



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) –
Millennium Challenge Corporation (MCC)
Grant No.: COM10PHL11001**

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. COM10PHL11001:
Kapitbisig Laban sa Kahirapan-Comprehensive and Integrated Delivery of Social
Services Project (KALAHI-CIDSS) - Millennium Challenge Corporation
for the Calendar Year 2014**

1. Pursuant to the Grant Agreement No. COM10PHL11001 dated September 23, 2010 between the Millennium Challenge Corporation 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)-Millennium Challenge Corporation (MCC)* 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**. The accounting errors and deficiencies affecting the fair presentation of the financial statements are summarized in **Annex H**.

4. We wish to bring to your attention our audit observations and recommendations which were earlier communicated through Audit Observations 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:

Recording errors omissions resulting in misstatement of Cash in Bank balances

- FOs to forward to the DSWD-CO the transfer notice or deposit slip for reference and use in the monitoring and reconciliation of balances of the Current Account;
- FO V to require the Accountants 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
- OSEC accountant to adjust the double recording of grants transferred.

Unliquidated fund transfers to NGOs POs

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

Utilization of KC-AF-LP to other FAPs

- reimburse KC-AF-LP the above amount from the appropriate FAP funds; and
- adjust/reclassify the charging of expenses from KC-AF to the respective or appropriate funds, as may be necessary.

Local Counterpart Contribution failed to reach the 80 percent performance indicator

- verify and look into the Municipalities which do not comply with the provisions of the MOA regarding the 30 percent LCC in the costs to ensure the sustainability and success of the KC projects;
- impose sanctions in case Municipalities continuously fail to comply with the abovementioned provisions; and
- improve the reporting system in the website to include not only the committed sub-project costs but likewise the actual and detailed costs to reflect the efficiency of the project in attaining its goals.

Delayed unimplemented not functional KALAHI-CIDSS sub-projects

- require the KALAHI-CIDSS Regional Monitoring Management Unit in coordination with the field personnel to fast track the completion of SPs;
- adopt measures and institute feedback mechanism system to address the issues and concerns which hinder the timely completion of projects; and
- direct the ACT and BSPMC to immediately correct the defects/deficiencies noted and closely coordinate during planning and pre and post construction phases.

B. DETAILED OBSERVATIONS AND RECOMMENDATIONS

Financial and Compliance

Recording errors/omissions resulting in misstatement of Cash in Bank balances

The unrecorded unutilized project fund balances of **₱7.736 million** returned by various barangays in OSEC and the double recording of KC-MCC community grants of **₱1.175 million** understated the account *Cash in Bank, LCCA* by **₱8.911 million**. Correspondingly, overstated the accounts *Expense/Accumulated Surplus/(Deficit)* and *Subsidies-Others* by **₱7.736 million** and **₱ 1.175 million**, respectively.

6. Some community-beneficiaries of the projects returned the unused balances of the funds that were granted them by depositing in the DSWD-KALAHI-CIDSS-MCC account of the DSWD-OSEC with the Development Bank of the Philippines, however, the copy of the transfer notice or deposit slip, as required under item 1.6 of the Community Finance Manual KALAHI-CIDSS Project, were not forwarded to the DSWD-CO thru the DSWD-FO for reference and use in the monitoring and

reconciliation of balances of the Current Account. As of December 31, 2014 the deposits amounted to ₱ 7,736,488.40, of which ₱1,495,689.90 pertains to current year and ₱6,240,798.50 pertains to prior years. Also, there was a double recording of transfer of KC-MCC community grants recorded in the account *Subsidies-Others* amounting to ₱1,174,953.95.

7. Further, year-end confirmation of bank account of FO V showed a net variance of ₱743,729.30 between the book and bank balances due to unrecorded reconciling items, as shown below:

| Account Name/No. | Amount | | |
|--------------------------------|--------------|--------------|------------|
| | Book Balance | Bank Balance | Variance |
| MCC FO V- KC Grants 027038-030 | 2,493,725.15 | 3,237,454.49 | 743,729.30 |

8. 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 and DBP re-issuance of the bank statements. The Accounting Section has updated lately the submission of the BRS to the Audit Team.

9. The unrecorded unutilized project fund balances of ₱7.736 million returned by various barangays in OSEC and the double recording of KC-MCC community grants of ₱1.175 million understated the account *Cash in Bank, LCCA* by ₱8.911 million. Correspondingly, overstated the accounts *Expense Accumulated Surplus (Deficit)* and *Subsidies-Others* by ₱7.736 million and ₱1.175 million respectively, summarized as follows:

| Office | Errors/ Omissions | CIB-LCCA | Other Accounts Affected |
|---------------|--|----------------------|---|
| OSEC | Unrecorded Refund of unutilized funds by various barangays | 7,736,488.40 | Expense Accumulated Surplus/(Deficit) |
| OSEC | Double recording of transfer of KC-MCC community grants | 1,174,953.95 | Subsidies-Others |
| Total: | | ₱8,911,442.35 | |

10. We recommended and the Secretary agreed to require the:

- a. FOs to forward to the DSWD-CO the transfer notice or deposit slip for reference and use in the monitoring and reconciliation of balances of the Current Account;
- b. FO V to require the Accountants 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

- c. OSEC accountant to adjust the double recording of grants transferred.

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 amount of **₱99.661 million**.

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

12. 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.*

13. 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.*

14. 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.*

15. The amount of ₱99,661,429.16 outstanding balance of OSEC pertain to the unliquidated fund transfers to Barangay Communities for the KALAHI CIDSS-MCC. The KALAHI-CIDSS grants 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.

16. 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.

17. 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-MCC.

Utilization of KC-AF-LP to other FAPs

The utilization of KC-AF-LP for administrative costs of other Foreign Assisted Projects amounting to P33,900.00 is not in accordance with DBM-COA-DOF Joint Circular No. 2-97. Moreover, expenditures were not included in the Work and Financial Plan covering January 1 to May 31, 2014.

18. Item 4.1.4 of DBM-COA-DOF JC No. 2-97 provides that:

The NCA for LP to be released upon the submission of the BTr certification of the actual receipt of loan proceeds shall not be treated a Common Fund (underscoring ours)

19. Audit of transactions pertaining to the use of KC-AF-LP revealed on various dates, expenditures for administrative costs of other FAPs, such as honoraria services, board and lodging of seminars, plane tickets, office supplies, consultancy services and training expenses of other loan and grant-funded projects namely, the National Community Driven Development Project (NCDDP), Millennium Challenge Corporation (MCC), and Japan Social Development Funds amounting to P1,967,001.76, as follows:

| Date Issued | Check No. | Voucher No. | Purpose | Gross Amount |
|-------------|-----------|-------------|--|--------------|
| 13-Jun-14 | 224550 | 14061414 | Payment for the services as external resource person facilitator for the KC Gender Stories Writeshop Under KC/MCC Resolution No. 14-02-003 | 33,900.00 |

20. The KALAHI-Additional Financing under KC-AF Loan No. 7959 is a loan funded by the World Bank International Bank for Reconstruction and Development (IBRD) with effectivity date of February 24, 2011 to May 31, 2014. The purpose of which is to empower communities through participation in local governance and involvement in the implementation of poverty reduction activities with specific eligible expenditures identified in the Work and Financial Plan for the said loan.

21. Further, the 2014 Work Financial Plan of KC-AF for the period January 1 to May 31, 2014 did not include the above expenses, thus resulting on overcharging and undercharging of expenses out of the KC-AF-LP and said FAPs, respectively.

22. We recommended and the Management agreed to require the Directors of NPMO, KC and Finance to:

- a) reimburse KC-AF-LP the above amount from the appropriate FAP funds; and
- b) adjust/reclassify the charging of expenses from KC-AF to the respective or appropriate funds, as may be necessary.

Value for Money Audit

Local Counterpart Contribution failed to reach the 80 percent performance indicator

The 80 percent performance indicator target of municipalities that will provide KALAHI-CIDSS Additional Financing and KALAHI-CIDSS-MCC of 30 percent LGU Counterpart Commitment in 2014 was not attained, which resulted in the non-funding of other SPs of the community and limit the number of beneficiaries who could have availed of the benefits due from the program.

