

## EXECUTIVE SUMMARY

### A. Introduction

The DSWD is mandated to provide assistance to local government units (LGUs), non-government organizations (NGOs), other national government agencies (NGAs), people's organizations (POs) and other members of Civil Society in effectively implementing programs, projects, and services that will alleviate poverty and empower disadvantaged individuals, families and communities for an improved quality of life. It implements statutory and specialized programs which are directly lodged with the Department.

It is composed of the Central Office (CO) and 16 Field Offices (FOs) in Regions I-XII, CAR, NCR, and CARAGA. It is headed by Acting Secretary Virginia N. Orogo, who is assisted by seven Undersecretaries and four Assistant Secretaries. Each of the 16 FO is headed by a Regional Director.

For CY 2017, the DSWD personnel complement is 29,836, consisting of 2,850 permanent, 9,588 contractual, 62 casual, 15,431 Contracts of Service and 1,905 Job Orders, distributed in the Central Office and 16 Field Offices.

### B. Financial Highlights

The DSWD had a total appropriation of ₱147,377.921 million broken down as follows:

Source/Nature	CY 2017 (in millions)	CY 2016 (in millions)
<b>Current Year's Appropriation</b>		
Regular GAA	116,321.695	109,641.546
Automatic Appropriation	134.061	423.973
Special Purpose Fund	8,064.767	5,503.818
Total Current	124,520.523	115,569.337
Continuing Appropriation	22,857.398	15,976.342
<b>Grand Total</b>	<b>147,377.921</b>	<b>131,545.679</b>
Total Allotment Received	147,377.018	131,545.679
<b>Total Obligations incurred</b>	<b>140,322.087</b>	<b>108,535.392</b>
<b>Unobligated Allotment</b>	<b>7,054.931</b>	<b>23,010.288</b>

Details of the sources and application of funds are presented below.

<b>Particulars</b>	<b>CY 2017</b>	<b>CY 2016 (As restated)</b>
<b>Financial Condition</b>		
Assets	109,564.965	77,055.603
Liabilities	37,046.559	26,596.659
Net Assets/Equity	72,518.405	50,458.944
<b>Sources of Fund</b>		
Subsidy from NG - net	41,490.899	20,924.465
Other Income	191.966	765.780
<b>Total Income</b>	41,682.865	21,690.245
<b>Application of Fund</b>		
Personnel Services	5,944.820	5,674.685
MOOE	11,435.083	10,121.382
Financial Expenses	401.484	509.575
Non-Cash Expenses	266.622	302.354
<b>Total Expenses</b>	18,048.010	16,607.997
<b>Surplus (Deficit) for the Period</b>	<b>23,634.855</b>	<b>5,082.249</b>

### **C. Scope and Objectives of Audit**

The audit covered the accounts and operations of the DSWD Central Office and 16 FOs for CY 2017. The audit was conducted to: a) verify the level of assurance that maybe placed on management’s assertions on the financial statements; (b) recommend agency’s improvement opportunities, (c) determine the propriety of transactions as well as the extent of compliance with pertinent laws, rules and regulations, and (d) determine the extent of implementation of prior year’s audit recommendations.

To a limited extent, value-for-money audit was also conducted on some programs/projects of the DSWD aimed at ascertaining the economy, efficiency and effectiveness in their implementation.

### **D. Independent Auditor’s Report**

The Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements due to material accounting errors and deficiencies noted in the audit, as discussed in detail in Part II of this report.

### **E. Significant Observations and Recommendations**

Among the audit observations and corresponding recommendations discussed in Part II of this report, the significant observations are summarized as follows:

1. Cash in Bank estimated at ₱83.444 million were dormant and unremitted to the Bureau of the Treasury (BTr) contrary to Section 4 of the General Provisions of Republic Act (RA) 10924, otherwise known as the General Appropriations Act (GAA), Fiscal Year (FY) 2017, and Permanent Committee Joint Circular No. 4-2012 dated September 11, 2012; thus, depriving the national government of the proper disposition of these funds.

**We recommended and Management agreed to require the Officials concerned to remit to the Bureau of the Treasury all cash in bank of the dormant and bank accounts required to be remitted pursuant to the aforementioned rules and regulations.**

2. Non-liquidation of Cash advances amounting to ₱2,937.587 million due to non-compliance with pertinent provisions of COA Circular No. 97-002 dated February 10, 1997 and DSWD Administrative Order No. 07, series of 2016, on liquidation, resulted in the accumulation of long outstanding Cash Advances.

**We reiterated our prior year's recommendation and Management agreed to:**

- a) **impose sanctions to erring officials and employees who fail to liquidate their cash advances as soon as the purpose of the cash advance has been served; and**
  - b) **intensify the monitoring controls on cash advances to ensure timely submission of liquidation documents.**
3. Fund transfers to National Government Agencies (NGAs), Local Government Units (LGUs) and Government-Owned and Controlled Corporations (GOCCs) totalling P28,848.748 million for the implementation of various programs remained unliquidated as at December 31, 2017, contrary to COA Circular No. 94-013 dated December 13, 1994; thus, resulting in the accumulation of long outstanding *Due from NGAs/LGUs and GOCCs*.

