



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

Management Letter

on the

**Typhoon Yolanda Multi-Donor
Trust Fund (TYMDF)
Grant No.: 0472-PHI**

Department of Social Welfare and Development

For the Year Ended December 31, 2016

June 27, 2017

MS. AYAKO INAGAKI

Director

Human and Social Development Division

Asian Development Bank

6 ADB Avenue, Mandaluyong City

Dear **Ms. Inagaki**:

We are submitting the Audited Financial Reports for the period January 01 to December 31, 2016 for the following projects:

1. KALAHI CIDSS – National Community Driven Development Project (NCDDP) Loan No. 3100-PH;
2. KALAHI CIDSS – National Community Driven Development Project (NCDDP) Additional Financing Grant No. 0472-PH

We hope you find the documents in order.

Very truly yours,



EMMANUEL A. LEYCO
Undersecretary, GASSG





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

June 30, 2017

Honorable Judy M. Taguiwalo
Secretary
Department of Social Welfare and Development
Batasan Hills, Quezon City

Madam:

**Management Letter on the Audit of the ADB-NCDDP- Additional
Financing Grant No. 0472-PHI - for the Calendar Year 2016**

1. Pursuant to the Grant Agreement No. 0472-PHI dated March 21, 2016 between the Asian Development Bank and the Republic of the Philippines, thru the Department of Social Welfare and Development, we have audited the accounts, transactions and operations of the *Typhoon Yolanda Multi-Donor Trust Fund (TYMDF)* for the period ended December 31, 2016. The audit was conducted in accordance with Philippine Public Sector Standards in Auditing. Those standards require that we plan and perform the audit to obtain a reasonable basis for our conclusions.
2. The audit was conducted by the audit team led by Mesdames, Lea Petero and June L. Van Schoonneveldt, both State Auditor IV, to (a) verify the level of assurance that may be placed on Management's assertions on the financial statements; (b) recommend agency improvement opportunities; and (c) determine the extent of implementation of prior years' audit recommendations.
3. The Independent Auditor's Report, Statement of Management Responsibility on the Financial Statements, the Project's statement of financial position, statement of financial performance, statement of cash flows and statement of changes in net assets/equity for the year then ended, and a summary of significant accounting policies and other explanatory information for calendar year 2016 are shown in **Annexes A-G**.
4. We wish to bring to your attention that no observations and recommendations were communicated as there were no significant transactions undertaken by the said grant for CY 2016.

Financial Highlights

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

Project Category	Allocation (US\$)	Utilized (US\$)	Disbursement Rate	Unutilized (US\$)
Grants	4,618,000.00	-	0%	4,618,000.00
Equipment, Vehicle and Furniture	20,000.00	-	0%	20,000.00
Advocacy and IEC Materials	23,000.00	-	0%	23,000.00
Training, Workshops and Meetings	120,000.00	-	0%	120,000.00
Monitoring an Evaluation	130,000.00	-	0%	130,000.00
Recurrent Cost	50,000.00	-		
Unallocated	39,000.00	-	0%	39,000.00
Imprest Fund-WF	-	3,130,135.77		(3,130,135.77)
TOTAL	5,000,000.00	3,130,135.77	63%	1,819,864.23


A. SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

No significant transactions undertaken for CY 2016

B. ACKNOWLEDGEMENT

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

Very truly yours,


MARILYN B. MIRAN
OIC-Supervising Auditor
DSWD Audit Group

cc Cluster 6- Health & Science Director
National Government Sector
Department of Social Welfare and Development
Batasan Hill, Q.C.

Annexes:

- A – Independent Auditor’s Report
- B – Statement of Management Responsibility on the Financial Statements
- C – Statement of Financial Position
- D – Statement of Financial Performance
- E – Statement of Cash Flows
- F – Statement of Changes in Net Assets/Equity
- G - Notes to Financial Statements

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 *Typhoon Yolanda Multi-Donor Trust Fund* which comprise the statement of financial position as at December 31, 2016, and the statement of financial performance, statement of cash flows and statement of changes in net assets/equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of the *Typhoon Yolanda Multi-Donor Trust Fund* and of its financial performance, statement of cash flows, 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

