



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

Management Letter

on the

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

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

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

Department of Social Welfare and Development

For the Year Ended December 31, 2016

Peeters *Paolo Jr*
Carabalin

JUL 04 PM 9:57

July 3, 2017

MS. PIA PEETERS
Sr. Social Development Specialist
Social, Urban, Rural and Resilience
The Worldbank
Bonifacio Global City, Taguig

Dear **Ms. PEETERS**:

We are submitting the Audited Financial Report for the period January 1 to December 31, 2016 for the KALAHI CIDSS-NCDDP Loan No. 8335-PH. Please be informed that the said document was only released by the Commission on Audit today, July 03, 2017.

We hope you find the documents in order.

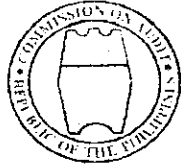
Very truly yours,

Emmanuel A. Leyco

EMMANUEL A. LEYCO
Undersecretary, GASSG

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General Administration and Support Services



Republic of the Philippines
COMMISSION ON AUDIT

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

CONFIDENTIAL

June 27, 2017

Honorable Judy M. Taguiwalo

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

Madam:

Management Letter on the Audit of the Loan No. 8335-PH: Kapitbisig Laban sa Kahirapan-Comprehensive and Integrated Delivery of Social Services Project (KALAHI-CIDSS) – National Community Driven Development Project (NCDDP) World Bank/ International Bank for Reconstruction and Development (IBRD) Loan for the Calendar Year 2016

1. Pursuant to the Loan Agreement No. 8335-PH dated April 2, 2014, between the World Bank (WB)/ International Bank for Reconstruction and Development (IBRD) and the Republic of the Philippines, thru the Department of Social Welfare and Development, we have audited the accounts and operations of the *Kapitbisig Laban sa Kahirapan-Comprehensive and Integrated Delivery of Social Services Project (KALAHI-CIDSS) – National Community Driven Development Project (NCDDP)* for the period ended December 31, 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 teams led by Auditor June L. Van Schoonneveldt, 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 2016 and significant accounting policies and other explanatory information or the Notes to Financial Statements 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 DSWD funded thru WB/IBRD Bank Loan No. 8335-PH, viz:

PROJECT	Completed	NYS	On-going	Grand Total
Basic Access Infrastructure Sub-Projects	1,447	304	500	2,251
Basic Social Services	1,924	251	417	2,592
Community Production, Economic Support and Common Service Facilities	706	71	144	921
Environmental Protection & Conservation Sub-Projects	815	135	153	1,103
Others	76	5	9	90
Skills Training and Capability Building Sub-Projects	32			32
Grand Total	5,000	766	1,223	6,989

Details as follows:

PROJECT	No. of SPs	No. of Direct HH Beneficiary	KC Grant	LCC	TOTAL
Basic Access Infrastructure Sub-Projects	2,251	622,199	2,951,161,658.33	218,355,816.08	3,169,517,474.41
Bridge (may include box culvert/ drainage as a component of bridge)	210	73,232	290,002,181.73	25,099,340.46	315,101,522.19
Footpath / Foot Trail / Access Trail (may include box culvert/drainage as a component for Footpath)	403	77,968	422,835,089.91	24,939,741.80	447,774,831.71
Road (may include box culvert/drainage as a component for road)	1,638	470,999	2,238,324,386.69	168,316,733.82	2,406,641,120.51
Basic Social Services	2,592	687,227	2,707,005,506.55	215,923,236.09	2,922,928,742.64
Barangay Hall	61	12,325	34,695,076.84	1,413,235.51	36,108,312.35
Church / Chapel / Congregation Building	64	11,832	30,995,704.54	217,460.81	31,213,165.35
Day Care Center	465	83,462	351,527,890.20	37,544,290.32	389,072,180.52
Electrification / Lighting	343	115,955	287,472,701.72	14,144,274.45	301,616,976.17
Health Station	501	150,748	427,928,363.24	36,338,229.21	464,266,592.45
School Building	615	188,374	914,890,653.34	67,195,351.67	982,086,005.01
Tribal Housing / Core Shelter	6	967	7,046,999.43	361,279.75	7,408,279.18
Water System	537	123,564	652,448,117.24	58,709,114.37	711,157,231.61
Community Production, Economic Support and Common Service Facilities	921	277,238	1,012,317,845.88	67,269,468.38	1,079,587,314.26
Boat	7	1,976	6,652,345.46	549,175.25	7,201,520.71
Community Center / Multi-Purpose Bldg	493	156,360	583,557,569.33	30,434,324.83	613,991,894.16
Livelihood Equipment / Building / Center (sq. m. for buildings/center and unit for equipments)	71	20,332	58,618,572.87	6,345,715.45	64,964,288.32

PROJECT	No. of SPs	No. of Direct HH Beneficiary	KC Grant	LCC	TOTAL
Livelihood Training	8	1,018	7,291,892.60	528,950.72	7,820,843.32
Miniport / Wharf / Fishlanding	19	4,268	25,196,532.39	357,218.51	25,553,750.90
Multi-Purpose Vehicle (Land)	5	6,103	4,839,781.25	74,021.75	4,913,803.00
Pre & Post Harvest Facilities	214	51,204	216,246,387.36	19,833,562.35	236,079,949.71
Public Market	29	13,492	27,632,666.70	2,594,146.49	30,226,813.19
Small Scale Irrigation	20	2,466	28,328,131.53	2,021,450.22	30,349,581.75
Training & Learning Center / Facility	55	20,019	53,953,966.39	4,530,902.81	58,484,869.20
Environmental Protection & Conservation SPs	1,103	306,873	1,292,630,697.93	72,084,255.85	1,364,714,953.78
Flood Control / River Control (including Box Culvert/Drainage/Canal intended to reduce or prevent flooding)	765	221,453	850,074,433.39	46,988,139.44	897,062,572.83
Riprap Wall / Slope Protection / Erosion Control	99	31,485	124,370,598.57	6,739,836.93	131,110,435.50
Sanitary Toilets	76	11,020	76,620,708.19	7,220,856.20	83,841,564.39
Seawall	137	35,770	206,916,331.15	9,651,900.19	216,568,231.34
Solid Waste Management Facilities	2	534	2,928,753.26	64,268.00	2,993,021.26
Spillway / Overflow Bridge	23	5,971	31,097,155.75	1,414,074.03	32,511,229.78
Tree Planting	1	640	622,717.62	5,181.06	627,898.68
Skills Training and Capability Building SPs	32	15,792	6,133,562.43	289,292.60	6,422,855.03
Capability Bldg / Training / Feasibility Studies	32	15,792	6,133,562.43	289,292.60	6,422,855.03
Others	90	40,726	79,254,555.91	1,851,541.86	81,106,097.77
Disaster Response / Rescue Equipment /Tools	60	28,812	53,431,428.15	660,333.43	54,091,761.58
Other / For classification (sq.m. for buildings, unit for equipment, workers for Cash for works)	11	4,940	10,857,834.15	445,308.93	11,303,143.08
Perimeter Fence	18	6,860	14,851,293.19	745,899.50	15,597,192.69
Railings	1	114	114,000.42		114,000.42
Grand Total	6,989	1,950,055	8,048,503,827.03	575,773,610.87	8,624,277,437.90
Beneficiaries of 5 SPs not yet determined					
*1 Component 1-Barangay Community Sub-Grants is P6,380,158,868.84 as of 12/31/16 per FOs Statement of Sources and Uses of Funds, thus, the above KC-Grants is overstated by P1,668,344,958.19 due to deficient reporting and monitoring per observation/finding no. 15					

Financial Highlights

6. WB/IBRD Loan No. 8335-PH Disbursement Status ending December 2016 (in US\$):

PROJECT CATEGORY	ALLOCATION	UTILIZED	DISBURSEMENT RATE	UNUTILIZED
Grants	380,192,500.00	146,051,014.26	38%	234,141,485.74
Goods/Consultancy/IOC	97,610,000.00	55,468,298.36	57%	42,141,701.64
Front End Fee	1,197,500.00	1,197,500.00	100%	
Working Fund	-	17,261,805.98		(17,261,805.98)
Total Project Cost	479,000,000.00	219,978,618.60	46%	259,021,381.40

A. SUMMARY OF OBSERVATIONS and RECOMMENDATIONS

7. The following are the significant observations and recommendations:

- a) The weak internal control in the processing and release of checks, resulted in the loss of government funds amounting to P838,653.24.

We recommended that the DSWD Secretary require the persons liable to:

- **refund/recover the amount representing irregular disbursements amounting to ₱838,653.24;**
- **conduct necessary investigation to and initiate legal action against the erring employees if warranted;**
- **revisit/review the current internal control procedures within the FCD and make the necessary improvements in order to fill-up the loopholes which has been taken advantage by the perpetrators to accomplish their illegal acts.**

- b) Accountable forms without money value totaling 102 representing commercial checks issued by the LBP were not presented upon request and were not accounted in the Report of Accountability of Accountable Forms for CY 2016, thus resulting to unauthorized use and loss of government funds amounting to P367,141.92.

We recommended and the DSWD Secretary agreed to require the Accountable Officer (Cashier) to submit justification/explanation of the unaccounted checks and why it was not reported immediately to proper authorities.

- c) The non-liquidation of WB/IBRD loan funded transfers to various NGOs/POs resulted in the accumulation of the account balance of approximately ₱2.43 billion or 38.08 per cent of the total community grants as of year-end.

