



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, 2015



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

CONFIDENTIAL

June 30, 2016

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

Madam:

**Management Letter on the Audit of the Grant No. COM10PHL11001:
Kapitbisig Laban sa Kahirapan-Comprehensive and Integrated Delivery of Social
Services Project (KALAHI-CIDSS) - Millennium Challenge Corporation (MCC)
for the Calendar Year 2015**

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, 2015. The audit was conducted in accordance with Philippine Public Sector Standards in Auditing. Those standards require that we plan and perform the audit to obtain a reasonable basis for our conclusions.
2. The audit was conducted by the audit teams led by Ms. Lea Petero and Ms. 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 2015 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 15, 2016 with concerned DSWD officials. The comments were incorporated in this report, where appropriate. The significant audit observations and recommendations shall be incorporated in the Consolidated Annual Audit Report (CAAR) of the Department of Social Welfare and Development for CY 2015.

Operational Highlights

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

PROJECT	Completed	Not yet started	On-going	Grand Total
Basic Access Infrastructure Sub-Projects	1,207	26	138	1,370
Basic Social Services	1,231	22	134	1,487
Community Production, Economic Support and Common Service Facilities	154	7	19	180
Environmental Protection & Conservation Sub-Projects	608	9	34	651
Others	-	-	-	0
Skills Training and Capacity Building Sub-Projects	-	-	-	0
Grand Total	3,108	64	426	3,598

Details as follow:

PROJECT	NO. OF SPs	No. of Beneficiaries	KCC GRANT RELEASED	LCC	Total Project Cost
Basic Access Infrastructure Sub-Projects					
Bridge / Bridge Construction	110	19,784	125,778,804.53	33,421,623.67	159,197,428.20
Footpath / Foot Trail / Access Trail	438	69,822	418,712,017.42	121,513,347.36	540,225,364.78
Road concreting	337	90,609	388,727,193.48	110,557,961.92	499,285,160.40
Road Construction Road	21	4,412	21,134,839.30	5,608,769.04	27,604,607.34
Renovation Impvt.	414	101,958	632,569,202.11	171,234,117.10	754,436,619.23
Basic Social Services					
Day Care Center	272	58,103	165,599,415.43	45,633,652.37	204,592,977.80

PROJECT	NO. OF SPs	No. of Beneficiaries	KCC GRANT RELEASED	LCC	Total Project Cost
Electrification	34	4,368	24,042,923.22	12,199,660.44	36,242,483.66
Health Station	210	59,023	129,773,636.27	35,644,220.03	165,417,856.30
School Building	55*	153,906	621,162,779.24	137,627,200.18	658,789,979.42
Tribal Housing	1	65	-	1,189,113.00	1,189,113.00
Water System	369	74,433	353,352,409.00	112,357,669.07	465,710,078.07
Community Production, Economic Support and Common Service Facilities					
Boat Construction	1	266	688,000.00	200,000.00	888,000.00
Community Library	2	912	1,187,968.66	313,020.00	1,500,988.66
Const of Miniport/Wharf	32	4,911	46,004,653.07	11,563,406.36	57,568,059.42
Construction of Small Scale Irrigation	38	4,604	21,972,906.97	7,337,249.10	29,310,156.07
Livehood / Community Production	6	1,134	3,545,356.43	902,911.67	4,448,268.10
Multi-Purpose Bldg	29	4,021	16,042,006.28	7,222,292.66	23,264,298.94
Multi-Purpose Vehicle Land	2	316	711,733.00	329,013.00	1,040,746.00
Post Harvest Facilities	66	13,245	46,155,426.42	16,350,444.34	61,005,870.76
Public Market	7	6,085	9,544,241.87	2,969,720.83	12,513,962.70
Training Center / Facility	4	1,273	2,225,966.67	656,692.32	2,882,658.99
Environmental Protection & Conservation Sub-Projects					
BAF to Coral Reef Marine Sanctuary	1	266	461,690.00	113,700.00	575,390.00
Box Culvert, Drainage Canal	314	71,364	237,064,797.03	67,181,229.74	304,246,026.77
Flood Control	69	11,818	83,919,331.39	22,656,421.81	106,575,753.20
Riprap Wall / Slope Protection / Erosion Control	36	19,364	113,754,984.59	28,301,149.54	142,056,134.13
Sanitary Toilets	60	1,667	34,049,781.34	9,422,026.66	43,471,808.00
Seawall	63	11,184	91,671,146.04	24,108,467.25	115,779,613.29
Solid Waste Management Facilities	1	160	455,699.62	101,311.25	557,010.87
Spillway / Overflow Bridge	17	2,673	15,632,762.85	5,276,681.70	20,909,444.55
Others					
Perimeter Fence	2	355	1,531,832.90	477,626.00	2,009,458.90
Skills Training and Capability Building Sub-Projects					
Capability Building Training	3	207	999,361.89	264,513.65	1,263,875.54
Feasibility Study	5	1,387	1,957,050.46	672,632.17	2,629,682.63
Grand Total	3,535	793,439	3,454,405,425.26	995,015,077.63	4,449,420,502.89

