

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

## **Management Letter**

**on the**

**Improving Access to Early Learning Through  
Community-Led Approach Project  
Grant No.: TF70184**

**Department of Social Welfare and Development**

**For the Year Ended December 31, 2015**



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

**CONFIDENTIAL**

June 30, 2016

Honorable Corazon Juliano-Soliman  
Secretary  
Department of Social Welfare and Development  
Batasan Hills, Quezon City

Madam:

**Management Letter on the Audit of the Grant No. TF70184:  
Improving Access to Early Learning Through Community-Led Approach Project  
for the Calendar Year 2015**

1. Pursuant to the Grant Agreement No. TF70184 dated May 22, 2014 between the Australia-World Bank and the Republic of the Philippines, thru the Department of Social Welfare and Development, we have audited the accounts, transactions and operations of the *Improving Access to Early Learning Through Community-Led Approach Project* for the period ended December 31, 2015. The audit was conducted in accordance with Philippine Public Sector Standards in Auditing. Those standards require that we plan and perform the audit to obtain a reasonable basis for our conclusions.
2. The audit was conducted by the audit team led by Mesdames, Lea Perero and Jane L. Van Schoonneveldt, both State Auditor IV, to (a) verify the level of assurance that may be placed on Management's assertions on the financial statements; (b) recommend agency improvement opportunities; and (c) determine the extent of implementation of prior years' audit recommendations.
3. The Independent Auditor's Report, Statement of Management Responsibility on the Financial Statements, the Project's statement of financial position, statement of financial performance, statement of cash flows and statement of changes in net assets equity for the year then ended, and a summary of significant accounting policies and other explanatory information for calendar year 2015 are shown in **Annexes A-G**.
4. We wish to bring to your attention our audit observations and recommendations which were earlier communicated through Audit Observation Memoranda (AOMs) and discussed in an exit conference conducted on June 15, 2016 with concerned DSWD officials. The comments were incorporated in this report, where appropriate. The

significant audit observations and recommendations shall be incorporated in the Consolidated Annual Audit Report (CAAR) of the Department of Social Welfare and Development for CY 2015.

#### Operational Highlights

5. As of December 31, 2015, the following are the major programs/projects undertaken by the Agency, viz:

PROJECT	Completed	Not Yet Started	On-going	Grand Total
Basic Social Services	226	2	128	356
Grand Total	226	2	128	356

Details as follows:

Project	No. of SPs	No. of Beneficiaries	KC Grant Released	LOC	Total Project Cost
Basic Social Services					
Day Care Center	164	39,387	107,522,783.85	17,111,743.92	124,634,527.77
School Building	192	83,583	266,331,783.81	37,657,732.06	303,989,515.87
Grand Total	356	122,970	373,854,567.66	54,769,475.98	428,624,043.64

#### Financial Highlights

a. Disbursement Status ending December 2015 (in US\$):

Project Category	Allocation (Php)	Utilized (Php)	Disbursement Rate	Unutilized (Php)
Grants/Planning Grants	434,920,000.00	378,658,764.01	87%	56,261,235.99
CBS	52,080,000.00	36,912,163.98	71%	15,167,836.02
<b>TOTAL</b>	<b>487,000,000.00</b>	<b>414,568,308.01</b>	<b>85%</b>	<b>72,431,691.99</b>

### A. SUMMARY OF RECOMMENDATIONS

7. For the significant deficiencies observed in the course of the audit, we recommended and Management agreed to:

#### *Unliquidated fund transfers to NGOs/POs*

We recommended that the DSWD Secretary direct FO Directors concerned to direct the Area Coordinating Teams to require BSPMIC's strict compliance on the prompt submission of DVs and supporting documents to the DSWD Regional Office to ensure the timely preparation and recording of the liquidation reports and the submission of the disbursement vouchers and other related documents to COA.

#### *Unutilized/low financial accomplishment*

We recommended that the NPMO/RPMO to faithfully adhere with the provisions of the KC M & E to ensure that the projects are implemented in accordance with the

approved budget, project milestones, performance expectations as well as and maximization of desired benefits and to guide them in their decision making.