Asst. OIC-Supervising Auditor *J*

June 30, 2017



Annex B

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


Asian Devt. Bank - KC NCDDP Project - AF Grant no. 0472-PHI

The management of **Department of Social Welfare and Development** is responsible for all information and representations contained in the accompanying Statement of Financial Position as of **December 31, 2016** and the related Statement of Financial Performance, Statement of Cash Flows, Statement of Comparison of Budget and Actual Amounts, Statement of Changes in Net Assets/Equity and the Notes to Financial Statements for the year then ended. The financial statements have been prepared in conformity with the Philippine Public Sector Accounting Standards and generally accepted state accounting principles, and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

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


DESEREE D. FAJARDO
Director, Financial Management Service

07 FEB 2017
Date Signed


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

10 FEB 2017
Date Signed



DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT
 Statement of Financial Position
 Consolidated Central and Regional Offices
 ADB – NCDDP – Additional Financing
 For the Period Ending December 31, 2016

	<u>NOTE</u>	<u>2016</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	6	155,929,793.90
Total Current Assets		155,929,793.90
Total Assets		155,929,793.90
LIABILITIES		
Current Liabilities		
Financial Liabilities	7	24,469.52
Total Current Liabilities		24,469.52
Total Liabilities		24,469.52
NET ASSETS/EQUITY		
Accumulated Surplus/(Deficit)		155,905,324.38
Total Net Assets/Equity		155,905,324.38
Total Liabilities and Net Assets/Equity		155,905,793.90



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

	<u>Note</u>	<u>2016</u>
Revenue		
Service and Business Income	8	65,360.98
Total Revenue		65,360.98
Less: Current Operating Expenses		
Maintenance and Other Operating Expenses	9	42,602.24
Financial Expenses	10	3,062.96
Total Current Operating Expenses		45,665.20
Surplus/(Deficit) from Current Operations		19,695.78
Financial Assistance/Subsidy		
Financial Assistance Subsidy from NGAs, LGUs, GOCCs	11	151,679,997.39
Less: Financial Assistance/Subsidy to NGOs/POs, LGUs, GOCCs		4,030,000.00
Net Financial Assistance/Subsidy	11	147,649,997.39
Gains	12.1	8,528,112.20
Losses	12.2	292,480.99
Surplus/(Deficit) for the period		<u>155,905,324.38</u>



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

	2016
Cash Flows From Operating Activities	
Cash Inflows	
Receipt of Notice of Cash Allocation	147,649,997.39
Collection of Income/Revenues	65,360.98
Receipt of Intra-Agency Fund Transfers	4,030,000.00
Total Cash Inflows	151,745,358.37
Cash Outflows	
Payment of Expenses	20,388.86
Remittance of Personnel Benefit Contributions and Mandatory Deductions	806.82
Grant of Financial Assistance/Subsidy	-
Release of Inter-Agency Fund Transfers	-
Release of Intra-Agency Fund Transfers	4,030,000.00
Total Cash Outflows	4,051,195.68
Cash Provided by (Used in) Operating Activities	147,694,162.69
Cash Outflows from Investing Activities	-
Net Cash Provided by (Used In) Investing Activities	-
Cash Outflows from Financing Activities	-
Net Cash Provided by (Used In) Financing Activities	-
Increase(Decrease) in Cash and Cash Equivalents	147,694,162.69
Effects of Exchange Rate Changes on Cash and Cash Equivalents	8,235,631.21
Cash Balance, Beginning January 1, 2016	-
Cash Balance, Ending December 31, 2016	79,513,801.30



DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT
Statement of Changes in Net Assets/Equity
Consolidated Central and Regional Offices
ADB-NCDDP-Additional Financing
For the Year Ended December 31, 2016

	<u>2016</u>
Balance at December 31, 2015	-
Changes in Accounting Policy	-
Restated Balance	-
Changes in Net Assets/Equity for 2014	-
Adjustment of net revenue recognized directly in net assets/equity	-
Surplus/(Deficit) for the period	155,905,324.38
Others	-
Balance at December 31, 2016	155,905,324.38

NOTES TO FINANCIAL STATEMENTS
ADB-NCDDP-Additional Financing
CY 2016

1. General Information/Agency Profile

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

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

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

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

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

1.1 Programs/Projects/Activities

- ADB-KC NCDDP Project – Additional Financing Grant No. 0472-PHI is a grant from the Asian Development Bank which aims the Project Provinces and Municipalities achieve improved access to services and infrastructure and participate in more inclusive local disaster risk reduction and management planning, budgeting and implementation.

