



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, 2016



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

CONFIDENTIAL

June 30, 2017

Honorable Judy M. Taguiwalo
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 2016**

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, 2016. 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 Petero and June 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 2016 are shown in **Annexes A-G**.
4. We wish to bring to your attention our audit observations and recommendations which were earlier communicated through Audit Observation Memoranda (AOMs) and discussed in an exit conference conducted on May 23, 2017 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 2016.

Operational Highlights

5. As of December 31, 2016, the following are the major programs/projects undertaken by the Agency, viz:

PROJECT	Completed	Not Yet Started	On-going	Grand Total
Basic Social Services	373	-	2	375
Grand Total	373	-	2	375

Details as follows:

Project	No. of SPs	No. of Beneficiaries	KC Grant Released	LCC	Total Project Cost
Basic Social Services					
Day Care Center	181	45,859	135,484,451.61	18,100,570.65	153,585,022.26
School Building	194	90,310	301,725,284.99	37,820,548.85	339,545,833.84
Grand Total	375	136,169	437,209,736.60	55,921,119.50	493,130,856.10

Financial Highlights

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

Project Category	Allocation (Php)	Utilized (Php)	Disbursement Rate	Unutilized (Php)
Grants/Planning Grants	434,920,000.00	419,932,436.78	97%	14,987,563.22
CBIS	52,080,000.00	49,543,896.19	95%	2,536,103.81
TOTAL	487,000,000.00	469,476,332.97	96%	17,523,667.03

A. SUMMARY OF RECOMMENDATIONS

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

- a) Foreign donations of P751.913 million received from the government of Australia were without prior clearance and approval by the President of the Philippines and not deposited with the BTr, thus, the necessary protocol review to ensure that all donations for projects and programs are in sync with the government funding and thrusts was bypassed. Likewise in the absence of said approval/clearance disbursements amounting to P581.158 million is without authority.

We recommended and the DSWD Secretary agreed that henceforth :

- a) Seek the clearance and approval of the President upon the recommendation of the DFA for all donation agreements with foreign governments as well as disbursements thereof; and
 - b) Remit to the BTr the amounts received in accordance with Section 35, Chapter 5, Book VI of EO No. 292
- b) The non-liquidation of DFAT- Improving Access to Early Learning Through Community-Led Approach Project fund transfers to various NGOs/POs resulted to the non-recording of the appropriate transactions as they occur as well as the accumulation of unliquidated Due from NGOs/POs as of year-end.

We recommended that the DSWD Secretary direct FO Directors concerned to:

- i) Direct Accounting Division to:
 - demand from NGOs/POs the submission of LRs and refund of unutilized balance, if any, especially those with long-outstanding dormant balances to comply with the guidelines prescribed under COA Circular No. 2007-001 and the provisions in the MOA/Agreement;
 - strengthen the monitoring controls on fund transfers to NGOs/POs;
- ii) Ensure that necessary provisions on control measures in the implementation of the project up to liquidation of funds are included in the Memorandum of Agreement with NGOs/POs for accountability purposes; and
- iii) Assign specific personnel to monitor and follow up utilization reports of fund transfers to NGOs/POs.

B. DETAILED OBSERVATIONS AND RECOMMENDATIONS

Income from Grants and Donations no prior clearance /approval and not deposited with BTr

8. Foreign donations of ₱751.913 million received from the government of Australia were without prior clearance and approval by the President of the Philippines and not deposited with the BTr, thus, the necessary protocol review to ensure that all donations for projects and programs are in sync with the government funding and thrusts was bypassed. Likewise in the absence of said approval/clearance disbursements amounting to ₱581.158 million is without authority.

a) *No prior clearance approval of receipt and non-deposit to BTr.*

8.1 Section 6 of the CY 2016 GAA provides that xxx *In case of donation from foreign governments, acceptance thereof shall be subject to the prior clearance and approval by the President of the Philippines upon recommendation of the Secretary of Foreign Affairs.*

8.2 It further states that the receipts from cash donations and proceeds from sale of donated commodities shall be deposited with the National Treasury and recorded as a Special Account in the General Fund and shall be available to the implementing agency concerned through a Special Budget pursuant to Section 35, Chapter 5, Book VI of E.O. No. 292.

