



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

Management Letter

on the

**Japan Social Development Fund
Grant for Improving Livelihood
Opportunities for Vulnerable Urban
Communities Project
Grant No.: TF097254**

Department of Social Welfare and Development

For the Year Ended December 31, 2014



Republic of the Philippines
COMMISSION ON AUDIT

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

CONFIDENTIAL

July 31, 2015

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. TF097254
Japan Social Development Fund: Grant for Improving Livelihood Opportunities for
Vulnerable Urban Communities Project
for the Calendar Year 2014**

1. Pursuant to the Grant Agreement No. TF097254 dated December 13, 2010 between the World Bank and the Republic of the Philippines, thru the Department of Social Welfare and Development, we have audited the accounts and operations of the *Japan Social Development Fund: Grant for Improving Livelihood Opportunities for Vulnerable Urban Communities (JSDF-LVUC) Project* for the period ended December 31, 2014. 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 teams led by Ms. Ma. Victoria C. Gregorio 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 2014 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 30, 2014 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 2014.

A. SUMMARY OF RECOMMENDATIONS

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

Unreliable Cash in Bank balances

- FO NCR to require the Accountant to (i) record the identified reconciling items; (ii) regularly prepare the monthly BRS for all bank accounts to determine the reconciling items and establish the existence and accuracy of the reported cash in bank balances; and (iii) trace and reconcile the differences between the recorded book and bank balances and effect immediately adjusting/correcting entries, if necessary; and thereafter submit the BRS to the Auditor within the prescribed period for review; and

Unliquidated fund transfers to NGOs POs

- demand the liquidation of funds transferred to Barangay communities for the KALAHI CIDSS-NCDDP.

B. DETAILED OBSERVATIONS AND RECOMMENDATIONS

Unreliable Cash in Bank balances

The Cash in Bank balance of Field Office NCR is unreliable due to discrepancy of ₱0.392 million between the book and confirmed bank balance.

6. Year-end confirmation of bank accounts of NCR showed a net variance of ₱392,082.23 between the book and bank balances due to non-preparation of Bank Reconciliation Statement, as shown below:

Account Name/No.	Amount		
	Book Balance	Bank Balance	Variance
NCR			
JSDF-LVUC	331,447.71	723,529.94	392,082.23

7. The reconciling items were not immediately identified and adjusted due to delayed non-preparation of BRS because the bank statements could not be found and the agency has to request from LBP re-issuance of the bank statements. The Accounting Section has updated lately the submission of the BRS to the Audit Team.

We recommended and the Secretary agreed to require the FO NCR Accountant to (i) record the identified reconciling items; (ii) regularly prepare the monthly BRS for all bank accounts to determine the reconciling items and establish the existence and accuracy of the reported cash in bank balances; and (ii) trace and reconcile the differences between the recorded book and bank balances and effect immediately adjusting/correcting entries, if necessary; and thereafter submit the BRS to the Auditor within the prescribed period for review; and

Unliquidated fund transfers to NGOs/POs

The delayed or non-liquidation of fund transfers resulted in the accumulation of the balance of the account *Due from NGOs/POs* in the amount of **₱0.452 million**.

8. COA Circular No. 2007-001 dated October 25, 2007, amending COA Circular No. 96-003 dated February 27, 1996, provides the following:

9. Section 4.5.3 (m) *The return by the NGO PO to the granting GO of any amount not utilized to complete the project, including interest, if any.*

10. Section 5.3 – *The signing official of the GO to the MOA shall cause close monitoring and inspection of project implementation and verification of financial records and reports of the NGO PO, and shall ensure compliance with the provisions of the MOA and the said Circulars. Fund releases are subject to liquidation through submission of FURs.*

11. 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.*

12. The amount of ₱451,978.00 of total outstanding balance of OSEC pertain to the unliquidated fund transfers to Barangay Communities for the KALAHI CIDSS-JSDF-LVUC. The KALAHI-CIDSS grants of ₱451,978.00 were funds to NGOs POs recorded

as *Subsidies-Others-Donations* for calendar year 2014, as recommended by COA, which to date, no liquidation has been reported and posted in the books of the DSWD.