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

- **Direct Accounting Division to:**
 - ✓ **continuously 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;**

- 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
 - Assign specific personnel to monitor and follow up utilization reports of fund transfers to NGOs/POs.
- d) The agency employed the services of various Technical Service Providers (TSP) and paid an aggregate amount of ₱1,281,216.99 for the year 2015 and ₱10,140,262.51 for the period January to July 2016, in violation of COA Circular No. 85-55A dated September 8, 1985 as restated under COA Circular No. 2012-003 dated October 29, 2012, resulting to extravagant and unnecessary use of government funds. (FO X)

We recommended that the DSWD Regional Director at FO X strictly comply with the provision of the KC-NCDDP Program Procurement Guidelines on hiring and selection of TSPs to facilitate the attainment of project development objectives and avoid the disallowance of the expenditure.

- e) Increase in the salaries of the KALAHI Specialists/Consultants have no basis since there was no rebidding conducted nor was there any stipulations in the TOR. Moreover no performance evaluation was made before the consultants are rehired. (FO X)

We recommended that the Regional Director strictly adhere to the provisions of the TOR and a periodic evaluation before rehiring made to assess the performance of the consultant.

- f) As of December 31, 2016 KC-NCDDP-WB/IBRD funded SPs registered a Physical accomplishment of 71.54 percent and exceeding the 70.00% KC-NCDDP Results Framework per loan agreement, thus the objective of the project to provide target beneficiaries of improved access to services and infrastructure and to participate in more inclusive management planning, budgeting and implementation in their community had been generally achieved.

We commend the DSWD Secretary and PMO for exerting efforts to facilitate completion of targeted projects, however for the uncompleted SPs, we recommended that the Secretary and PMO require the concern ACTs and RPMOs personnel to:

- Regularly monitor the on-going and unimplemented SPs and determine the causes of delays and address the issues and concerns to fast track the completion of the SPs;

- Furnish the BSPMCs with the list of good standing contractors and suppliers and blacklist erring contractors and suppliers;
 - Require the BSPMCs to strictly adhere to the KALAHI policy as to the prescribed period of project implementation by the timely submission of the requests for fund release and supporting documents;
 - Fast track the downloading of community grants to BSPMC; and
 - Avoid reshuffling of project personnel within the period of implementation, if feasible.
- g) Five SPs under the KC-NCDDP-WB/IBRD costing ₱22,189,550.00 were found to have deficiencies/issues, due to failure of RPMO/SRPMO as well as project proponents to monitor and resolve project issues, thus may compromise the efficient and effective use of the facility and not in keeping with KC-NCDDP Community Empowerment Activity Cycle and Monitoring and Evaluation Sub-Manual for Program Implementer.

We recommended and the DSWD Secretary agreed to require the concerned FO ACT/RPMO personnel to:

- Closely monitor, supervise and provide technical assistance to the BSPMC during project implementation and immediately correct the defects/deficiencies noted for the full continuity and functionality of the SPs for the benefits of the intended beneficiaries;
 - Strictly implement the provision of storage facilities before the delivery of the construction materials at the site to secure these materials; and
 - Hold accountable the RPMO/ACT/BSPMC who will be found remiss in the monitoring and evaluation of the SPs.
- h) Validation of the community grant to BSPMC amounting to ₱88,712,418.25 funded under the KC-NCDDP-WB/IBRD loan showed a difference of ₱2,944,423.62 as against the KC-NCDDP report due to deficient reporting and monitoring mechanism of projects, thus affecting the accuracy of the reported project accomplishments to various stakeholders.

We reiterate our last year's recommendation that the DSWD Secretary require the concerned FO to:

- instruct the ACTs to properly monitor the status of SPs implementation within their area of responsibilities and ensure that all information/reports are accurate , complete, and consistent with Program standards; and
 - conduct reconciliation of unrecorded community grants in the KC-NCDDP Report vis-à-vis in the books of BSPMC and ensure that project reports are validated before these are issued to various stakeholders.
- i) The lack of capacity building initiatives for Operations & Maintenance (O & M) group and non-compliance with KC post implementation regulations diminished the efficiency and effectivity of project monitoring and reporting to ensure sustainability of completed projects.

We recommended and the DSWD Secretary agreed to require the concerned FO:

- O&M groups thru RPMO/Area Coordinating Team submit necessary documents (such as Policies and Guidelines) to concerned LGUs for group accreditation and assistance in the proper utilization and maintenance of the SPs; and
- RPMO/ Monitoring and Evaluation Team, ACT to conduct capacity building initiatives and trainings to ensure that O&M groups are equipped to manage SPs.

B. DETAILED OBSERVATIONS AND RECOMMENDATIONS

Financial and Compliance

Weak internal control over check processing and releases

8. The weak internal control in the processing and release of checks, resulted in the loss of government funds amounting to ₱838,653.24.

8.1 *Sound internal control dictates that procedures over disbursements should be in place and followed to ensure that government funds are safeguarded against loss or wastage through illegal or improper disposition.*

8.2 Section 2 of P.D. No. 1445 otherwise known as the "State Audit Code of the Philippines" provides that "*It is the declared policy of the State that all resources of the government shall be managed, expended or utilized in accordance with laws and regulations, and safeguarded against loss or wastage through illegal or improper disposition, with a view to ensuring efficiency,*

economy and effectiveness in the operation of government. The responsibility to take care that such policy is faithfully adhered to rests directly with the Chief or Head of the government agency concerned.

8.3 Section 4 paragraph (6) likewise states that. "Claims against government funds shall be supported with complete documentation."

8.4 Examination of the Bank Reconciliation Statements (BRs), Disbursement Vouchers (DVs) and the corresponding Subsidiary Ledger (SL) of the transactions of KC-NCDDP-IBRD for CY 2015-2016 showed that:

a) Twelve (12) Checks were issued to a payee who is different from the payee stated in the approved DVs and SLs and deposited to Planters Bank, Tungkong Mangga Account No. 0077900349 an account, to wit:

Table 1. List of Checks with deficiencies

Check No.	Date	Payee		Amount	Date deposited/ negotiated	Remarks	
		DV	Check				
1)	262085	12/01/2015	E-Copy Corp.	Raquel Ramos	₱10,674.76	Dec. 16, 2015	No receiving signature
2)	262134	12/16/2015	Melanie L. Sison	Raquel Ramos	103,891.92	Dec. 17, 2015	
3)	262046	11/06/2015	Meralco	Raquel Ramos	60,000.00	Nov. 11, 2015	
4)	262063	11/16/2015	MCSA Marketing	Raquel Ramos	10,106.91	Nov. 17, 2015	No receiving signature
5)	262064	11/16/2015	La Breza Hotel	Raquel Ramos	69,174.37	Nov. 17, 2015	No receiving signature
6)	262301	09/11/2015	-	Raquel Ramos	91,875.00	Sept. 16, 2015	No receiving signature
7)	261950	09/16/2015	La Breza Hotel	Raquel Ramos	91,875.00	Sept. 28, 2015	
8)	261826	07/15/2015	Fog Horn Inc.	Raquel Ramos	111,375.00	Aug. 4, 2015	
9)	262345	01/24/2015	-	Raquel Ramos	111,375.00	July 23, 2015	
10)	276194	03/08/2016	Maria Ligaya Laura O. Morales	Raquel Ramos	58,305.28	Mar. 10, 2016	
11)	262123	12/10/2015	-	Raquel Ramos	60,000.00	Mar. 2, 2016	Blank per Cash book and Not issued per RC
12)	276202	03/10/2016	-	Raquel Ramos	60,000.00	Mar. 10, 2016	
Total					₱838,653.24		

b) Seven (7) checks were not supported with the general requirements for disbursements as prescribed by COA Circular No. 2012-001 (e.g. CAF, DV):

Table 2. List of Checks without supporting documents

Check		Payee	Amount	Date deposited/ negotiated	Remarks
Date	No.				
Dec. 3, 2015	262099	Melanie L. Sison	₱103,891.92	Jan. 18, 2016	Appearing to be double payment of Consultancy fees for the period Oct to Nov. 2015 due to the issued Check No. 262134 to Raquel Ramos.
Mar. 14, 2016	276222	Maria Ligaya Laura O. Morales	58,305.28	Mar. 21, 2016	Appearing to be double payment of Consultancy fee for the period Jan. 1-31, 2016, due to the issued Check No. 276194 to Raquel Ramos.
Jan. 24, 2015	262345	Raquel Ramos	111,375.00	July 23, 2015	Without supporting papers/ Not in the series of RAAF/logbook
Sept. 11, 2015	262301	Raquel Ramos	91,875.00	Sept. 16, 2015	Without supporting papers/ Not in the series of RAAF/logbook
Jan. 13, 2016	262221	Meralco	60,000.00	Jan. 15, 2016	Without supporting papers
Dec. 10, 2015	262123	Raquel Ramos	60,000.00	Mar. 2, 2016	Without supporting papers
Mar. 8, 2016	276202	Raquel Ramos	60,000.00	Mar. 10, 2016	Without supporting papers
Total			₱545,447.20		

c) Check Releasing logbook were not properly accomplished. There were 89 checks issued in the logbook without payee names, amounts and receiving signatures thus not in keeping with sound internal control policies and also resulted to unaccounted releases of checks vis-à-vis RAAF;

d) There were sampled checks issued amounting to ₱2,090,398,121.76 without specific Field Office numbers which resulted to deposit of Check No. 251201 to LBP Account No. 3122-1024-31 instead of Account No. 1452-1052-80 of DSWD Field Office 07, thus needed to return back to the Head Office account for change of payee name. The subject control weakness resulted to delays in the implementation of project to the disadvantage of targeted beneficiaries.