Financial Highlights

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

PROJECT	ALLOCATION	UTILIZATION	RATE OF UTILIZATION	UNUTILIZED
	GRANT	GRANT	GRANT	GRANT
Capacity Building and Implementation Support Activity	16,984,290.00	15,073,044.73	89%	1,911,245.27
Grants for Community Projects Activity	103,623,529.00	82,351,917.00	80%	20,771,612.00
Project Management	11,392,181.00	8,921,763.93	78%	2,470,417.07
TOTAL	132,000,000.00	106,845,725.66	81%	25,153,274.34

A. SUMMARY OF RECOMMENDATIONS

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

Unliquidated fund transfers to NGOs POs

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

Unreliable Balance of Accounts Payable

- Procurement Service (DSWD) to submit immediately all documents relating to consummated transactions and deliveries to the Accounting Division for recording; and
- Accounting Division to process/record only those claims with complete supporting documents and make the necessary adjustments in the books for the accounts misstated.

Value for Money

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

B. DETAILED OBSERVATIONS AND RECOMMENDATIONS

Unliquidated fund transfers to NGOs/POs

1. *The delayed or non-liquidation of fund transfers to Implementing Agencies due to (a) lack of and/or inappropriate documentations submitted, (b) inadequate monitoring of submission of LRs from the IAs, resulted in the outstanding and accumulation of the balance of the account Due from NGOs/POs (BSPMC) amounting to ₱851.661 million as of year-end.*

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

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

Verification of SL balances of the Receivables-Due from Non-Government Organizations/Peoples Organizations (NGOs/POs) disclosed accumulated balance of ₱851,661,180.16 as of December 31, 2015 out of the ₱1,107,014,037.36 community grants downloaded in CY 2015 to Barangay Sub-Project Management Committees (BSPMC) as the NGOs/POs.

Funds transferred to various BSPMCs already reported as utilized completed per Financial and Physical Accomplishment, but documents not yet submitted for recording amounted to P408,103,121.67, computed as follows:

Started and completed in 2015 per Financial and Physical Accomplishment Report	657,522,602.52
Less: Recorded as liquidation in 2015	249,419,480.85
Utilized/completed, but documents not yet submitted for recording	408,103,121.67

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

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

Unreliable Balance of Accounts Payable

2. *The balance of Accounts Payable amounting to P24,264,995.13 is understated by P156,447.00 due to failure to set-up accounts payable for unrecorded deliveries and services.*

Section 4(s) of the New Government Accounting System Manual, Volume I states that:

"Liability shall be recognized at the time the goods and services are accepted or rendered and supplier/creditor bills are received. Likewise, assets and liabilities should be given accounting recognition in the period in which the property are accepted and when a legally enforceable claim against the agency is established."

Also, DBM Budget Circular No. 2004-2 dated January 26, 2004 provides that:

Commitment obligation shall be recognized as accounts payable upon receipt by the agency of the suppliers' creditors' bill for goods/services delivered rendered and project accepted.

The recorded Accounts Payable of P24,264,995.13 is understated by P156,447.00 due to Accounting Office's un-set-up payable accounts for the delivered supplies and materials as December 31, 2015, to wit:

Supplier	Reference No.	Purchase Order No.	Requisition Issue Slip No.	Expenses
Group 5	116632-34	15101433	15071946	156,447.00

We recommended that the Management direct the:

- a) **Procurement Service (DSWD) to submit immediately all documents relating to consummated transactions and deliveries to the Accounting Division for recording; and**
- b) **Accounting Division to process/record only those claims with complete supporting documents and make the necessary adjustments in the books for the accounts misstated.**

Management commented that the recommendations are duly noted and to be adhered to. All valid obligations/claims with complete supporting documents will be accounted for and be recognized in the books of account on the period incurred.

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

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

Verification however noted that the NPMO has not faithfully adhered to the specifically on the areas of (a) reporting and feed backing and (b) monitoring and evaluation of projects under the KALAHÍ, thus resulting to huge amount of downloaded funds unused and not report of status of project accomplishment was submitted for audit and verification.