13. The delayed or non-liquidation of fund transfers resulted in the accumulation of unliquidated fund transfers and the non-reliability of the balance of the account *Due from NGOs/POs* as appearing in the financial statements.

14. **We recommended and the Secretary agreed to direct the officials concerned to demand the liquidation of funds transferred to Barangay communities for the KALAHI CIDSS-JSDF-LVUC.**

C. STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

15. 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	1
Partially Implemented	
Not Implemented	

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

D. ACKNOWLEDGEMENT

17. 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.

18. We request a status report on the action taken on the audit recommendations within 60 days from the date of receipt hereof pursuant to Section 88, General Provisions of the General Appropriations Act FY 2014 using the attached Agency Action Plan and Status of Implementation (**Annex I**).

Very truly yours,


MARIBETH F DE JESUS
Supervising Auditor
DSWD Audit Group

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 - Matrix of Effect on the Financial Statements of the Accounting Errors and Deficiencies
- I - Status of Implementation of Prior Years’ Audit Recommendations
- J - 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 **Japan Social Development Fund Project - Livelihood Opportunities for Vulnerable Urban Communities Project** which comprise the statement of financial position as at December 31, 2014, 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.

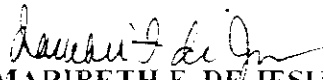
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or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

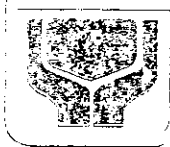
In our opinion, the financial statements present fairly, in all material respects the financial position of the **Japan Social Development Fund Project** and of its financial performance, statement of cash flows and statement of net assets/equity for the year then ended in accordance with Philippine Public Sector Accounting Standards.

COMMISSION ON AUDIT


MARIBETH F. DE JESUS

State Auditor V
Supervising Auditor

July 31, 2015



Republic of the Philippines
Department of Social Welfare and Development

1BP Road, Batasan Pambansa Complex, Constitution Hills, Quezon City 1126

Telephone Nos. (623) 931-8101 to 07; Telefax (632) 931-8191

E-mail: osec@dswd.gov.ph

Website: <http://www.dswd.gov.ph>


Annex B

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


JSDF Grant No. TF097254

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, 2014 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

APR 13 2014
Date Signed


MATEO G. MONTAÑO
Undersecretary, GASSG

APR 13 2014
Date Signed



DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT
Statement of Financial Position
Consolidated Central and Regional Offices
JSDF Grant No. TF097254
For the Period Ending December 31, 2014

	<u>NOTE</u>	<u>2014</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	4	13,380,873.86
Receivables	5	518,045.66
Inventories	6	21,643.22
Total Current Assets		<u>13,920,562.74</u>
Non - Current Assets		
Property, Plant and Equipment	7	1,250,427.97
Total Non-Current Assets		<u>1,250,427.97</u>
Total Assets		<u><u>15,170,990.71</u></u>
LIABILITIES		
Current Liabilities		
Financial Liabilities	8	58,968.99
Inter-Agency Payables	9	7,715.28
Total Current Liabilities		<u>66,684.27</u>
Non-Current Liabilities		
Other Payables	10	5,351.00
Total Non-Current Liabilities		<u>5,351.00</u>
Total Liabilities		<u>72,035.27</u>
NET ASSETS/EQUITY		
Accumulated Surplus/(Deficit)	11	15,098,955.44
Total Net Assets/Equity		<u>15,098,955.44</u>
Total Liabilities and Net Assets/Equity		<u><u>15,170,990.71</u></u>



DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT
 Statement of Financial Performance
 Consolidated Central and Regional Offices
 JSDF Grant No. TF097254
 For the Year Ended December 31, 2014