8.5 In view of the above observations we issued Notice of Disallowance nos. 2016-02-102 (2015) (NCDDP) dated July 21, 2016 amounting to P660,347.96, 2016-03-102(2015-2016) (NCDDP) dated August 25, 2016 amounting to P178,305.28 and 2017-01-FAPS (2015) dated April 27, 2017 amounting to P29,312.01.

8.6 We recommended that the DSWD Secretary require the persons liable to:

- a) **refund/recover the amount representing irregular disbursements amounting to ₱838,653.24;**
- b) **conduct necessary investigation to and initiate legal action against the erring employees if warranted;**
- c) **revisit/review the current internal control procedures within the FCD and make the necessary improvements in order to fill-up the loopholes which has been taken advantage**

Undisposed checks of closed accounts

9. Accountable forms without money value totaling 102 representing commercial checks issued by the LBP were not presented upon request and were not accounted in the Report of Accountability of Accountable Forms for CY 2016, thus resulting to unauthorized use and loss of government funds amounting to P367,141.92.

9.1 Section 17 (k) of Government Accounting Manual (GAM) provides that *Report of Accountability for Accountable Forms (RAAF) shall be prepared by the Accountable Officer to report on the movement and status of accountable forms in his/her possession. The accountable forms include those with or without face value.*

9.2 Inventory of checks at Cash Division on July 12, 2016 showed that the following checks of KC-NCDDP-IBRD with LBP Account No. 3122-1024-40 were not accounted in the RAAF:

Check Series	Quantity
262099	1
262123	1
262301-262400	100
TOTAL	102

9.3 Verification to the Report of Checks Issued for CYs 2014 to 2016 revealed that the above checks were not among the checks negotiated or used to pay DSWD expenditures, however verification of the bank reconciliation statement submitted showed that four of the above series were negotiated in the bank, to wit:

Table 3 List of unaccounted checks but Negotiated

Check No.	Date issued	Amount	Payee	Date of encashment/ deposit
262345	01/24/2015	111,375.00	Raquel Ramos*	July 23, 2015
262301	09/11/2015	91,875.00	Raquel Ramos*	Sept. 16, 2015
262123	12/10/2015	60,000.00	Raquel Ramos*	Mar. 2, 2016
262099	12/03/2015	103,891.92	Melanie L. Sison	Jan. 18, 2016
TOTAL		367,141.92		

*With ND issued

9.4 In a letter dated March 15, 2017 to the LBP Batasan branch, we requested for snapshots of negotiated checks pertaining to KC-NCDDP-IBRD with LBP Account No. 3122-1024-40. The LBP replied that the Banks's system can only hold snapshots up to a maximum of 2 months after which these are automatically purged from the system. What they can provide are Bank Statements which are already in the custody of the audit unit.

9.5 The failure of the cashier to account the above missing checks resulted in the unauthorized use and misappropriation of government funds amounting to P367,141.92. The corresponding Notice of Disallowance was issued under ND No. 2016-02-102 (2015) (NCDDP) dated July 21, 2016 amounting to P660,347.96.

9.6 We recommended that the Management require the Accountable Officer (Cashier) to submit justification/explanation of the unaccounted checks and why it was not reported immediately to proper authorities

Management Comment:

9.7 The Management thru Cash Division issued STOP Payment Order to LBP to prevent the unauthorized usage of the remaining unissued check of said booklet.

9.8 The DSWD requested the assistance of the National Bureau of Investigation on this matter.

9.9 The DSWD already strengthen the internal control within the Financial Management Service -- Cash and Accounting Divisions in the processing of the financial transactions and in addition, the following were undertaken:

- a) All unused checks are now kept in the vault and can only be accessed by the Chief Administrative Officer of Cash Division;
- b) Inventory of unused check is being done on a monthly basis;
- c) Maintaining a logbook for the release of new checkbooks wherein all releases are being logged and acknowledged by the concerned Cashiers.

Unliquidated Fund Transfers-Due from NGOs/POs

10. The non-liquidation of WB/IBRD loan funded transfers to various NGOs/POs resulted in the accumulation of the account balance of approximately ₱2.43 billion or 38.08 per cent of the total community grants as of year-end.

10.1 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.

10.2 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 thereof 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.

10.3 Verification of SL balances of the Receivables-Due from NGOs/POs disclosed an accumulated balance of ₱2.42 billion or 38.08 per cent of the total community grants funded under the WB/IBRD loan as of December 31, 2016, the details of which are summarized in the table below:

Table 4 Status of Liquidation (WB/IBRD)

Region	Total Community Grants per Barangay (Community) Sub-Grants as of 12/31/16	Liquidation	Balance (per TB as of 12/31/16)	% Unliquidated
CAR	161,023,305.82	119,575,410.03	41,447,895.79	25.74
I	78,207,518.69	37,316,355.64	40,891,163.05	52.29
III	42,618,699.61	27,363,976.20	15,254,723.41	35.79
IVA	221,958,971.34	194,507,648.72	27,451,322.62	12.37
IVB	170,246,123.50	151,124,152.29	19,121,971.21	11.23
V	743,605,185.07	573,748,229.04	169,856,956.03	22.84
VI	571,325,447.18	233,467,158.29	337,858,288.89	59.14
VII	829,060,352.51	162,525,373.76	666,534,978.75	80.40
VIII	457,573,713.23	301,631,685.59	155,942,027.64	34.08
IX	971,894,880.76	773,974,754.44	197,920,126.32	20.36
X	712,809,684.24	278,745,909.73	434,063,774.51	60.89
XI	418,089,983.60	248,113,524.31	169,976,459.29	40.66
XII	538,266,505.55	409,478,285.25	128,788,220.30	23.93
Caraga	463,478,497.74	438,824,530.70	24,653,967.04	5.32
Total	6,380,158,868.84	3,950,396,993.99	2,429,761,874.85	38.08

10.4 The non-liquidation of fund transfer resulted in the non-recording of the appropriate transaction which tends to overstate the accounts affected.

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

a) **Direct Accounting Division to:**

- continuously 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.**

10.6 Management commented that the status of unliquidated fund transfers after December 31, 2016, are as follows:

FOs	Management Comments
CAR	<p>Project personnel commented that teams previously assigned in the provinces to monitor the projects have been pulled out in 2016 when the projects have been completed. After the pull-out, very minimal follow up has been done on the liquidation of the funds, hence the past due balances.</p> <p>Also, management commented that efforts are being intensified in following up liquidation of the fund transfers.</p>
I	<p>The issue of those unliquidated amounts which were reported as bank charges, the Accountant will require the BSPMC head a certification that the balances unliquidated were bank charges for these to be considered as liquidation of the same, in adherence with the recommendation made by the audit team. Accordingly, all the Kalahi BUB projects that were enumerated thereto were already liquidated on December 2016.</p>
IV-B	<p>Sending of quarterly demand letters is being done regularly and that close monitoring of all unliquidated fund transfer is being adopted. Project Officers conducted consultation with project implementers and accountants during official filed visit to NGOs/POs.</p>
VI	<p>Management comments are as follows:</p> <ul style="list-style-type: none"> • The issue has been raised in the Management Committee meeting and reiterate on the participation of programs/projects concerned on the monitoring and collection of liquidation reports of NGOs/POs and the inclusion of necessary provision in the MOA

FOs	Management Comments
	for accountability purposes: <ul style="list-style-type: none"> • The CY 2016 fund transfers are with on-going project implementation; • DSWD Team created for the monitoring and collection of reports from LGUs will conduct the same activities from NGOs/POs.

Technical Service Providers

11. DSWD FO X employed the services of various Technical Service Providers (TSP) and paid the amount of P11,421,479.50 for CY 2015 and 2016, in violation of COA Circular No. 85-55A dated September 8, 1985 as restated under COA Circular No. 2012-003 dated October 29, 2012, resulting to extravagant and unnecessary use of government funds.

11.1 COA Circular No. 2012-003, Updated Guidelines for the Prevention and Disallowance of Irregular, Unnecessary, Excessive, Extravagant and Unconscionable Expenditure” provides:

4.1 “Unnecessary” Expenditures pertain to expenditures which could not pass the test of prudence or the diligence of a good father of a family, thereby denoting non-responsiveness to the exigencies of the service. Unnecessary expenditures are those not supportive of the implementation of the objectives and mission of the agency relative to the nature of its operation. This would also include incurrence of expenditure not dictated by demands of good government, and those the utility of which cannot be ascertained at a specific time. An expenditure which is not essential or that which can be dispensed with without loss or damage to property is considered unnecessary. The mission and thrusts of the agency incurring the expenditures must be considered in determining whether or not an expenditure is necessary.

4.2 “Extravagant” Expenditures signifies those incurred without restraint, judiciousness and economy. Extravagant expenditures exceed the bounds of propriety. These expenditures are immoderate, prodigal, lavish, luxurious, grossly excessive, and injudicious.

11.2 Review of the agency’s transactions amounting to P11,421,479.50 showed that DSWD employed the services of Technical Service Providers (TSP) during the year 2015 and 2016, to assist and hasten the implementation of KALAHI CIDSS projects.