23. Component 2 on Capacity Building and Implementation Support of the KALAHI-CIDSS Operations Manual showed a Performance Indicator that 80 percent of municipalities provide their KALAHI-CIDSS Additional Financing (AF) LGU Counterpart Commitment (LCC) based on their delivery plan.

24. Under the Community Based Infrastructure Manual of KC "xxx ... the minimum local counterpart contribution (LCC) must reach 30% of the Total Estimated Project Cost. This is in compliance with the Memorandum of Agreement signed by the municipality and the Department."

25. The Memorandum of Agreement (MOA) provides the sanction in case of non-compliance or violation by the municipality of any of the provisions of the MOA as determined by the DSWD after an investigation. The sanction includes, among others, the exclusion of the LGU to the next cycle of KC projects.

26. The Physical and Financial Report provided by the KC Monitoring Evaluation as of December 31, 2014 revealed that 47 out of 77 municipalities covered by the KC SP in 2014 failed to meet the committed share of 30 percent of the costs of the KC sub-projects (SPs), as follows:

| Fund | No. of SPs completed in CY 2014 | Required 30% of Approved Project Cost-LCC | Actual LCC | Amount of Undelivered LCC |
|--------|---------------------------------|---|---------------|---------------------------|
| KC-AF | 52 | 24,085,583.05 | 12,038,171.73 | 12,049,411.32 |
| KC-MCC | 38 | 48,477,973.13 | 39,559,790.24 | 8,918,182.29 |
| Total: | 90 | 70,563,556.18 | 51,596,962.57 | 18,967,593.61 |

27. Only 30 or only 38.96 percent of the total municipalities covered by the KC AF areas met the 30 percent LCC share. This resulted in the non-funding of other SPs of the municipalities community and the limited the number of beneficiaries who could have availed of the benefits due from the program, as follows:

| Region | KC-AF (No. of Mun.) | KC-MCC (No. of SPs) |
|--------|---------------------|---------------------|
| IVA | 3 | |
| IVB | | 10 |
| V | 1 | 57* |
| VI | | 2 |
| VII | | 3 |
| VIII | 1 | |
| IX | 5 | |
| X | 7 | |
| XI | 2 | |
| XII | 1 | |
| CARAGA | 7 | |

* Forty nine barangays of Caramoan, Camarines Sur with no downloaded community grants in 2014

28. Further, the Accomplishment Report posted in the DSWD website does not show the cost sharing scheme, which comprise the community grants from KC-AF and local counterpart contribution from LGUs. The report only showed the KC total project amount and did not mention that 86.67 and 54.84 percent of the KC-AF and MCC, respectively were not fully funded as some municipalities failed to meet the 30 percent commitment share, which does not provide informative data for decision making by stakeholders.

29. Moreover, sanctions provided in the MOA had not been imposed on the Municipalities which did not provide the required counterpart.

30. Management commented that based on the World Bank Implementation Completion and Results Report, the KC-AF Project has exceeded the intermediate outcome indicator of municipalities that provide LCC based on their plan having an actual achievement of 87 percent against target of 80 percent. In the case of KC MCC, the actual LCC delivered over the community grant funds released is already at 35 percent. The non-funding of other sub-projects is the result of the participatory resource allocation at the municipal level or Municipal Inter-Barangay Forum where all delegates decide and rank proposals based on the agreed criteria.

31. However, the reported World Bank Implementation Completion and Results Reports, which was used as basis of computation were not submitted for verification and validation.

32. We recommended and the Secretary agreed to direct the concerned DSWD officials to:

- a) verify and look into the Municipalities which do not comply with the provisions of the MOA regarding the 30 percent LCC in the costs to ensure the sustainability and success of the KC projects:

- b) impose sanctions in case Municipalities continuously fail to comply with the abovementioned provisions; and
- c) improve the reporting system in the website to include not only the committed sub-project costs but likewise the actual and detailed costs to reflect the efficiency of the project in attaining its goals.

33. Management will comply in the future that LCC data should be included in the reporting system in the KC website.

Delayed/unimplemented/not functional KALAHÍ-CIDSS sub-projects

Out of 1,404 prioritized SPs in FOs CAR, V and VI amounting to P1,319,726 million, only 470 or 33.47 percent were completed, with project costs of P353,693 million. Moreover, the completed 51 SPs amounting to P58.44 million were either not functional or with various deficiencies/defects, thus, limiting the access to basic social services, infrastructures as well as other benefits due the communities.

34. One of the objectives of the KALAHÍ-CIDSS is empowerment where the communities are given authority to plan, control, and make financial decisions during sub-project (SP) implementation. As such, they are primarily responsible in making sure that SPs are attained and that there is proper accountability.

35. The Regional Consolidated Physical and Financial Status of Approved Sub-Projects for the different funding sources modalities, as of December 31, 2014 disclosed the following:

| Status | Prioritized | | Completed | | On-going | | Not yet Started | | |
|----------------|-----------------------|-------------------------|--------------|-----------------------|--------------|-----------------------|-----------------|-----------------------|--------------|
| | Funding Source/ FO | No. of SP | Project Cost | No. of SP | Project Cost | No. of SP | Project Cost | No. of SP | Project Cost |
| MMC | | | | | | | | | |
| CAR | 114 | 128,801,899.90 | 37 | 36,063,943.16 | 53 | 83,320,526.16 | 14 | 3,927,429.96 | |
| V | 467 | 712,764,711.73 | 160 | 207,212,332.76 | 140 | 440,656,964.37 | 167 | 64,896,414.60 | |
| VI | 239 | 221,561,856.75 | 13 | 13,570,844.43 | 162 | 173,527,536.38 | 64 | 34,483,477.94 | |
| Sub-total | 820 | 1,063,129,463.78 | 210 | 256,837,120.35 | 365 | 698,005,029.90 | 245 | 108,286,313.53 | |
| PAMANA | | | | | | | | | |
| V | 555 | 237,726,366.10 | 280 | 96,856,078.12 | 88 | 97,890,278.96 | 267 | 13,230,000.00 | |
| Aus-Aid | | | | | | | | | |
| V | 29 | 49,371,678.45 | 0 | 0.00 | 11 | 25,196,864.94 | 18 | 23,874,393.51 | |
| Total | 1404 | 1,319,726,697.33 | 470 | 353,693,198.47 | 464 | 820,641,291.82 | 470 | 145,191,207.04 | |