## B. DETAILED OBSERVATIONS AND RECOMMENDATIONS

### *Unliquidated fund transfers to NGOs/POs*

a) The delayed or non-liquidation of fund transfers to Implementing Agencies due to (a) lack of and or inappropriate documentations submitted, (b) inadequate monitoring of submission of LRs from the IAs, resulted in the outstanding and accumulation of the balance of the account Due from NGOs/POs (BSPMC) amounting to ₱160.431 million as of year-end.

The Revised Guidelines and Documentary for Common Government Transactions on Fund Transfers to Non-Government Organizations, Peoples Organizations (NGOs/POs) is prescribed under COA Circular No. 2012-001.

COA Circular No. 2007-001 dated October 25, 2007, amending COA Circular No. 96-003 dated February 27, 1996, provides on the other hand the rules and regulation on the grant and liquidation of funds transferred to NGOs/POs

Verification of SL balances of the Receivables-Due from Non-Government Organizations Peoples Organizations (NGOs/POs) disclosed accumulated balance of ₱160,430,595.22 as of December 31, 2015 out of the ₱373,854,517.66 community grants awarded in CY 2014 and 2015 to Barangay Sub-Project Management Committees (BSPMC) as the NGOs/POs.

Funds transferred to various BSPMCs already reported as utilized/completed per Financial and Physical Accomplishment, but documents not yet submitted for recording amounted to ₱10,977,876.47, computed as follows:

Completed per Financial and Accomplishment Report (FAR)	
2015	205,264,854.33
2014	19,140,633.97
Total Completed per FAR	224,405,488.30
Less: Recorded under the Donation/Subsidy in 2014	125,920,824.19
SPs completed/utilized as of December 31, 2015	98,484,664.11
Less: Recorded as liquidation in 2015	87,506,787.64
Utilized/completed, but documents not yet submitted for recording	10,977,876.47

The Management must have regular, proper, and efficient monitoring system since their responsibility as the source agency does not end when funds are transferred to the BSPMC (NGOs/POs), but until the implementation of the program and the liquidation of funds transferred

We recommended that the DSWD Secretary direct FO Directors concerned to direct the Area Coordinating Teams to require BSPMCs strict compliance on the prompt submission of DVs and supporting documents to the DSWD Regional Office to ensure the timely preparation and recording of the liquidation reports and the submission of the disbursement vouchers and other related documents to COA.

b) The National Project Management Office (NPMO) has not faithfully implemented the KC-NCDDP M&E System in reporting, monitoring and evaluating KALAHI projects, thus registering a low/non-utilization financial accomplishment.

DSWD adopts an M&E sub-manual which was prepared by the National Project Management Office (NPMO) Monitoring and Evaluation (M&E) Unit as a guide in monitoring and evaluating the Kapit-bisig Laban sa Kahirapan (Linking Arms against Poverty) - Comprehensive and Integrated Delivery of Social Services (KALAHI-CIDSS) National Community-Driven Development Program (NCDDP) portfolio. This aims to provide Program Managers, Specialists and other readers an idea on what to expect from KC-NCDDP M&E – what activities to be conducted, what indicators to be monitored and what evaluation questions to be answered.

Verification however noted that the NPMO has not faithfully adhered to the specifically on the areas of (a) reporting and feed backing and (b) monitoring and evaluation of projects under the KALAHI, thus resulting to huge amount of downloaded funds unused and no report of status of project accomplishment was submitted for audit and verification.

Review of the fund utilization for the foreign assisted projects implemented by DSWD disclosed that, there is a huge accumulated amount of P79,513,801.30 that remained unused and in the actual custody of the banks at FOs and LBP, Batasan due to non-implementation of approved projects in the WFP.

