 to 2017 pertains to community grants funded both by the WB/IBRD and ADB, and for CY 2018 and 2019, pertains to WB/IBRD alone; and the fact that the implementation of the WB/IBRD Loan was extended up to December 31, 2020, the actual downloading of funds from said loan will be further revalidated and analyzed by the Team.

59. Likewise, with the approved extension by the WB/IBRD Loan on the implementation of the Project, we look forward for the smooth downloading of the said community grants to the actual beneficiaries as planned and the completeness of the Sub-Projects being funded. This is notwithstanding of the remaining cash (Advances from Loan Proceeds) of PhP332,235,206.35 (US\$6,545,474.73) still at the Bureau of Treasury (BTr) as of December 31, 2019, for the implementation of the Program.

*Overall physical accomplishment of 85 percent per Results Framework for CY 2019 was attained*

**60. The KC-NCDDP, both funded by World Bank/IBRD Loan No. 8335 and ADB Loan No. 3100, registered an overall physical accomplishment of 98.96 percent and 98.67 percent, respectively, which exceeded the 85 percent threshold based on the KC-NCDDP Results Framework requirements for CY 2019, signifying that the goals and objectives of the project have been attained.**

61. The Intermediate Outcome for CY 2019 within which to complete the community project in accordance with technical plans, schedule and budget is 85 per cent as provided in the approved Results Framework of the KC-NCDDP.

62. For the last five years of community project implementation from 2015 to 2019, the KC-NCDDP-WB/IBRD has approved a total of PhP16,052 million for Community Grants for the implementation of 12,808 subprojects (SPs) to be implemented nationwide. The Status of Accomplishment by the DSWD showed 12,675 completed projects or 98.96 percent of the total targeted SPs, the regional details of which are as follows:

Table 20 – WB/IBRD Loan No. 8335 Financial and Physical Accomplishment

Region	Approved Grant as of December 2019	No. of Sub-Projects (SPs)						% of Physical Accomplishment (Completed/Targeted)
		Targeted	Completed	As Built-Funct'l.	On-Going	Waived	Others*	
CAR	559,759,717.09	582	580			1	1	99.66%
I	224,616,357.42	190	190					100.00%
III	168,326,231.82	71	71					100.00%
IV-A	616,290,288.11	692	692					100.00%
IV-B	603,514,490.16	437	433		1	2	1	99.08%
V	2,010,644,444.14	1,226	1,208	3	4	8	3	98.53%
VI	928,050,945.80	699	697		2			99.71%
VII	2,085,491,365.55	1,623	1,622				1	99.94%
VIII	1,468,475,661.07	1,906	1,902		1	3		99.79%
IX	1,901,294,549.62	1,863	1,847		15	1		99.14%
X	2,506,942,401.05	1,560	1,534		25	1		98.33%
XI	1,115,835,771.52	693	646		46	1		93.22%
XII	1,028,540,742.18	705	694	1	5	1	4	98.44%
CARAGA	834,473,547.29	561	559			2		99.64%
<b>TOTAL</b>	<b>16,052,256,512.81</b>	<b>12,808</b>	<b>12,675</b>	<b>4</b>	<b>99</b>	<b>20</b>	<b>10</b>	<b>98.96%</b>
		<b>100%</b>	<b>98.96%</b>	<b>0.03%</b>	<b>0.77%</b>	<b>0.02%</b>	<b>0.02%</b>	

\* Others: Damaged SPs = 3; Replaced=3; Not yet started=3; With OL= 1

63. As an update with the implementation of community projects funded under the Asian Development Bank (ADB) Loan No. 3100, of the total approved Grant of Php15,181 million, 15,487 Sub-projects (SPs) were targeted and 98.67 percent or 15,281 SPs were completed as of December 31, 2019. Summary of which is shown in Table 21.

Table 21 – ADB Loan No. 3100 Financial and Physical Accomplishment  
As of December 31, 2019

Region	Approved Grant as of December 2019	No. of Sub-Projects (SPs)						% of Physical Accomplishment as to No. of SPs Completed
		Targeted	Completed	As-Built-Funct'l.	On-Going	Waived	Others*	
IV-A	477,031,389.84	672	672					100.00%
IV-B	1,272,336,256.77	1,254	1249		1	3	1	99.60%
V	2,645,427,629.32	1,637	1595	28	8	4	2	97.43%
VI	3,777,089,935.77	4,008	3870	51		45	42	96.56%
VII	2,051,934,787.76	2,054	2045	5		3	1	99.56%
VIII	3,236,562,500.16	4,428	4418		4	6		99.77%
X	128,677,905.87	103	102			1		99.03%
XI	398,339,060.00	328	328					100.00%
CARAGA	1,193,422,679.03	1,003	1002			1		99.90%

Region	Approved Grant as of December 2019	No. of Sub-Projects (SPs)						% of Physical Accomplishment as to No. of SPs Completed
		Targeted	Completed	As-Built-Funct'l.	On-Going	Waived	Others*	
<b>TOTAL</b>	<b>15,180,822,144.50</b>	<b>15,487</b>	<b>15,281</b>	<b>84</b>	<b>13</b>	<b>63</b>	<b>46</b>	<b>98.67%</b>
		<b>100%</b>	<b>98.67%</b>	<b>0.54%</b>	<b>0.08%</b>	<b>0.41%</b>	<b>0.30%</b>	

\* Not Completed: *As-Built, non-functional*=26; *Damaged*=1; *Replaced* =1; *With OL*=18

64. It is worth mentioning that the individual accomplishments of the selected regions for both IBRD Loan No. 8335 and ADB Loan No. 3100 had exceeded the 85% targeted threshold as provided in the Results Framework of the KC-NCDDP. Likewise, there is a continued increase of the completed number of SPs for the last five years, as shown below. This is an indication that the objective of the project of providing the selected community of improved access to services and infrastructure and participating more inclusive in Management planning, budgeting and implementation were fully attained in the particular regions.

Loan	Completed No. of SPs		
	As of 12/31/2019	2015 to 2018	Increase
IBRD	12,675	10,288	2,387
ADB	15,281	15,181	100

65. To augment the validations conducted separately by the Audit Team Leaders from the different DSWD Field Offices, the DSWD-OSEC Audit Team selected five regions with materiality on the cost per SP, as one of the criteria, to likewise validate the agency's reported accomplishment in accordance with the loan agreement, and employed the following audit procedures:

- a) Conduct inspection of physical accomplishments of selected SPs;
- b) Conduct interviews with the Barangay Sub-Project Management Committee cum members, Operations and Maintenance group and community-beneficiaries;
- c) Evaluate the financial support/sustainability of the completed SPs;
- d) Obtain copies of technical, financial, and physical accomplishment reports, and other related documents from the BSPMC/ACT and compare balances and information versus checklist prepared.

66. The DSWD-OSEC Audit Teams conducted the validation from December 2019 to February 2020, to the five selected municipalities within the Provinces of: Quezon, Region IV-A; Misamis Oriental, Region VI; Cebu and Bohol, both of Region VII; and, Zamboanga del Norte, Region IX. They had validated/inspected a total of 228 SPs, (207 SPs for WB/IBRD and 21 SPs for ADB), all which were 100 percent physically completed as of the validation date. The breakdown of which are presented in Table 22.