36. Details of implementation and status of the projects are presented below:

| Office | Remarks | | | | | | | | | | | | | | | | | | | | | | | | |
|---|--|---|---|-----------------|--|----------------|------------|----------------|--------------|--------------------|------------|------------------------|--|-------------|------------|--------------|-----------|------------------|-----------|------------------|--|----------------|------------|-------|--------------|
| CAR | The 14 SPs of the FO CAR in Barangays of Besao, Mt. Province were not yet implemented as of December 31, 2014 due to the delay in the transfers of community grants balances. Further, there were 25 completed SPs out of 37 that were actually one hundred percent completed as of December 31, 2014 out of the advanced funds or construction materials credited by the communities but whose funds were still not fully transferred to the communities with an aggregate total of P3,327,202.23, as follows: | | | | | | | | | | | | | | | | | | | | | | | | |
| | <table border="1"> <thead> <tr> <th>Modality/Municipality, Province Barangay</th> <th>Balance of Funding still for release</th> </tr> </thead> <tbody> <tr> <td colspan="2" style="text-align: center;">Guaranteed Area</td> </tr> <tr> <td>Conner, Apayao</td> <td>524,286.26</td> </tr> <tr> <td>Pasil, Kalinga</td> <td>1,329,415.14</td> </tr> <tr> <td>Tinglayan, Kalinga</td> <td>202,567.84</td> </tr> <tr> <td colspan="2" style="text-align: center;">Randomly Selected Area</td> </tr> <tr> <td>Bucay, Abra</td> <td>615,141.55</td> </tr> <tr> <td>Budloc, Abra</td> <td>64,228.22</td> </tr> <tr> <td>Sailacadan, Abra</td> <td>73,620.24</td> </tr> <tr> <td colspan="2" style="text-align: center;">Replacement Area</td> </tr> <tr> <td>Maibcong, Abra</td> <td>492,942.98</td> </tr> <tr> <td>Total</td> <td>3,327,202.23</td> </tr> </tbody> </table> | Modality/Municipality, Province Barangay | Balance of Funding still for release | Guaranteed Area | | Conner, Apayao | 524,286.26 | Pasil, Kalinga | 1,329,415.14 | Tinglayan, Kalinga | 202,567.84 | Randomly Selected Area | | Bucay, Abra | 615,141.55 | Budloc, Abra | 64,228.22 | Sailacadan, Abra | 73,620.24 | Replacement Area | | Maibcong, Abra | 492,942.98 | Total | 3,327,202.23 |
| Modality/Municipality, Province Barangay | Balance of Funding still for release | | | | | | | | | | | | | | | | | | | | | | | | |
| Guaranteed Area | | | | | | | | | | | | | | | | | | | | | | | | | |
| Conner, Apayao | 524,286.26 | | | | | | | | | | | | | | | | | | | | | | | | |
| Pasil, Kalinga | 1,329,415.14 | | | | | | | | | | | | | | | | | | | | | | | | |
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| Randomly Selected Area | | | | | | | | | | | | | | | | | | | | | | | | | |
| Bucay, Abra | 615,141.55 | | | | | | | | | | | | | | | | | | | | | | | | |
| Budloc, Abra | 64,228.22 | | | | | | | | | | | | | | | | | | | | | | | | |
| Sailacadan, Abra | 73,620.24 | | | | | | | | | | | | | | | | | | | | | | | | |
| Replacement Area | | | | | | | | | | | | | | | | | | | | | | | | | |
| Maibcong, Abra | 492,942.98 | | | | | | | | | | | | | | | | | | | | | | | | |
| Total | 3,327,202.23 | | | | | | | | | | | | | | | | | | | | | | | | |

The delay was caused by the following factors:

- Unsubmitted required documents by the local communities;
- For the unimplemented SP, the concerned barangay communities have not completed their liquidation documents;
- For SPs already 100% completed, the concerned communities did not submit all the documents required for the last tranche of funds;

Thus, the delay was indicative of negligence on the part of the project monitoring team in the field who are to closely monitor and assist the completion of documentation.

FO V There was an average delay of 86.25 days of the 420 completed SPs from the actual completion to the planned/targeted dates. Likewise, an average delay of 317.74 days elapsed of on-going SPs from the target dates of completion up to December 31, 2014, was noted consequently delaying the immediate access and benefits that could have been derived by the beneficiaries and communities from these projects.

On the 239 SPs still on-going as of Dec. 31, 2014, Management commented that there is an additional 130 SPs completed as of March 1, 2015 and another 69 expected to be completed this April and the rest by May 2015. Actual project implementations of 392 SPs with total project cost of ₱395,168,338.11 has not started yet despite download of funds amounting to ₱101,800,308.11 to the respective BSPMC accounts, however, Management commented that all of them are already on-going as of this time with expected completion dates not later than October 2015.

| Office | Remarks | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--------|--|----------------------------|------------------|----------------------------|------------------|------|---------------|----|---------------|--|----------|----|---------------|------|-----------|----|---------------|--|---------------|----|---------------|--|-----------------|----|---------------|--|----------|-----|----------------|--|-------|-----|----------------|
| | <p>The delays were caused by the following factors:</p> <ul style="list-style-type: none"> • Inadequate monitoring and supervision of the project implementations by both the Teams and BSPMCs; • Delayed release of Local Contribution Counterparts; • Weather condition; • Delayed download/release of funds because of inadequate and improper documentation/reports submitted; and • Insufficient supply of labor and materials. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| FO VI | <p>The status of implementation of the 239 SPs at FO VI were further explained as follows:</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | <table border="1"> <thead> <tr> <th data-bbox="545 786 597 815">Year</th> <th data-bbox="655 786 722 815">Status</th> <th data-bbox="859 763 1036 815">No. of Prioritized Project</th> <th data-bbox="1088 763 1193 815">Grant Downloaded</th> </tr> </thead> <tbody> <tr> <td data-bbox="545 826 597 855">2013</td> <td data-bbox="655 826 796 855">Not Completed</td> <td data-bbox="937 826 958 855">69</td> <td data-bbox="1119 826 1255 855">83,158,424.24</td> </tr> <tr> <td data-bbox="545 866 597 896"></td> <td data-bbox="655 866 738 896">Subtotal</td> <td data-bbox="937 866 958 896">69</td> <td data-bbox="1119 866 1255 896">83,158,424.24</td> </tr> <tr> <td data-bbox="545 907 597 936">2014</td> <td data-bbox="655 907 754 936">Completed</td> <td data-bbox="937 907 958 936">13</td> <td data-bbox="1119 907 1255 936">13,570,844.43</td> </tr> <tr> <td data-bbox="545 947 597 976"></td> <td data-bbox="655 947 796 976">Not Completed</td> <td data-bbox="937 947 958 976">93</td> <td data-bbox="1119 947 1255 976">90,369,112.14</td> </tr> <tr> <td data-bbox="545 987 597 1016"></td> <td data-bbox="655 987 796 1016">Not Yet Started</td> <td data-bbox="937 987 958 1016">64</td> <td data-bbox="1119 987 1255 1016">34,463,477.94</td> </tr> <tr> <td data-bbox="545 1028 597 1057"></td> <td data-bbox="655 1028 738 1057">Subtotal</td> <td data-bbox="937 1028 973 1057">170</td> <td data-bbox="1119 1028 1255 1057">138,403,434.51</td> </tr> <tr> <td data-bbox="545 1068 597 1097"></td> <td data-bbox="655 1068 707 1097">Total</td> <td data-bbox="937 1068 973 1097">239</td> <td data-bbox="1119 1068 1255 1097">221,561,858.75</td> </tr> </tbody> </table> | Year | Status | No. of Prioritized Project | Grant Downloaded | 2013 | Not Completed | 69 | 83,158,424.24 | | Subtotal | 69 | 83,158,424.24 | 2014 | Completed | 13 | 13,570,844.43 | | Not Completed | 93 | 90,369,112.14 | | Not Yet Started | 64 | 34,463,477.94 | | Subtotal | 170 | 138,403,434.51 | | Total | 239 | 221,561,858.75 |
| Year | Status | No. of Prioritized Project | Grant Downloaded | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2013 | Not Completed | 69 | 83,158,424.24 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Subtotal | 69 | 83,158,424.24 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2014 | Completed | 13 | 13,570,844.43 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Not Completed | 93 | 90,369,112.14 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Not Yet Started | 64 | 34,463,477.94 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Subtotal | 170 | 138,403,434.51 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Total | 239 | 221,561,858.75 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | <p>The causes of the delay were due to the following.</p> <ul style="list-style-type: none"> • Responsiveness of contractors and suppliers to engage in community subprojects in geographically isolated barangays. • Some SPs are affected by Typhoon Ruby in the last quarter of CY 2014 • Delays in the preparation and request of funds of community <p>As of March 30, 2015 the regional accomplishment is 52.54% which shows an improvement from 42.07% as of December 31, 2014.</p> <p>On some of the delays, the RPMO are making strategies to hasten the completion of on-going sub-projects and will continue to strictly monitor and provide technical assistance to community and LGU to ensure completion of their request of fund release.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

37. Based on the foregoing, there is a delay in the completion of the 69 sub-projects started in CY 2013 and the 157 prioritized projects in CY 2014 or a total of 226 SPs were not completed/not started. thus, the intended beneficiaries were not able to access timely the basic social and infrastructure services which they need.