Fund	Amount			Remarks
	Available Fund	Utilized	Balance	
KC-DFAT	304,660,205.09	225,146,403.79	79,513,801.30	<ul style="list-style-type: none"> <li>Out of the P191,303,929.31 community grants for SPs implementation per WFP only P122,896,570.32 worth of SPs was implemented for CY 2015</li> </ul>

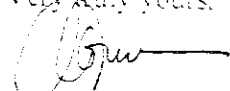
We recommended that the NPMO/RPMO to faithfully adhere with the provisions of the KC M & E to ensure that the projects are implemented in accordance with the approved budget, project milestones, performance expectations as well as and maximization of desired benefits and to guide them in their decision making.

### C. ACKNOWLEDGEMENT

8. We wish to express our appreciation to the Management and staff of Department of Social Welfare and Development for the cooperation and assistance extended to our audit team during the audit.

9. We request a status report (in hard and soft copy) on the action taken on the audit recommendations within 60 days from the date of receipt hereof pursuant to Section 93, General Provisions of the General Appropriations Act FY 2015 using the attached Agency Action Plan and Status of Implementation (**Annex H**).

Very truly yours,

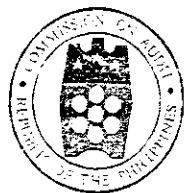
  
**MARILYN B. MIRAN**  
OIC-Supervising Auditor  
DSWD Audit Group

Cc Cluster of Health & Science Director  
National Government Sector  
Department of Social Welfare and Development  
Batasan Hill, Q.C

#### Annexes:

- A – Independent Auditor's Report
- B – Statement of Management Responsibility on the Financial Statements
- C – Statement of Financial Position
- D – Statement of Financial Performance
- E – Statement of Cash Flows
- F – Statement of Changes in Net Assets Equity
- G - Notes to Financial Statements
- H - Agency Action Plan and Status of Implementation

# **Annexes**



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

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of **Improving Access to Early Learning Through Community-Led Approach Project** which comprise the statement of financial position as at December 31, 2015, and the statement of financial performance, statement of cash flows and statement of changes in net assets/equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Philippine Public Sector Standards in Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

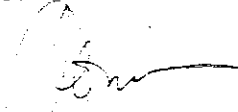


We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

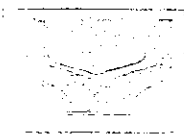
In our opinion, the financial statements present fairly, in all material respects the financial position of the **Improving Access to Early Learning Through Community-Led Approach Project** as of December 31, 2015 and of its financial performance, statement of cash flows, statement of net assets equity for the year then ended in accordance with Philippine Public Sector Accounting Standards.

**COMMISSION ON AUDIT**



**MARILYN B. MIRAN**  
State Auditor IV  
OIC-Supervising Auditor

June 30, 2016



Republic of the Philippines  
Department of Social Welfare and Development  
1375 EDSA, Alabang, Muntinlupa City, Metropolitan Manila, Quezon City 1199  
Telephone Nos. (822) 891-2101 to 07; Telefax (822) 831-2181  
E-mail: dswd@dswd.gov.ph  
Website: www.dswd.gov.ph

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**

AusAID NCDDP – DFAT Agreement No. 70184

The management of Department of Social Welfare and Development is responsible for all information and representations contained in the accompanying Statement of Financial Position as of December 31, 2015 and the related Statement of Financial Performance, Statement of Cash Flows, Statement of Comparison of Budget and Actual Amounts, Statement of Changes in Net Assets/Equity and the Notes to Financial Statements for the year then ended. The financial statements have been prepared in conformity with the Philippine Public Sector Accounting Standards and generally accepted state accounting principles, and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized.

**DESEREE D. FAJARDO**  
Director, Financial Management Service

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Date Signed

**MATEO G. MONTAÑO**  
Undersecretary, GASSG

\_\_\_\_\_  
Date Signed



DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT  
 Statement of Financial Position  
 Consolidated Central and Regional Offices  
 AUSAID-NCDDP-DFAT  
 For the Period Ending December 31, 2015