8.3 Article 4 of General Agreement on Development Cooperation (GADC) between the Government of Australia and the Government of the Republic of the Philippines signed on October 28, 1994 provides that the Australian International Development Assistance Bureau of the Department of Foreign Affairs and Trade shall be the coordinating authority for the Government of Australia while the National Economic and Development Authority (NEDA) shall be the coordinating authority for the Government of the Republic of the Philippines.

8.4 In CYs 2014 to 2016, the DSWD, as represented by the Secretary, entered into an agreement with the Government of Australia, represented by the Department of Foreign Affairs and Trade (DFAT), for the implementation of the following programs:

Table 1. DFAT program funds not remitted to the BTr

Project Name	Year	Amount Received (In Million Php)
Improving Access to Early Learning through Community-led Approach	2014	487.954
Social Protection Reforms		52.500
Social Support for Disaster Response	2015	104.247
Social Protection Reforms		56.772
	2016	50.440
TOTAL		751.913

8.5 The above amounts were recorded as Cash in Bank – LCCA and Income from Grant and Donations - Cash for the respective years of receipt and were directly deposited to the Land Bank of the Philippines for the account of the DSWD as provided for in the provision for Deposit and Disbursement of GOA funds of the MOA.

8.6 While the agreement states that the funding of the said programs was born out of the terms of the GADC, the insertion of “prior clearance and approval by the President of the Philippines upon recommendation of the Secretary of Foreign Affairs” in the GAA suggests certain amendment for compliance of the Philippine Government that may not necessarily affect previously approved agreements.

8.7 Moreover, the Agreement specifies the NEDA to be the coordinating authority for the Government of the Republic of the Philippines but records show that it is the DSWD Secretary who signed the Direct Funding Agreement, thus not in keeping the Article 4 of the GADC.

8.8 The failure of the DSWD to secure prior clearance and approval by the President of the Philippines upon recommendation of the Secretary of Foreign Affairs and non-compliant signatory to the Agreement is contrary to established rules and regulation on donations, thus the process have bypassed necessary protocol reviews to ensure that all donations for projects and programs are in sync with the government funding and thrusts.

8.9 In addition, the failure of DSWD to remit the donated funds to the BTr may affect the judicious formulation and implementation of special budgets reflective of national objectives and to ensure that funds are utilized and operations are conducted effectively, economically, and efficiently.

b) Unauthorized Disbursements

8.10 Section 6, Paragraph 3, General Provisions of RA No. 10717 or the GAA of FY 2016 states that: “Disbursements or expenditures by agencies in violation of the above requirements shall be void and shall subject the erring officials and employees to disciplinary actions in accordance with Section 43, Chapter 5 and Section 80, Chapter 7, Book VI of E.O. No. 292, and to appropriate criminal action under existing penal laws.”

8.11 Table 2 summarizes the receipts and disbursements of various DFAT grants with its corresponding accomplishments pertaining to programs/projects of the DSWD.

Table 2. Receipts and Disbursements of DFAT Grants

DFAT Grant No.	Amounts (in Million PhP)		% Utilized	Accomplishment
	Received	Disbursed		
70184 Improving Access to Early Learning through Community-led Approach	487.954	466.935	95.69	Of the total funded 374 Sub-Projects (SPs) - <ul style="list-style-type: none"> • 338 SPs (90%) already completed and directly benefitted 113,754 households; • 27 SPs (7%) ongoing implementation; • 9 SPs (3%) are yet to start
70013 Support Program for Disaster Response	104.247	57.598	55.25	<ul style="list-style-type: none"> • Construction of one unit Warehouse and various improvements at DSWD National Resource Operations Center (NROC) of P34,748,999.46; • Trainings - Workshop on Inventory and Warehouse Management; • Psychosocial Support Trainings;