Table 22 – Result of Validation by the DSWD-OSEC Teams

**World Bank / IBRD Loan No. 8335/Makilahok**

Field Office	No. of SPs	Amount of Per Validation			Released Grants	Excess	%age Actual Grants
		Approved Grants	LCC <sup>1</sup> (Actual)	Total			
IV-A - Quezon	24	31,073,342.75	801,456,43	31,874,799.18	28,927,812.38	2,145,530.37	93%
	9 <sup>2</sup>	7,262,823.00	276,450.00	7,539,273.00	6,612,874.29	649,948.71	91%
Sub-total	33	38,336,165.75	1,077,906.43	39,414,072.18	35,540,686.67	2,795,479.08	93%
VII – Cebu	41	65,866,780.00	5,399,534.10	71,266,314.10	61,607,784.55	4,258,995.45	94%
VII – Bohol	47	62,751,536.00	8,275,684.71	71,027,220.71	59,452,658.18	3,298,877.82	95%
IX – Zamboanga del Norte	40	41,837,916.00	6,395,440.50	48,233,356.50	40,784,285.39	1,053,630.61	97%
X – Misamis Oriental	46	82,000,908.53	3,694,088.36	85,694,996.89	78,886,284.55	3,114,623.98	96%
<b>Total</b>	<b>207</b>	<b>290,793,306.28</b>	<b>24,842,654.10</b>	<b>315,635,960.38</b>	<b>276,271,699.34</b>	<b>14,521,606.94</b>	<b>95%</b>

**ADB Loan No. 3100**

IV-A - Quezon	15	17,771,637.46	429,769.13	18,201,406.59	16,677,945.88	1,093,691.58	94%
Bohol	6	6,412,987.00	0.00	6,412,987.00	6,412,987.00	0.00	100%
<b>Total</b>	<b>21</b>	<b>24,184,624.46</b>	<b>429,769.13</b>	<b>21,397,146.59</b>	<b>23,090,932.88</b>	<b>1,093,691.58</b>	<b>95%</b>

Note: <sup>1</sup> – Based on actual interview/validation by the Team and there are 13 SPs with zero or no amount indicated

<sup>2</sup> – A WB / Makilahok Funded Project

67. The required Intermediate Outcome of 85 percent was attained by the four selected regions in five provinces by the DSWD-OSEC team, with a physical accomplishment of 100 percent and 95 percent financial accomplishment.

68. No significant observation or findings on the result of the validation as to the physical existence of the SPs. However, as to the financial aspect, the Team noted some errors and/or omissions in the recording and/or reporting of the approved grants and tranches downloaded to the FOs, including the amounts received as Local Counterpart Contributions (LCCs), as summarized below:

- a. There are *Tranches*:
  - (i) although included in the KC Report/Database, were not added in its Total Amount of Tranche;
  - (ii) Reported in the FOs but not yet reported in the KC Report/Database
  - (iii) Amount reported in the KC Report, not equal with that in the FO; and
- b. The actual amount of Local Community Counterpart (LCC) is much greater that the amount budgeted.

69. It is worthy to note that for the past five-years 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.

**70. We commended the DSWD Project Management Office (PMO) for such reported accomplishment. However, for the uncompleted SPs, we reiterate our prior year's recommendation, with modification, that the Management require the concerned ACTs and RPMOs personnel to:**

- a. regularly monitor the on-going and unimplemented SPs especially those at the far-flung areas and fast track the completion of the SPs; and**
- b. enjoin the community to work within the timeline of the project implementation, in consideration of the extensions given by the World Bank/IBRD.**

71. Management assured that the recommendations are well recognized and the Program Management Office strictly adheres to the timeline implementation of the completion of the SPs. Despite the challenges encountered due to the pandemic, the NPMO continuously ensures the conduct of close monitoring and provision of technical assistance to their partners at the ground through means such as, but not limited to, constant communication, virtual meetings, and deployment of National Program staff and Regional Offices.

72. The Audit Team will look forward on the assurance committed by Management in the implementation of the audit recommendations.

*Non-attainment/achievement of the objective of the Program "Establishment of New Public Schools for Indigenous People in Mindanao"*

**73. Non-attainment/achievement of the objective of the Program, "Establishment of New Public Schools for Indigenous Peoples in Mindanao" for t the construction of 605 classrooms in 251 sites for the new public schools for Indigenous People in Mindanao through the DSWD KC-NCDDP due to delayed completion of the project, as manifested in the status of implementation, in which 421 classrooms (CLs) or equivalent to 69.59% were completed as at December 31, 2019, and still had an unmet target of 184 CLs or 30.41% of total CLs. Moreover, the accuracy and reliability of the submitted Physical Accomplishment Report as at December 31, 2019 is doubtful in view of inconsistencies in data reported.**

74. In connection with R.A. No. 8371, otherwise known as the *Indigenous Peoples Rights Act (IPRA) of 1997*, the Department of Education (DepEd) has adopted a National Indigenous People Education (IPEd) Policy Framework (DepEd Order No. 62, 2011) which seeks, among others, to enable the basic education system to recognize, protect, and promote the rights and welfare of the Indigenous Cultural Communities (ICCs)/Indigenous Peoples (IPs), as well as equip them with the knowledge and skills needed to face various

social realities and challenges. DepEd has also adopted IPed Curriculum Framework (DepEd Order No. 32, s. 2015), which seeks to provide guidance to schools and other education programs, both public and private, as they engage with indigenous communities in localizing, indigenizing, and enhancing the K to 12 Basic Education Curriculum based on their respective educational and social contexts.

75. The Department of Social Welfare and Development (DSWD), on the other hand, is implementing a poverty reduction program, called the Kalahi-CIDSS National Community Driven Development Program (KC-NCDDP), which seeks to empower communities to have better access to basic services which shall include education, among others.

76. Relative thereto, a Memorandum of Agreement (MOA) dated May 18, 2016, was entered into by and between DepEd and DSWD, represented by the then Secretary Bro. Armin A. Luistro FSC and Secretary Corazon Juliano-Soliman, respectively, to facilitate the construction of 605 classrooms in 251 sites, a component of the initiative “Establishment of New Public Schools for Indigenous Peoples in Mindanao” covering Regions IX, X, XI, XII, and XIII, through the DSWD KC-NCDDP modality.

77. As stipulated in the MOA, the DepEd shall release funds to the DSWD for the construction of classrooms and operating costs amounting to ₱500,000,000.00, with validity and effectivity until May 31, 2017. A Supplemental MOA was made and entered into by and between DepEd Secretary Leonor Magtolis Briones for and DSWD Secretary Judy M. Taguiwalo for the release of additional funds of ₱20,500,000.00 by DepEd to cover operating costs until December 31, 2017, and for the extension from June 1, 2017 until December 31, 2017. A Second Supplemental MOA was entered into by and between the DepEd and DSWD, represented by Secretary Leonor Magtolis Briones and Secretary Emmanuel A. Leyco, respectively, for DepEd’s release of additional funds of PhP27,000,000.00 to cover operating costs and extending the validity and effectivity of the MOA until December 31, 2018.