	<u>NOTE</u>	<u>2015</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	5	79,513,801.30
Receivables	-	166,430,595.22
Inventories		165,208.00
<b>Total Current Assets</b>		<b>240,164,584.32</b>
<b>Non - Current Assets</b>		
Property, Plant and Equipment	8	1,663,178.05
<b>Other Non-Current Assets</b>		
Advances		160,941.00
<b>Total Non-Current Assets</b>		<b>1,824,119.05</b>
<b>Total Assets</b>		<b>241,988,703.37</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Financial Liabilities	9	1,067,481.43
Inter-Agency Payables	10	165,917.64
Other Payables	11	134,970.19
<b>Total Current Liabilities</b>		<b>1,368,369.46</b>
<b>Total Liabilities</b>		<b>1,368,369.46</b>
<b>NET ASSETS/EQUITY</b>		
Accumulated Surplus/Deficit		240,620,333.91
<b>Total Net Assets/Equity</b>		<b>240,620,333.91</b>
<b>Total Liabilities and Net Assets/Equity</b>		<b>241,988,703.37</b>



DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT  
 Statement of Financial Performance  
 Consolidated Central and Regional Offices  
 AUSAID-NCDDP-DFAT  
 For the Year Ended December 31, 2015

	<u>Note</u>	<u>2015</u>
Revenue		
Service and Business Income	12	376,891.90
<b>Total Revenue</b>		<b>376,891.90</b>
Less: Current Operating Expenses		
Maintenance and Other Operating Expenses	14	22,556,142.74
Financial Expenses		678.32
Non-Cash Expenses	15	89,670.82
<b>Total Current Operating Expenses</b>		<b>22,640,491.88</b>
Surplus/(Deficit) from Current Operations		(22,263,599.98)
Net Financial Assistance/Subsidy	16	(64,714,084.64)
Gains		-
Losses		-
Surplus/(Deficit) for the period		<u>(86,977,584.62)</u>



DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT  
 Statement of Cash Flows  
 Consolidated Central and Regional Offices  
 AUSAID-NCDDP-DFAT  
 For the Year Ended December 31, 2015

	<u>2015</u>
Cash Flows From Operating Activities	
Cash Inflows	
Receipt of Notice of Cash Allocation	
Collection of income/Revenues	
Receipt of Intra-Agency Fund Transfers	380,414.04
Other Receipts	17,808,958.94
Adjustments	20,232.03
Total Cash Inflows	18,459,369.01
Cash Outflows	18,349,114.42
Payment of Expenses	19,076,289.95
Purchase of Inventories	616,865.95
Grant of Cash Advances	338,385.00
Payment of Accounts Payable	432,462.66
Remittance of Personnel Benefit Contributions and Mandatory Deductions	2,425,027.35
Grant of Financial Assistance/Subsidy	207,124,896.46
Release of Intra-Agency Fund Transfers	17,808,958.94
Other Disbursements	1,567,490.71
Adjustments	4,969.90
Total Cash Outflows	243,426,667.01
Cash Provided by (Used in) Operating Activities	(231,078,542.59)
increase (Decrease) in Cash and Cash Equivalents	9)
Effects of Exchange Rate Changes on Cash and Cash Equivalents	-
Cash Balance, Beginning January 1, 2014	-
Cash Balance, Ending December 31, 2014	<u>310,690,343.89</u>
	<u>79,513,801.30</u>



DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT  
 Statement of Changes in Net Assets/Equity  
 Consolidated Central and Regional Offices  
 AUSAID-NCDDP-DFAT  
 For the Year Ended December 31, 2015

	<u>2015</u>
Balance at December 31, 2014	327,599,896.57
Changes in Accounting Policy	-
Restated Balance	-
Changes in Net Assets/Equity for 2014	227,599,896.57
Adjustment of net revenue recognized directly in net assets/equity	-
Surplus/(Deficit), for the period	(86,977,684.62)
Others	(1,878.04)
Balance at December 31, 2015 carried forward	240,620,333.91

**NOTES TO FINANCIAL STATEMENTS**  
**AUSAID-NCDDP - DFAT**  
**CY 2015**

1. General Information Agency Profile

The financial statements of Department of Social Welfare and Development-Office of the Secretary were authorized for issue on February 10, 2016 as shown in the Statement of Management Responsibility for Financial Statements signed by Director Deseree D. Fajardo, Director for Financial Management Service and Undersecretary Mateo G. Montaño, the Undersecretary for General Administrative and Support Services.