	<u>Note</u>	<u>2014</u>
Revenue		
Service and Business Income	12	32,067.91
Total Revenue		<u>32,067.91</u>
Less: Current Operating Expenses		
Maintenance and Other Operating Expenses	13	11,995,878.33
Financial Expenses	14	451.70
Non-Cash Expenses	15	375,931.83
Total Current Operating Expenses		<u>12,372,261.86</u>
Surplus/(Deficit) from Current Operations		<u>(12,340,193.95)</u>
Net Financial Assistance/Subsidy	16	20,565,083.48
Gains	17	8,456.43
Losses	17	(1,292,975.13)
Surplus/(Deficit) for the period		<u>6,940,370.83</u>



DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT
Statement of Cash Flows
Consolidated Central and Regional Offices
JSDF Grant No. TF097254
For the Year Ended December 31, 2014

	<u>NOTE</u>	<u>2014</u>
Cash Flows From Operating Activities		
Cash Inflows		
Receipt of Notice of Cash Allocation	18	82,040,001.82
Collection of Income Revenues		32,067.91
Receipt of Intra-Agency Fund Transfers		6,561,849.00
Total Cash Inflows		<u>88,633,918.73</u>
Cash Outflows		
Payment of Expenses	19	(12,814,549.80)
Purchase of Inventories		(8,522.60)
Remittance of Personnel Benefit Contributions and Mandatory Deductions		(294,473.91)
Grant of Financial Assistance/Subsidy	20	(61,474,918.34)
Release of Intra-Agency Fund Transfers	21	(6,561,849.00)
Other Disbursements		(1,308,624.79)
Total Cash Outflows		<u>(82,462,938.44)</u>
Cash Provided by (Used in) Operating Activities		6,170,980.29
Cash Flows from Investing Activities		
Cash Outflows		
Total Cash Outflows		<u>-</u>
Cash Provided By (Used In) Investing Activities		-
Effects of Exchange Rate Changes on Cash and Cash Equivalents		8,456.43
Total Cash Provided by Operating, Investing and Financing Activities		6,170,980.29
Add: Cash Balance, Beginning January 1, 2014		7,201,437.14
Cash Balance, Ending December 31, 2014		<u>13,380,873.86</u>

Annex F



DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT
Statement of Changes in Net Assets/Equity
Consolidated Central and Regional Offices
JSDF Grant No. TF097254
For the Year Ended December 31, 2014

	<u>2014</u>
Balance at December 31, 2013	8,737,998.11
Changes in Accounting Policy	
Restated Balance	<u>8,737,998.11</u>
Changes in Net Assets/Equity for 2013	
Adjustment of net revenue recognized directly in net assets/equity	(579,413.50)
Surplus/(Deficit) for the period	<u>6,940,370.83</u>
Total recognized revenue and expense for the period	<u>6,360,957.33</u>
Balance at December 31, 2014 carried forward	<u>15,098,955.44</u>

NOTES TO FINANCIAL STATEMENTS
Fund 171 – JSDF
CY 2014

1. General information

Department of Social Welfare and Development – Social Inclusion Project and Livelihood Opportunities for Vulnerable Urban Communities Project Social Inclusion Project (JSDF-SIP).

The Livelihood Opportunities for Vulnerable Urban Communities Project is a grant funded by the Japan Social Development Fund through the World Bank under Grant Agreement No. TF097254 dated December 13, 2010. The project aims to improve employment and livelihood opportunities for approximately 3,750 households in targeted poor urban communities affected by the financial crisis. The project shall use a participatory, community-driven approach to enable targeted urban poor groups to define the combination of interventions (employment generation and business development) most suited to help them cope with the shocks brought about by the Global Economic Crisis. The approach would partner communities with a well-established NGO with a track record of providing cost-effective services for community social enterprise development to the poor.