38. Moreover, validation and inspection of 31 of the 80 SPs in FO V reported as 100 percent completed for the two (2) funding sources/modalities with total project costs of ₱34,056,676.20 disclosed that they were either non-functional/operational or with defects/deficiencies, as follows:

| Location at Camarines Sur Province | Sub-Project | Project Cost | Deficiencies |
|------------------------------------|---|---------------------|---|
| Tabgon, Caramoan | Construction of Water System | 1,250,392.00 | No potable water; chlorinator non-functional due to no electric connection; and no water during summer season |
| Guijalo, Caramoan | | 1,333,360.00 | Not potable water during rainy season & no water during dry season |
| San Roque, Caramoan | | 855,320.00 | Non-functional chlorinator due to defective wiring |
| Bikal, Caramoan | Construction/Extension of wharf | 1,727,400.00 | Construction is still on-going; cost underestimation |
| Mambulo Viejo, Libamangan | Mechanical Dryer | 1,557,284.50 | Not functional; paalay not well dried |
| Biong, Cabusac | Improvement of Water System | 916,426.45 | Not functional; no flowing water; |
| Sta. Lutgarda, Cabusao | Construction of Patahian Bldg. w/ sewing machines | 875,199.00 | Not functional; community organization not yet established |
| Total | | 8,515,381.95 | |

39. Validation of KC projects also showed that 20 KC deficient SPs implemented at FOs V and IVB amounting to P24,394,640.80. The deficiencies noted were as follows:

- Pathways with scoured shoulder, thickness only measure 0.15 m and constructed along the municipal road, shorter construction; concreting of pathway of various streets including two stations in a private property;
- Shorter re-gravelled roads;
- Comfort Rooms inside the classrooms - main door with mirror cracks, no doorknobs, lavatory detached; toilet bowl not flushing;
- Classrooms with not functioning outlet, unpainted roof and KALAHÍ marking-not included in the Program of Work, chairs damaged by mites/bokbok;
- Both ends of rip-rap are open, water flows to the residential area during raining season; and
- The street lights' distance between posts is only 12 meters, not in accordance with standard distance of 20 meters.

40. The defects/deficiencies have been caused by inadequate planning, monitoring and supervision by the Team assigned in the area, thus, endangers the non-attainment of major component of the program which is the project development and provision of assistance to community projects which further limit the access to basic social services, infrastructures as well as other benefits due them.

41. We recommended and the Secretary agreed to:

- a) require the KALAHÍ-CIDSS Regional Monitoring Management Unit in coordination with the field personnel to fast track the completion of SPs;

- b) adopt measures and institute feedback mechanism system to address the issues and concerns which hinder the timely completion of projects; and
- c) direct the ACT and BSPMC to immediately correct the defects/deficiencies noted and closely coordinate during planning and pre and post construction phases.

42. Management commented that the total number of completed SPs increased by 473 making the total to 962 from the 489 as of December 2014. The 454 SPs that have not yet started have been substantially decreased to 139. Of the 139 SPs, 51 are PAMANA which implementation is temporarily suspended. The remaining 88 are SPs under MCC which procurement processes and other pre-implementation activities have just been completed and implementation will commence by June 2015. Referring to the 31 SPs, the following comments are as follows:

- The 7 SPs observed to be non-functional/non-operational, some were actually functional but on a limited capacity to on-going minor works being done under defects liability clause of the contract. Others have been applied with mitigating controls.
- The 14 SPs observed to be defects and deficiencies, those with minor defects have been referred to the operations and maintenance groups and have been acted upon. This is the object of the close monitoring included in the workloads of the field staffs. While some were not actually defects and/or deficiencies but mere modifications from the original physical targets due to various reasons.
- The 9 SPs with incomplete documentation for reporting and monitoring, 5 have already submitted the Sub-Project Completion Reports; are still for completion due to ongoing closing of accounts and/or completion of additional works while 1 is for reconstruction because it was inadvertently misplaced.
- The SP with excessive materials was actually due to the variance of the survey output as against the actual construction site. Some sections in the plan were relocated due to social safeguards issues.

C. STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

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

| Status of Implementation | No. of Recommendations |
|--------------------------|------------------------|
| Fully Implemented | 2 |
| Partially Implemented | 9 |
| Not Implemented | 2 |


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

D. ACKNOWLEDGEMENT

43. 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.

44. 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 J**).

Very truly yours,


MARIBETH F DE JESUS
Supervising Auditor
DSWD Audit Group

Director - 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 - Results of the Validation of Implementation of Prior Years' Audit Recommendations
- J - Agency Action Plan and Status of Implementation

Annexes

Annexes



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

Annex A

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of **Kapit-bisig Laban sa Kahirapan – Comprehensive and Integrated Delivery of Social Services: Millennium Challenge Corporation** 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.


Basis for Qualified Opinion

As discussed in the Observations and Recommendations of this report, the error omission affecting cash accounts of cash accounts amounted to ₱8,911,442.35 and accounting deficiency of ₱99,661,429.16 as shown in **Annex H**.

Qualified Opinion

In our opinion, except for the effects on the financial statements of the matter referred to in the preceding paragraph, the financial statements present fairly, in all material respects the financial position of the **Kapit-bisig Laban sa Kahirapan – Comprehensive and Integrated Delivery of Social Services: Millennium Challenge Corporation** 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

ISP Road, Batasan Pambansa Complex, Constitution Hills, Quezon City 1126

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

E-mail: osac@dswd.gov.ph

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


Annex D

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS


Millenium Challenge Corporation (MCC) Grants

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

FEB 14 2015
Date Signed


MATEO G. MONTAÑO
Undersecretary, GASSG

FEB 14 2015
Date Signed



DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT
Statement of Financial Position
Consolidated Central and Regional Offices
02 Foreign Assisted Fund (Kalahi-CIDSS Millennium Challenge Corporation)
For the Period Ending December 31, 2014

| | <u>NOTE</u> | <u>2014</u> |
|--|-------------|------------------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and Cash Equivalents | 4 | 149,109,223.59 |
| Receivables | 5 | 146,339,762.34 |
| Inventories | 6 | 1,887,338.91 |
| Total Current Assets | | <u>299,336,324.84</u> |
| Non - Current Assets | | |
| Property, Plant and Equipment | 7 | 5,397,483.53 |
| Other Assets | 8 | 152,752.35 |
| Total Non-Current Assets | | <u>5,550,235.88</u> |
| Total Assets | | <u><u>304,886,560.72</u></u> |
| LIABILITIES | | |
| Current Liabilities | | |
| Financial Liabilities | 9 | 13,585,042.17 |
| Inter-Agency Payables | 10 | 3,154,549.06 |
| Total Current Liabilities | | <u>16,739,591.23</u> |
| Non- Current Liabilities | | |
| Financial Liabilities | 11 | 120,070.26 |
| Total Non- Current Liabilities | | <u>120,070.26</u> |
| Total Liabilities | | <u>16,859,661.49</u> |
| NET ASSETS/EQUITY | | |
| Accumulated Surplus/ Deficit | 12 | 288,026,899.23 |
| Total Net Assets/Equity | | <u>288,026,899.23</u> |
| Total Liabilities and Net Assets/Equity | | <u><u>304,886,560.72</u></u> |



DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT
 Statement of Financial Performance
 Consolidated Central and Regional Offices
 02 Foreign Assisted Fund (Kalahi-CIDSS Millennium Challenge Corporation)
 For the Year Ended December 31, 2014

| | <u>Note</u> | <u>2014</u> |
|--|-------------|-------------------------|
| Revenue | | |
| Service and Business Income | 13 | 481.28 |
| Shares, Grants and Donations | 14 | 1,378,947,250.05 |
| Total Revenue | | <u>1,378,947,731.33</u> |
| Less: Current Operating Expenses | | |
| Maintenance and Other Operating Expenses | 15 | 345,718,890.34 |
| Non-Cash Expenses | 16 | 327,678.64 |
| Total Current Operating Expenses | | <u>346,544,668.88</u> |
| Surplus/(Deficit) from Current Operations | | <u>1,032,403,062.45</u> |
| Net Financial Assistance/Subsidy | 17 | (871,702,160.25) |
| Surplus/(Deficit) for the period | | <u>160,700,902.20</u> |



DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT
 Consolidated Central and Regional Offices
 STATEMENT OF CASH FLOWS
 Fund 102 - Kalahi-CIDSS (Millenium Challenge Corp.)
 FOR THE YEAR ENDED DECEMBER 31, 2014

| | <u>2014</u> |
|--|------------------------------|
| Cash Flows From Operating Activities | |
| Cash Inflows | |
| Receipt of Notice of Cash Allocation | 413,122,209.66 |
| Collection of Income Revenues | 1,383,461,674.07 |
| Collection of Receivables | 3,557,323.81 |
| Receipt of Inter-Agency Fund Transfers | 2,547,539.66 |
| Other Receipts | 202,478.54 |
| Adjustments | 7,238,553.87 |
| Total Cash Inflows | <u>1,810,129,779.01</u> |
| Cash Outflows | |
| Remittance to National Treasury | (6,589,554.68) |
| Payment of Expenses | (441,136,950.60) |
| Purchase of Inventories | (1,807,849.40) |
| Grant of Cash Advances | (487,079.20) |
| Payment of Accounts Payable | (6,234,570.06) |
| Remittance of Personnel Benefit Contributions and Mandatory Deductions | (15,717,187.46) |
| Grant of Financial Assistance Subsidy | (1,259,427,669.60) |
| Other Disbursements | (6,029,533.87) |
| Adjustments | (28,473,363.96) |
| Total Cash Outflows | <u>(1,765,903,758.83)</u> |
| Cash Provided by (Used in) Operating Activities | 44,226,020.18 |
| Cash Flows from Investing Activities | |
| Cash Outflows | |
| Purchase Construction of Property, Plant and Equipment | (3,297,808.58) |
| Total Cash Outflows | <u>(3,297,808.58)</u> |
| Cash Provided By (Used In) Investing Activities | (3,297,808.58) |
| Effects of Exchange Rate Changes on Cash and Cash Equivalents | - |
| Total Cash Provided by Operating, Investing and Financing Activities | 40,928,211.60 |
| Add: Cash Balance, Beginning January 1, 2014 | 108,181,011.99 |
| Cash Balance, Ending December 31, 2014 | <u>149,109,223.59</u> |



DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT
 Statement of Changes in Net Assets/Equity
 Consolidated Central and Regional Offices
 Fund 102 - Kalahi-CIDSS (Millenium Challenge Corp.)
 For the Year Ended December 31, 2014

| | <u>2014</u> |
|--|------------------------------|
| Balance at December 31, 2013 | 13,063,879.66 |
| Changes in Accounting Policy | |
| Restated Balance | <u>13,063,879.66</u> |
| Changes in Net Assets/Equity for 2013 | |
| Adjustment of net revenue recognized directly in net assets equity | (4,737,882.63) |
| Surplus/(Deficit) for the period | <u>160,700,902.20</u> |
| Total recognized revenue and expense for the period | <u>155,963,019.57</u> |
| Balance at December 31, 2014 carried forward | <u><u>288,026,899.23</u></u> |

NOTES TO FINANCIAL STATEMENTS
CY 2014

1. General information

KALAHI-CIDSS Millennium Challenge Corporation (MCC) – a project of \$120 Million grant by the **Millennium Challenge Corporation**, an independent Foreign Aid Agency created by the United States Congress to expand the coverage of KALAHI-CIDSS in Luzon and Visayas 187 municipalities with approximately 4,301 barangays from CY 2011-2015. MCC funding will likewise support KALAHI-CIDSS expansion into an additional six poorest provinces in Luzon (Apayao and Palawan) and the Visayas (Aklan, Antique, Guimaras and Negros Oriental). It is in line with the community-driven development (CDD) initiative of the Philippine Government's Department of Social Welfare and Development (DSWD) programs and projects under the KALAHI-CIDSS, where it provides assistance by (a) enhancing community and Local Government Unit (LGU) capacity; (b) providing seed funding for community implementation of self-identified priority projects that help reduce poverty; and (c) improving sustainability and LGU responsiveness to community needs. Thus, the MCC, a US based corporation formed a partnership with the DSWD.

Grant Data

| | |
|----------------------------------|---|
| Project Title | : KALAHI-CIDSS Millennium Challenge Corporation Project |
| Fund Source | : Millennium Challenge Corporation |
| Loan/Grant No. | : COM10PHL11001 |
| Grant Amount (Original Currency) | : US \$120.0 million |
| Signing Date | : 23 September 2010 |
| Effectivity Date | : 25 May 2011 |
| Closing Date | : 25 May 2016 |
| Implementing Agency | : Department of Social Welfare and Development |
| Sector/Sub-sector | : Human Development Sector |
| Region(s) | : 6 (3 in Luzon – CAR, IVB and V - and 3 in the Visayas - VI, VII and VIII) |
| Province(s) | : 24 (13 in Luzon and 11 in the Visayas) Abra, Apayao, Ifugao, Kalinga and Mountain Province in CAR; Palawan, Marinduque, Occidental Mindoro, Oriental Mindoro and Romblon in Region IVB; Camarines Sur, Camarines Norte and Catanduanes in Region V; Aklan, Antique, Guimaras and Negros Occidental in Region VI; Bohol, Negros Oriental and Siquijor in Region VII; Biliran, Leyte, Northern Samar and Western Samar in Region VIII. |
| Beneficiaries | : 5. 215 million poor Filipinos (up to 20 years of Compact entry) |

Financial Highlights

The funding sources for the KALAHI-CIDSS-MCC are as follows:

Amount in Philippine Peso (Php)

| Funds | Grant Agreement Cost | Revised Cost** |
|--------------------|----------------------|----------------|
| Grant Proceeds (P) | 5,574,000,000 | 5,160,000,000 |
| GOP (P) | 566,000,000 | 566,000,000 |
| Total | 6,140,000,000 | 5,726,000,000 |
| | P46.45:US\$1 | P43: US\$1 |

**Subject to ICC approval

The Multi-Year Financial Plan of the Grant states that the fund shall finance the following projects:

Amount in Millions of US \$

| Project | CIF* | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Total |
|--|------|--------|--------|--------|--------|--------|--------|
| Capacity Building and Implementing Support | - | 4.91 | 2.84 | 1.48 | 1.11 | 0.28 | 10.62 |
| Grants for Community Projects | - | 1.82 | 20.43 | 17.99 | 30.81 | 24.46 | 95.51 |
| Project Management | 2.31 | 3.06 | 2.31 | 1.93 | 1.87 | 2.39 | 13.87 |
| Total Project Cost | 2.31 | 9.79 | 25.58 | 21.40 | 33.79 | 27.13 | 120.00 |

*CIF – Compact Implementation Funding

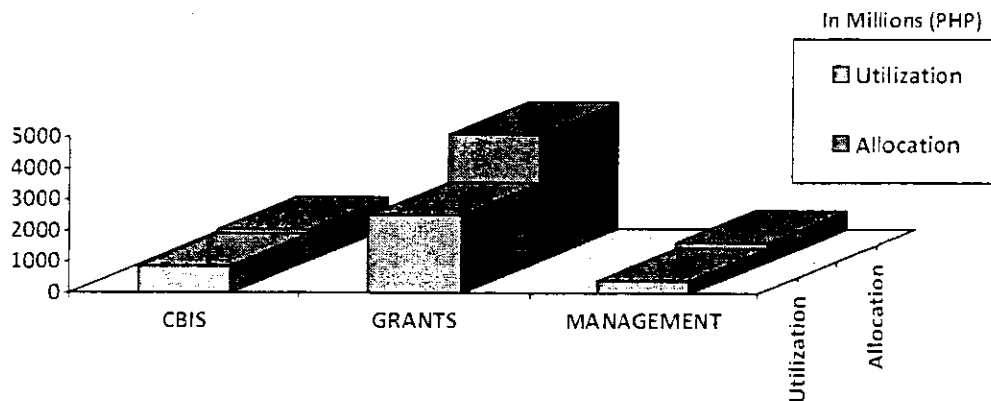
As of December 31, 2014 utilized fund is ₱3,796,977,090 or 66.87% disbursement rate leaving ₱1,881,012,693.72 unutilized fund, detailed as follows:

| PROJECT | ALLOCATION | UTILIZATION | RATE OF UTILIZATION | UNUTILIZED |
|---|------------------|---------------|---------------------|------------------|
| | GRANT | GRANT | GRANT | GRANT |
| Capacity Building And Implementation Support Activity | 587,617,448.73 | 504,823,431 | 86% | 82,794,018.13 |
| Grants For Community Projects Activity | 4,039,637,123.12 | 2,497,166,990 | 62% | 1,542,470,133.13 |
| Project Management | 491,702,430.60 | 300,138,806 | 61% | 191,563,624.22 |
| TOTAL | 5,118,957,002.45 | 3,302,129,227 | 65% | 1,816,827,775.48 |

| PROJECT | ALLOCATION | UTILIZATION | RATE OF UTILIZATION | UNUTILIZED |
|---|----------------|-------------|---------------------|---------------|
| | GOP | GOP | GOP | GOP |
| Capacity Building And Implementation Support Activity | 406,975,449.27 | 358,430,628 | 88% | 48,544,821.42 |
| Grants For Community Projects Activity | 34,204,659.48 | 26,350,177 | 77% | 7,854,482.53 |
| Project Management | 117,852,672.98 | 110,067,059 | 93% | 7,785,614.29 |
| TOTAL | 559,032,781.73 | 494,847,863 | 89% | 64,184,918.24 |