On 15 February 1915, upon creation of the Public Welfare Board during the American Regime, the government started to get involved in social welfare. The board was established to coordinate, regulate and supervise social services activities and other charitable works rendered by religious orders and organizations. Finally in 1917, the first government orphanage was established. As a result of several changes by the government in its bureaus and departments, the original Public Welfare Board of the year 1915 became The Department of Social Welfare and Development (DSWD). After which, The Social Welfare Administrator was formally created by virtue of Executive Order No. 386 dated 15 January 1951. Republic Act No. 5416 known as the Social Welfare Act was approved in 1968. It was made into a Department, whose responsibility was to provide comprehensive program of social welfare services designed to ameliorate the living conditions of distressed Filipinos, particularly those who are handicapped by reason of poverty, youth, physical and mental disability, illness and old age, or who are victims of natural calamities including assistance to members of the cultural minorities.

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

The Department's vision is directed towards the attainment of a "society where the poor, vulnerable and disadvantaged individuals, families and communities are empowered for an improved quality of life".

In the pursuit of its vision, the DSWD mission is to "provide social protection and promote the rights and welfare of the poor, vulnerable, and disadvantage individuals, family and community to contribute to poverty alleviation and empowerment through SWD policies, programs, projects and services implemented with or through Local Government Units (LGUs), Non-Government Organizations (NGOs), Peoples' Organization and other members of civil society".

### 1.1 Programs Projects Activities

- Government of Australia (GoA) Department of Foreign Affairs and Trade (DFAT) (formerly AusAID) Agreement No 70184 - This is an accountable cash grant funded by the Government of Australia to assist the Government of the Philippines in Improving access to Early Learning thru Community-led Approach

DSWD Central Office registered office address is located in Constitution Hills, Batasan Pambansa Complex, Main Road, Quezon City, Philippines.

## 2. Statement of Compliance and Basis of Preparation of Financial Statements

2.1 The financial statements have been prepared in accordance with and comply with the Philippine Public Sector Accounting Standards (PPSAS) issued by the Commission on Audit per COA Resolution No. 2014-003 dated January 24, 2014. The financial statements are presented in Philippine Peso, which is the functional and reporting currency of the DSWD.

2.2 The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The Statement of Cash Flows is prepared using the direct method.

## 3. Summary of Significant Accounting Policies

### 3.1 Basis of accounting

The financial statements are prepared on an accrual basis in accordance with the Philippine Public Sector Accounting Standards (PPSAS).

### 3.2 Financial instruments

#### a. Financial assets

##### *Initial recognition and measurement*

Financial assets within the scope of PPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables as appropriate. The Department of Social Welfare and Development determines the classification of its financial assets at initial recognition.

The DSWD's financial assets include cash and other receivables.



### *Subsequent measurement*

The subsequent measurement of financial assets depends on their classification.

### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. **Amortized cost** is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

### *Derecognition*

The DSWD derecognizes a financial asset or, where applicable, a part of a financial asset or part of DSWD of similar financial assets when:

- The rights to receive cash flows from the asset have expired or is waived
- The DSWD has transferred its rights to receive cash flows from the asset or (a) has assumed an obligation to pay the received cash flows in full without material delay to a third party; and either: (a) the DSWD has transferred substantially all the risks and rewards of the asset; or (b) the DSWD has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

### *Impairment of financial assets*

The DSWD assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include the following indicators:

- The debtors or a group of debtors are experiencing significant financial difficulty;
- Default or delinquency in interest or principal payments;
- The probability that debtors will enter bankruptcy or other financial reorganization;

- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults).

## **b. Financial liabilities**

### *Initial recognition and measurement*

Financial liabilities within the scope of PPSAS 29 are classified as financial liabilities at fair value through surplus or deficit. The entity determines the classification of its financial liabilities at initial recognition.

The DSWD's financial liabilities include other payables.

### *Subsequent measurement*

The measurement of financial liabilities depends on their classification.