Grant Data

Project Name	<i>Improving Livelihood Opportunities for Vulnerable Urban Communities Project</i>
Executing Agency	<i>Department of Social Welfare and Development</i>
Grant No.	<i>TF097254</i>
Grantor	<i>International Bank for Reconstruction and Development/ International Development Association (“World Bank”)</i>
Funding Source	<i>Japan Social Development Fund</i>
Amount of Grant	<i>U.S. \$3,000,000.00</i>
Grant Agreement Signing Date	<i>December 13, 2010</i>
Effectivity Date	<i>January 14, 2011</i>
Closing Date (Original)	<i>December 31, 2013</i>
Closing Date (Revised 1 st)	<i>December 31, 2014</i>
Closing Date (Revised 2 nd)	<i>December 31, 2015</i>
Total Project cost	
Availment Period	<i>Two (2) years</i>

Project Components

Components	Output Indicators	Cost ₱M	Target at the end of Project	
			Original	Revised
Component 1: Community Grants	Cash-for-work schemes for up to 3,750 households	80	3,750 HHs	
	Community enterprise plans from 75 urban poor communities		Plans prepared in 75 communities	
Component 2: Capacity Building And Enterprise Development	Community mobilization activities completed in 75 urban poor areas	6	75 communities to complete mobilization activities	
	200 people from community associations provided		200 trainees	

Components	Output Indicators	Cost PM	Target at the end of Project	
			Original	Revised
	with core training in local enterprise planning			
CONSULTANCY		29.6		
GOODS		2.4		
IOC		2		
Total		120		

Financial Profile

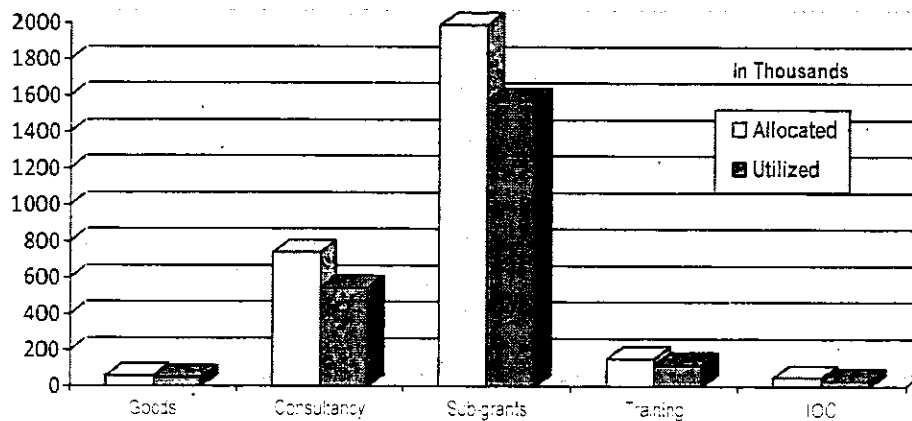
A. Pursuant to the Grant Agreement, the fund is intended to finance the following:

Category	Allocation (USD)	Percentage of Expenditures to be Financed (inclusive of Taxes)
1. Goods	60,000	100%
2. Consultants' Services	590,430	100%
3. Sub-grants	2,137,500	100%
4. Training	158,430	100%
5. Incremental Operating Costs	53,640	100%
Total	3,000,000	100%

B. Grants Disbursement Status ending December 2014 (in US\$)

PROJECT CATEGORY	ALLOCATION	UTILIZED	DISBURSEMENT RATE	UNUTILIZED
GOODS	60,000.00	50,810.34	85%	9,189.66
CONSULTANTS' SERVICES	740,430.00	545,602.71	74%	194,827.29
SUB-GRANTS	1,987,500.00	1,576,467.00	79%	411,033.00
TRAINING	158,430.00	123,270.72	78%	35,159.28
INCREMENTAL OPERATING COSTS	53,640.00	34,540.70	64%	19,099.30
WORKING FUND	-	633,166.88	-	(633,166.88)
TOTAL PROJECT COST	3,000,000.00	2,963,858.35	99%	36,141.65

NOTE: REALIGNMENT OF ALLOCATION USD 150,000 FROM SUB-GRANTS TO CONSULTANTS' SERVICES (WITH LETTER TO DOP DTD. 06/03/14)