DFAT Grant No.	Amounts (in Million PhP)		% Utilized	Accomplishment
	Received	Disbursed		
				<ul style="list-style-type: none"> • Manual of operations on Donations, Logistics, • Production and warehouse management (on-going); • Disaster Response Manuals for FOs (on-going)
70507 Social Protection Reforms	159.712	56.625	35.45	<ul style="list-style-type: none"> • Various Seminars/Trainings/Workshops/ Study/Reports on DSWD's Social Protection Reforms
Total	751.913	581.158		

Verification showed that the purposes of the program/s were given due accomplishments within the timeframe as evidenced by the above disbursements. The duration period for DFAT No. 70184 ended in December 2016 while the end-date for the other two programs will be on December 2017. All grant agreements were signed by the DSWD Secretary on behalf of the Government of the Philippines pursuant to the documents entitled “*Subsidiary Arrangement Between the Government of the Republic of the Philippines and the Government of Australia -- Support for the National Disaster Coordinating Council Collective Strengthening of Community Awareness to Natural Disaster*”.

Since there was no presentation of any evidence of the approval of the President of the Philippines, upon recommendation of DFA Secretary, the programs/projects enclosed in the agreements entered into by the Agency were likewise not approved by the Philippine Government, thus making the disbursements/expenses *void ab initio* or to be treated as invalid from the outset pursuant to Section 6 Paragraph 3, General Provisions of RA 10717 GAA of CY 2016.

Management commented that with the Australian Aid, significant gains have been chalked up in developing the capacities of the DSWD and other implementers in carrying out the 4Ps and other core social protection programs. Existing DSWD-DFAT agreements with the direct cash transfer mechanism have supported, or are supporting about 60 completed, ongoing and pipeline technical assistance projects intended to enhance service delivery across practically all programs of the DSWD.

We recommended and the DSWD Secretary agreed that henceforth :

- a) **Seek the clearance and approval of the President upon the recommendation of the DFA for all donation agreements with foreign governments as well as disbursements thereof; and**
- b) **Remit to the BTr the amounts received in accordance with Section 35, Chapter 5, Book VI of EO No. 292**

Management Comment:

The DSWD has continuing authority to enter into subsidiary agreements with agencies of the Government of Australia (GOA) based on the General Agreement on Development Cooperation (GADC) entered into by the Government of the Republic of the Philippines (GRP) and GOA dated 28 October 1994.

The GADC authorized "*agencies, statutory authorities or organizations*" of the GOA and the GRP to "*conclude subsidiary arrangements in respect of specific activities.*" Because the DSWD is not aware of any subsequent agreement or issuance by either the GRP or the GOA revoking this provision, the authority given by this provision is deemed to be continuing and because the DSWD, as an agency of the GRP, has an implicit continuing authority to enter into subsidiary agreements with other agencies of the GOA, it is sufficient compliance with the requirement under various GAA for "*prior clearance and approval of the President of the Philippines upon recommendation by the Secretary of the Foreign Affairs.*"

Nevertheless, to avoid any misunderstanding or ambiguity, in the future, the DSWD shall seek explicit approval from the President before accepting donations from foreign governments.

NEDA is not the only GRP agency that may enter into subsidiary agreements with the GOA. As previously stated, Article 5.1 for the GADC authorized "*agencies, statutory authorities or organizations*" of the GRP to enter into such subsidiary arrangements. The DSWD is an agency of the GRP and the Secretary is the head, thus the DSWD Secretary has sufficient authority to sign DFAT Agreement.

Not all donations from foreign governments are required to be deposited with the BTr. It is true that the GAAs require donation from foreign governments to be remitted to the BTr. However, COA Circular No. 2003-005 dated 21 November 2003 which provides that "All income from grants and donations shall be receipted by national government agency and remitted to the National Treasury pursuant to Section 12 of the General Provisions, Republic Act. No. 9206, of the GAA of 2003, unless it is authorized by the donor/grantor that the same shall be deposited with Authorized Government Depository Bank (AGDB).