### *Derecognition*

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

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

## **3.1 Cash and cash equivalents**

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

## **3.2 Property, Plant and Equipment**

### *Recognition*

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

The characteristics of PPE are as follows:

- tangible items;

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

An item of PPE is recognized as an asset if:

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

### *Measurement at Recognition*

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

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

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

Cost includes the following:

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

### *Measurement After Recognition*

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

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

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

### *Depreciation*

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

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

### *Initial Recognition of Depreciation*

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

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

### *Depreciation Method*

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

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

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

### *Estimated Useful Life*

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

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

### *Impairment*

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

### 3.3 Changes in accounting policies and estimates

The DSWD recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

The DSWD recognizes the effects of changes in accounting estimates prospectively by including in surplus or deficit.

The DSWD correct material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by:

- Restating the comparative amounts for prior period(s) presented in which the error occurred; or
- If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets equity for the earliest prior period presented.

### 3.4 Revenue from non-exchange transactions

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

An inflow of resources from a non-exchange transaction, other than services in-kind, that meets the definition of an asset are recognized as an asset if the following criteria are met:

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

An asset acquired through a non-exchange transaction is initially measured at its fair value as at the date of acquisition.

#### *Recognition Revenue from Non-Exchange Transactions*

An inflow of resources from a non-exchange transaction recognized as an asset is recognized as revenue, except to the extent that a liability is also recognized in respect of the same inflow.

As DSWD satisfies a present obligation recognized as a liability in respect of an inflow of resources from a non-exchange transaction recognized as an asset, it reduces the carrying amount of the liability recognized and recognize an amount of revenue equal to that reduction.

### *Measurement of Revenue from Non-Exchange Transactions*

Revenue from non-exchange transactions is measured at the amount of the increase in net assets recognized by the entity, unless a corresponding liability is recognized.

### *Measurement of Liabilities on Initial Recognition from Non-Exchange Transactions*

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

### *Fees and fines not related to taxes*

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

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

## **3.5 Budget information**

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

A separate Statement of Comparison of Budget and Actual Amounts (SCBAA) was prepared since the budget and financial statements were not prepared on comparable basis. The SCBAA was presented showing the original and final budget and the actual amounts on comparable basis to the budget. Explanatory comments are provided in the notes to the annual financial statements.

## **3.6 Impairment of Non-Financial Assets**

### *Impairment of non-cash-generating assets*

The DSWD assesses at each reporting date whether there is an indication that a non-cash-generating asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the DSWD estimates the asset's recoverable service amount. An asset's recoverable service amount is the higher of the non-cash generating asset's fair value less costs to sell and its value in use.

Where the carrying amount of an asset exceeds its recoverable service amount, the asset is considered impaired and is written down to its recoverable service

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

### 3.7 Measurement uncertainty

The preparation of financial statements in conformity with PPSAS, requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, at the date of the financial statements and the reported amounts of the revenues and expenses during the period. Items requiring the use of significant estimates include the useful life of capital assets.

Estimates were based on the best information available at the time of preparation of the financial statements and were reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

### 4. Changes in Accounting Policies

DSWD has not adopted any change in Accounting Policies for CY 2015. The 25 PPSAS had been adopted beginning January 1, 2014 as per COA Resolution No. 2014-003 dated January 24, 2014.

### 5. Prior Period Adjustments

The DSWD has determined transactions relating to the previous year which have cumulative effect on surplus/deficit of the prior year.

The description of the prior period adjustments, including peso amount, its effect for each financial statement line item affected in current and prior year, and cumulative effect on opening accumulated surplus/deficit in current and prior year, and cumulative effect on surplus/deficit in prior year are shown on this notes to financial statements.

### 6. Cash and Cash Equivalents

Account Name	2015
Cash in Bank - Local Currency, Current Account	79,513,801.30
<b>Total</b>	<b>79,513,801.30</b>

Cash in Bank- Local Currency Account includes the funds that were deposited with the Authorized Government Depository Bank (AGDB) in accordance with GAFMIS Circular Letter No. 2003-095 dated November 21, 2003.