2. Statement of compliance and basis of preparation

- 2.1 The consolidated financial statements of the DSWD have been prepared in accordance with generally accepted government accounting principles and pertinent laws, rules and regulations and comply with the Philippine Public Sector Accounting Standards (PPSAS).
- 2.2 Accounts were converted to conform to the Revised Chart of Accounts (RCA) for National Government Agencies under Commission on Audit Circular No. 2013-002 dated January 30, 2013.
- 2.3 The financial statements are presented in Philippine Pesos which is the functional and reporting currency of the agency.
- 2.4 The agency implemented the Enhanced eNGAS version 2.0 in December, 2014 to comply with the PPSAS, Unified Accounts Codes Structure (UACS) and the Revised Chart of Accounts.
- 2.5 The financial statements have been prepared on the basis of historical cost, unless stated otherwise.
- 2.6 The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flows statement is prepared using the direct method. The consolidated financial statements are prepared on an accrual basis.

3. Summary of significant accounting policies

- 3.1 The agency uses Accrual Basis of Accounting – All expenses are recognized when incurred and reported in the financial statements in the period to which they relate. Income is recorded upon receipt.
- 3.2 The cost of ending inventory of Office Supplies and Materials and other inventory items are computed using the Moving Average Method in accordance with PPSAS.
- 3.3 Supplies and Materials Purchased for inventory purposes and recorded using the Perpetual Inventory System in accordance with PPSAS.
- 3.4 All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. All other repair and maintenance costs are recognized in expenses as incurred.
- 3.5 Depreciation on assets is charged on a straight-line basis over the useful life of the asset. The residual value is computed at five percent effective January 1, 2014.

<u>Account Name</u>	<u>Est. Life</u>
Buildings	20-30 years
Office Equipment	5 years
Furniture and Fixtures	10 years

Information and Communication Technology Equipment	5 years
Books	5 years
Communication Equipment	10 years
Construction and Heavy Equipment	10 years
Disaster Response and Rescue Equipment	7 years
Medical Equipment	10 years
Sports Equipment	5 years
Technical and Scientific Equipment	10 years
Other Machinery and Equipment	10 years
Motor Vehicles	7 years
Other Property, Plant and Equipment	5 years

3.6 Intangible assets acquired separately are initially recognized at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

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

Computer Software	5 years
-------------------	---------

3.8 Payable Accounts are recognized and recorded in the book of accounts only upon delivery and acceptance of the goods/inventory/other assets and rendition of services to the agency.

3.9 Income receipts which the agency are not authorized to use and are required to be remitted to the National Treasury are recorded in the National Government (NG) Books. However, Interest income from current bank accounts of projects funded by foreign donors were required to be reported and refunded back to the grantor in compliance with the provisions of the financial manual or grant agreements.

3.10 A foreign currency transaction is recorded, on initial recognition in the Philippine peso, by applying to the foreign currency amount the exchange rate between the functional currency and the foreign currency at the date of the transaction.

3.11 Unrealized gains and losses arising from changes in foreign currency exchange rates are not cash flows. However, the effect of exchange rate changes on cash and cash equivalents held in a foreign currency is reported in the cash flow statement in order to reconcile cash and cash equivalents at the beginning and the end of the period. This amount is presented separately from cash flows from operating, investing and financing activities, and includes the differences, if any, if those cash flows had been reported at end of period exchange rates.

3.12 Correction of fundamental errors of prior years are done by adjusting the Accumulated Surplus/(Deficit) beginning balance account. Fundamental errors affecting current year's operation are charged to the current year's accounts.

4. Cash and Cash equivalents

Account Name	Code	CY 2014
Cash in Bank - Local Currency, Current Account	10102020	515,286.94
Cash in Bank - Foreign Currency, Savings Account	10103030	12,864,586.92
Total		<u>13,380,873.86</u>

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

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

5. RECEIVABLES

Account Name	Code	CY 2014
Due from National Government Agencies	10303010	66,049.66
Due from Officers and Employees	10305020	18.00
Due from Non-Government Organizations/People's Organizations	10305030	451,978.00
Total		<u>518,045.66</u>

Due from NGAs represents the amount paid in advance for supplies to Procurement Service and subject for liquidation.