The donor/grantor, the GOA through the DFAT authorized deposit of the donated funds into the DSWD accounts, thus DSWD was exempted from remitting these funds to the BTr.

Auditor's Rejoinder:

The GAA is the highest law that establishes the national budget of the Philippines. It, likewise, provides a system of receipt and utilization of funds to ensure that this will achieve the purpose and impact the lives of the Filipinos and the

nation as a whole. The latest provisions of the GAA in CY 2014 to 2016 set the guidelines that should be followed by all officials in the Government to ensure that the budget/funds are utilized and operations are conducted effectively, economically, and efficiently, thus we maintain our recommendation.

9. The non-liquidation of DFAT- Improving Access to Early Learning Through Community-Led Approach Project fund transfers to various NGOs/POs resulted to the non-recording of the appropriate transactions as they occur as well as the accumulation of unliquidated Due from NGOs/POs as of year-end.

9.1 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, among others:

Section 2.0 - NGOs/POs are not allowed to participate in the implementation of any program or project of government agencies until such time that any earlier fund releases availed by the said NGOs/POs shall have been fully liquidated pursuant to pertinent accounting and auditing rules and regulations as certified by the Head of Agency concerned and the COA Auditor.

Section 3.1-Fund transfers should be properly taken up in the books of both agencies, used only for the purpose intended, and properly accounted and reported.

9.2 Likewise, COA Circular No. 2007-001 dated October 25, 2007, provides among others:

Section 4.5.6 - No (NGOs/PO) shall be recipient of funds where any of the provisions thereat and the agreement has not been complied with, in any previous undertaking with funds allocated by the GO.

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

Section 5.4 - Within sixty (60) days after the completion of the project, the NGO/PO shall submit the final Fund Utilization Report certified by its Accountant and approved by its President/Chairman to the GO, together with the inspection report and certificate of project completion rendered/issued by the GO authorized representative, list of beneficiaries with their

acceptance/acknowledgment of the project/funds/goods/services received. The validity of these documents shall be verified by the internal auditor or equivalent officials of the GO and shall be the basis of the GO in recording the fund utilization in its books of accounts. These documents shall support the liquidation of funds granted to the NGO/PO.

9.3 Verification of SL balances of the Receivables-Due from NGOs/POs as of December 31, 2016 disclosed the remaining balance of ₱27,216,033.09 out of the total transfers of ₱473,207,055.33 since its inception in 2014. Although it only formed 5.75 percent of the total transfers, the project has already ended as of even date.

9.4 The non-liquidation of the fund transfers resulted to the to the non-recording of the appropriate transactions as they occur as well as the accumulation of unliquidated Due from NOGs/POs as of year-end.

9.5 We recommended that the DSWD Secretary direct FO Directors concerned to:

a) Direct Accounting Division to:

- demand from NGOs/POs the submission of LRs and refund of unutilized balance, if any, especially those with long-outstanding dormant balances to comply with the guidelines prescribed under COA Circular No. 2007-001 and the provisions in the MOA/Agreement;
- strengthen the monitoring controls on fund transfers to NGOs/POs;

b) Ensure that necessary provisions on control measures in the implementation of the project up to liquidation of funds are included in the Memorandum of Agreement with NGOs/POs for accountability purposes; and

c) Assign specific personnel to monitor and follow up utilization reports of fund transfers to NGOs/POs.

C. STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

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

Status of Implementation	No. of Recommendations
Fully Implemented	2
Partially Implemented	0
Not Implemented	0

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

D. ACKNOWLEDGEMENT

12. 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,

Marilyn B. Miran
MARILYN B. MIRAN
 OIC-Supervising Auditor
JCW DSWD Audit Group

Cc Cluster 6- 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

Annex A

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, 2016, 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.