Review of the fund utilization for the foreign assisted projects implemented by DSWD disclosed that, there is accumulated amount of P314,624,125.39 that remained unused and in the actual custody of the banks at FOs and LBP. Batasan due to non-implementation of approved projects in the WFP, to wit:

Fund	Amount			Remarks
	Available Fund	Utilized	Balance	
KC-MCD	1,476,496,910.86	1,160,872,786.29	314,624,125.39	<ul style="list-style-type: none"> Out of the P1,432,706,996.84 community grants for SPs implementation per WFP only P1,109,337,845.91 worth of SPs was implemented for CY 2016

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

C. 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	2
Not Implemented	0

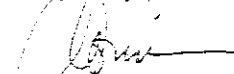
The results of the validation of implementation of prior year's recommendations are presented in **Annex H**.

D. ACKNOWLEDGEMENT

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

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

Very truly yours,



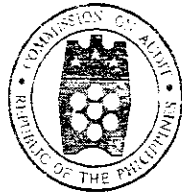
MARILYN B. MIRAN
OIC-Supervising Auditor
DSWD Audit Group

Cluster 6- Health & Science Director
National Government Sector
Department of Social Welfare and Development
Barasain 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



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, 2015, and the statement of financial performance, statement of cash flows and statement of changes in net assets/equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

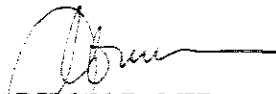
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of the **Kapit-bisig Laban sa Kahirapan – Comprehensive and Integrated Delivery of Social Services: Millennium Challenge Corporation** as of December 31, 2015 and of its financial performance, statement of cash flows and statement of net assets/equity for the year then ended in accordance with Philippine Public Sector Accounting Standards.

COMMISSION ON AUDIT



MARILYN B. MIRAN
State Auditor IV
OIC-Supervising Auditor

June 30, 2016



Republic of the Philippines
Department of Social Welfare and Development
 ISP Road, Saizean Pambansa Complex, Constitution Hills, Quezon City 1125
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**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
 FOR FINANCIAL STATEMENTS**
 Millennium 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, 2015 and the related Statement of Financial Performance, Statement of Cash Flows, Statement of Comparison of Budget and Actual Amounts, Statement of Changes in Net Assets/Equity and the Notes to Financial Statements for the year then ended. The financial statements have been prepared in conformity with the Philippine Public Sector Accounting Standards and generally accepted state accounting principles, and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

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

[Signature]
DESEREE D. FAJARDO
 Director, Financial Management Service

[Signature]
MATEO G. MONTAÑO
 Undersecretary, GASSG

[Signature]

 Date Signed

[Signature]

 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, 2015

Annex C

	<u>NOTE</u>	<u>2015</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	6	314,923,959.78
Receivables	7	898,378,908.61
Inventories		1,814,027.67
Total Current Assets		<u>1,215,016,896.26</u>
Non - Current Assets		
Property, Plant and Equipment	8	4,351,165.01
Other Assets	9	3,503,046.46
Total Non-Current Assets		<u>7,854,211.47</u>
Total Assets		<u>1,222,871,077.73</u>
LIABILITIES		
Current Liabilities		
Financial Liabilities	10	24,467,751.65
Inter-Agency Payables	11	3,121,197.94
Total Current Liabilities		<u>27,588,949.49</u>
Non- Current Liabilities		
Financial Liabilities	12	630,696.64
Total Non- Current Liabilities		<u>630,696.64</u>
Total Liabilities		<u>28,219,646.33</u>
NET ASSETS/EQUITY		
Accumulated Surplus (Deficit)		1,194,651,461.40
Total Net Assets/Equity		<u>1,194,651,461.40</u>
Total Liabilities and Net Assets/Equity		<u>1,222,871,077.73</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, 2015

	<u>Note</u>	<u>2015</u>
Revenue		
Service and Business Income	13	1,214.20
Shares, Grants and Donations	14	1,519,909,229.65
Total Revenue		1,519,910,443.85
Less: Current Operating Expenses		
Maintenance and Other Operating Expenses	15	327,977,312.97
Non-Cash Expenses		73,592.56
Total Current Operating Expenses		328,760,905.53
Surplus/(Deficit) from Current Operations		1,191,149,538.32
Net Financial Assistance/Subsidy	16	(245,315,823.66)
Gains		360.00
Losses		(240,222.66)
Surplus/(Deficit) for the period		<u>945,593,652.00</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, 2015