78. Therefore, DepEd transferred funds to DSWD amounting to PhP547,500,000.00 for the above cited project, details of the releases as follows:

<b>Reference</b>	<b>Amount</b>
O.R. No. 8084722 dated July 13, 2016	₱500,000,000.00
JEV No. 2017-12-001515	20,500,000.00
O.R. No. 7287280 dated May 22, 2018	27,000,000.00
<b>Total</b>	<b>₱547,500,000.00</b>

79. The fund allocation per region as provided in the Schedule of Allocation per Region attached to the MOA is summarized below:

**Table 23 – Schedule of Allocation of No. of Classrooms per Region**

Field Offices	No. Subprojects (SP)	No. of Classrooms (CL)	Implementation Operating Cost	Community Grants	Total Allocation	Estimated Unit Cost per CL
IX	18	21	₱593,352.00	₱16,762,020.00	₱17,355,372.00	₱798,191.00
X	39	82	4,326,886.00	63,441,709.00	67,768,595.00	773,679.00
XI	69	169	6,927,229.00	132,742,193.00	139,669,421.00	785,457.00
XII	50	135	6,532,068.00	105,038,180.00	111,570,248.00	778,061.00
XIII	75	198	8,669,255.00	154,967,109.00	163,636,364.00	782,662.00
<b>TOTAL</b>	<b>251</b>	<b>605</b>	<b>₱27,048,790.00</b>	<b>₱472,951,211.00</b>	<b>₱500,000,000.00</b>	<b>₱781,738.00</b>

80. Of the PhP547,500,000.00 funds received from DepEd, the total amount of PhP522,301,463.43 were transferred to the five (5) identified regions in Mindanao. Further verification of the General Ledger (e-NGAS) of the account *Due from Regional Offices (ROs) – IATF* disclosed that from July 2016 to October 2018, of the total fund transfers, liquidations amounted to PhP400,002,225.18, resulting in an unliquidated balance amounting to PhP122,299,238.25 as at December 31, 2019, details of which are shown in *Table 24*.

**Table 24 – Summary of Funds Transferred/Liquidation as of December 31, 2019**

Field Offices (FOs)	Funds Transferred to Field Offices <i>a</i>	Liquidation <i>b</i>	%age of Liquidation <i>c = b/a</i>	Balance Unliquidated <i>d = a-b</i>	%age of Unliquidated Balance <i>e = d/a</i>
IX	₱18,954,945.97	₱ 15,311,061.71	80.78%	₱ 3,643,884.26	19.22%
X	67,052,449.36	17,397,024.90	25.95%	49,655,424.46	74.05%
XI	151,889,760.12	100,772,541.29	66.35%	51,117,218.83	33.65%
XII	118,781,537.77	100,898,827.07	84.94%	17,882,710.70	15.06%
XIII	165,622,770.21	165,622,770.21	100.00%	-	0.00%
<b>Total</b>	<b>₱ 522,301,463.43</b>	<b>₱ 400,002,225.18</b>	<b>76.58%</b>	<b>₱ 122,299,238.25</b>	<b>23.42%</b>

81. As shown in *Table 24*, although the overall rate of liquidation is high at 76.58%, but Region X had a low liquidation rate of 25.95% as it relates to the amount of unliquidated funds transferred to them from CYs 2016 to 2018. However, it is worth to note that Region XIII had fully liquidated the funds transferred to them in CY 2019.

82. Inquiry with management with regard to the remaining unreleased fund amounting to PhP25,198,536.57 (PhP547,500,000.00 – PhP522,301,463.43), revealed that the said amount was included or part of the lapsed Notice of Cash Allocation (NCA) and/or balances remitted to the Bureau of the Treasury (BTR), details as follows:

**Table 25 – Schedule of Lapsed NCA / Remittance to the BTR**

DepEd RELEASES	JEV NO.	DATE OF JEV	PARTICULARS	AMOUNT
20,500,000.00	2017-12-001593	29-Dec-2017	MISC. TRUST – Bureau of the Treasury – Remit the remaining balance of DSWD	₱ 458,560,591.32

DepEd RELEASES	JEV NO.	DATE OF JEV	PARTICULARS	AMOUNT
			Miscellaneous Trust Account LBP 3122-1016-72 as of Nov. 30, 2017 to the Bureau of the Treasury	
67,054,524.00	2018-12-000742	31-Dec-2018	F101-184 MDS TRUST – To record the lapsed Notice of Cash Allocation (NCA) for the 4 <sup>th</sup> Qtr of CY 2018	24,990,387.33
27,000,000.00	2018-12-000723	31-Dec-2018	F101-184 MDS TRUST – To record the lapsed Notice of Cash Allocation (NCA) for the 4 <sup>th</sup> Qtr of CY 2018 Perf. Bond – Php 11,359,961.87 DepEd 1,167,400.27 Lumads 5,419,075.31 Lingap 18,340,000.00 Cash for Work <u>21,930,316.00</u> 58,216,753.45	58,216,753.45

83. Likewise, comparison on the releases/transfers made to the field offices (FOs) with the submitted Status/Physical Accomplishment Report, it was noted that from the funds transferred to ROs amounting to PhP522,301,463.43, only PhP343,695,978.28 or 65.80 percent were downloaded to the Municipalities/Barangays, resulting to unexpended balance of PhP178,605,485.15 at the regions/field offices for the implementation of the said project as at December 31, 2019, details of which are as follows:

*Table 26 – Comparison of Fund Transfer Due from ROs vs. DepEd Grants per Status of Implementation of Projects per Regions*  
As at December 31, 2019

Regions	Fund Transfer		Difference
	Due from ROs	Per Regional Report	
IX	18,954,945.97	14,370,168.00	4,584,777.97
X	67,052,449.36	22,733,392.28	44,319,057.08
XI	151,889,760.12	101,323,953.00	50,565,807.12
XII	118,781,537.77	48,236,000.00	70,545,537.77
CARAGA	165,622,770.21	157,032,465.00	8,590,305.21
<b>Totals</b>	<b>522,301,463.43</b>	<b>343,695,978.28</b>	<b>178,605,485.15</b>

84. Moreover, the reported physical accomplishments, based on the submitted *List of KALAHI-CIDSS Subprojects – CCL as at December, 2019*, showed a total of 421 classrooms (173 SPs/212 SBs) with total funding of PhP343,695,978.28 from DepEd. These projects are either completed, on-going or not yet started as at December 31, 2019, details of which are shown in the succeeding *Tables*.

**Table 27 – Summary of Financial Accomplishment vis-à-vis Physical Accomplishment**

Field Offices	No. of Sub projects (SP)	No. of CLs per MOA	Funds Transferred	Completed SPs				Balance		
				Amount	No. of SP	No. of CLs	% of CL	Amount	No. of SP	No. of CLs
	a	b	c	d	e	f	g = f/b	h = c-d	i = a-e	j = b-f
IX	18	21	18,954,945.97	14,370,168.00	15	18	86%	4,584,777.97	3	3
X	39	82	67,052,449.36	19,343,565.11	13	25	30%	47,708,884.25	26	57
XI	69	169	151,889,760.12	100,538,496.00	35	129	76%	51,351,264.12	34	40
XII	50	135	118,781,537.77	48,236,000.00	18	51	38%	70,545,537.77	32	84
XIII	75	198	165,622,770.21	157,032,465.00	92	198	100%	8,590,305.21	(17)	0
<b>Total</b>	<b>251</b>	<b>605</b>	<b>522,301,463.43</b>	<b>339,520,694.11</b>	<b>173</b>	<b>421</b>	<b>70%</b>	<b>182,780,769.32</b>	<b>78</b>	<b>184</b>