11.3 Upon monitoring and validation of KC-NCDDP projects, inquiries were made regarding the performance of aforementioned technical service providers

and how the same were procured by the agency. It was found that the availment and procurement of TSPs were regionally managed. One source revealed that they were given the preference on whether to select TSP from their community or they want it regionally managed. Everyone opted to be regionally managed because KALAHII consultants/staff explained to LGUs that there will be no more hassles if they will be the one to hire for them as compared to community based wherein they will process various documents.

11.4 However, upon further inquiry, it was known that one of the causes of the delay in the implementation of the projects is the late submission of the TSPs of the designs and plans of the proposed projects. It was also known that the plans, other reports submitted by the TSPs were at times erroneous, and that KALAHII engineers assigned in the field were the ones who did the corrections of the mistakes upon instruction of the Regional Office's consultants to speed up the project implementation and collection of payment.

11.5 The above instances clearly showed that there is no need to hire and employ TSPs since there are DSWD personnel who can do the job.

11.6 Moreover, the KC-NCDDP's manual on Program Procurement Guidelines For NPMO and RPMO procedures culminates the process in the "*Preparation and Signing of Final Contract*".

11.7 Verification revealed that there was no Contract of Services entered into by and between DSWD and the TSP. Supporting documents attached to the Disbursement Vouchers are Request for Quotation/Proposal Form for TAF, Terms of Reference Engagement of Technical Service Provider, Letter of Invitation to Quote, Certification for the processing of payment of the TSP, Abstract of Canvass and Resolution of LGUs to avail of TAF for hiring TSPs through regionally managed.

11.8 We recommended that the FO Director refrain from Technical Service Providers (TSPs) for tasks that can be done by DSWD personnel.

11.9 We likewise recommend that the FO Human resource personnel/BAC strictly adhere to the provisions of the TOR and a periodic evaluation before rehiring made to assess the performance of the consultant.

11.10

Management Comment/s:

11.11 In response to above observation in connection with KALAHII CIDSS NCDDP engagement with Technical Service Provider (TSP) using Technical Assistance Fund (TAF) in Region 10, the following justifications were provided:

- a) The KALAHI CIDSS National Community – Driven Development Program (KC-NCDDP) covers 847 target municipalities in 58 provinces in 14 regions of the country. Scaling-up the KALAHI-CIDSS, the KC-NCDDP increases the KALAHI-CIDSS geographical coverage by more than 250% where DSWD Field Office 10 has a target of 83 municipalities covering 414 barangays for FY 2015 and 1,151 barangays for FY 2016 respectively. In addition to increased geographic coverage, another increase of subprojects are also expected with the introduction of another modality by the program to address fast early recovery and rehabilitation assistance to the affected municipalities using an accelerated implementation process where 100% of the calamity affected barangays has the entitlement to avail sub-projects thus, hiring of Technical Service Provider to augment the Technical Facilitators using KC NCDDP Technical Assistance Fund (TAF) is deemed necessary.
- b) With reference to the guidelines on the Use of Technical Assistance Fund (TAF) for KALAHI CIDSS-NCDDP dated November 7, 2014, the TAF can be accessed in two modalities using the Community managed TAF and Regional Managed TAF. While it is true that only few municipalities opted for the community managed procurement and others were procured using regionally managed process, the management is vehemently denying that there was no misinformation or any manipulation just to employ regionally managed TAF for the advantage of the community. As part of the process, the Barangay Sub-Project Management Committee were given the first privilege to look for local based TSP to engaged with. The procurement for regional managed TAF was only initiated when the BSPMC failed to submit inventories of local TSP to the Regional Program Management Office (RPMO) as basic reference for hiring local TSP. As an outcome for the non-availability of local TSP, the concerned Municipal Inter-Barangay Forum (MIBF) and Municipal Development Council (MDC) issued a resolution addressed to RPMO to initiate a regionally managed procurement consistent with the process stipulated in TAF guideline dated November 7, 2014.
- c) In accordance to the Term of Reference (TOR) of the TSP as attached in the Contract of Service, the scope and deliverables are limited only and specific to the provision stated in sections A & B: that “technical assistance in the implementation that includes profile and topographic/hydrographic surveys for the site of proposed sub-project and consequently the preparation of site development plan, detailed engineering plan, program of works, detailed cost estimates. Construction specification and structural analysis, if applicable.” While Section C of the Contract of Service specified that “in cases when there is need to correct/change the technical documents the same will be returned to the TSP for enhancement/corrections and be made within the specified schedule.” Section C Contract of Service, clearly explained that the TSP output and deliverables are first submitted in the form of draft copies or

electronic copies to Area Coordinating Team (ACT) and are subjected for Technical Facilitator's enhancement and correction. In most cases, the Technical Facilitator being the first hand end-user of the TSP outputs, he/she has the discretion to adjust and finalize technical design based on the budgetary requirements and cost parameters and prevailing technical standards set forth by the KALAHI CIDSS NCDDP. Our record shows that the identified gaps that caused for the delay of sub-project implementation are not only attributed to the TSP but as well as by the Technical Facilitator's failure to timely complete the given tasked for the finalization of technical documents vis-à-vis the issuance of clearances and certificates to process TSP payment at the RPMO level.

Auditor's rejoinder

11.12 The employment of the services of various TSPs can be evaded since DSWD KALAHI personnel can handle the work that the TSPs are doing per evaluation, thus we maintain our recommendation that KC-NCDDP-RPMO refrain from hiring additional TSP.

11.13 The Terms of Reference attached is not a contract. It is merely a pro-forma form of the agency, enumerating the general information of the proposed project, objective, scope and deliverables, terms and conditions, and others which does not bind the TSP or any third party in case of default or non-performance. Thus, there is a need for the execution of the contract before engaging the services of the TSP for the protection of the interest of the government.

Salary Increases

12. Increase in the salaries of the KALAHI Specialists/Consultants have no basis since there was no rebidding conducted nor was there any stipulations in the TOR. Moreover no performance evaluation was made before the consultants are rehired. (FO X)

12.1 Consultant is a natural or juridical person, qualified by appropriate education, training and relevant experience to render any or all of the types and fields of consulting services. Consulting services refer to services for Infrastructure Projects and other types of projects or activities of the Government requiring adequate external technical and professional expertise that are beyond the capability and/or capacity of the government to undertake such as, but not limited to: (i) advisory and review services; (ii) pre-investment or feasibility studies; (iii) design; (iv) construction supervision; (v) management and related services; and (vi) other technical services or special studies. The services of consultants may be engaged by any procuring entity for government projects or related activities of such magnitude and/or scope as would require a level of expertise or attention beyond the optimum in-house capability of personnel.

12.2 The Agency has six specialists/consultants under the KALAHII Program, namely:

Designation	Salary/Month
Regional Community Infra Specialist	P 82,324.00
Deputy Regional Program Manager	69,630.00
Regional Financial Analyst	71,104.00
Regional Community Dev't Specialist	71,104.00
Regional Monitoring & Eval. Specialist	64,482.00
Regional Capability Building Specialist	59,708.00

12.3 Individual consultants must be accredited by the umbrella organization of consultants which are recognized by the government which will served as their registration. The umbrella organization may submit files of accredited consultants to the BAC of the procuring entity. Our evaluation showed that the consultants/specialists hired were on individual basis who are not registered as such.

12.4 The DSWD KALAHII-CIDSS: National Community Driven Development Program (KC-NCDDP) has their own Program Procurement Guidelines for NPMO and RPMO under a Memorandum issued from the Secretary and the National Program Director for KD-NCDDP regarding the use of KC-NCDDP Component 2 & 3 Procurement Guidelines in the Procurement of Goods/Non-Consulting Services and Consulting Services. Under that guidelines, hiring of consultants/specialists was very clear from bidding to issuance of terms of reference(TOR) but there was no information with regards to renewal of contracts. In the scope of work under the TOR it is very clear that in either selection method, the estimated staff months required should be indicated.

12.5 Further, review and evaluation revealed that:

- a) the consultants/specialists have become regular consultants of the agency;
- b) the work they are performing are not very technical that any hired engineer under the program can do their tasks;
- c) the contracts have no stipulations relative to increases in salaries and payment in the Contract, provides a ceiling which states that this amount has been established based on the understanding that it includes all of the Consultant's costs and profits and including any tax obligation that may be imposed on the Consultant;
- d) there is no performance evaluation made for each one to determine the necessity as well as their capability as the basis of renewing their contracts.

12.6 In view of the above observations, the grant of salary increase to the aforementioned consultants is bereft of legal basis.