	<u>2015</u>
Cash Flows From Operating Activities	
Cash inflows	
Receipt of Notice of Cash Allocation	97,820,772.66
Collection of Income/Revenues	1,519,910,443.85
Collection of Receivables	586,914.64
Receipt of Inter-Agency Fund Transfers	251,456,327.00
Other Receipts	16,677,888.64
Adjustments	10,161,266.11
Total Cash inflows	1,896,613,632.90
Cash Outflows	
Remittance to National Treasury	.00
Payment of Expenses	1,100,887,898.41
Purchase of Inventories	1,667,373.18
Grant of Cash Advances	212,522.88
Payment of Accounts Payable	.00
Remittance of Personnel Benefit Contributions and Mandatory Deductions	13,316,109.17
Grant of Financial Assistance/Subsidy	299,456,189.30
Release of Inter-Agency Fund Transfers	3,832,375.09
Release of Intra-Agency Fund Transfers	295,096,198.06
Other Disbursements	.00
Reversal of Utilized NCA	14,548,861.41
Adjustments	1,961,729.21
Total Cash Outflows	1,730,899,256.71
Cash Provided by (Used in) Operating Activities	165,714,376.19
Cash Flows from Investing Activities	
Cash Inflows	
Proceeds from Sale/Disposal of Property, Plant and Equipment	360.00
Total Cash Inflows	360.00
Cash Outflows	
Purchase/Construction of Property, Plant and Equipment	.00
Total Cash Outflows	.00
Net Cash Provided by (Used in) Investing Activities	360.00
Increase (Decrease) in Cash and Cash Equivalents	165,714,736.19
Effects of Exchange Rate Changes on Cash and Cash Equivalents	-
Total Cash Provided by Operating, Investing and Financing Activities	165,714,736.19
Add: Cash Balance, Beginning January 1, 2014	149,109,223.59
Cash Balance, Ending December 31, 2014	314,823,959.78



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, 2015

	<u>2015</u>
Balance at December 31, 2013	288,026,899.23
Changes in Accounting Policy	
Restated Balance	<u>288,026,899.23</u>
Changes in Net Assets/Equity for 2013	
Adjustment of net revenue recognized directly in net assets/equity	(38,959,289.83)
Surplus/(Deficit) for the period	<u>945,593,852.00</u>
Total recognized revenue and expense for the period	<u>906,624,562.17</u>
Balance at December 31, 2014 carried forward	<u>1,194,651,461.40</u>

NOTES TO FINANCIAL STATEMENTS CY 2015

1. General Information: Agency Profile

The financial statements of Department of Social Welfare and Development-Office of the Secretary were authorized for issue on February 5, 2016 as shown in the Statement of Management Responsibility for Financial Statements signed by Director Deseree D. Fajardo, Director for Financial Management Service and Undersecretary Mateo G. Montaña, the Undersecretary for General Administrative and Support Services.

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

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

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

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

1.1 Programs/Projects/Activities

❖ Foreign Assisted Program

- KALAHHI-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 4,501 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, Anitque, Guimaras and Negros Oriental).

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

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

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

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

3. Summary of Significant Accounting Policies

3.1 Basis of accounting

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

Financial instruments

a. Financial assets

Initial recognition and measurement

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

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

Subsequent measurement

The subsequent measurement of financial assets depends on their classification.

Loans and receivables

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

Derecognition

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

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

Impairment of financial assets

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

Evidence of impairment may include the following indicators:

- The debtors or a group of debtors are experiencing significant financial difficulty;
- Default or delinquency in interest or principal payments;
- The probability that debtors will enter bankruptcy or other financial reorganization;
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults).

b. Financial liabilities

Initial recognition and measurement

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

The DSWD's financial liabilities include other payables.

Subsequent measurement

The measurement of financial liabilities depends on their classification.

Derecognition

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

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

3.3 Cash and cash equivalents

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

3.4 Inventories

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

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

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

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the DSWD.

3.5 Property, Plant and Equipment

Recognition

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

The characteristics of PPE are as follows:

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

An item of PPE is recognized as an asset if:

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

Measurement at Recognition

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

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

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

Cost includes the following:

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

Measurement After Recognition

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

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

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

Depreciation

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

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

Initial Recognition of Depreciation

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

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

Depreciation Method

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

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

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

Estimated Useful Life

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

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

Impairment

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

3.6 Changes in accounting policies and estimates

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

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

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

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

3.7 Foreign currency transactions

Transactions in foreign currencies are initially recognized by applying the spot exchange rate between the function currency and the foreign currency at the transaction.

At each reporting date:

- Foreign currency monetary items are translated using the closing rate;
- Nonmonetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction; and
- Nonmonetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising (a) on the settlement of monetary items, or (b) on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements, are recognized in surplus or deficit in the period in which they arise, except as those arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation.

3.8 Revenue from non-exchange transactions

Recognition and Measurement of Assets from Non-Exchange Transactions

An inflow of resources from a non-exchange transaction, other than services in-kind.

that meets the definition of an asset are recognized as an asset if the following criteria are met:

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

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

Recognition Revenue from Non-Exchange Transactions

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

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

Measurement of Revenue from Non-Exchange Transactions

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

Measurement of Liabilities on Initial Recognition from Non-Exchange Transactions

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

Fees and fines not related to taxes

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

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

Gifts and Donations

The DSWD recognizes assets and revenue from gifts and donations when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Goods in-kind are recognized as assets when the goods are received, or there is a binding arrangement to receive the goods. If goods in-kind are received without conditions attached, revenue is recognized immediately. If conditions are attached, a liability is recognized, which is reduced and revenue recognized as the conditions are satisfied.