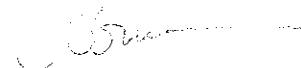
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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

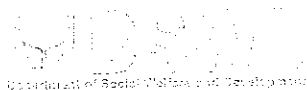
In our opinion, the financial statements present fairly, in all material respects the financial position of the **DSWD-Improving Access to Early Learning Through Community-Led Approach Project** and of its financial performance, statement of cash flows, and statement of net assets/equity for the year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

COMMISSION ON AUDIT


MARILYN B. MIRAN
State Auditor IV

Sec **DIC-Supervising Auditor** 

June 30, 2017



Annex B

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**
AusAID NCDDP Grant No. 70104

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, 2016** 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


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

Date Signed

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, 2016

	<u>NOTE</u>	<u>2016</u>	<u>2015</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	5	22,570,161.58	79,513,801.30
Receivables	7	27,294,886.80	160,430,595.22
Inventories	7.3	249,872.00	185,208.00
Total Current Assets		<u>50,120,920.38</u>	<u>240,164,584.32</u>
Non - Current Assets			
Property, Plant and Equipment	8	1,530,703.26	1,663,178.05
Other Non-Current Assets			160,941.00
Advances		-	-
Total Non-Current Assets		<u>1,530,703.26</u>	<u>1,824,119.05</u>
Total Assets		<u>51,651,623.64</u>	<u>241,988,703.37</u>
LIABILITIES			
Current Liabilities			
Financial Liabilities	10	78,677.86	1,067,481.43
Inter-Agency Payables	11	17,790.00	165,917.84
Other Payables	12	5,660.00	134,970.19
Total Current Liabilities		<u>102,127.86</u>	<u>1,368,369.46</u>
Total Liabilities		<u>102,127.86</u>	<u>1,368,369.46</u>
NET ASSETS/EQUITY			
Accumulated Surplus/(Deficit)		51,549,495.78	240,620,333.91
Total Net Assets/Equity		<u>51,549,495.78</u>	<u>240,620,333.91</u>
Total Liabilities and Net Assets/Equity		<u>51,651,623.64</u>	<u>241,988,703.37</u>


DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT
Statement of Financial Performance
Consolidated Central and Regional Offices
AUSAID-NCDDP-DFAT
For the Year Ended December 31, 2016

	<u>Note</u>	<u>2016</u>	<u>2015</u>
Revenue			
Service and Business Income	13	86,265.43	376,891.90
Total Revenue		<u>86,265.43</u>	<u>376,891.90</u>
Less: Current Operating Expenses			
Maintenance and Other Operating Expenses	14	10,010,282.22	22,550,142.74
Financial Expenses		876.50	678.32
Non-Cash Expenses		261,046.01	89,670.82
Total Current Operating Expenses		<u>10,272,204.73</u>	<u>22,640,491.88</u>
Surplus/(Deficit) from Current Operations		(10,185,939.30)	(22,263,599.98)
Net Financial Assistance/Subsidy	17	(33,577,801.72)	(64,714,084.64)
Gains		1,008.00	-
Losses		-	-
Surplus/(Deficit) for the period		<u>(43,762,733.02)</u>	<u>(86,977,684.62)</u>

Annex E



DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT
Statement of Cash Flows
Consolidated Central and Regional Offices
AUSAID-NCDDP-DFAT
For the Year Ended December 31, 2016