**Table 28 – Status of Implementation of Projects Funded by DepEd by Year as at December 31, 2019**

Year Started	No. of SPs	No. of SBs	No. of CLs	Amount			No. of CL with DepEd Grants	No. of CL	Amount (Grant)
				Grant	LCC	Total			
<b>Completed</b>									
2016	6	6	8	6,360,918.00	314,808.00	6,675,726.00	8	1.89%	1.85%
2017	120	145	314	254,101,807.11	4,201,797.88	258,303,604.99	314	74.23%	73.93%
2018	38	51	87	70,417,942.00	934,553.50	71,352,495.50	87	14.38%	20.49%
2019	9	10	12	8,640,027.00	2,000.00	8,642,027.00	12	1.98%	2.51%
<b>Sub-total</b>	<b>173</b>	<b>212</b>	<b>421</b>	<b>339,520,694.11</b>	<b>5,453,159.38</b>	<b>344,973,853.49</b>	<b>421</b>	<b>99.53%</b>	<b>98.79%</b>
<b>On-going</b>									
2016	1	1	1	-	19,321.00	19,321.00	-	0.00%	0.00%
2017	34	43	86	-	920,715.80	920,715.80	-	0.00%	0.00%
2018	7	8	32	-	383,004.00	383,004.00	-	0.00%	0.00%
2019	5	6	10	-	163,063.64	163,063.64	-	0.00%	0.00%
<b>Sub-total</b>	<b>47</b>	<b>58</b>	<b>129</b>	<b>-</b>	<b>1,486,104.44</b>	<b>1,486,104.44</b>	<b>-</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Not yet Started</b>	<b>34</b>	<b>38</b>	<b>55</b>	<b>4,175,284.17</b>	<b>223,521.91</b>	<b>4,398,806.08</b>	<b>2</b>	<b>0.47%</b>	<b>1.21%</b>
<b>Total</b>	<b>254</b>	<b>308</b>	<b>605</b>	<b>343,695,978.28</b>	<b>7,162,785.73</b>	<b>350,858,764.01</b>	<b>423</b>	<b>100.00%</b>	<b>100.00%</b>

**Table 29 – Status of Implementation of Projects Funded by DepEd per Region**

Regions	No. of SP	No. of SBs	No. of CLs	Amount			No. of CL with DepEd Grant (Should be)	CL for construction
				DepEd Grant	LCC	Total		
			a	b	c	d = b+c	e	f = a-e
<b>Completed</b>								
Region IX	15	15	18	14,370,168.00	639,545.50	15,009,713.50	18	-

Region X	13	13	25	19,343,565.11	954,206.13	20,297,771.24	25	-
Region XI	35	62	129	100,538,496.00	33,850.00	100,572,346.00	129	-
Region XII	18	20	51	48,236,000.00	-	48,236,000.00	51	-
Region XIII	92	102	198	157,032,465.00	3,825,557.75	160,823,352.75	198	-
<b>Sub-total</b>	<b>173</b>	<b>212</b>	<b>421</b>	<b>339,520,694.11</b>	<b>5,453,159.38</b>	<b>344,939,183.49</b>	<b>421</b>	<b>-</b>
<b>On-going</b>								
Region IX	3	3	3	-	385,475.00	385,475.00		3
Region X	15	15	28	-	1,095,629.44	1,095,629.44		28
Region XI	8	13	31	-	5,000.00	5,000.00		31
Region XII	21	27	67	-	-	-		67
Region XIII	-	-	-	-	-	-		-
<b>Sub-total</b>	<b>47</b>	<b>58</b>	<b>129</b>	<b>-</b>	<b>1,486,104.44</b>	<b>1,486,104.44</b>	<b>-</b>	<b>129</b>
<b>Not Yet Started</b>								
Region IX	-	-	-	-	-	-		-
Region X	14	5	17	3,389,827.17	196,421.91	3,586,249.08		17
Region XI	18	30	33	785,457.00	27,100.00	812,557.00	2	31
Region XII	2	3	5	-	-	-		5
Region XIII	-	-	-	-	-	-		-
<b>Sub-total</b>	<b>34</b>	<b>38</b>	<b>55</b>	<b>4,175,284.17</b>	<b>223,521.91</b>	<b>4,398,806.08</b>	<b>2</b>	<b>53</b>
<b>Total</b>								
Region IX	18	18	21	14,370,168.00	1,025,020.50	15,395,188.50	18	3
Region X	42	33	70	22,733,392.28	2,246,257.48	24,979,649.76	25	45
Region XI	61	105	193	101,323,953.00	65,950.00	101,389,903.00	131	62
Region XII	41	50	123	48,236,000.00	-	48,236,000.00	51	72
Region XIII	92	102	198	157,032,465.00	3,825,557.75	160,823,352.75	198	0
<b>Grand Total</b>	<b>254</b>	<b>308</b>	<b>605</b>	<b>343,695,978.28</b>	<b>7,162,785.73</b>	<b>350,824,094.01</b>	<b>423</b>	<b>182</b>

85. As can be gleaned from the above *Tables*, particularly *Table 29*, while there are no on-going construction and 2 CLs not yet started for CY 2019, there is still an unmet 182 classrooms. The reported accomplishment as at December 31, 2019 of 173 completed SPs, consists of 212 school buildings with 421 classrooms or 69.59% of the total targeted classroom of 605.

86. The implementation of the DepEd-CCL project for CY 2019 was stopped allegedly due to the non-approval of the proposed Memorandum of Agreement (MOA) for its extension in the amount of PhP10,000,000.00 to cover operating costs until December 31, 2019. The Second Supplemental MOA's validity ended last December 31, 2018. In the absence of a signed MOA for another extension on the implementation of the said project, DSWD management opted to stopped the implementation which prevents for the

completion of the project. Due to the delayed completion of the project, the objective thereof had not been achieved, thus depriving the beneficiaries thereof of the expected benefits.

87. Moreover, based on the submitted physical accomplishment report, it has been observed that the report includes funds releases from Local Community Counterpart (LCC) totaling to PhP7,162,785.73.

88. However, as shown in *Table 28*, there are 47 SPs/58 SBs/129 CLs being constructed or construction on-going but with no corresponding DepEd Grants/Releases from CY 2016-2018. This data should not be included in the report.

89. Furthermore, as shown in *Table Nos. 28 & 29*, there are 34 SPs/ 38 SBs/55 CLs not yet started as of December 31, 2019 with a DepEd Grant totaling PhP4,175,284.17. But review of the Sub-projects Masterlist of KC-NCDDP-DepEd CCL as of December 2019, the DepEd Grants for Region X amounting to PhP3,389,827.17 pertains to the construction of three (3) SBs only, and for Region XI with grant totaling to PhP785,457.00, pertains to construction of two (2) units – one (1) classroom elementary school building.

90. The inclusion of the number of SPs/SBs/CLs which totally funded by the Local Government Units is tantamount of overstating the number of SPs implemented and/or the number of CLs being constructed and rendering the report submitted unreliable.

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

92. **We reiterated our previous year's recommendations, with modification, that the Secretary directs the KC-NCDDP National Project Monitoring Team/Regional Project Monitoring Team to:**

- a. **review its existing Work Plan and identify the flaws, problems and cause/s of delays that occurred during the implementation;**
- b. **evaluate and assess the viability of the remaining on-going and not yet started projects;**
- c. **closely coordinate with BLGUs to fast track the implementation and completion of the project in order to ensure that beneficiaries are not deprived from the benefits thereof, and to facilitate liquidation of fund transfer;**
- d. **require the FOs with remaining unutilized funds, to return the funds to DepEd in order to free DSWD from obligation;**

- e. **for similar prospective project, ensure that DSWD review its capacity to implement projects before entering into agreements to ensure that project objectives are achieved; and**
- f. **consider that reports are the windows of accomplishments, and the agency's performance is assessed based on what was reported, thus, the DSWD should consider improving the contents of the report that it will be reflective of the activities undertaken in attaining its objectives.**

93. Management commented that the implementation of the sub-projects is bounded by the stipulation indicated in the Memorandum of Agreement with DepEd which the effectivity ended December 31, 2018. Relative to this, the program management office cannot proceed in the downloading of funds to the indigenous People (IP) communities through the Regional offices, until the MOA is renewed unless otherwise the Commission recommends this.