On initial recognition, gifts and donations including goods in-kind are measured at their fair value as at the date of acquisition, which were ascertained by reference to an active market, or by appraisal. An appraisal of the value of an asset is normally undertaken by a member of the valuation profession who holds a recognized and relevant professional qualification. For many assets, the fair value are ascertained by reference to quoted prices in an active and liquid market.

3.9 Budget information

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

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

3.10 Impairment of Non-Financial Assets

Impairment of non-cash-generating assets

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

Where the carrying amount of an asset exceeds its recoverable service amount, the asset is considered impaired and is written down to its recoverable service amount. The DSWD classifies assets as cash-generating assets when those assets are held with the primary objective generating a commercial return. Therefore, non-cash generating assets would be those assets from which the DSWD does not intend (as its primary objective) to realize a commercial return.

3.11 Measurement uncertainty

The preparation of financial statements in conformity with PPSAS, requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, at the date of the financial statements and the reported amounts of

the revenues and expenses during the period. Items requiring the use of significant estimates include the useful life of capital assets.

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

4. Changes in Accounting Policies

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

5. Prior Period Adjustments

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

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

6. Cash and Cash Equivalents

Account Name	2015	2014
Cash – Collecting Officer	4,400.00	118.00
Petty Cash	99,388.39	99,388.39
Cash in Bank - Local Currency, Current Account	314,624,125.39	148,732,181.91
Cash – Modified Disbursement System (MDS), Regular	96,046.00	277,536.29
Total	314,823,959.78	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 as follows:

- DSWD – MCC-KALAHI-CIDSS-KKB PROJECT

Cash - Modified Disbursement System (MDS), Regular pertains to unreleased checks of as of December 31, 2015 for restoration of cash and shall be adjusted in the ensuing year.

7. Receivables

7.1 Inter-Agency Receivables

Account Name	2015		Total
	Current	Non-Current	
Due from National Government Agencies	294,649.01		294,649.01
Total	294,649.01		294,649.01

Due from National Government Agencies are broken down as follows:

Name	Amount
<i>Issued in CY 2015:</i>	
Bureau of Internal Revenue	(35,404.83)
Sub-total	(35,404.83)
<i>Issued in CY 2014 and Prior Years:</i>	
Bureau of Internal Revenue	57,637.71
DBM Procurement Service	272,416.13
Sub-total	330,053.84
Grand Total	294,649.01

Due from National Government Agencies pertains to advanced payments to Procurement Service for the purchase of office supplies requisitioned and over-remittance to BIR subject for offsetting on succeeding remittances.

7.2 Other Receivables

Account Name	2015	2014
Due from Non-Government Organizations/People's Organizations	849,991,380.16	99,661,429.13
Other Receivables	48,092,202.64	48,347,602.34
Total	898,083,582.80	148,009,031.50

8. Property, Plant and Equipment

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

	Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Books	Other Property, Plant and Equipment	Total
Carrying Amount, January 1, 2015 or Net book Value	2,103,943.65	2,834,226.72	459,313.17		5,397,483.54
Additions/Acquisitions				4,650.00	4,650.00
Total	2,103,943.65	2,834,226.72	459,313.17	4,650.00	5,402,133.54
Less:					
Disposals	155,292.26		110,747.95		266,040.21
Depreciation (As per Statement of Financial Performance)	279,819.22	600,490.04	43,248.64	1,671.40	734,929.30
Impairment Loss (As per Statement of Financial Performance)					-
Carrying Amount, December 31, 2015 (As per Statement of Financial Position)	1,729,033.17	2,313,736.68	305,316.58	3,078.58	4,351,165.01
Gross Cost (Asset Account Balance per Statement of Financial Position)	3,434,347.37	3,769,030.20	439,073.72	4,650.00	6,647,071.29
Less: Acc. Depreciation	725,314.20	1,455,293.52	133,757.14	1,671.42	2,265,936.08
Allowance for impairment					-
Carrying Amount, December 31, 2014 (As per Statement of Financial Position)	1,729,033.17	2,313,736.68	305,316.58	3,078.58	4,351,165.01

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

9. Other Assets

9.1 Advances

Account Name	2015	2014
Advances to Special Disbursing Officer	2,524,585.44	
Advances to Officers and Employees	978,461.02	152,752.35
TOTAL	3,503,046.46	152,752.35

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

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

10. Financial Liabilities

Account Name	2015		2014	
	Current	Non-Current	Current	Non-Current
Accounts Payable	24,264,995.13		13,564,120.41	
Due to Officers and Employees	202,756.42		20,921.76	
Total	24,467,751.55		13,585,042.17	

The Accounts Payable includes unreleased checks subject for reversion on the ensuing year and various claims of creditors as of December 31, 2015.