12.7 **We recommended that the FO Director refrain paying additional/increase of salaries to consultants without legal basis and strictly adhere to the provisions of the TOR and a periodic evaluation before rehiring made to assess the performance of the consultant.**

Management Comment/s

12.8 In a letter received on October 11, 2016, management commented that it is clearly specified in the memorandum from DSWD Secretary and National Project Director for KC-NCDDP dated July 7, 2014 and duly amended by memorandum dated August 18, 2014 that for the purpose of standardization of Consultancy Rate, the following is the basis in the allocation and computation:

- a) An equivalent position in the government was determined for reach consultancy position indicated in the approved KC – NCDDP staffing plan on the basis of the scope and complexity of the tasks and responsibilities enumerated in the approved Term of Reference (TOR);
- b) A 20% premium was added to the existing salary grade under step 1 of the equivalent position in the government as indicated in the fourth tranche monthly salary schedule for Civilian Personnel of the National Government effective June 1, 2012 issued by the Office of the President;
- c) A 5% step increment for every two (2) years of service was applied in consideration of services rendered by the individual consultants to the project overtime determined as follows:

POSITION	MONTHLY SALARY						
	Step 1 1 st – 2 nd yr	Step 2 3 rd yr	Step 3 4 th yr	Step 4 5 th yr	Step 5 6 th to 7 th yr	Step 6 8 th to 9 th yr	Step 7 11 th yr & up
DRPM (NCDDP & MCC)	69,630	73,106	76,758	80,608	84,634	88,880	93,324
RCDS, RCIS, RFA, RME	64,482	67,716	71,104	74,668	78,408	82,324	86,438
DEPUTY RCDS, RCIS, RFA (for MCC) RCBS	59,708	62,700	65,846	69,146	72,600	76,230	80,058

- d) The initial or entry rate of the Consultant/Specialist is determined on the number of years of service from the first engagement when he/she signed the contract as consultant staff with KALAHI CIDSS;
- e) This consultancy rate has been duly approved between the department's Secretary and funding agencies: World Bank and Asian Development

Bank (ADB) with consequently the issuance of the No Objection Letter (NOL);

- f) This consultancy rate is implemented and applied in the 15 regions in the country, thus, Specialists/Consultants in Region 10 are not only subjected with this rate, but also specialists in other regions.

Auditor's Rejoinder:

12.9 The increase in the salaries of the KALAH I Specialist/Consultants are not valid and binding in the absence of a contract stipulating it and the step increment cannot be applied to the consultants since they are not covered by the Salary Standardization law.

10% Compliance Audit of KC-NCDDP

13. As of December 31, 2016 KC-NCDDP-WB/IBRD funded SPs registered a Physical accomplishment of 71.54 percent and exceeding the 70.00% KC-NCDDP Results Framework per loan agreement, thus the objective of the project to provide target beneficiaries of improved access to services and infrastructure and to participate in more inclusive management planning, budgeting and implementation in their community had been generally achieved.

13.1 The Intermediate Outcome Indicators for the CY 2015 per the Results Framework of KC-NCDDP states that, 70% of NCDDP community projects should be completed in accordance with technical plans, schedule and budget.

13.2 As of CY 2016 the KALAH I-CIDSS – National Community-Driven Development Program (NCDDP) funded by WB/IBRD loan has approved Community Grants for the implementation of Sub-projects with total cost of P9,111,472,563.18 for 6,989 SPs to be implemented nationwide. Per report of accomplishment submitted by the Project Management Office (PMO), the DSWD has accomplished 5,000 or 71.54 of its targeted SPs. Details per Region is shown below:

Table 5 Status of Physical and Financial Accomplishment

RO	Approved Budget per 2015 & 2016 WFP	Target No. of SPs	Completed No. SPs	KC Grant of Completed SPs	% of Accomplishment	
					Physical	Financial
CAR	396,302,219.73	232	86	107,573,430.48	37.07	27.14
I	108,167,192.93	96	58	48,439,038.83	60.42	44.78
III	78,071,025.20	22	20	26,093,100.00	90.91	33.42
IV-A	282,197,407.62	354	276	182,430,741.01	77.97	64.65
IV-B	281,223,254.69	149	112	138,094,359.09	75.17	49.10
V	1,423,506,578.62	617	279	413,031,936.77	45.22	29.02
VI	579,793,053.74	266	194	151,181,650.51	72.93	26.08
VII	918,772,290.98	730	516	583,461,029.40	70.68	63.50

RO	Approved Budget per 2015 & 2016 WFP	Target No. of SPs	Completed No. SPs	KC Grant of Completed SPs	% of Accomplishment	
					Physical	Financial
NIR	255,708,500.00*	377	276	319,408,372.40**	73.21	**
VIII	991,280,954.65	1,360	1,092	593,605,188.68	80.29	59.88
IX	1,119,159,129.90	1,077	1,038	972,478,595.71	96.38	86.89
X	952,450,833.08	606	307	358,043,987.22	50.66	37.59
XI	513,014,431.05	303	165	217,392,145.00	54.46	42.38
XII	648,905,919.64	385	241	357,544,417.78	62.60	55.10
CARAGA	562,919,771.35	415	340	428,381,538.39	81.93	76.10
TOTAL	9,111,472,563.18	6,989	5,000	4,897,159,531.27	71.54	53.75

* 2016 WFP only, as Negros Island Region (NIR) was part of VI & VII in 2015. ** Financial accomplishment of NIR included 2015 & 2016

13.3 As gleaned from the above table, the program only registered a 53.75 percent financial accomplishment due to the non-downloading of 10% project cost representing contingency fund of some projects and other causes discussed on the later part of this observation.

13.4 To validate the above accomplishment, the audit team selected six regions with materiality as criteria and employed the following audit procedures:

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

13.5 The results of validation disclosed that of the total 63 SPs selected 108 or 95.58 percent was completed, 4 or 4.54 percent are going and 1 not yet started, to wit:

Table 6 Validation Results per Region

Field Office	Validation		Completed				On-Going		
	No. of SPs	Project Cost	No. of SPs	Project Cost	Financial %	Physical %	No. of SPs	Project Cost	%
V	13	24,643,152.88	10	18,453,502.88	74.88	76.92	3	6,189,650.00	23.08
VIII	18	13,531,998.24	18	13,531,998.24	100.00	100.00			
XI	10	9,673,733.00	10	9,673,733.00	100.00	100.00			
Caraga	32	57,545,877.50	31	42,626,470.50	74.07	96.88	1	14,919,407.00	3.12
Total	73	105,394,761.62	69	84,285,704.62	79.97	94.52	4	21,109,057.00	5.48

13.6 As deduced from the table above, the physical accomplishment of the field offices (FO) was 94.52 percent with a financial accomplishment of 79.97 percent meeting the 70 percent target set in the Results Framework of KC-NCDDP. As for the on-going vis-à-vis the project cost of 5.48 percent are well within the

marginal letdown. Interview revealed the following perennial causes of delays in the implementation of the program:

- a) Bad weather condition, especially to communities in the shoreline or islands;
- b) Procurement documents not immediately prepared by the SPMC;
- c) Limited contractors and suppliers within the area and/or their reluctance to engage in community SP implementation due to costly hauling of materials especially to far-flung areas, thus the frequent failure of bidding/canvass; and
- d) Reshuffling of project personnel

13.7 In Region XI, 10 sub-projects costing P9,673,733.00 have failed to meet specific targeted completion date stipulated in the contracts with a delayed implementation ranging from 26 days to a maximum of sixty four (64) calendar days.

13.8 Moreover, we noted that funds for approved projects amounting P7,894,034.37 were not released by the FOs, thus contributing to the unaccomplished SPs in CY 2016 and depriving the concerned community of the benefits due them.

13.9 While we noted some challenges in the implementation of the SPs, the completion of the prioritized projects gave the community-beneficiaries access to basic social services, infrastructures and other benefits due them, thus the objective of the project to the target beneficiaries for improved access to services and infrastructure and to participate in more inclusive management planning, budgeting and implementation in their community had been generally achieved.

13.10 We commend the DSWD PMO for exerting efforts to facilitate competition of targeted projects, however for the uncompleted SPs, we recommend that the Management require the concern ACTs and RPMOs personnel to:

- a) Regularly monitor the on-going and unimplemented SPs and determine the causes of delays and address the issues and concerns to fast track the completion of the SPs;**
- b) Furnish the BSPMCs with the list of good standing contractors and suppliers and blacklist erring contractors and suppliers; and**
- c) Require the BSPMCs to strictly adhere to the KALAHI policy as to the prescribed period of project implementation by the timely submission of the requests for fund release and supporting documents;**
- d) Fast track the downloading of community grants to BSPMC; and**

- e) Avoid reshuffling of project personnel within the period of implementation, if feasible.


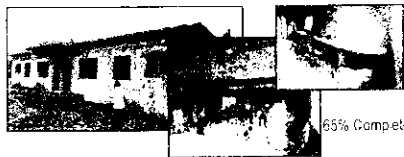
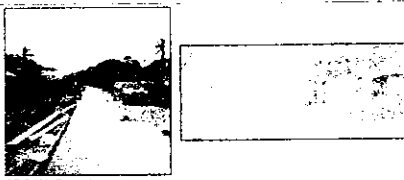
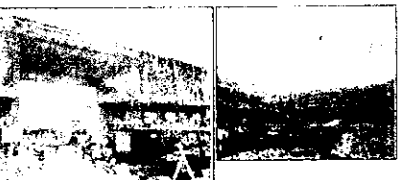
SPs with deficiencies


14. Five SPs under the KC-NCDDP-WB/IBRD costing P22,189,550.00 were found to have deficiencies/issues, due to failure of RPMO/SRPMO as well as project proponents to monitor and resolve project issues, thus may compromise the efficient and effective use of the facility and not in keeping with KC-NCDDP Community Empowerment Activity Cycle and Monitoring and Evaluation Sub-Manual for Program Implementer.

14.1 The Manual provides that the Sub-Regional Project Monitoring Officer conducts field visits for monitoring of SPs implementation activities. Also, in the M & E Sub-Manual for Program Implementer specifically provides that implementers should conduct operations or implementation monitoring to address compliance that focuses on monitoring and assessing if a project, program or policy is being executed.