94. They likewise added that the Program closely coordinated with the DepEd regarding the renewal of the MOA as indicated in our official communications.

95. They affirmed “that the delay in the completion of the construction of the classrooms resonate to the delay in the delivery of social services to our beneficiaries. Consistent with our explanation on the previous AOM of the Commission, the operation is affected by external factors beyond the control of the program. In view of this, the Program, through the program management office, consistently provides technical assistance and guidance through constant monitoring and coordination with the RO as well as field visits to communities to ensure that these operational challenges are addressed.”

96. Management added further that the Program shall continuously and persistently coordinate with the DepEd regarding the matter. Further, may we respectfully take this opportunity to request the Commission to assist us in coordinating this coordinating this concern to their counterparts in DepEd for immediate resolution of this existing concern.

*Auditor's Rejoinder*

97. The Audit Team acknowledged the comment/reasons of management and its continued efforts to coordinate with the DepEd officials for the renewal of another MOA. The continuance on the construction of classrooms up to its full completion for the benefits of the IPs will be validated.

*KC-NCDDP-NPMO Reporting Deficiencies*

98. **Deficiencies were noted in the entries / data included in the Masterlist of SPs implemented and funded under the WB/IBRD and ADB as of December 31, 2019 as prepared by the NPMO, KC-NCDDP and submitted to the Audit Team, which affects the reliability of the report, to wit:**

- 1) *A total of 302 SPs costing PhP498,803,110.43, consisting of 200 SPs for a total project cost of PhP224,818,927.66 funded by WB/IBRD and 102 SPs for a total project cost of PhP273,984,182.77 funded by ADB included in the KC-NCDDP Database Report and appeared to be totally funded by local counterpart contribution (LCC) resulting to the excess funds of PhP344,630,589.63 on the grants received from WB/IBRD and ADB for PhP102,145,150.00 and PhP242,485,439.63, respectively.*

99. As provided in the KC Financial Manual, Community-Based Financial Management is one of the most important activities for efficient and successful sub-project implementation and it is necessary for the procurement of goods and services, payment of laborers or professionals and many other activities involved in the sub-project. One of the objectives of KC-NCDDP is community empowerment and for this reason, the community volunteers are the ones given the responsibility of financial management.

100. A summary of the SPs implemented and funded under the WB/IBRD and ADB as to physical status and per regions, based on the Masterlist/Database provided by the KC-NCDDP NPMO are shown in the following *Tables*.

*Table 30 – World Bank/IBRD Funded SPs – as to Physical Status  
As of December 31, 2019*

Physical Status	TOTAL					
	No. SPs	Total Grant	Total LCC	Total Project Cost	Total Grant Released	Excess Fund
Completed SPs	12,675	15,823,487,564.64	1,362,528,849.41	17,186,016,414.06	15,639,868,215.90	183,619,348.74
As Built – Functional	4	6,464,965.75	567,063.25	7,032,029.00	6,087,559.25	377,406.50
On-Going SPs	99	183,596,172.82	16,497,809.67	200,093,982.49	127,535,614.44	56,060,558.38
Damaged SP	3	4,848,341.25	414,178.75	5,262,520.00	3,774,405.38	1,073,935.87
Replaced by	3	7,294,813.00	603,999.00	7,898,812.00	6,618,330.40	676,482.60
Waived SPs.	20	20,945,079.50	12,696,986.77	33,642,066.27	7,361,476.99	13,583,602.51
SPs Not Yet Started	3	0.00	4,621,166.00	4,621,166.00	0.00	0.00
With Objection Letter (OL)	1	5,619,575.85	2,120,874.15	7,740,450.00	0.00	5,619,575.85
	<b>12,808</b>	<b>16,052,256,512.81</b>	<b>1,400,050,927.00</b>	<b>17,452,307,439.82</b>	<b>15,791,245,602.36</b>	<b>261,010,910.45</b>

*Table 31 – World Bank/IBRD Funded SPs – Per Region  
As of December 31, 2019*

Region	TOTAL						%age of Released over Approved
	No. SPs	Total Grant	Total LCC	Total Project Cost	Total Grant Released	Excess Fund	
CAR	582	559,759,717.09	140,299,731.73	700,059,448.82	542,691,285.84	17,068,431.25	97%

Region	TOTAL						%age of Released over Approved
	No. SPs	Total Grant	Total LCC	Total Project Cost	Total Grant Released	Excess Fund	
I	190	224,616,357.42	16,961,891.35	241,578,248.77	211,370,737.18	13,245,620.24	94%
III	71	168,326,231.82	7,800,866.18	176,127,098.00	158,310,113.51	10,016,118.31	94%
IV-A	692	616,290,288.11	42,608,275.78	658,898,563.89	555,356,979.68	60,933,308.43	90%
IV-B	437	603,514,490.16	91,642,581.56	695,157,071.72	572,783,562.80	30,730,927.36	95%
V	1,226	2,010,644,444.14	103,672,788.86	2,114,317,233.00	1,901,305,478.95	109,338,965.19	95%
<b>VI</b>	<b>699</b>	<b>928,050,945.80</b>	<b>21,206,005.29</b>	<b>949,256,951.09</b>	<b>1,154,633,954.92</b>	<b>-226,583,009.12</b>	<b>124%</b>
VII	1,623	2,085,491,365.55	203,794,665.33	2,289,286,030.88	1,958,663,780.93	126,827,584.62	94%
<b>VIII</b>	<b>1,906</b>	<b>1,468,475,661.07</b>	<b>47,461,722.65</b>	<b>1,515,937,383.72</b>	<b>1,472,887,366.84</b>	<b>-4,411,705.77</b>	<b>100%</b>
IX	1,863	1,901,294,549.62	278,797,612.98	2,180,092,162.60	1,832,350,102.81	68,944,446.81	96%
X	1,560	2,506,942,401.05	224,869,978.38	2,731,812,379.43	2,375,681,720.55	131,260,680.50	95%
<b>XI</b>	<b>693</b>	<b>1,115,835,771.52</b>	<b>115,638,462.73</b>	<b>1,231,474,234.25</b>	<b>1,272,933,667.21</b>	<b>-157,097,895.69</b>	<b>114%</b>
XII	705	1,028,540,742.18	50,775,220.47	1,079,315,962.65	1,007,323,714.54	21,217,027.64	98%
XIII	561	834,473,547.29	54,521,123.71	888,994,671.00	774,953,136.60	59,520,410.69	93%
<b>Total</b>	<b>12,808</b>	<b>16,052,256,512.81</b>	<b>1,400,050,927.00</b>	<b>17,452,307,439.82</b>	<b>15,791,245,602.36</b>	<b>261,010,910.45</b>	<b>98%</b>

**Table 32 – Subproject Masterlist of KC-NCDDP - ADB Funded**  
**Summary of SPs as to Physical Status**  
*as of December 2019 (cumulative)*

Physical Status	No. of SPs	Total Grant	Total LCC	Total Project Cost	Total Grant Released	Excess Fund
Completed Total	15,281	14,744,405,350.08	766,955,415.58	15,509,225,995.07	14,273,982,145.78	470,423,204.30
As Built - Functional Total	84	189,377,353.81	15,156,320.98	204,533,674.79	165,650,619.32	23,726,734.49
Waived Total	63	83,096,556.59	2,596,588.94	85,693,145.53	12,629,524.21	70,467,032.38
As Built - Non-Functional Total	26	86,468,630.36	2,366,417.00	88,835,047.36	75,773,281.62	10,695,348.74
With OL Total	18	45,307,279.25	1,916,192.50	47,223,471.75	23,385,083.40	21,922,195.85
On-going Total	13	31,207,883.41	732,518.49	31,940,401.90	25,253,534.13	5,954,349.28
Damaged Total	1	959,091.00	97,000.00	1,056,091.00	863,181.90	95,909.10
Replaced by Total	1	-	1,000,000.00	1,000,000.00	-	-
<b>Grand Total</b>	<b>15,487</b>	<b>15,180,822,144.50</b>	<b>790,820,453.49</b>	<b>15,969,507,827.40</b>	<b>14,577,537,370.36</b>	<b>603,284,774.14</b>