	2016	2015
Cash Flows From Operating Activities		
Cash Inflows		
Receipt of Notice of Cash Allocation	91,941.25	380,414.04
Collection of Income/Revenues	8,993,375.65	17,808,958.94
Receipt of Intra-Agency Fund Transfers	155,978.49	20,282.08
Other Receipts	2,536,802.33	139,459.36
Adjustments	11,778,097.72	18,349,114.42
Total Cash Inflows	<u>11,778,097.72</u>	<u>18,349,114.42</u>
Cash Outflows		
Payment of Expenses	8,454,808.57	19,076,289.95
Purchase of Inventories	147,268.07	616,865.95
Grant of Cash Advances	54,000.00	338,385.00
Payment of Accounts Payable	808,889.63	462,482.65
Remittance of Personnel Benefit Contributions and Mandatory Deductions	1,025,569.29	2,425,027.35
Grant of Financial Assistance/Subsidy	-	207,124,896.46
Release of Inter-Agency Fund Transfers	43,003.72	-
Release of Intra-Agency Fund Transfers	55,068,627.17	17,808,958.94
Other Disbursements	2,320,490.77	1,567,490.71
Adjustments	587,517.14	4,900.00
Total Cash Outflows	<u>68,510,174.36</u>	<u>249,425,657.01</u>
Cash Provided by (Used in) Operating Activities	<u>(56,732,076.64)</u>	<u>(231,076,542.59)</u>
Cash Outflows		
Purchase/Construction of Property, Plant and Equipment	212,353.02	-
Increase/(Decrease) in Cash and Cash Equivalents	<u>(212,353.02)</u>	<u>-</u>
Increase (Decreased) in Cash and Cash Equivalents	<u>(56,944,429.66)</u>	<u>(231,076,542.59)</u>
Effects of Exchange Rate Changes on Cash and Cash Equivalents		
Cash Balance, Beginning January 1, 2016	79,513,801.30	310,590,343.89
Cash Balance, Ending December 31, 2016	<u>22,569,371.64</u>	<u>79,513,801.30</u>

Annex F



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, 2016

	<u>2016</u>	<u>2015</u>
Balance at December 31, 2016	<u>240,620,333.91</u>	<u>327,599,896.57</u>
Changes in Accounting Policy		-
Restated Balance	<u>240,620,333.91</u>	<u>327,599,896.57</u>
Changes in Net Assets/Equity for 2016		-
Adjustment of net revenue recognized directly in net assets/equity	(145,308,105.11)	-
Surplus/(Deficit) for the period	(43,762,733.02)	(86,977,684.62)
Others	-	(1,878.04)
Balance at December 31, 2016	<u>51,549,495.78</u>	<u>240,620,333.91</u>

**NOTES TO FINANCIAL STATEMENTS
AUSAID-NCDDP - DFAT
CY 2016**

1. General Information/Agency Profile

The financial statements of Department of Social Welfare and Development-Office of the Secretary were authorized for issue on February 14, 2017 as shown in the Statement of Management Responsibility for Financial Statements signed by Director Deserec D. Fajardo, Director for Financial Management Service and Assistant Secretary Rodolfo Santos, , the Officer-in-Charge for General Administrative and Support Services.

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

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

The Department's vision is directed towards the attainment of a "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 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.

3.3 Cash and cash equivalents

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

3.4 Inventories

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

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

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

3.5 Property, Plant and Equipment

Recognition

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

The characteristics of PPE are as follows:

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

An item of PPE is recognized as an asset if:

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

Measurement at Recognition

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

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

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

Cost includes the following:

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

3.6 Changes in accounting policies and estimates

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

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

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

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

3.7 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.

3.8 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.

3.9 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.

3.10 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	2016	2015
Cash in Bank - Local Currency, Current Account	22,569,371.64	79,513,801.30
Cash - Treasury/Agency Deposit, Special	789.94	-
Total	22,570,161.58	79,513,801.30

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. 2003-005 dated November 21, 2003.

7. Receivables

Account Name	2016	2015
Due from National Government Agencies	78,853.71	34,979.80
Due from Non-Government Organizations/People's Organizations	27,216,033.09	160,430,595.22
Total	27,294,866.80	160,465,575.02

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

Funding Source	2016	2015
(07308603) Trust Fund - Custodial Funds - Trust Receipts - Receipts Deposited with Authorized Government Depository Banks (AGDB) - DFAT No. 70184	27,216,033.09	160,430,595.22
Total	27,216,033.09	160,430,595.22