14.2 During the validation, we noted that five SPs were with deficiencies that may compromise the efficient and effective use of the facility with the corresponding comment from the Management, to wit:

Table 7. Summary of Validated SPs with Deficiencies

No.	SP	Location	Project Cost	Deficiencies/Issues-Management Comment	Photos
1)	Construction of one (1) unit Day Care Center building (WB/IBRD)	San Lucas, Caabanga, Camarines Sur	799,084.00	Non operational. Completion of the SPs is already taking more than 17 months. SP completed as 12/26/2016	
2)	Construction of Evacuation Center cum Training Center (WB/IBRD)	Brgy. 1 (POB), Gatchlorona, Camarines Sur	2,200,000.00	Non-downloading of P220,000.00 balance. Completion of the SPs is already taking more than 17 months. 99 of grants have been downloaded, 99.95% of which have been utilized. SP physical progress is at 91.80%. 3rd tranche request for release (RFR) submitted as April 2017	 65% Complete
3)	Construction of Scouted Barangay (WB/IBRD)	Santa Domingo, Caabanga, Camarines Sur	1,100,000.00	Non-downloading of 237,467.93 balance. Implementation of SP is already taking 17 months to complete. SP completed as 01/02/2017	 67.84% Complete
4)	Construction of 1 Unit Health Evacuation Center (WB/IBRD)	Pagtipayan (Bacon), Hnabuan, Sorsogon Sur	14,379,467.00	CASE was filed against the Contractor for Breach of Contract liability of BSPMC to handle large amount of fund implementation of SP is already taking 17 months to complete. The Contractor filed Breach of Contract against OSWC Regional Office, LGU of Hnabuan, SOS and BSPMC of Hnabuan, Sorsogon. The hearing was held April 25 2016 at the Camarines Industry, Agriculture Commission (CIAC) at Masad City resulted to the submission of Technical resolutions and Legal Memorandum dated April 25 2016 as basis to give release on the case. Amount released is 63% with 80.95% financial progress.	

No.	SP	Location	Project Cost	Deficiencies/Issues-Management Comment	Photos
5.	Health Center/Birthing Center (WR/IBRD)	Baray, Pandanigan, Governor Generoso, Davao Oriental	1,389,193.00	Not yet turned over to the Barangay for more than a year. Not functional and not yet complete in terms of facilities. Not maintained that may lead to the sub-optimal impairment. the Barangay Captain did not accept the final report due to failure of the contractor to repair various defects. The noted deficiencies were already addressed by the concerned LGUs through the Area Coordinating Teams and the Volunteers.	

14.3 The failure of RPMO as well as project proponents to monitor and resolve project issues resulted to the uncorrected and unreported deficiencies in the project implementation and completion, thus affecting the satisfactory project completion and maximum utilization of SPs.

14.4 We recommended and the DSWD Secretary agreed to require the concerned FO ACT/RPMO personnel to:

- a) **Closely monitor, supervise and provide technical assistance to the BSPMC during project implementation and immediately correct the defects/deficiencies noted for the full continuity and functionality of the SPs for the benefits of the intended beneficiaries;**
- b) **Strictly implement the provision of storage facilities before the delivery of the construction materials at the site to secure these materials; and**
- c) **Hold accountable the RPMO/ACT/BSPMC who will be found remiss in the monitoring and evaluation of the SPs.**

Deficient Reporting

15. Validation of the community grant to BSPMC amounting to P88,712,418.25 funded under the KC-NCDDP-WB/IBRD loan showed a difference of P2,944,423.62 as against the KC-NCDDP report due to deficient reporting and monitoring mechanism of projects, thus affecting the accuracy of the reported project accomplishments to various stakeholders

15.1 Per Operations Manual of the KC-NCDDP, the ACT will prepare and submit reports thru the Sub-Regional Program Management Team (SRPMT) to the Regional Project Monitoring Office (RPMO), the Municipal Consolidated Status of Grant Fund Utilization and other reports. In turn, RPMO will submit to the National Project Monitoring Office every 15th of the following month for the monthly reports and every 25th of the following quarter for the quarterly reports.

15.2 Out of the data from the submitted reports, the NPMO prepares national progress reports and other monitoring reports for submission to the National Program Director, Human Development and Poverty Reduction Cluster, National Steering Committee, national oversight agencies, and donor agencies of the Program. Comparison of the submitted KC-NCDDP report and the validation

result by the Commission on Audit revealed unreconciled data, thus cast doubt on the validity and integrity of the information relayed to various stakeholders.

15.3 Validation of the documents in the custody of the BSPMC revealed the variance of P2,944,423.62 versus the KC-NCDDP-WB/IBRD report of National Project Monitoring Office, thus affecting the accuracy of the balances downloaded to the BSPMC:

Table 8. Comparison of Recorded Community Grants

Region	Fund Utilization Per BSPMC	Per KC Report of Releases	Difference
V	23,914,437.40	22,622,846.55	1,291,590.85
VIII	13,417,749.04	13,392,501.30	25,247.74
Caraga	51,380,231.81	49,752,646.78	1,627,585.03
Total	88,712,418.25	85,767,994.63	2,944,423.62

15.4 The inconsistencies noted in the financial and physical accomplishments per validation made may affect decision-making process that would ensure efficient and effective implementation of KC projects.

15.5 We reiterate our last year's recommendation that the DSWD Secretary require the concerned FO to:

- a) **Instruct the ACTs to properly monitor the status of SPs implementation within their area of responsibilities and ensure that all information/reports are accurate , complete, and consistent with Program standards; and**
- b) **Conduct reconciliation of unrecorded community grants in the KC-NCDDP Report vis-à-vis in the books of BSPMC and ensure that project reports are validated before this are issued to various stakeholders.**

15.6 Management commented that the difference represents the balance yet to be released to the concerned BSPMCs, however, DSWD could not make any release pending the following:

- a) the SP existing physical and financial progress should have reached the % required; and
- b) the BSPMCs or the excess amount to be refunded to DSWD.

Auditor's Rejoinder:

15.7 Our validation showed that the fund utilized per BSPMC documents/reports vis a vis the KC Fund Releases Report were not reconciled with the amount downloaded as of December 31, 2016, thus we maintain our recommendation.

Lack of Capacity Building

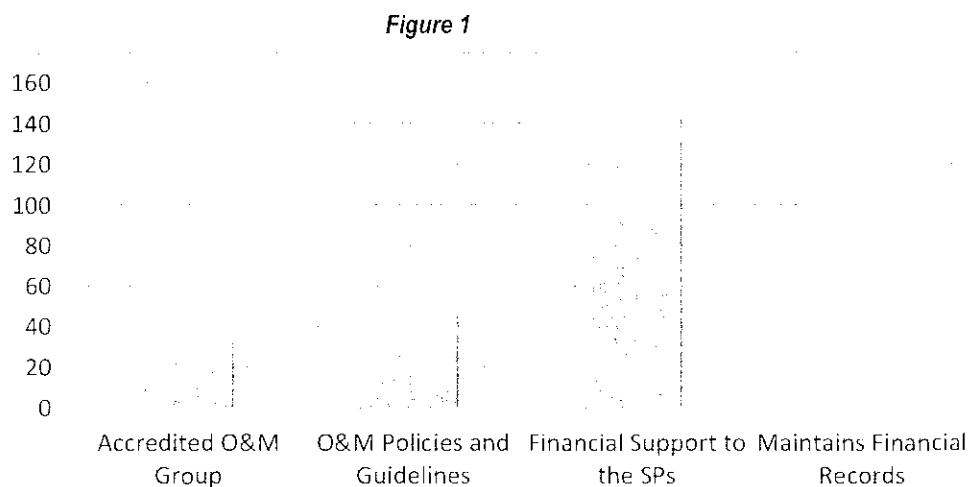
16. The lack of capacity building initiatives for Operations & Maintenance (O & M) group and non-compliance with KC post implementation regulations diminished the efficiency and effectivity of project monitoring and reporting to ensure sustainability of completed projects.

16.1 Pursuant to the program development objective of KC-NCDDP the Communities in the target municipalities should be empowered to achieve improved access to basic services and to participate in more inclusive local planning, budgeting, implementation and disaster risk reduction and management, the team validated the sustainability and maintenance of the SPs under the management of O&M groups.

16.2 Among the activities enumerated in the CEAC to capacitate the communities after project completion are as follows:

- a) Accreditation of Organization By-Laws and O & M Policies;
- b) Conducts general orientation on operation and maintenance and forming O & M groups and facilitate planning workshop;
- c) Inter-organization learning forums to encourage exchange of experiences and learnings, and collective problem solving support.

16.3 The results of interview for validated 149 SPs is provided in the chart below:



16.4 As can be seen in the above chart, all 149 have an established Financial Support coming from BLGUs but only 34 O&M Groups were duly accredited, 45 groups with established written policies and guidelines, and none of the validated O & M maintains Financial records. Interview with the community revealed that O&M groups were formed after the project completion as part of CEAC activity,

but out of 149 completed SPs, 115 O&M groups are only recognized by the BLGU and MLGU through the Mutual Partnership Agreement.

16.5 The presence or compliance with such data are gauges that these groups are capable of sustaining or maintaining the SPs to ensure efficient and effective utilization of the SPs as well as implementation of future projects.

16.6 We recommended and the DSWD Secretary agreed to require the concerned FO:

- a) O&M groups thru RPMO/Area Coordinating Team to submit necessary documents (such as Policies and Guidelines) to concerned LGUs for group accreditation and assistance in the proper utilization and maintenance of the SPs;
- b) RPMO/ Monitoring and Evaluation Team, ACT to conduct capacity building initiatives and trainings to ensure that O&M groups are equipped to manage SPs.

C. STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

17. 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	18
Partially Implemented	0
Not Implemented	0

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

D. ACKNOWLEDGEMENT

19. 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
OIC-Supervising Auditor
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 -- Status of Prior Year's Audit

Annexes



Annex A

Republic of the Philippines
Commission on Audit
Cammanwealth 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 **Kapit-bisig Laban sa Kahirapan – Comprehensive and Integrated Delivery of Social Services: National Community Driven Development Project – World Bank/International Bank for Reconstruction and Development**, 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.

Basis for Adverse Opinion

As discussed in this report, the following significant deficiencies are summarized below:

- a) The weak internal control in the processing and release of checks, resulted in the loss of government funds amounting to P838,653.24;
- b) Accountable forms without money value totaling 102 representing commercial checks issued by the LBP were not presented upon request and were not accounted in the Report of Accountability of Accountable Forms for CY 2016, thus resulting to unauthorized use and loss of government funds amounting to P367,141.92 (part of item "a" above);
- c) Payment of Printing and Editorial Consultancy Services for Social Welfare Development Indicator Manual amounting to P13,917,400.00 was disallowed in audit. The use of funds of KC-NCDDP for 4Ps expenditures is contrary to the Loan Agreement between the Republic of the Philippines and the IBRD.

Opinion

a) Financial Statements

In our opinion, because of the significance of effects of the matters described in the basis for adverse opinion the financial statements referred to in the preceding paragraph, do not present fairly, in all material respects the financial position of the **Kapit-bisig Laban sa Kahirapan – Comprehensive and Integrated Delivery of Social Services: National Community Driven Development Project – WB/IBRD** as of December 31, 2016 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:

b) Statement of Imprest Accounts

In our opinion, the Statement of Imprest Accounts presents fairly, in all material respects, the cash and bank balance of the KC-NCDDP-WB amounting to P181,322,755.60 (\$3,640,068.97) at December 31, 2016 in accordance with the relevant covenants of the loan and relevant regulations established by the WB/IBRD.

COMMISSION ON AUDIT

MARILYN B. MIRAN

State Auditor IV

OIC-Supervising Auditor

June 30, 2017



Annex B

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**
National Community-Driven Development Project

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
 As of December 31, 2016
 Support to Foreign-Assisted Fund - General Fund - New General Appropriations - NCDDP-WB/IBRD
 (in Philippine Peso)

	2016	2015
ASSETS		
Current Assets		
Cash and Cash Equivalents (Note 6)	858,036,807.98	1,660,083,707.53
Receivables (Note 7)	2,430,366,049.17	2,363,662,348.73
Inventories (Note 8)	8,416,085.71	2,957,352.56
Other Current Assets (Note 10)	2,883,217.60	1,445,309.18
Total Current Assets	3,299,702,160.46	4,028,148,718.00
Non - Current Assets		
Property, Plant and Equipment (Note 9)	73,183,402.40	31,834,754.17
Other Non-Current Assets	109,440.00	
Total Assets	3,372,995,002.86	4,059,983,472.17
LIABILITIES		
Current Liabilities		
Financial Liabilities (Note 11)	109,656,959.20	134,381,281.82
Inter-Agency Payables (Note 12)	22,674,142.31	14,128,191.91
Other Payables (Note 13)	1,501,126.83	921,874.65
Total Current Liabilities	133,832,228.34	149,431,348.38
Non- Current Liabilities		
Total Non- Current Liabilities		
Total Liabilities	133,832,228.34	149,431,348.38
NET ASSETS/EQUITY		
Accumulated Surplus/(Deficit)	3,239,162,774.52	3,910,552,123.79
Total Net Assets/Equity	3,239,162,774.52	3,910,552,123.79
Total Liabilities and Net Assets/Equity	3,372,995,002.86	4,059,983,472.17

Annex D



Department of Social Welfare and Development
STATEMENT OF FINANCIAL PERFORMANCE
 For the period ending December 31, 2016
NCDDP-WB/IBRD
 (in Philippine Peso)

	2016	2015
Revenue (Note 14)		
Service and Business Income	2,147,950.29	2,851,312.68
Other Non-Operating Income	20,227.34	
Total Revenue	2,168,177.63	2,851,312.68
less: Current Operating Expenses		
Maintenance and Other Operating Expenses (Note 15)	903,606,666.37	775,077,078.50
Financial Expenses (Note 16)	3,657.33	9,203.89
Non-Cash Expenses		
Depreciation (Note 17)	10,570,062.64	3,961,509.42
Current Operating Expenses	914,180,386.34	779,047,791.81
Surplus/(Deficit) from Current Operations	(912,012,208.71)	(776,196,479.13)
Financial Assistance/Subsidy from NGA, LGUs, GOCCs (Note 18)		
Subsidy from National Government	3,674,605,313.26	5,301,388,095.57
Subsidy from Other Funds		15,253,692.00
Less: Subsidies-Others-Financial	2,258,799,375.30	873,592,018.84
Net Financial Assistance/Subsidy	1,415,805,937.96	4,443,049,768.73
Gains (Note 19)	106,268,390.13	1,239,690,161.40
Losses (Note 19)	(51,936,748.14)	(1,164,089,270.01)
Surplus(Deficit) for the period	558,125,371.24	3,742,454,180.99

Department of Social Welfare and Development
STATEMENT OF CASH FLOWS
 For the period ending December 31, 2016
NCCDDP- WB/IBRD
 (in Philippine Peso)

Cash Flows From Operating Activities	
Cash Inflows	
Receipt of Notice of Cash Allocation	3,674,605,313.26
Collection of Income/Revenues	
Collection of Receivables	1,648,679.17
Receipt of shares, grants and donations	825,640.80
Receipt of Inter-Agency Fund Transfers	17,227,075.50
Receipt of Intra-Agency Fund Transfers	4,371,698,974.67
Other Receipts	22,192,261.85
Adjustments	18,539,795.24
Total Cash Inflows	8,106,737,740.49
Cash Outflows	
Remittance to National Treasury	10,319,095.76
Payment of Expenses	1,488,039,638.02
Purchase of Inventories	9,938,065.46
Grant of Cash Advances	5,238,308.47
Prepayments	
Payment of Accounts Payable	387,847,973.48
Remittance of Personnel Benefit Contributions and Mandatory Deductions	102,596,231.51
Grant of Financial Assistance/Subsidy	5,197,634,261.06
Release of Inter-Agency Fund Transfers	1,194,339,405.48
Release of Intra-Agency Fund Transfers	
Other Disbursements	412,349,764.44
Reversal of Unutilized NCA	106,914,757.29
Adjustments	152,553,038.33
Total Cash Outflows	9,067,770,539.30
Cash Provided by (Used in) Operating Activities	(961,032,798.81)
Cash Flows from Investing Activities	47,567,254.83
Cash Inflows	
Total Cash Inflows	
Cash Outflows	
Purchase/Construction of Property, Plant and Equipment	47,567,254.83
Total Cash Outflows	
Cash Provided By (Used In) Investing Activities	
Cash Flows From Financing Activities	
Cash Provided By (Used In) Financing Activities	
Increase (Decreased in Cash And Cash Equivalents	
Effects of Exchange Rate Changes on Cash and Cash Equivalents	206,553,154.09
Add: Cash Balance, Beginning January 1, 2016	1,660,083,707.53
Cash Balance, Ending December 31, 2016	858,036,807.98

DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT
Statement of Changes in Net Assets/Equity
Consolidated Central and Regional Offices
NCDDP-WB/IBRD
(in Philippine Peso)
For the Year Ended December 31, 2016

	2016	2015
Balance at December 31, 2015/2014	3,910,552,123.79	174,373,360.09
Changes in Accounting Policy		
Prior Period Adjustments	(1,226,608,156.62)	
Restated Balance	2,683,943,967.17	174,373,360.09
Changes in Net Assets/Equity for CY		
Adjustment of net revenue recognized directly in net assets/equity		(6,188,462.94)
Surplus/(Deficit) for the period	558,125,371.24	3,742,454,180.99
Total recognized revenue and expense for the period		3,736,265,718.05
Others	(2,906,563.89)	(86,954.35)
Balance at December 31, 2016/2015	3,239,162,774.52	3,910,552,123.79

Department of Social Welfare and Development
Project: KALAHI-CIDSS: KC-NCDDP
Status of Implementation of Prior Years' Audit Recommendations

Observations	Ref.	Management Comments/Actions Taken	Status of Implementation	Results of Auditor's Validation
<p>1) Inadequate monitoring of Liquidation Reports and release of additional fund transfers to IAs with unliquidated balances resulted in the accumulation of outstanding balances of Due from LGUs of ₱3.492 million.</p> <p>We recommended that Management, if sending of confirmation did not work, the accounting may personally visit the different LGUs to monitor the unliquidated balances and follow up the liquidation and/or request refunds for the unutilized balances (FO XI).</p>	<p>CY 2015 CAAR</p>	<p>The Accountant sends communications to LGUs on a regular basis (semestral) showing unliquidated balances. Both the Accountant and the program focal coordinate for its implementation update.</p>	<p>Fully Implemented</p>	<p>Due from LGU had been Liquidated as of 12/31/16</p>
<p>2) 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 long outstanding and accumulation of the balance of the account Due from NGOs/POs amounting to ₱8.216 billion as of year-end.</p> <p>We recommended that the DSWD Secretary direct FO Directors concerned to:</p> <ul style="list-style-type: none"> • Direct the ACTs to require BSPMC's strict compliance on the prompt submission of DVs and supporting documents to the DSWD Regional Office to ensure the timely preparation and recording of the liquidation reports and the submission of the disbursement vouchers and other related documents to COA; 		<p>The RPMO has already directed the ACT/SRPMO on the regular and prompt submission of DVs and supporting documents. Disbursement Vouchers will be subjected to Municipal Fiduciary Review Workshop prior to submission to COA.</p>	<p>Fully implemented</p>	<p>As of 12/31/2016 the total ending balance was P2,675,967,701.69</p> <p>Reiterated in this report under Observation No. 8 page 6</p>
<p>3) The procurement of IT equipment amounting to P1.165 million in FO V was awarded to a non-complying and non-responsive</p>		<p>Management reconstituted all Technical Working Groups to ensure</p>		