*GOP utilization is still tentative

**Difference between the actual and agreed cost is due to dollar conversion



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

| <u>Account Name</u> | <u>Code</u> | <u>CY 2014</u> |
|---|-------------|----------------|
| Cash-Collecting Officers | 10101010 | 118.00 |
| Petty Cash | 10101020 | 99,388.39 |
| Cash in Bank - Local Currency, Current Account | 10102020 | 148,732,181.91 |
| Cash in Bank - Modified Disbursement System (MDS) - Regular | 10104040 | 277,535.29 |
| Total | | 149,109,223.59 |

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 - Modified Disbursement System (MDS) Regular contains unreleased, unclaimed checks as of December 31, 2014.

5. RECEIVABLES

| <u>Account Name</u> | <u>Code</u> | <u>CY 2014</u> |
|--|-------------|----------------|
| Accounts Receivable | 10301010 | 577.00 |
| Due from National Government Agencies | 10303010 | 330,053.84 |
| Due from Non-Government Organizations/People | 10305030 | 99,661,429.16 |
| Other Receivables | 10305990 | 48,347,602.34 |
| Total | | 148,339,762.34 |

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 for the KALAHI CIDSS-NCDDP.

6. INVENTORIES

Inventory items of the Department include the following:

| <u>Account Name</u> | <u>Code</u> | <u>Amount</u> |
|--|-------------|---------------------|
| Office Supplies Inventory | 10404010 | 1,655,070.06 |
| Accountable Forms, Plates and Stickers Inventory | 10404020 | 54,068.85 |
| Other Supplies and Materials Inventory | 10404990 | 178,200.00 |
| TOTAL | | 1,887,338.91 |

The **Account Office Supplies Inventory** of consist of office supplies, printed special forms, IT supplies and janitorial supplies in stockpile of the DSWD Central Office.

Other Supplies and Materials Inventory was composed of spare parts purchased for the repair and maintenance of vehicles.

7. PROPERTY, PLANT AND EQUIPMENT

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

| <u>Account Name</u> | <u>Code</u> | <u>Cost at January 1, 2014</u> | <u>Additions</u> | <u>Disposals</u> | <u>Transfer Adjustment</u> | <u>Cost at December 31, 2014</u> |
|--|-------------|--------------------------------|------------------|------------------|----------------------------|----------------------------------|
| Office Equipment | 10605020 | 797,226.50 | 37,928.00 | | | 835,154.50 |
| Furnitures & Fixtures | 10607010 | 444,273.72 | 95,000.00 | | | 539,273.72 |
| Information & Communication Technology Equipment | 10605030 | 1,604,400.91 | 60,067.96 | | | 1,664,468.87 |
| Other Machinery & Equipmt. | 10605990 | 131,632.00 | | | | 131,632.00 |
| Motor Vehicles | 10606010 | 3,769,000.00 | | | | 3,769,000.00 |
| Less: Accumulated Depreciation | | | | | | (1,542,045.55) |
| Total | | | | | | 5,397,483.54 |

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. Other Assets

Advances to Officers and Employees pertains to amount advanced for official travel.

9. Financial Liabilities

| <u>Account Name</u> | <u>Code</u> | <u>CY 2014</u> |
|-----------------------------|-------------|----------------------|
| Accounts Payable | 20101010 | 13,564,120.41 |
| Due to Officers & Employees | 20101020 | 20,921.76 |
| Total | | 13,585,042.17 |

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

Due to Officers and Employees consist of unpaid salaries, fringe benefits, reimbursement of transportation and per diem and unclaimed checks as of December 31, 2014.

10. Inter-agency Payables

| <u>Account Name</u> | <u>Code</u> | <u>CY 2014</u> |
|---------------------|-------------|----------------------------|
| Due to BIR | 20201010 | 3,057,949.06 |
| Due to Pag-IBIG | 20201030 | 94,800.00 |
| Due to Philhealth | 20201040 | 1,800.00 |
| Total | | <u>3,154,549.06</u> |

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

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

Due to PhilHealth is the unremitted balance from PhilHealth premiums that are included in the January 2015 remittance.

11. Financial Liabilities

The account Other Payables include amounts due to other individual creditors suppliers.

12. Accumulated Surplus/Deficit

| <u>Account Name</u> | <u>Code</u> | <u>CY 2014</u> |
|-----------------------------|-------------|------------------------------|
| Accumulated Surplus/Deficit | 30101010 | 288,026,899.23 |
| Total | | <u>288,026,899.23</u> |

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.

13. Service and Business Income

| <u>Account Name</u> | <u>Code</u> | <u>CY 2014</u> |
|------------------------------------|-------------|----------------------|
| Fines and Penalties-Service Income | 40201140 | 479.68 |
| Other Service Income | 40201990 | 1.60 |
| Total | | <u>481.28</u> |

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

14. Shares, Grants and Donations

| <u>Account Name</u> | <u>Code</u> | <u>CY 2014</u> |
|--|-------------|--------------------------------|
| Income from Grants and Donations in Cash | 40402010 | 1,378,947,250.05 |
| Total | | <u>1,378,947,250.05</u> |

This account is used to record grants and donations received as technical assistance and for project implementation from various foreign funding institutions such as the Asian Development Bank, Millennium Challenge Corporation and United Nation agencies.

15. Maintenance and Other Operating Expenses

| <u>Account Name</u> | <u>Code</u> | <u>CY 2014</u> |
|--|-------------|------------------------------|
| Traveling Expenses - Local | 50201010 | 30,069,647.80 |
| Training Expenses | 50202010 | 60,983,455.91 |
| Office Supplies Expenses | 50203010 | 3,379,565.45 |
| Accountable Forms Expense | 50203020 | 34,125.00 |
| Fuel, Oil and Lubricants Expense | 50203090 | 831,340.40 |
| Other Supplies and Materials Expense | 50203990 | 204,602.69 |
| Water Expenses | 50204010 | 640,707.23 |
| Electricity Expenses | 50204020 | 773,566.07 |
| Postage and Courier Services | 50205010 | 64,381.50 |
| Telephone Expenses | 50205020 | 5,027,557.68 |
| Internet Subscription Expense | 50205030 | 182,171.97 |
| Awards/Rewards Expenses | 50206010 | 11,264.00 |
| Auditing Services | 50211020 | 75,499.52 |
| Consultancy Services | 50211030 | 2,362,888.65 |
| Other Professional Services | 50211990 | 236,054,373.99 |
| Janitorial Services | 50212020 | 239,295.24 |
| Security Services | 50212030 | 104,331.06 |
| Repairs and Maintenance - Machinery and Equipment | 50213050 | 532,097.44 |
| Repairs and Maintenance - Transportation Equipment | 50213060 | 602,384.80 |
| Taxes, Duties and Licenses | 50215010 | 2,609.06 |
| Fidelity Bond Premiums | 50215020 | 60,000.00 |
| Printing and Publication Expenses | 50299020 | 733,451.28 |
| Representation Expenses | 50299030 | 774,557.74 |
| Transportation and Delivery Expenses | 50299040 | 34,463.77 |
| Rent/Lease Expenses | 50299050 | 818,891.65 |
| Other Maintenance and Operating Expenses | 50299990 | 1,114,843.39 |
| Total | | <u>345,716,990.34</u> |

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.