**Table 33 – Subproject Masterlist of KC-NCDDP - ADB Funded**  
**Summary of SPs Per Region**  
*as of December 2019 (cumulative)*

Region	No. of SPs	Total Grant	Total LCC	Total Project Cost	Total Grant Released	Excess Fund	%age of Released over Approved
IV-A	672	477,031,389.84	23,297,531.61	500,328,921.45	451,030,563.42	26,000,826.42	94.53%
IV-B	1,254	1,272,336,256.77	101,696,738.93	1,374,032,995.70	1,199,292,416.65	73,043,840.12	94.26%
V	1,637	2,645,427,629.32	72,375,294.91	2,715,668,153.64	2,484,002,040.32	161,425,589.00	93.90%
VI	4,008	3,777,089,935.77	191,248,552.85	3,968,338,488.62	3,623,129,800.96	153,960,134.81	95.92%
VII	2,054	2,051,934,787.76	179,009,197.12	2,230,943,984.87	1,922,515,443.20	129,419,344.56	93.69%

Region	No. of SPs	Total Grant	Total LCC	Total Project Cost	Total Grant Released	Excess Fund	%age of Released over Approved
VIII	4,428	3,236,562,500.16	101,071,103.17	3,337,633,603.32	3,248,619,100.18	-12,056,600.02	100.37%
X	103	128,677,905.87	9,100,245.74	137,778,151.61	121,908,055.00	6,769,850.87	94.74%
XI	328	398,339,060.00	26,336,387.25	424,675,447.25	398,339,060.00	0.00	100.00%
XIII	1,003	1,193,422,679.03	86,685,401.91	1,280,108,080.93	1,128,700,890.63	64,721,788.40	94.58%
<b>Total</b>	<b>15,487</b>	<b>15,180,822,144.50</b>	<b>790,820,453.49</b>	<b>15,969,507,827.40</b>	<b>14,577,537,370.36</b>	<b>603,284,774.14</b>	<b>96.03%</b>

101. Review and scrutiny of the Masterlist/Database of SPs as of December 31, 2019 revealed that a total of 302 SPs (200 SPs funded by WB/IBRD and 102 SPs funded by ADB) were totally funded from the Local Counterpart Contribution in the total amount of PhP153,643,893.14 (PhP122,673,777.66 under WB/IBRD and PhP31,498,743.14 under ADB), thus, the total approved grants of PhP344,630,589.64 (PhP102,145,150.00 for WB/IBRD and PhP242,485,439.63 for ADB) were not released/utilized and considered as *Excess Fund* in the Database.

102. Inquiry of the Regional Audit Team Leaders with the concerned personnel in the DSWD FOs confirmed that the SPs listed were completely funded by the LCC coming from Municipal Local Government Unit (MLGU) and Barangay Local Government Unit (BLGU). There are instances that the MLGU and BLGU are willing to fund the prioritized SPs not included in the ranking once they see that it is really needed in the community.

103. In DSWD FO IX, they commented that “SPs with Pure LCC were still included in our database for monitoring since the **Process** they followed is still the KALAHI, using Community Account”.

104. Summary of the SPs without funds released and as funded by the WB/IBRD and ADB, is shown in the following *Tables*.

**Table 34 – WB/IBRD Funded SPs without Funds Released – As to Physical Status**  
As of December 31, 2019

Physical Status	No. of SPs	Approved Grant	Total LCC	Total Project Cost	Grant Released	Excess Fund
Completed	164	51,156,285.00	97,508,482.72	148,664,767.72	0.00	51,156,285.00
On-going	18	33,506,292.51	6,401,695.17	39,907,987.68	0.00	33,506,292.51
Waived	14	11,862,996.64	12,021,559.62	23,884,556.26	0.00	11,862,996.64
Not yet started	3	0.00	4,621,166.00	4,621,166.00	0.00	0.00
With OL	1	5,619,575.85	2,120,874.15	7,740,450.00	0.00	5,619,575.85
<b>Total</b>	<b>200</b>	<b>102,145,150.00</b>	<b>122,673,777.66</b>	<b>224,818,927.66</b>	<b>0.00</b>	<b>102,145,150.00</b>

**Table 35 – WB/IBRD Funded SPs without Funds Released – Per Region**  
As of December 31, 2019

Regions	No. of SPs	Approved Grant	Total LCC	Total Project Cost	Grant Released	Excess Fund
CAR	80	0.00	48,181,964.48	48,181,964.48	0.00	0.00
IV-A	22	29,915,967.00	1,160,021.50	31,075,988.50	0.00	29,915,967.00
IV-B	29	5,754,705.85	28,517,946.15	34,272,652.00	0.00	5,754,705.85
V	14	6,261,965.14	9,585,373.16	15,847,338.30	0.00	6,261,965.14
VI	5	20,244,305.00	207,150.00	20,451,455.00	0.00	20,244,305.00
VII	1	617,968.00	50,000.00	667,968.00	0.00	617,968.00
VIII	11	0.00	8,015,325.25	8,015,325.25	0.00	0.00
IX	8	0.00	7,703,846.88	7,703,846.88	0.00	0.00
X	5	3,004,830.00	6,939,399.57	9,944,229.57	0.00	3,004,830.00
XI	17	30,584,337.51	6,284,195.17	36,868,532.68	0.00	30,584,337.51
XII	2	312,981.00	1,812,967.00	2,125,948.00	0.00	312,981.00
XIII	6	5,448,090.50	4,215,588.50	9,663,679.00	0.00	5,448,090.50
<b>Total</b>	<b>200</b>	<b>102,145,150.00</b>	<b>122,145,150.00</b>	<b>224,818,927.66</b>	<b>0.00</b>	<b>102,145,150.00</b>

**Table 36 – ADB Funded SPs without Funds Released – As to Physical Status**  
As of December 31, 2019

Physical Status	No. of SPs	Approved Grant	Total LCC	Total Project Cost	Grant Released	Excess Fund
As Built - Functional Total	1	-	578,710.00	578,710.00	-	-
Completed Total	41	160,384,536.05	26,932,505.45	187,317,041.50	-	160,384,536.05
Replaced by Total	1	-	1,000,000.00	1,000,000.00	-	-
Waived Total	54	66,612,978.58	2,125,198.94	68,738,177.52	-	66,612,978.58
With OL Total	5	15,487,925.00	862,328.75	16,350,253.75	-	15,487,925.00
<b>Grand Total</b>	<b>102</b>	<b>242,485,439.63</b>	<b>31,498,743.14</b>	<b>273,984,182.77</b>	<b>-</b>	<b>242,485,439.63</b>