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

11. Inter-Agency Payables

Account Name	2015		2014	
	Current	Non-Current	Current	Non-Current
Due to BIR	3,003,697.94		3,057,949.06	
Due to Pag-IBIG	115,700.00		94,800.00	
Due to Philhealth	1,800.00		1,800.00	
Total	3,121,197.94		3,154,549.06	

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

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

Due to Philhealth pertains to Premiums and are also remitted during the first month of the ensuing year.

12. Other Payables

Account Name	2015		2014	
	Current	Non-Current	Current	Non-Current
Other Payables	630,696.84		120,070.26	
Total	630,696.84		120,070.26	

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

13. Service and Business Income

Account Name	2015	2014
Fines and Penalties - Service Income	1,214.20	479.68
Other Service Income		1.60
Total	1,214.20	481.28

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

Account Name	2015	2014
Income from Grants and Donations in Cash	1,519,909,229.65	1,378,947,250.05
Income from Grants and Donations in Kind		
Total	1,519,909,229.65	1,378,947,250.05

This account is used to record grants and donations received as technical assistance and for project implementation Millennium Challenge Corporation .This also includes donations in cash and in kind to various centers and institutions of the Department.

15. Maintenance and Other Operating Expenses

15.1 Traveling Expenses

Particulars	2015	2014
Traveling Expenses - Local	28,648,042.22	30,069,647.80
Total Traveling Expenses	28,648,042.22	30,069,647.80

Traveling Expenses - Local includes airfare, pre-travel allowance, 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 2015.

15.2 Training and Scholarship Expenses

Particulars	2015	2014
Training Expenses	60,106,564.82	60,983,455.91
Total Training and Scholarship Expenses	60,106,564.82	60,983,455.91

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

15.3 Supplies and Materials Expenses

Particulars	2015	2014
Office Supplies Expenses	6,058,259.43	3,379,535.45
Accountable Forms Expenses		34,125.00
Fuel, Oil and Lubricants Expenses	772,689.46	831,340.40
Other Supplies and Materials Expenses	430,522.40	204,602.69
Total Supplies and Materials Expenses	7,261,471.29	4,449,633.54

15.4 Utility Expenses

Particulars	2015	2014
Water Expenses	177,806.28	640,707.28
Electricity Expenses	667,562.98	778,535.07
Total Utility Expenses	845,369.26	1,419,272.35

Water Expenses are payments made to Maynilad Water Services, Inc. for the water consumption at Kalahi Cidss Building.

Electricity Expenses are payments made to Meralco for the electricity consumption at Kalahi Cidss Building.

15.5 Communication Expenses

Particulars	2015	2014
Postage and Courier Services	21,946.56	64,392.50
Telephone Expenses	4,358,652.46	5,027,567.68
Internet Subscription Expenses	60,892.68	182,078.97
Total Communication Expenses	4,741,491.70	5,274,029.15

Postage and Courier Services represents payment made to the Philippine Postal Corporation and Airfreight 2100, Inc. for mailing services of various communications, door-to-door delivery of the Department. It also includes liquidation of Operating Expenses of the different Social Welfare Attache at foreign post.

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 SmartTalk and Text subscribers. Also included are

reimbursements of individual postpaid lines payments in lieu of prepaid card allocation.

Internet Subscription Expenses are payments made to Globe Telecommunications, Inc. for the wireless internet subscription with Tablet Device for use of DSWD Executive and Management Committee and to Smart Communications, Inc. for wireless internet subscription for DSWD Central Office.

15.6 Professional Services

Particulars	2015	2014
Auditing Services	55,459.00	75,499.52
Consultancy Services	3,005,527.06	2,362,888.65
Other Professional Services	217,436,547.75	236,054,373.99
Total Professional Services	220,497,533.81	238,492,762.16

Legal Services represents payment of counsel's fee of DSWD Legal Service Staff during attendance to various court hearings. It also includes payment to PLDT for current telephone charges of the Office of the Ombudsman and Child Justice League; honorarium for legal services rendered by the Child Justice League and monthly allowance of the Office of the Solicitor General Officials and Personnel for legal services rendered for the period January to December 2015.

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 of 4Ps and KC-AF projects and cell cards allocation for January to March 2015.