8. Inventories

Account Name	2016	2015
Office Supplies Inventory	185,387.00	.00
Semi-Expandable, Furniture & Fixtures	64,485.00	.00
Total	249,872.00	.00

9. Property, Plant and Equipment

Property, Plant and Equipment for CY 2016 are summarized as follows:

Particulars	Office Equipment	Information and Communication Technology Equipment	Furniture, Fixtures and Books	Total
Carrying Amount, January 1, 2016 or Net book Value	42,000.00	1,766,327.00	65,750.00	1,874,077.00
Additions/Acquisitions				
Total	42,000.00	1,766,327.00	65,750.00	1,874,077.00
Less:				
Disposals				
Depreciation	8,645.00	(321,195.20)	(13,533.54)	(343,373.74)
Carrying Amount, December 31, 201 (As per Statement of Financial Position)	33,335.00	11,455,131.80	52,216.46	1,530,703.26

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

10. Other Assets

15.0 Advances

Account name	2016	2015
Advances to Special Disbursing Officer	6,000.00	.00
Advances to Officers and Employees	.00	.00
Total	6,000.00	.00

Advances to Special Disbursing Officers are amount granted to DSWD banded Disbursing Officers both Regular Disbursing Officers and Special Disbursing Officers to be used to special purpose/time-bound activities of the Department.

The balance of cash advances of Officers and Employees are intended for allowance to the official travel to region to provide TA in ensuing the closure of MCC ongoing SPs and to conduct site validation.

11. Financial Liabilities

Account Name	2016	2015
Accounts Payable	73,979.86	976,081.97
Due to Officers and Employees	4,698.00	91,399.46
Total	78,677.86	1,067,481.43

The Accounts Payable includes unreleased checks subject for reversion on the ensuing year and various claims of creditors as of December 31, 2016.

Due to Officers and Employees consist of unpaid salaries, fringe benefits, reimbursement of transportation and per diem and unclaimed checks as of December 31, 2016.

12. Inter-Agency Payables

Account Name	2016	2015
Due to BIR	13,850.00	150,617.84
Due to GSIS	.00	3,600.00
Due to Pag-IBIG	1,900.00	2,500.00
Due to Philhealth	1,800.00	4,800.00
Due to GOCCs	240.00	4,400.00
Total	17,790.00	165,917.84

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

Due to Pag-IBIG comprises of Pag-IBIG Premiums, Multi-Purpose Loan and Housing Loans and are also 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.

13. Other Payables

Account Name	2016	2015
Other Payables	5,660.00	134,970.19
Total	5,660.00	134,970.19

The Other Payables includes the members' contributions and loan payments to SWEMC, SWEAP, MBA, Prosper and SSS deducted from member's salaries and to be remitted in ensuing year.

14. Service and Business Income

Account Name	2016	2015
Fines and Penalties - Service Income	.00	549.28
Interest Income	86,265.43	376,342.62
Total	86,265.43	376,891.90

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

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

15. Maintenance and Other Operating Expenses

15.1 Traveling Expenses

Particulars	2016	2015
Traveling Expenses - Local	1,188,443.94	2,158,766.29
Total Traveling Expenses	1,188,443.94	2,158,766.29

Travelling expenses Local includes airfare, pre-travel, accommodation and daily subsistence allowance of DSWD Officials and Employees during travel on official business to attend various trainings seminars, consultation meetings for the period January to December 2016.

15.2 Training and Scholarship Expenses

Particulars	2016	2015
Training Expenses	687,000.00	1,635,750.68
Total Training and Scholarship Expenses	687,000.00	1,635,750.68

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.

15.3 Supplies and Materials Expenses

Particulars	2016	2015
Office Supplies Expenses	276,684.22	1,082,509.50
Accountable Forms Expenses	360.00	5,398.27
Fuel, Oil and Lubricants Expenses	29,450.00	140,714.40
Semi-Expendable Machinery & Equipment Expenses	16,939.25	0.00
Other Supplies and Materials Expenses	16,939.25	0.00
Total Supplies and Materials Expenses	340,372.22	1,228,622.17

15.4 Utility Expenses

Particulars	2016	2015
Water Expenses	0.00	350.75
Electricity Expenses	0.00	3,499.07
Total Utility Expenses	0.00	4,849.92

Water Expenses are payments to Maynilad Water Services, Inc. for the water consumption at KALAHI CIDDS Building.