7. Receivables

Account Name	2015
Due from National Government Agencies	34,979.80
Due from Non-Government Organizations/People's Organizations	160,430,595.22
<b>Total</b>	<b>160,465,575.02</b>

The Due from NGOs/POs for CY 2015 also includes transfers to Barangay communities for the KALAHI CIDSS-NCDDP as follows:

Funding Source	Amount
(07308603) Trust: Fund - Custodial Funds - Trust Receipts - Receipts Deposited with Authorized Government Depository Banks (AGDB) - DFAT No. 70184	160,430,595.22
<b>Total</b>	<b>160,430,595.22</b>

8. Property, Plant and Equipment

Property, Plant and Equipment for CY 2015 are summarized as follows:

	Office Equipment	Information and Communication Technology Equipment	Furniture, Fixtures and Books	Total
Carrying Amount, January 1, 2015 (As per Net book Value)	42,000.00	1,432,779.09	65,750.00	320,529.09
Depreciation Additions		1,432,779.09		1,432,779.09
Less Depreciation	(665.00)	(87,964.78)	(1,041.04)	(89,670.82)
Carrying Amount, December 31, 2015 (As per Statement of Financial Position)	41,335.00	1,557,134.09	64,708.96	1,663,178.05
Gross Cost (Asset Account Balance per Statement of Financial Position)	42,000.00	1,645,092.87	65,750.00	1,752,846.87
Less Acc Depreciation Allow for Impairment	(665.00)	(87,964.78)	(1,041.04)	(89,670.82)
Carrying Amount, December 31, 2015 (As per Statement of Financial Position)	41,335.00	1,557,134.09	64,708.96	1,663,178.05



#### 9. Financial Liabilities

Account Name	2015	
	Current	Non-Current
Accounts Payable	976,081.97	
Due to Officers and Employees	91,399.46	
<b>Total</b>	<b>1,067,481.43</b>	

Due to Officers and Employees consist of unpaid salaries, fringe benefits, reimbursement of transportation and per diem and unclaimed checks as of December 31, 2015.

#### 10. Inter-Agency Payables

Account Name	2015	
	Current	Non-Current
Due to BIR	150,617.84	
Due to GSIS	3,600.00	
Due to Pag-IBIG	2,500.00	
Due to Philhealth	4,800.00	
Due to GOCCs	4,400.00	
<b>Total</b>	<b>165,917.84</b>	

Due to BIR consists of income tax deducted from employees, from suppliers and consultants, and EPPS are remitted during the ensuing year.

Due to Pag-IBIG comprises of Pag-IBIG Premiums, Multi-Purpose Loan and Housing Loans and are as remitted during the first month of the ensuing year.

Due to Philhealth is the unremitted balance from Philhealth premiums that are included in the January 2016.

#### 11. Other Payables

Account Name	2015	
	Current	Non-Current
Other Payables	134,970.19	
<b>Total</b>	<b>134,970.19</b>	

The Other Payables includes the contributions and loan payments of the members of DSWD Employees Multi-Purpose Cooperative (DEMPCC) and Social Welfare Employees Association of the Philippines (SWEAP) Contributions

12. Service and Business Income

Account Name	2015
Fines and Penalties - Service Income	549.28
Interest Income	376,342.62
<b>Total</b>	<b>376,891.90</b>

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

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

13. Shares, Grants and Donations

Account Name	2015
Income from Grants and Donations in Cash	-
<b>Total</b>	<b>-</b>

14. Maintenance and Other Operating Expenses

14.1 Traveling Expenses

Particulars	2015
Traveling Expenses – Local	2,158,766.29
<b>Total Traveling Expenses</b>	<b>2,158,766.29</b>

14.2 Training and Scholarship Expenses

Particulars	2015
Training Expenses	1,635,750.68
<b>Total Training and Scholarship Expenses</b>	<b>1,635,750.68</b>

Training Expenses consists of payment of honorarium of resource persons, board and lodging and or hotel accommodation of participants to various seminar, training – workshops. It also includes course fee and or registration fees of DSWD Officials and Employees to enhancement training and seminars.