**Table 37 – ADB Funded SPs without Funds Released – Per Region**  
As of December 31, 2019

Region	No. of SPs	Approved Grant	Total LCC	Total Project Cost	Grant Released	Excess Fund
IV-B	14	321,800.00	13,103,628.40	13,425,428.40	-	321,800.00
V	5	3,656,667.00	336,251.00	3,992,918.00	-	3,656,667.00
VI	73	230,862,583.25	14,818,751.17	245,681,334.42	-	230,862,583.25
VII	1	2,705,890.00	330,840.20	3,036,730.20	-	2,705,890.00
VIII	4	3,784,467.00	614,058.75	4,398,525.75	-	3,784,467.00
X	1	654,032.38	85,149.62	739,182.00	-	654,032.38
XIII	4	500,000.00	2,210,064.00	2,710,064.00	-	500,000.00
<b>Total</b>	<b>102</b>	<b>242,485,439.63</b>	<b>31,498,743.14</b>	<b>273,984,182.77</b>	<b>-</b>	<b>242,485,439.63</b>

- 2) Funds released to the three (3) regions (VI, VIII and XI) exceeded the approved amount of grants, resulting to a negative excess funds of PhP388,092,610.58 for WB/IBRD and PhP12,056,600.02 for ADB (Region VIII).**

105. The Masterlist on SPs Implemented prepared by KC-NCDDP provides the columns for the *Total Grant, Total LCC, Total Project Cost, Total Grant Released and the Excess Fund*. The *Excess Fund* is the difference between the *Total Grant allocated for the SPs* and the *Total Grant Released*.

106. The KC-NCDDP Financial Manual provides that the BSPMC's financial activities starts from the approval of the Sub-Project detailed proposal to its implementation up to completion. It also includes monitoring of the BSPMC's actions in carrying out audit recommendations.

107. As can be gleaned from *Tables 31 and 33*, the actual amount of Grants Released to the BSPMC exceeded the approved amount of Grant allocated in Regions VI, VIII and XI, which is an indication that the Regional PMO together with the BSPMC failed to systematically track their financial activities resulting to the incurrence of a negative *excess funds* or an over spending of the allotted or budget amount of a certain SP.

- 3) The actual amount of LCCs received by the BSPMC were not included in the Masterlist prepared by the KC-NCDDP. Likewise, there are LCCs received, which not only exceeded the LCC budgeted, but also the amount of grant, noticeably in four (4) SPs validated by the DSWD-OSEC Teams.**

108. In line with KC-NCDDP Financial Manual *in compliance with existing government rules and regulations, the KC-NCDDP shall require all covered Local Government Units to provide its counterpart contribution (Item 4.3.2). Local Counterpart Contributions refer to funds contributed by local government units, Congresspersons, communities, non-government organizations, and other stakeholders for the implementation of the Program. (Item 4.3.2.1)*

109. Item 4.3.2.2 from the same Manual further provide that *the municipality shall be required to put in counterpart funds in the form of Cash or In-kind. It may be sourced from the Local Development Fund (LDF) of the municipality, province and barangay. The community people themselves and other private organizations/institutions may also contribute for the implementation of the Project. The municipality's own-funded and implemented subprojects indicated in the Local Poverty Reduction Action Plan and funded under the LDF can also be counted and considered as LCC provided it is not committed as LCC for any other Projects funded by the National Government and said project has no other funding commitment.*

110. However, as noted in the Masterlist submitted to the Team, the budgeted amount of LCC for the implementation of an SP was included in the Masterlist but the actual amount of LCC received by the BSPMC was not included in the report.

111. Likewise, the DSWD-OSEC Team noted in their validation that in a certain province, the actual amount of LCC delivered/received by the BSPMC for the implementation of a certain SP was higher with that of the budgeted amount of LCC and of the funds released, casting doubt as to the completeness and veracity of the KC-NCDDP Report for not including the said amount.

112. Moreover, there were LCCs received that was much higher than that of the amount of grants, which should have been used to fund additional separate SP.

113. The *Table* below shows noticeable SPs with LCC greater than the amount of budgeted LCCs and/or amount of Grants, as noted by the DSWD-OSEC Team during the period of their validation:

*Table 38 – LCC’s Amount Higher than that of the Amount of Grant*

Particulars	SP Name	Amount of Grant		Excess Funds	LCC	
		Approved	Released		Per Data Base	Actual
Brgy. Talinga, Zamboanga	Construction of 1 unit 2CL Elementary School Bldg.	₱914,373.50	₱ 914,373.50	₱ 0.00	₱ 1,002,939.50	₱1,002.939.50
Brgy. Linawan, Anda, Bohol	Road concreting of 0.200 km. Access Road	198,720.00	198,720.00	0.00	57,560.00	954,055.00
Brgy. Langkis, Duero, Bohol	Sectional Concreting of 0.184 km. Access Road at Purok 5 to 1	680,515.00	405,421.00	275,094.00	166,885.00	441,430.00
Brgy. Andales, Initao, Misamis Oriental	Construction of 1 unit Day Care Center	266,600.18	258,071.26	8,528.92	675,514.82	675,514.82

114. In view of the above noted deficiencies, we recommend Management to require the KC-NCDDP NPMO, in coordination with the RPMO personnel to:

- a. Revise or modify the Masterlist of SPs Implemented to include a: (i) separate SPs with 100% LCC funded; or (ii) notation or disclosure in the Masterlist of the actual number and costs of SPs duly funded by LCCs; and (iii) separate column in the Masterlist for the actual amount of LCC received by the BSPMC for the implementation of a certain SP, for monitoring and accounting purposes;
- b. Provide the causes on the excess released of Grants in Regions VI, VIII and XI, and explain its incurrence; and

- c. For succeeding DSWD project with similar nature, of requiring LCC from the Local Government Unit (LGU) for the implementation of a sub-project, a separate monitoring report be prepared for purposes of establishing accountability on the receipt and utilization of LCC and other funds received for the purpose.**

115. Management submitted the following comments relative to the above observations:

- a) First, the DSWD would like to clarify that the LGUs shall be required to provide its counterpart contribution in compliance with existing government rules and regulations on such counterpart. The LCC may be in the form of cash and in-kind which may be source from the fund of the municipality, province, and barangay. In addition, the community people themselves and other private organizations or institutions may also contribute for the implementation of the project.
- b) The sub-projects fully funded out of the LCC are part of the counterpart of the LGUs to the program and hence, included in the reporting and monitoring of the program. These sub-projects are being monitored too as they follow the processes of KC in terms of ensuring empowerment, transparency and good governance over their communities. Furthermore, these are included in monitoring to ensure completion and hence, ensure the provision of the intended benefits to the communities.
- c) Second, the excess funds are results of conditions during the actual sub-project implementation that lead to the reduction of costs. These include conditions, such as, but not limited to, procurement savings and efficiency measures conducted by the communities.
- d) It shall be important to note that the provision of LCC of the LGUs are their initiatives as they believe in the mandates of the program. These partner LGUs believe in the principles and objectives of the program to alleviate poverty through their share of counterparts higher than their planned amounts and continuous support to the program.
- e) Rest assured that the following recommendations are well taken and the Program Management Office continuously maintains existing monitoring database for all SPs, which currently includes the SPs fully funded of the LCC, and strictly reviews and monitors, through the Planning and Monitoring Evaluation Division of the program, transactions reflected and provided to the stakeholders.

*Auditor's Rejoinder:*

116. The Audit Team will look forward on the assurance committed by Management that the funds are used by its intended community beneficiaries.

117. However, the justifications submitted by the Management on the issue on excess funds will still be subject to follow-up and further verification and confirmation from the Regional Auditors, considering that the number of SPs involved herein, which were 100% funded by the LGU, were the result obtained only from the validation conducted by the DSWD-OSEC Team, and no additional information relative thereto were taken from the Regional Auditors.