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

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

15.7 Repairs and Maintenance

Particulars	2015	2014
Repairs and Maintenance - Machinery and Equipment	103,398.86	532,097.44
Repairs and Maintenance - Transportation Equipment	969,601.09	602,384.80
Total Repairs and Maintenance Expenses	1,072,999.95	1,134,482.24

15.8 Other Maintenance and Operating Expenses

Particulars	2015	2014
Advertising Expenses	364,990.00	
Printing and Publication Expenses	185,243.46	733,451.28
Representation Expenses	1,421,558.40	774,557.74
Transportation and Delivery Expenses	49,287.22	34,463.77
Rent/Lease Expenses	1,703,388.47	
Other Maintenance and Operating Expenses	801,750.77	1,114,843.39
Total Other Maintenance and Operating Expenses	4,526,216.32	3,476,207.83

Advertising Expenses includes newspaper publication or advertorial for Invitation to Bid for the procurement of goods and services.

16. Net Financial Assistance/Subsidy

Financial Assistance/Subsidy from NGAs, LGUs, GOCCs

Particulars	2015	2014
Subsidy from National Government	54,142,165.64	58,478,599.46
Subsidy from Other National Government Agencies	251,456,327.00	284,313,937.00
Subsidy from Other Funds	8,200.00	
Total Financial Assistance/Subsidy from NGAs, LGUs	305,606,692.64	342,792,536.46

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

Particulars	2015	2014
Financial Assistance to NGAs	251,456,327.00	284,313,937.00
Subsidies - Others	299,466,189.30	930,180,157.71
Total Financial Assistance/Subsidy to NGAs, LGUs	550,922,516.30	1,214,494,094.71
Net Financial Assistance/Subsidy	(245,315,823.66)	(871,702,160.25)

The account Financial Assistance to NGAs pertains to transfer of funds through funding checks charged against KALAHI-CIDSS Millennium Challenge Corporation (MCC) to Field Offices for the implementation of various projects/programs activities.

The account Subsidies – Others pertains to the community grants of KC MCC from January to November 2015.

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

Observations	Ref.	Management Comments/Actions Taken	Results of Auditor's Validation
<p><i>LCC failed to reach the 80 percent performance target</i></p> <p>1) The 80 percent performance target of municipalities that will provide KALAHI-CIDSS AF and 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 limiting the number of beneficiaries who could have availed of the benefits due from the program.</p> <p>Recommendation:</p> <p>Direct the concerned officials to:</p> <ol 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 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. 	<p>CY 2014 CAAR Page 109</p>	<p>Management will comply in the future that LCC data should be included in the reporting system in the KC website.</p>	<p>Fully implemented in Central Office and in FOs VIII, IX, and XI, partially implemented in FOs VI, X, and XII</p>
<p><i>Delayed, unimplemented, not functional KALAHI-CIDSS sub-projects</i></p> <p>2) 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 P58,452 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.</p> <p>Recommendation:</p>	<p>CY 2014 CAAR Page 111</p>	<p>The remaining 88 SPs under MCC have</p>	<p>Fully</p>

Observations	Ref.	Management Comments/Actions Taken	Results of Auditor's Validation
<p>a) require the KALAHI-CIDSS Regional Monitoring Management Unit in coordination with the field personnel to fast track the completion of SPs;</p> <p>b) adopt measures and institute feedback mechanism system to address the issues and concerns which hinder the timely completion of projects; and</p> <p>c) direct the ACT and BSPMC to immediately correct the defects/deficiencies noted and closely coordinate during planning and pre and post construction phases.</p>		<p>just completed the procurement processes and other pre-implementation activities and implementation will commence by June 2015. Referring to the 31 SPs, the following comments are as follows:</p> <ul style="list-style-type: none"> • The 7 SPs observed to be non-functional/non-operational, some were actually functional but on a limited capacity due to on-going minor works being done under the defects liability clause of the contract. Others have been applied with mitigating controls. • The 14 SPs observed to be defective and with 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 defective and/or with deficiencies but mere modifications from the original physical targets due to various reasons. • Of the 9 SPs with incomplete documentation for reporting and monitoring, 5 have already submitted the Sub-Project Completion Reports; 3 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. 	<p>implemented in FOs CAR and V partially implemented in FO VI</p>
<p><i>Unauthorized, unnecessary and unsupported payment of transactions</i></p> <p>3) Lapses in the processing of claims and weaknesses in the fund disbursement system permitted the payments of transactions which were supported with insufficient and improper documents</p>	<p>CY 2014 CAAR Page 90</p>		