The **Due from NGOs/POs** for CY 2014 includes transfers to Barangay communities.

6. INVENTORIES

Inventory items of the Department include the following:

Account Name	Code	Amount
Office Supplies Inventory	10404010	21,643.22
TOTAL		<u>21,643.22</u>

The Account Office Supplies Inventory consist of office supplies purchased during the project implementation.

7. PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment for CY 2014 are summarized as follows:

Account Name	Code	Cost at January 1, 2014	Additions	Disposals	Transfer/Adjustment	Cost at December 31, 2014
Office Equipment	10605020	491,900.00				491,900.00
Information and Communication Technology Equipment	10605030	1,643,019.50				1,643,019.50
Communication Equipment	10605070	23,980.00				23,980.00
Less: Accumulated Depreciation						(908,471.53)
Total						1,250,427.97

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

8. Financial Liabilities

The Accounts Payable of P58,968.99 represents the various claims of creditors as of December 31, 2014.

9. Interagency Payables

Due to BIR of P7,715.28 consists of income tax deducted from employees and are remitted during the ensuing year.

10. Other Payables

Other Payables of P5,351.00 includes various claims of other individual creditors/suppliers.

11. Accumulated Surplus/Deficit

<u>Account Name</u>	<u>Code</u>	<u>CY 2014</u>
Accumulated Surplus/Deficit	30101010	15,098,955.44
Total		15,098,955.44

Accumulated Surplus/(Deficit) is the residual interest, which was the excess of the Department's assets over its liabilities. This account was used in lieu of the Government Equity account.

12. Service and Business Income

<u>Account Name</u>	<u>Code</u>	<u>CY 2014</u>
Interest Income	40202210	32,067.91
Total		32,067.91

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

13. Maintenance and Other Operating Expenses

<u>Account Name</u>	<u>Code</u>	<u>CY 2014</u>
Traveling Expenses - Local	50201010	149,230.74
Training Expenses	50202010	2,019,377.30
Office Supplies Expenses	50203010	9,912.00
Telephone Expenses	50205020	18,194.53
Consultancy Services	50211030	2,800,000.00
Other Professional Services	50211990	6,865,451.76
Representation Expenses	50299030	89,937.50
Other Maintenance and Operating Expenses	50299990	44,774.50
Total		11,995,878.33

Traveling Expenses - includes accommodation and daily subsistence allowance of DSWD Officials and Employees during travels on official business to attend various trainings/seminars, consultation meetings for the period January to December 2014.

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.

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 are reimbursement of individual postpaid lines payments in lieu of prepaid card allocation.

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.

14. Financial Expenses

<u>Account Name</u>	<u>Code</u>	<u>CY 2014</u>
Bank Charges	50301040	451.70
Total		451.70

The account Bank Charges generally refers to the charges imposed by the bank for various services rendered.

15. Non-Cash Expenses

<u>Account Name</u>	<u>Code</u>	<u>CY 2014</u>
Depreciation - Machinery and Equipment	50501050	84,332.43
Depreciation - Other Property, Plant and Equipment	50501990	291,599.40
Total		<u>375,931.83</u>

The Depreciation for Machinery and Equipment, Other Property, Plant and Equipment are periodic cost allocation for the wear and tear the Department's PPE.

16. Net Financial Subsidy

<u>Account Name</u>	<u>Code</u>	<u>CY 2014</u>
Subsidy from National Government	40301010	82,040,001.82
Subsidies - Others	50214990	61,474,918.34
Total		<u>20,565,083.48</u>

The account Subsidy from National Government pertains to NCA received from DBM for Operating Requirements.

The account Subsidies – Others pertains to transfer of community grants for the implementation of sub-projects.