*Subprojects (SPs) with deficiencies*

118. **Thirty-two (32) Sub-Project with an aggregate total amount of Php44,377,240.38 with deficiencies/issues were noted by the Regional Auditors DSWD Field Office Nos. V, VI and XI during their validations conducted on selected sub-projects which may compromise the efficient and effective use of the facility and not in keeping with the KC-NCDDP Community Empowerment Activity Cycle and Monitoring and Evaluation Sub-Manual for Program Implementer.**

119. As discussed in *paragraphs 66 to 68* of this Report, Audit Teams from the DSWD-OSEC conducted a validation/inspection of KALAHI CIDSS NCDDP projects in selected municipalities in the Provinces of: Quezon, Region IV-A; Misamis Oriental, Region VI; Cebu and Bohol, both of Region VII; and, Zamboanga del Norte, Region IX. A total of 228 sub-projects were validated/inspected. The validation included inspection or visual observation of the subproject sites, interviews with barangay leaders, implementers, O&M committees, and beneficiaries. And as previously discussed, the 228 SPs were 100% physically completed as of the validation date.

120. However, validation conducted separately by the Regional Auditors of DSWD FOs V, VI, IX and XI, reported that out of 298 SPs, 32 SPs with a total cost of Php44,377,240.38 were with issue on their eligibility, not functioning and/or with deficiencies noted. Breakdown of which is shown in *Table 39*:

*Table 39 - SPs with Deficiency/ies*

FOs	No. of SPs Validated	SPs with Deficiency/ies			Remarks
		No.	Name of SP	Amount	
V	209	3	Installation of Solar Powered Streetlights	1,645,204.00	Some units not functioning
		1	Rehabilitation and improvement of Streetlights	2,068,000.00	18 out of 19 units, not functioning
		2	Barangay Health Stations of Brgy. Chimenea, Cataingan, Masbate, and Brgy. Victory, Balud, Masbate	-	Not functional due to incomplete facilities: no water and power supply, unfinished

FOs	No. of SPs Validated	SPs with Deficiency/ies			Remarks
		No.	Name of SP	Amount	
					windows, and floor tiles
		3	Construction of Solar Powered Street Lights	3,501,681.47	Not yet turned over to the Barangay due to incomplete and missing documents.
		3	Repair/Improvement of Riprap	4,673,719.00	No turn-over yet due to certain issues such as missing equipment and materials, land title and on purchased equipment.
		3	Repair/improvement of Barangay Chapel	1,601,438.00	Ineligible KALAHI Sub-project
<b>Sub-total</b>	<b>209</b>	<b>15</b>		<b>13,490,042.47</b>	
<b>VI</b>		2	Improve Disaster Resiliency and Access to Quality Health Services through Community-managed Construction of Health Station and Construction of Concrete Foot Bridge.	2,961,914.47	Non-observance of the legal requirements in the construction of sub-projects
		2	Flood Prevention through Community-managed Construction of Gabion Dike and Environmental Protection through Community-managed Construction of Seawall	4,264,244.00	Failure to consider the development plans of the DPWH in the construction of sub-projects
		8	1 Pagpanami Sang Dalan; 2 Solar Street Lights; 2 Day Care Center; 1 Production Center on Fish Processing ; 1 Construction of 2 classroom Primary School Bldg.; and 1 Construction of Sea Wall	12,955,736.44	Deficiencies such as: crack and scaling in some parts of the concrete road; performing poorly; not functional; not operational; damaged; and uncompleted SP.
<b>Sub-total</b>	<b>26</b>	<b>12</b>		<b>20,181,894.91</b>	
<b>IX</b>	<b>23</b>	<b>0</b>			No reported deficiencies
<b>XI</b>	<b>40</b>	5	Construction of: 2 Community Multi-Purpose Center, 2 Potable Water System (Level II), 1 Corn Mill Building with provision of Corn Mill Machine	10,705,303.00	Not functional; Delay in downloading the last tranche, hence contractor not yet paid (key not turn-over) SP not managed well Located far from the community Damaged by fire
<b>Total</b>	<b>298</b>	<b>32</b>		<b>44,377,240.38</b>	

121. The above deficiencies were attributed to the following:

- a) Lack of monitoring, technical assistance and close supervision to personnel/community involved in the implementation of the projects;
- b) Lack of thorough coordination with DPWH and other agencies implementing similar projects in the area, thus completion of some projects are severely affected; and
- c) Lack of orientation to the organization/community group/LGU for sustainability and maintenance aspect of the SPs.

122. 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.

123. **We recommended and Management agreed to require the ACT/RPMO personnel to:**

**a) The DSWD Regional Project Management Team of FO V:**

- i. capacitate communities using existing KC Manual designed for the proper implementation of the program;**
- ii. look into the subprojects with noted defects and make representations with proper authorities including LGUs concerned towards possible remedial measures;**
- iii. require KALAH I personnel to turn over records under his custody before separation from the agency;**
- iv. coordinate and advise the Barangay Council to allocate sufficient O&M funds for the regular maintenance of the subproject requirements of the project to achieve proper turn-over of SPs and maintain complete separate records;**
- v. assist the BLGUs and O&M committees in the implementation of the Operations & Maintenance Plan; and**
- vi. DSWD FOV Management should discontinue funding projects not eligible for the agency's KALAH I program otherwise be held liable for disbursing public funds to illegal projects.**

**b) The DSWD FO VI to require the RPMO to:**

- i. observe strictly the required Road Right of Way (RROW) in the construction of KALAHICIDSS sub-projects along national and local roads to avoid its demolition due to the road widening projects of the DPWH in the construction of future projects;
  - ii. provide technical assistance to LGU-Cauayan, Negros Occidental so that the construction of the new Health Stations will be immediately implemented;
  - iii. to ensure that the community-identified priority projects are not the potential development sites of the DPWH infrastructure projects to avoid the demolition of the completed KC sub-projects so that its maximum utilization could be fully attained;
  - iv. coordinate and provide technical assistance to the concerned MLGU/BLGU/Community Group so that the damaged sub-projects will be repaired immediately to maintain its functionality and sustainability for the benefit of the intended beneficiaries; and
  - v. follow-up the commitment of the Municipal Mayor of Miag-ao, Iloilo to repair the damaged portion of the sub-project; and
  - vi. require the BLGU-San Pedro, San Jose, Antique and BLGU-Baybay, Pandan, Antique to properly document the KC sub-projects affected by the DPWH projects to provide trail for monitoring purposes;
- c) **DSWD FO XI Regional Project Management Office of KALAHICIDSS are required to:**
- i. Make the necessary representation with the Barangays/Municipalities to monitor/revisit the different projects which were long due implemented in the different municipalities and continue the Sustainability Evaluation Test to ascertain the functionalities of the different sub-projects;
  - ii. Require the Barangay Bookkeepers through the Municipal Accountants to conduct inventory of all completed sub-projects funded under KALAHICIDSS and KKB Projects and thereafter record them in their books of accounts for easy funding for their repairs and maintenance;
  - iii. Strengthen the operation and maintenance functions of the different associations or BLGU by installing a barangay project monitoring team to promptly address more proactive operation and maintenance strategies in the different completed subprojects of barangays; and

**iv. Institute and facilitate new policies governing monitoring, O&M committee organization and participation, and asset inventory registration.**

124. 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**

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

<b>Status of Implementation</b>	<b>No. of Recommendations</b>
Fully Implemented	16
Partially Implemented	0
Not Implemented	0

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

**D. ACKNOWLEDGEMENT**

127. 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,

**ELEANOR G. JOVES**  
Supervising Auditor  
DSWD Audit Group

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

**Annexes:**

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