14.3 Supplies and Materials Expenses

Particulars	2015
Office Supplies Expenses	1,082,509.50
Accountable Forms Expenses	5,398.27
Fuel, Oil and Lubricants Expenses	140,714.40
<b>Total Supplies and Materials Expenses</b>	<b>1,228,622.17</b>

14.4 Professional Services

Particulars	2015
Consultancy Services	638,181.78
Other Professional Services	16,291,064.72
<b>Total Professional Services</b>	<b>16,929,246.50</b>

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

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

15. Non-Cash Expenses

Particulars	2015
Depreciation Expenses	89,670.82
<b>Total Depreciation Expenses</b>	<b>89,670.82</b>

16. Net Financial Assistance Subsidy

Particulars	2015
Subsidy from other NGAs	19,241,278.72

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

Particulars	2015
Financial Assistance to NGAs	19,241,278.72
Subsidies - Others	64,714,084.64
<b>Total Financial Assistance/Subsidy to NGAs, LGUs</b>	<b>83,955,363.36</b>
<b>Net Financial Assistance/Subsidy</b>	<b>(64,714,084.64)</b>

The account **Financial Assistance to NGAs** pertains to transfer of funds through funding checks charged against Loan Proceeds and other Trust accounts to Field Offices for the implementation of various projects programs activities

The account **Subsidies-Others** pertains to the community grants for the DFAT program from January to December 2015.

**ACTION PLAN MONITORING**

Sector: National Government Sector, Cluster 6 - Health and Science  
 Team: \_\_\_\_\_ Prepared by: \_\_\_\_\_ Date: \_\_\_\_\_  
 Agency Audited: Department of Social Welfare and Development Reviewed by: \_\_\_\_\_ Date: \_\_\_\_\_  
 Audit Period: \_\_\_\_\_ Approved by: \_\_\_\_\_ Date: \_\_\_\_\_  
 VAR Date: \_\_\_\_\_

**AGENCY ACTION PLAN and STATUS of IMPLEMENTATION**

CAAR Ref	Audit Observation <i>Unliquidated fund transfers to NGOs/POs</i>	Audit Recommendations We recommended that the DSWD Secretary direct FO Directors concerned to direct the Area Coordinating Teams to require BSPMCS strict compliance on the prompt submission of DVs and supporting documents to the DSWD Regional Office to ensure the timely preparation and recording of the liquidation reports and the submission of the disbursement vouchers and other related documents to COA.	Agency Action Plan			RESULTS of COA VALIDATION					
			Action Plan	Person/ Dept. Responsible	Target Implementation From To	Status of Implementation	Reason for Partial/Delay/ Non-Implementation, if applicable	Action Taken/ Action to be Taken	Date Follow up	Status of Implementation	Actual Implementation Date From To
2015	<p>The delayed or non-liquidation of fund transfers to implementing Agencies due to (a) lack of and/or inappropriate documentations submitted;</p> <p>(b) inadequate monitoring of submission of ERs from the IAs, resulted in the outstanding and accumulation of the balance of the account Due from NGOs/POs (BSPMC) amounting to ₱160.431 million as of year-end</p>										

AGENCY ACTION PLAN and STATUS of IMPLEMENTATION

CAAR Ref	Audit Observation	Audit Recommendations	Agency Action Plan			RESULTS of COVA VALIDATION						
			Action Plan	Person/Dept. Responsible	Project Implementation Date From To	Status of Implementation	Reason for Partial/Delay/Non-Implementation, if applicable	Action Taken/Action to be Taken	Date Follow up	Status of Implementation	Actual Implementation Date From To	Remarks
001	b) The National Project Management Office (NPMO) has not faithfully implemented the KC-NCCDP M&E System in reporting, monitoring and reevaluating KATAHI projects, thus registering a low/non-utilization financial accomplishment.	We recommended that the NPMO/RPMO to faithfully adhere with the provisions of the KC M & E to ensure that the projects are implemented in accordance with the approved budget, project milestones, performance expectations as well as and maximization of desired benefits and to guide them in their decision making										