Water Expenses are payments made to Maynilad Water Services, Inc. for the water consumption at DSWD Central Office.

Postage and Courier Services represents payment made to the Philippine Postal Corporation and Airfreight 2100, Inc. for mailing services of various communication, door-to-door delivery of the Department.

Awards/Rewards Expenses represent plaques awarded to the prize winner of the Contest "Bayani'Ka Awards".

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.

Auditing Services are payments made to PLDT for current charges of DSWD - COA telephone lines. It also includes traveling expenses of DSWD- COA staff during validation and or inspection of DSWD Projects.

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.

16. Non-Cash Expenses

| <u>Account Name</u> | <u>Code</u> | <u>CY 2014</u> |
|--|-------------|--------------------------|
| Depreciation - Machinery and Equipment | 50501050 | 293,940.08 |
| Depreciation - Transportation Equipment | 50501060 | 490,569.74 |
| Depreciation - Furniture, Fixtures and Books | 50501070 | 43,168.71 |
| Total | | <u>827,678.53</u> |

The Depreciation for Land Improvements, Buildings and Other Structures, Machinery and Equipment, Transportation Equipment, Furniture and Fixtures and Books are periodic cost allocation for the wear and tear the Department's PPE.

17. Net Financial Subsidy

| <u>Account Name</u> | <u>Code</u> | <u>CY 2014</u> |
|----------------------------------|-------------|--------------------------------|
| Subsidy from National Government | 40301010 | 58,478,599.46 |
| Subsidies - Others | 50214990 | 930,130,759.71 |
| Total | | <u>(871,702,160.25)</u> |

The account Subsidy from National Government is further broken down as follows:

| | |
|--|-----------------------|
| NCA Received from DBM | |
| Operating Requirements | 83,875,299.77 |
| Field Offices | 44,932,972.89 |
| TRA | 8,348,158.74 |
| Total | 137,156,431.40 |
| Less: | |
| Notice of Transfer of Allocation | 44,932,972.89 |
| Lapsed NCA | 32,690,311.53 |
| Refund of Cash Grants/Adjustments | 1,054,547.52 |
| Total | 78,677,831.94 |
| TOTAL Subsidy from National Government as of 12/31/14 | 58,478,599.46 |

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

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

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. Remittance to National Treasury

The Remittance to National Treasury refers to deposit of collections with the BTr for refunds of current and prior year expenses as well as disallowances, miscellaneous income, permits and licenses and remittance of interest income.

20. Payment of Expenses

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

21. Grant of Financial Assistance/Subsidy

This refers payments 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.

22. Release of Intra-Agency Fund Transfers

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

**MATRIX OF EFFECT ON THE FINANCIAL STATEMENTS
OF THE ACCOUNTING ERRORS AND DEFICIENCIES**

A. Accounting Errors

| <i>Reference (Observation/ Paragraph No.)</i> | <i>Errors</i> | <i>Accounts Affected</i> | <i>Effect to Total Assets/Liabilities/ Government Equity</i> |
|---|--|---------------------------------------|--|
| | | | <i>Under (Over) statement</i> |
| B.6 | Errors/omissions in recording transactions affecting cash accounts | Cash in Bank - LCCA | ₱8,911,442.35 |
| | <i>Net Understatement</i> | | 8,911,442.35 |
| | <i>Total Assets</i> | | 304,886,560.72 |
| | <i>Percent to Total Assets</i> | | 2.92% |
| | <i>Net Overstatement</i> | | - |
| | <i>Total Liabilities</i> | | 16,859,661.49 |
| | <i>Percent to Total Liabilities</i> | | 0.00% |
| B.6 | Errors/omissions in recording transactions affecting cash accounts | Expense Accumulated Surplus (Deficit) | 17,736,488.40 |
| | | Subsidies-Others | (1,174,953.95) |
| | <i>Net Overstatement</i> | | (₱8,911,442.35) |
| | <i>Total Accumulated Surplus/ (Deficit)</i> | | 288,026,899.23 |
| | <i>Percent to Accumulated Surplus/ (Deficit)</i> | | 3.09% |

B. Accounting Deficiencies

| <i>Reference (Observation/ Paragraph No.)</i> | <i>Deficiencies</i> | <i>Accounts Affected</i> | <i>Amount</i> |
|---|--|--------------------------|----------------|
| B.11 | Unreliable balances of receivable accounts | Due from NGOs' POs | ₱99,661,429.16 |
| | Total | | ₱99,661,429.16 |

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

Annex I

| Observations | Ref. | Management Comments/Actions Taken (Update as of May 2015) | Results of Auditor's Validation |
|--|--------------|---|---|
| <p><i>The GOP financial counterpart in the amount of ₱64,350,435.36 for the KALAHI-AF was not utilized for its intended purpose due to the following: a) charging of expenses of other foreign assisted projects (FAPs); and b) advance funding by the DSWD for expenditures chargeable against the loan proceeds which were not immediately reimbursed, thus depriving all other expenses of the KC-AF project for CY 2013. Further, the inclusion of expenses of other FAPs and PAMANA resulted to the overstatement of reported expenditures in the books of KC-AF.</i></p> <p>We recommend that Management to:</p> <p>a) Stop the use of GOP financial counterpart for grants of sub-projects and disburse the same according to its intended use; and</p> <p>b) make necessary adjustments/reclassification of the payments to its respective or appropriate funds for consistency or proper reference.</p> | 2013 CAAR | Management to implement COA recommendations, prospectively. | With similar observation in 2014 |
| <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> | 2013 CAAR | Management to implement COA recommendations, prospectively. | Implemented with the submission of Information System Strategic Plan to Information Communication Technology Office (formerly |

| Observations | Ref. | Management Comments/Actions Taken (Update as of May 2015) | Results of Auditor's Validation |
|---|------------------|---|---|
| <p>a) require the BSPMC to: (i) fast track submission of requirements as provided in the CBPM to ensure timely release of community grants; (ii) adopt efficient and timely procurement procedures in accordance with the CBPM; and (iv) perform resurvey of or update the project design/specifications/scope of work before the procurement bidding in order to avoid additional works or several variation orders during project implementation;</p> <p>b) require the Area Coordinators to strictly supervise the adherence of the BSPMC to the period of implementation; and</p> <p>c) monitor and follow up with the local officials concerned for the immediate allocation/appropriation of the FLC and the timely and opportune release thereof as provided in the MOA.</p> | | <p>Only eight (8) SPs remaining for completion as of December 31, 2014. The said SPs are targeted to be completed within the 1st Quarter of 2015.</p> <p>FO XI: All SPs implemented by KC – AF Region XI for CY 2013 were completed within the period prescribed in the KC Manual. Funds were completely utilized and duly liquidated per Regional COA compliance</p> | <p>Partially implemented</p> <p>Partially implemented</p> |
| <p><i>Validation of 120 Sub-Projects (SPs) of KC-MCC amounting ₱117,988,642.07 revealed: (a) Not functional SPs amounting to ₱12,216,100.69 due to insufficient funds estimation/lack of facilitation by the Barangay Sub-Project Management Committee and other stakeholders may result to incomplete SPs, thus the waste of government funds; (b) improper storage of materials purchased in the amount of ₱985,983.15 months before the start of the project may lead to non-implementation of the SPs, if not partial implementation, hence the loss of funds; (c) SPs amounting to ₱1,829,274.67 constructed near the danger zone exposed the project at</i></p> | <p>2013 CAAR</p> | <p>The deficiencies cited in the observation were fully acted upon. As of date, only 8 sub-projects remain incomplete due to various reasons.</p> <p>Management will continue to monitor and provide technical assistance to ensure completion of these sub-projects.</p> <p>----- FO V: Management has required the RPMO for a monitoring update and the update report declared that 76% or 336 SPs were already completed. Only 4 SPs or .8% have not started. Implementation of other SPs is on-</p> | |