17. Gains/Losses

<u>Account Name</u>	<u>Code</u>	<u>CY 2014</u>
Gain on Foreign Exchange (FOREX)	40501010	8,456.43
Loss on Foreign Exchange (FOREX)	50504010	(1,292,975.13)
Total		<u>(1,284,518.70)</u>

Gains on Foreign Exchange results from the translation of foreign currency into the presentation currency which the Philippine peso was using the prevailing exchange rate at every end of the period. This is the excess of current exchange rate (closing rate) at the reporting date over the rate initially or previously recognized multiplied by the balance of the foreign currency account.

Loss on Foreign Exchange (FOREX) are results from the translation of foreign currency into the presentation currency which was the Philippine peso using the prevailing exchange rate at every end of the period. This is the excess of the rate initially or previously recognized over current exchange rate (closing rate) at the reporting date multiplied by the balance of the foreign currency account.

18. Receipt of Notice of Cash Allocation

The total receipt of notice of cash allocation to cover operating requirements for the implementation of various programs projects activities, replenishment of Working Fund for the program and project loan support.

19. Payment of Expenses

This refers to payments of maintenance and other operating expenses and financial expenses.

20. Grant of Financial Assistance/Subsidy

This refers to payments of financial assistance for assistance to individuals in crisis situation as a result of the adoption of the e-NGAS version 2.0 and 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.

21. Release of Intra-Agency Fund Transfers

This pertains to cash outflows for transfer of subsidy and capital seed fund to Field Offices.

Department of Social Welfare and Development
Project: JSDF Grant No. TF097254
Status of Implementation of Prior Years' Audit Recommendations

Observations	Ref.	Management Comments/Actions Taken (Update as of May 2015)	Results of Auditor's Validation
<p><i>Purchases of IT Equipment in the amount of ₱1,861,055.66 in 2013 out of KALAHI-MCC, JSDF and AusAid Funds were without prior approval by the National Government Offices contrary to COA-DBM Joint Circular No. 2-97.</i></p> <p>We recommend that the Management to:</p> <p>a) Submit to NCC, the list of procured IT Equipment and Software with their specifications together with its purposes and usage sourced from the said grants for their information and comments; and</p> <p>b) Close monitoring and supervision be undertaken by the National Project Monitoring Committee to ensure the proper implementation procurement of the projects in compliance with the guidelines on Foreign Assisted Projects</p>	2013 CAAR	Management to implement COA recommendations prospectively.	Implemented with the submission of the 5-year information strategic plan to Information Computer Technology Office

ACTION PLAN MONITORING

Sector: National Government Sector, Cluster 6 - Health and Science

Team: Prepared by _____ Date _____

Agency Audited: Department of Social Welfare and Development

Audit Period: Reviewed by _____ Date _____

AAR Date: Approved by _____ Date _____

CAAR Ref	Audit Observation	AGENCY ACTION PLAN and STATUS of IMPLEMENTATION				RESULTS of COA VALIDATION					
		Action Plan	Person/ Dept. Responsible	Target 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
2014	<u>Audit Observation</u> <i>Recording errors/omissions resulting in misstatement of Cash in Bank balances</i>	<u>Audit Recommendations</u> FO NCR to require the Accountant to (i) record the identified reconciling items; (ii) regularly prepare the monthly BRS for all bank accounts to determine the reconciling items and establish the existence and accuracy of the reported cash in bank balances; and (iii) trace and reconcile the differences between the recorded book and bank balances and effect immediately adjusting/correcting entries, if necessary; and thereafter submit the BRS to the Auditor within the prescribed period for review; and									

CAAR Ref	Audit Observation	AGENCY ACTION PLAN and STATUS of IMPLEMENTATION				RESULTS of COA VALIDATION					
		Action Plan	Person/ Dept. Responsible	Target 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
	<p>Audit Recommendation</p> <ul style="list-style-type: none"> demand the liquidation of funds transferred to Barangay communities for the KALAHATI CUDSS-JSDI-LVUC 										
	<p><i>Unliquidated fund transfers to NGOs/POs</i></p>										