Observations	Ref.	Management Comments/Actions Taken	Results of Auditor's Validation
<p>resulting in disallowances/suspensions in post audit.</p> <p>Recommendation: Require the Kalabi-CIDSS (KC) National Program Management Office (NPMO) and Finance to:</p> <ol style="list-style-type: none"> use the KC-AF-LP according to its intended use; reimburse KC-AF-LP the P1.967 million from the appropriate FAP funds; adjust/reclassify the charging of expenses from KC-AF to the respective or appropriate funds, as may be necessary; and; direct the concerned officials of all FOs and CO to ensure that all necessary documentation are submitted and attached before processing of claims. 		<p>FO VII -Full payment was made to NFA in consideration of the following:</p> <ul style="list-style-type: none"> The office will be able to save when paid in cash, each bag will cost only P1,250.00 instead of P1,350.00. Thus, P84,240 million will yield 67,392 bags instead of 62,400 bags or savings of 4,992 bags of rice which is equivalent to P6,240 million. Based on the project number of families to be affected in Region 8, it was anticipated that the volume of rice was not even enough to produce the required 600,000 FFPs for Region 8. Thus, to ensure that there will be no shortage, they opted to pay in cash. The procurement of 4,321 sacks of NFA rice amounting P5,833 million was charged to standby funds that would lapse on December 2014. It was in anticipation of any disaster which usually happens on year-ends as per the predictable patterns of previous disasters. It was also this time that most of the LGUs have no more funds and would need augmentation from the national government to respond to any disaster. Thus, this will also prepare the FO for any unforeseen disaster and also enable the office to preposition goods in areas to be affected. <p>FO III- An improved internal control system on disbursement has been installed by management to ensure correctness and validity of all claims.</p> <p>FO IV-B - To ensure that they will comply with the required supporting document in payment of financial assistance and the social worker will make an intensive background checking of the families who will avail of the financial assistance.</p> <p>FO V -Submitted documents proof of actual exposure to hazard per individual staff last February 13, 2015 and additional</p>	<p>CO - In the case of MCC, reimbursement amounting P33,900.00 is now in process. The total amount has been refunded thru remittance to the BTr except for the Php 23,706.04 under JFPR which is currently processed.</p>

Observations	Ref.	Management Comments/Actions Taken	Results of Auditor's Validation
		documents were only submitted lately for further evaluation thereof.	
		<p>FO XIII- On January 19, 2015, the audit team received a copy of the 4th indorsement dated November 26, 2014. The said indorsement requires the submission of conformity and acquiescence from the OSG and the Certificate of Availability of funds duly signed by the proper accounting official of FO Caraga and verified by the Audit Team Leader.</p> <p>On January 27, 2015, FO Caraga submitted to the audit team their Certificate of Availability of Funds for the retainer lawyer's fee. The same was verified by the Auditor and was forwarded on January 28, 2015.</p>	
<p>Improper recording of MCC GOP funding to KALAHI-CIDSS LP- ADDITIONAL FINANCING (2612)</p>	<p>CY 2013 CAAR - PYAR</p>	<p>We recommended our Management to make necessary adjustment to correct the entry of the account Due from National Treasury of P13,495,543.18.</p>	<p>Partial adjusting entries had been effected. Per MCC Balance Sheet as of 12/31/2013, this account Due from National Treasury is still with balance of P46,870,349.51.</p>

ACTION PLAN MONITORING

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

CAAR Ref	Audit Observation <i>Unliquidated fund transfers to NGOs/POs</i>	AGENCY ACTION PLAN and STATUS of IMPLEMENTATION				RESULTS of COA VALIDATION					
		Action Plan	Person/ Dept. Responsible	Agency Action Plan 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
2015	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 IAC, resulted in the outstanding and accumulation of the balance of the account Due from NGOs/POs (BSPMC) amounting to P83,1661 million as of year-end.	Audit Recommendations We recommended that the DSWD Secretary direct FO Directors concerned to direct the Area Coordinating Teams to require BSPMCs strict compliance on the prompt submission of DVs and supporting documents to the DSWD Regional Office to ensure the timely preparation and recording of the liquidation reports and the submission of the disbursement vouchers and other related documents to COA									

CAAR Ref	AGENCY ACTION PLAN and STATUS OF IMPLEMENTATION				RESULTS of COVALIDATION					
	Audit Observation <i>Unetable Balance of Accounts Payable</i>	Audit Recommendations	Agency Action Plan Person/Dept. Responsible	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
	The balance of Accounts Payable amounting to P24,264,995.13 is understated by P156,447.00 due to failure to set-up accounts payable for unrecorded deliveries and services	<ul style="list-style-type: none"> Procurement Service (DSWD) to submit immediately all documents relating to consummated transactions and deliveries to the Accounting Division for recording; and Accounting Division to process/record only those claims with complete supporting documents and make the necessary adjustments in the books for the accounts misstated 								
	The National Project Management Office (NPMO) has not faithfully implemented the KC-NCDOP M&E System in reporting, monitoring and evaluating KALAHI projects, thus registering a low/non-utilization financial accomplishment.	<p>We recommend that the NPMO/RPMO to faithfully adhere with the provisions of the KC M & E to ensure that the projects are implemented in accordance with the approved budget, project milestones, performance expectations as well as and maximization of desired benefits and to guide them in their decision making.</p>								