Electricity Expenses are payments made to MERALCO for the electricity consumption at KALAHI CIDDS Building.

15.5 Communication Expenses

Particulars	2016	2015
Postage and Courier Services	0.00	175.00
Telephone Expenses	87,290.00	225,504.24
Internet Subscription Expenses	0.00	0.00
Total Depreciation Expenses	87,290.00	225,779.24

Postage and Courier represents payment made to the Philippine Postal Corporation for mailing services of various communications.

Telephone Expenses are payments made to the Philippine Long Distance Telephone Company (PLDT) for current charges of DSWD. Telephone (Landlines) lines. It also includes mobile expenses made to Globe Telecom, Inc. and Smart Communications, Inc. for Globe Amax and Smart BIZ load services corporate e-loading systems for use of DSWD

Officials and Employees who are Globe/Touch Mobile and Smart/Talk and Text subscribers. Also included the reimbursements of individual postpaid lines payments in lieu of prepaid card allocation.

15.6 Professional Services

Particulars	2016	2015
Consultancy Services	720,000.00	638,181.78
Other Professional Services	6,451,186.81	16,291,064.72
Total Professional Services	7,171,186.81	16,929,246.50

Consultancy Services includes payments 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.

15.7 Repairs and Maintenance

Particulars	2016	2015
Repairs and Maintenance-Bldgs.& Other Structures	45,000.00	0.00
Repairs and Maintenance-Machinery & Equipment	40,338.75	0.00
Total Repairs and Maintenance Expenses	85,388.75	0.00

15.8 Other Maintenance and Operating Expenses

Particulars	2016	2015
Printing and Publication Expenses	36,000.00	0.00
Representation Expenses	126,600.00	339,949.94
Rem/Lease Expenses	12,000.00	0.00
Other Maintenance and Operating Expenses	228,000.00	26,700.00
Total Other Maintenance and Operating Expenses	402,600.00	365,649.94

16. Financial Expenses

Account Name	2016	2015
Bank Charges	876.50	678.32
Total	876.50	678.32

17. Net Financial Assistance/Subsidy

Particulars	2016	2015
Subsidy from other NGAs	0.00	19,241,278.72
Subsidy from Central Office	8,491,693.02	0.00
Total Financial Assistance/Subsidy from NGAs, I.GUs	8,491,693.02	19,241,278.72

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

Particulars	2016	2015
Financial Assistance to NGAs	0.00	19,241,278.72
Subsidy to Regional Offices/Staff Bureaus	8,491,693.02	
Subsidies - Others	33,577,801.72	64,714,084.64
Total Financial Assistance/Subsidy to NGAs, LGUs	42,069,494.74	83,955,363.36
Net Financial Assistance/Subsidy	(33,577,801.72)	(64,714,084.64)

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.

**STATUS OF IMPLEMENTATION OF PRIOR YEARS'
AUDIT RECOMMENDATIONS
CY 2016**

Observations	Ref.	Management Comments/Actions Taken	Status of Implementation	Results of Auditor's Validation
<p><i>Unliquidated fund transfers to NGOs/POs</i></p> <p>1. 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 P160.431 million as of year-end.</p> <p>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.</p> <p>2. The National Project Management Office (NPMO)</p>	2015 CAAR		Fully Implemented	Liquidation was made in 2016 with P27,216,033.09 remaining balance

has not faithfully implemented the KC-NCDDP M & E System in reporting, monitoring and evaluating KALAH! 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.

Fully Implemented

With minimal unutilized balance of P22,569,371.64 or 4.62 percent of the 487,954,000.00 grants.