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

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

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

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

3. Summary of Significant Accounting Policies

3.1 Basis of accounting

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

3.2 Financial instruments

a. Financial assets

Initial recognition and measurement

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

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

Subsequent measurement

The subsequent measurement of financial assets depends on their classification.

Loans and receivables

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

Derecognition

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

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

Impairment of financial assets

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

Evidence of impairment may include the following indicators:

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

b. Financial liabilities

Initial recognition and measurement

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

The DSWD's financial liabilities include other payables.

Subsequent measurement

The measurement of financial liabilities depends on their classification.

Derecognition

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

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

3.3 Cash and cash equivalents

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

3.4 Inventories

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

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

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

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
- 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.

Derecognition

The DSWD derecognizes items of property, plant and equipment and/or any significant part of an asset upon disposal or when no future economic benefits of service potential as expected from its continuing use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) in the surplus or deficit when the asset is derecognized.

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

Transaction 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 bidding arrangement to receive the goods. If goods in-kind are received without condition 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.

Transfers

The DSWD recognizes an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset, except those arising from services in-kind.

Services In-Kind

Services in-kind are not recognized as asset and revenue considering the complexity of the determination of and recognition of asset and revenue and the eventual recognition of expenses.

Transfers from other government entities

Revenues from non-exchange transactions with other government entities and the related assets are measured at fair value and recognized on obtaining control of the asset (Cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the (Name of Entity) and can be measured reliably.

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
Cash in Bank - Local Currency, Current Account	4,030,203.06
Cash - Treasury/Agency Deposit, Special	151,899,590.84

Total	155,929,793.90
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Cash in Bank- Local Currency Account includes the funds that were deposited with the Authorized Government Depository Bank (AGDB) in accordance with GAFMIS Circular Letter No. 20013-005 dated November 21, 2003 as follows:

6.1 Foreign Assisted Projects

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

- KC NCDDP ADB AF Typhoon Yolanda Multi-Donor Trust Fund (TYMDTF) Grant No. 0472-PHI

Financial Liabilities

Account Name	2016
Accounts Payable	24,469.52
Total	24,469.52

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

7. Service and Business Income

Account Name	2016
Interest Income	65,360.98
Total	65,360.98

Interest Income represents income earned from peso and dollar account of the project

8. Maintenance and Other Operating Expenses

8.1 Traveling Expenses

Particulars	2016
Traveling Expenses – Local	42,602.24
Total Traveling Expenses	42,602.24

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

9. Financial Expenses

Account Name	2016
Bank Charges	3,062.96
Total	3,062.96

The account Bank Charges generally refers cable charges for electronic funds transfers of Foreign Currency Account of KC NCDDP ADB AF Typhoon Yolanda Multi-Donor Trust Fund (TYMDTF) Grant No, 0472-PHI (Dollar Account)

10. Net Financial Assistance/Subsidy

Particulars	2016
Subsidy from other National Government	147,649,997.39
Subsidy from Central Office	4,030,000.00
Total Financial Assistance/Subsidy from NGAs, LGUs	151,649,997.39

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

Particulars	2016
Financial Assistance to NGAs/Subsidy to Regional Offices/ Staff Bureaus	4,030,000.00
Total Financial Assistance/Subsidy to NGAs, LGUs	4,030,000.00

Net Financial Assistance/Subsidy	147,649,997.39
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The account Financial Assistance to NGAs pertains to transfer of funds through funding checks charged against Peso Current Account to Field Offices for the implementation of the project.

11. Non- Operating Income, Gain or Losses

11.1 Non-Operating Income/Gain

Particulars	2016
Gain on Foreign Exchange	8,528,112.20
Total Non-Operating Income/Gain	8,528,112.20

11.2 Non-Operating Losses

Particulars	2016
Loss on Foreign Exchange (FOREX)	292,480.99
Total Non-Operating Losses	292,480.99

Gains of Foreign Exchange results from the translation of foreign currency into the presentation currency, which the Philippine peso was using the prevailing exchange rate at every end of the period. This is the excess of current exchange rate (closing rate)

at the reporting date over the rate initially or previously recognized multiplied by the balance of the foreign currency account.

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