Observations	Ref.	Management Comments/Actions Taken	Status of Implementation	Results of Auditor's Validation
<p>supplier whose quotations for laptops and desktops did not meet the required technical specifications contrary to procurement policies provided for in R.A. No. 9184 and guidelines set by the KC-NCDDP, thus simple multi-tasking could not be handled due to its low specifications.</p> <p>We recommended that management should ensure that PEAC/BAC:</p> <p>(a) adhere strictly the provisions prescribed in RA 9184 and other rules and regulations in the selection and award of purchase order/contract to lowest calculated and responsive supplier/bidder in the procurements of goods and services, to avoid occurrence of similar transactions in the future;</p> <p>(b) request for the expertise of the IT personnel to evaluate/validate compliance with the technical requirements prior to declaring supplier as the Lowest Calculated and Responsive Quotation (LCRQ).</p>		<p>compliance with the procurement laws</p>	<p>Fully Implemented</p> <p>Fully Implemented</p>	<p>New Technical Working Group was created</p>
<p>4) Only 47.39 per cent or 272 SPs costing P329,081,271.77 were completed out of the 574 SPs validated with project cost of P696,591,050.12, thus short of the 70 per cent KC-NCDDP target completion for the sampled SPs implemented in 2015, due to (a) lack of assistance and monitoring by Area Coordinating Teams (ACTs) and Regional Project Monitoring Offices (RPMOs) personnel to the Barangay Sub-Project Management Committees (BSPMCs); (b) delayed downloading of the community grants to the BSPMC especially the 2nd tranches; and c) other deficiencies, thus, the risk of non-implementation of government projects within the agreed timeframe of five-year and four-year implementation period</p>				

Observations	Ref.	Management Comments/Actions Taken	Status of Implementation	Results of Auditor's Validation
<p>provided in the loan agreement with World Bank and Asian Development Bank, respectively.</p>				
<p>We recommended that the Secretary require the concern ACTs and RPMOs personnel to:</p>				
<p>a) Regularly monitor the on-going and unimplemented SPs and determine the causes of delays and address the issues and concerns to fast track the completion of the SPs;</p>		<p>The RCIS will submit a Tactical plans to complete the SPs by December 2016. The plan contains detailed strategies per subprojects to ensure that completion activities are undertaken.</p>	<p>Fully Implemented</p>	<p>All 574 SPs have been completed as of December 31, 2016 due to the monitoring undertaken by the ACTs.</p>
<p>b) Furnish the BSPMCs with the list of good standing contractors and suppliers and blacklist erring contractors and suppliers;</p>		<p>NPMO and RPMO will closely (e.g. weekly) monitor the actions to be undertaken through field visits and provision of TA to the SRPMO and ACTs.</p>	<p>Fully Implemented</p>	
<p>c) Require the BSPMCs to strictly adhere to the KALAH policy as to the prescribed period of project implementation by the timely submission of the requests for fund release and supporting documents; Instruct the BSPMCs to start the procurement activity while awaiting for the downloading of the community grants;</p>		<p>ACTs are instructed to fill-out properly the geo-tagging web app (including the reasons for non and slow moving SPs) in order to provide necessary assistance TA immediately.</p>	<p>Fully Implemented</p>	<p>BSPMCs adhered to the timely submission of requests for fund as there was increase in the percentage of completion of SPs for CY 2016.</p>
<p>d) Fast track the downloading of community grants to BSPMC;</p>		<p>SRPMOs and RPMOs to intensify monitoring of sub-projects during SPI.</p>	<p>Fully Implemented</p>	<p>Community grants for SPs validated for CY 2015 were already downloaded and SPs were completed.</p>
<p>e) Closely monitor, supervise and provide technical assistance to the BSPMC during project implementation and immediately correct the defects/deficiencies noted for the full continuity and functionality of the SPs for the benefits of the intended beneficiaries; and</p>			<p>Fully Implemented</p>	<p>Sustainability Evaluation as a means to monitor the status of SP is being undertaken.</p>

Observations	Ref.	Management Comments/Actions Taken	Status of Implementation	Results of Auditor's Validation
<p>f) Instruct the ACTs to properly monitor the status of SPs implementation within their area of responsibilities and ensure that all information reports are accurate, complete, and consistent with Program standards</p>			Fully Implemented	
<p>5) SPs costing P9,087,401.60 were with deficiencies/issues, and not in keeping with KC-NCDDP policy guidelines.</p>				
<p>We recommend that Management require the ACT/RPMO personnel to:</p>				
<p>a) Closely monitor, supervise and provide technical assistance to the BSPMC during project implementation and immediately correct the defects/deficiencies noted for the full continuity and functionality of the SPs for the benefits of the intended beneficiaries;</p>		Defects/deficiencies have been fixed.	Fully Implemented	SPs are operational and useful.
<p>b) Make necessary representations with the concerned Barangay Chairman to address the stop order and resolve the issue being raised;</p>		Defects/deficiencies have been fixed	Fully Implemented	SP had been implemented
<p>c) Strictly implement the provision of storage facilities before the delivery of the construction materials at the site to secure these materials; and</p>		Defects/deficiencies have been fixed	Fully Implemented	SP had been completed
<p>d) Hold accountable the RPMO/ACT who will be found remiss in the monitoring and evaluation of the SPs.</p>		The RPMO and SPRMO ensure that the Area Coordinating Teams must conduct regular re-orientation, coaching and mentoring to the BSPMC. The ACTs also ensure that all technical documents and other supporting documents must be presented during the Barangay Assembly and followed by series of meetings with the volunteers for transparency and accountability.	Fully Implemented	Necessary actions were undertaken by conducting regular meetings with stakeholders and concerned barangay officials.

Observations	Ref.	Management Comments/Actions Taken	Status of Implementation	Results of Auditor's Validation
		Management also ensures that newly hired staff are well trained and oriented for them to be capable of transferring the knowledge, skills and attitude to the BSPMC's		
<p>6) Validation of the community grant releases to BSPMC amounting to P217,240,364.93 showed a difference of P48,086,447.46 as against the KC-NCDDP report due to deficient reporting and monitoring mechanism of projects, thus affecting the accuracy of the reported project accomplishments to various stakeholders</p> <p>We recommend that the Secretary:</p> <p>a) Instruct the ACTs to properly monitor the status of SPs implementation within their area of responsibilities and ensure that all information reports are accurate, complete, and consistent with Program standards;</p> <p>b) Conduct reconciliation of unrecorded community grants in the KC-NCDDP Report vis-à-vis in the books of BSPMC and ensure that project reports are validated before they are issued to various stakeholders; and</p> <p>c) Direct the RPMO/ACT to conduct final inspection of the SPs and prepare the FIR, SPCR, CCA and furnish copy to the barangay local government and other stakeholders.</p>		<p>Reconciled reports on community grants from the Community to the National levels and discrepancies were reconciled.</p>	<p>Fully Implemented</p> <p>Fully Implemented</p> <p>Fully Implemented</p>	<p>CY 2015 already reconciled but with similar finding in this report under Observation No. 11 page 12-13.</p> <p>CY 2015 already reconciled but with similar finding in this report under Observation No. 11 page 12-13.</p> <p>SP documents were prepared and filed. SPs had turned-over.</p>
<p>7) The National Project Management Office (NPMO) has not faithfully implemented the KC-NCDDP M&E System in reporting, monitoring and evaluating KALAHI projects, thus registering a low/non-utilization financial accomplishment.</p>		<p>Coordinated with DII G and secure guidelines for inclusion in revised ODM Manual</p> <p>Tracking of status of community formation</p>		<p>Validation showed that a software is being developed to integrate various components and</p>

Observations	Ref.	Management Comments/Actions Taken	Status of Implementation	Results of Auditor's Validation
<p>We recommended that the Management require the NPMIO 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.</p>		<p>and capability building assistance and conduct of Sustainability Evaluation Monitoring forms were developed and submitted to M&E for inclusion in the PIMS database. Status of compliance of FOs will be tracked as part of program Review.</p> <p>Guidance to ACTs on organizational formation, registration and strengthening will be provided in the revised ODM manual.</p> <p>Provision of guidance on the following:</p> <ul style="list-style-type: none"> a) Ownership of lot for subprojects prior to construction in the RFP requirements and Social Safeguards Manual. b) Turn-over and Acceptance of completed subprojects in the Infrastructure Manual. c) Conduct of Functionality Audit to ensure all completed SPs, especially with tariff, are operated and maintained by O&M groups. <p>Manual revision programmed in 2nd quarter of 2017.</p>	Fully Implemented.	streamlining processes in encoding, data review and submission