| Observations | Ref. | Management Comments/Actions Taken (Update as of May 2015) | Results of Auditor's Validation |
|---|------|---|---------------------------------|
| <p><i>risk including its beneficiary-users, contrary to the project safeguard policies of the KC-CBIM; (d) excessive purchase of construction materials due to the overestimation of the SP implemented, may result to waste of funds; and (e) non-compliance to KC-Community-Based Infrastructure Manual (CBIM) instructions such SPs with no KALAHI markings and the absence of documentary requirements in the custody of the BSPMC may expose the project ownership to exploitation, non-maintenance of the projects and contrary to KC Manual.</i></p> | | <p>going.</p> <p>2. Project Management will execute an Exit Memo with the LGUs. RPMO technical staffs have initiated meetings with the LCEs and the key officers regarding the arrangements. Additional staff was hired to monitor the project implementation.</p> <p>3. NoA and NIP have been issued to one SP; delivery of materials are on-going to 2 SPs; while procurement processes are being undertaken for the last remaining SP.</p> | |
| <p>We recommend that Management to:</p> | | <p>FO VIII:</p> | |
| <p>a) Direct the RPMO and the ACT to ensure that procurements for infrastructure projects are based on established documented needs and considered only after thorough preparation of plans and other pre-construction requirements:</p> | | <p>The deficiencies cited in the observation were fully acted upon. As of this date, only 1 sub-project remains incomplete due to deferment and pull out of staff in Gandara, Samar. However, with the re engagement this year, completion of said SPs is one of the conditions we set with the LGU.</p> | <p>Partially implemented</p> |
| <p>b) Require the ACT and BSPMC to (i) act on the immediate correction of defects/deficiencies noted for the full continuity and functionality of the SPs for the benefits of the intended beneficiaries:</p> | | | <p>Partially implemented</p> |
| <p>c) Direct the RPMO, ACT/MCT 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>Fully implemented</p> |
| <p>d) Require the BSPMC to maintain documentary requirements at their custody and the update of</p> | | | <p>Fully implemented</p> |

| Observations | Ref. | Management Comments/Actions Taken (Update as of May 2015) | Results of Auditor's Validation |
|--|-----------|---|---------------------------------|
| Cashbook and Fund Utilization Report. | | | |
| <p><i>The existence and correctness of fixed asset accounts valued at ₱5,855,218.48 in the Financial Statements cannot be validated, since the conduct of inventory was not completed and the inventory report was not submitted.</i></p> | 2013 CAAR | <p>Physical count of PPE was conducted and report was submitted.</p> <p>Continuous updating and reconciliation of accounts is done for PPE new purchases.</p> | |
| <p>We recommended that Management:</p> | | | |
| <p>a) Direct the Property and Supply Officer Designate to conduct complete physical inventory of all property, plant and equipment regularly, in order to determine its physical existence and condition. The result thereof shall be checked on the property cards as against the equipment ledger cards and the total shall be compared with those in the general ledger. If there are any discrepancies between the physical count and booked PPE, it must be investigated, cleared and reconciled immediately.</p> | | | Partially implemented |
| <p>b) Require the Property and Supply Officer to prepare a Report on the Physical Count of PPE after inventory taking and submit the duly completed report to the Office of the Auditor, copy furnish the Accounting Unit so that any discrepancy shall be immediately verified and adjusted.</p> | | | Not implemented |

ACTION PLAN MONITORING

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

| CAAR Ref | Audit Observation | AGENCY ACTION PLAN and STATUS of IMPLEMENTATION | | | | RESULTS of COA VALIDATION | | | | | | |
|----------|---|--|-------------|--|---|----------------------------------|---|---|----------------------|--|---|---------|
| | | Audit Recommendations | Action Plan | Agency Action Plan Person/ Dept. Respon- sible | Target Implementa- tion Date From To | Status of Implementa- tion | Reason for Partial/Delay/ Non- Implementation if applicable | Action Taken/ Action to be Taken | Date Follow up | Status of Imple- mentati- on | Actual Implementatio- n Date From To | Remarks |
| 2014 | Recording errors/omissions resulting in misstatement of Cash in bank balances | <ul style="list-style-type: none"> FOs to forward to the DSWD-CCO the transfer notice or deposit slip for reference and use in the monitoring and reconciliation of balances of the Current Account; FO V to require the Accountants to (i) record the identified reconciling items; (ii) regularly prepare the monthly BRS for all bank accounts to determine the | | | | | | | | | | |

| 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 | |
| | | Audit Recommendations: 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 | | | | | | | | | | |
| | | <ul style="list-style-type: none"> • OSSEC accountant to adjust the double recording of grants transferred. | | | | | | | | | | |
| | Unliquidated fund transfers to | <ul style="list-style-type: none"> • Demand the liquidation of funds transferred to Barangay communities for the | | | | | | | | | | |

| AGENCY ACTION PLAN and STATUS of IMPLEMENTATION | | | | RESULTS of COA VALIDATION | | | | | |
|---|--|--|--------------------------|---|---------------------------------|----------------|--------------------------|------------------------------------|---------|
| CAAR Ref | Audit Observation ACCOs, PGOs | Agency Action Plan | | 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 |
| | | Action Plan | Person/Dept. Responsible | | | | | | |
| | | Audit Recommendations KALATH CHDSS-MCC: | | | | | | | |
| | <i>Utilization of KC-AF-LP to other FAPs</i> | <ul style="list-style-type: none"> reimburse KC-AF-LP the above amount from the appropriate FAP funds; and adjust/ reclassify the changing of expenses from KC-AF to the respective or appropriate funds, as may be necessary. | | | | | | | |
| | <i>Local Counterpart Contribution failed to reach the 80 percent performance</i> | <ul style="list-style-type: none"> verify and look into the Municipalities which do not comply with the provisions of the MOA regarding the 30 percent LCC in the | | | | | | | |

| AGENCY ACTION PLAN and STATUS of IMPLEMENTATION | | RESULTS of CO-AVAILIDATION | | | | | | | | | |
|---|-----------------------------|--|---------------------------|------------------------------------|--------------------------|----------------|----------------------------------|--|--------------------------|------------------------------------|---------|
| CAAR Ref | Audit Observation Indicator | Agency Action Plan | | | Status of Implementation | Date Follow up | Action Taken/ Action to be Taken | Reason for Partial/Delay/ Non-Implementation if applicable | Status of Implementation | Actual Implementation Date From To | Remarks |
| | | Action Plan | Person/ Dept. Responsible | Target Implementation Date From To | | | | | | | |
| | | <p>Audit Recommendations to ensure the sustainability and success of the KC projects:</p> <ul style="list-style-type: none"> impose sanctions in case Municipalities continuously fail to comply with the abovementioned provisions; and improve the reporting system in the website to include not only the committed sub-project costs but likewise the actual and detailed costs to reflect the efficiency of the project in attaining its goals. | | | | | | | | | |
| | <i>Delayed/implemented/</i> | <ul style="list-style-type: none"> require the KALAH-CIDSS | | | | | | | | | |

| CAAR Ref | Audit Observation <i>not functional K.A.I.I.II- C/DSS sub- projects</i> | AGENCY ACTION PLAN and STATUS of IMPLEMENTATION | | | | RESULTS of COA VALIDATION | | | | |
|----------|--|--|--------------------------------------|---|----------------------------------|---|---|----------------------|--|---|
| | | Action Plan | Person/ Dept. Respon- sible | Agency Action Plan Target Implementation Date From To | Status of Implementa- tion | Reason for Partial/Delay/ Not- Implementation if applicable | Action Taken/ Action to be Taken | Date Follow up | Status of Imple- mentati- on | Actual Implementatio- n Date From To |
| | | <p>Audit Recommendations</p> <p>Regional Monitoring Management Unit in coordination with the field personnel to fast track the completion of SPS;</p> <ul style="list-style-type: none"> adopt measures and institute feedback mechanism system to address the issues and concerns which hinder the timely completion of projects; and direct the ACT and BSPMC to immediately correct the defects/deficiencies noted and closely coordinate during planning and pre and post construction phases. | | | | | | | | |