**We reiterated our prior year audit recommendations and Management agreed to direct the Directors of the concerned FOs to monitor the status and liquidation of fund transfers to Implementing Agencies and adopt stricter measures to compel them to immediately submit the liquidation reports within the prescribed period per COA Circular No. 94-013 and to refund the unutilized fund transfers for completed projects**

4. The account balances of Conditional Cash Transfer /Modified Conditional Cash Transfer beneficiaries under the cash card, prepaid card, and FCB mode of payment showed a total of ₱1.323 billion, which included 1,889,994 accounts with a balance of P1.206 billion, ranging from ₱501 to more than ₱50,000 that were not withdrawn from 30 to 2,190 days upon pay-out; thereby, showing that there is no immediate need for the financial assistance, and casting doubt on the

eligibility of the chosen beneficiaries. Moreover, 32,783 accounts with a total balance P108.614 million have no date of last monetary activity or no withdrawal since date of opening of the accounts, but were still included in the list of beneficiaries.

**We recommended and Management agreed to require the National Project Monitoring Office to:**

- a) **Coordinate with the LBP on the status of cash cards issued to beneficiaries and make necessary actions to recover the amount to be remitted to the Btr;**
  - b) **Expedite the validation/investigation/re-assessment of the eligibility of concerned beneficiaries and fast-track the implementation of the resolution to address the problem;**
  - c) **Intensify the monitoring and follow-up of beneficiaries by field personnel and the updating of the data base for the non-compliant/delisted beneficiaries; and**
  - d) **Strictly implement NAC Resolution No. 41, Series of 2017**
5. Refunds from the LBP conduits totaling ₱5.385 billion made in CYs 2013 to 2017, representing unclaimed cash grants of 4Ps beneficiaries for Over the Counter mode of payment, were not returned to the Bureau of the Treasury (BTr) pursuant to Section 88 of the General Provisions of the General Appropriations Act (GAA) for Fiscal Year (FY) 2017; thus, depriving the government of the proper disposition of these funds.

**We reiterated our prior year's recommendation that Management require the concerned officials to remit in full to the Bureau of the Treasury (BTr) the amount refunded by the conduits which represents unclaimed cash grants for prior years.**

**We likewise recommended that Management revisit and strengthen the policy on the forfeiture of unclaimed cash grants and remittance of refunds to the BTr to ensure that government resources are maximized.**

6. The Sustainable Livelihood Program (SLP) registered a low financial performance with an average of 48.05 percent for the three-year implementation period from CY 2015 to 2017; thus, the allotted budget to improve the socio-economic status of intended recipients was not attained and funds for the program not maximized for the benefit of the nation as a whole.

**We recommended and Management agreed to review the SLP implementation process and make enhancements to address the major**

**findings as reported in the Assessment Report to ensure that funds allotted for the SLP is maximized and intended recipients may improve their socio-economic status that would redound to the nation as a whole.**

7. The implementation of the CYs 2013 to 2016 Bottom-Up Budgeting (BUB) with an allocated budget of ₱8,858.485 million was not fully attained due to delays incurred in the provision of the needed interventions and low percentage of accomplishment registered; thus, the projects were not made available to the intended beneficiaries at the most opportune time. Moreover, to address the perennial delay encountered in the program implementation, the DSWD contracted the United Nations Development Programme (UNDP) to handle the implementation of selected BUB projects for CYs 2015 and 2016 costing ₱613.502 million which, likewise, incurred delays due to administrative bottlenecks and political issues, projects are geographically isolated and access to sites are difficult, and failure of bidding due to high bid/quotation from participating bidder, among others.

**We recommended that Management require the concerned offices to:**

- a) **institute the necessary program of action to assess the UNDP BUB implementation and address the underlying causes for the delays that are within the DSWD/UNDP's control;**
  - b) **for fund transfers made to the UNDP, monitor and require submission of status of fund utilization to ensure that funds are still intact to finance other remaining projects not yet completed per agreement; and**
  - c) **require the UNDP to submit supporting documents for all the reported accomplishments and conduct a validation thereof.**
8. The KALAHI-CIDSS – National Community-Driven Development Program (KC-NCDDP) registered a Physical accomplishment of 81.32 percent as at December 31, 2017, slightly below the 85 percent KC-NCDDP Results Framework for CY 2017 requirement per loan agreement; thus, falling short of attaining the objective of the project of providing the selected community of improved access to services and infrastructure and participating in more inclusive Management planning, budgeting and implementation.

**We commended the DSWD Project Management Office (PMO) for the increased accomplishment notwithstanding their not having attained the target Intermediate Outcome for CY 2017; however, for the uncompleted SPs, we recommended and Management agreed to require the concerned Area Coordination Teams (ACTs) and Regional Project Management Office (RPMO) personnel to:**

- a) **Regularly monitor the ongoing and unimplemented SPs, especially those in the far-flung areas, and to fast track the completion of the SPs;**
  - b) **Seek assistance of the local government in the acquisition of project sites;**
  - c) **Make representations with the concerned government agencies for the immediate release of clearances and permits needed for the projects;**
  - d) **Enjoin the community to work within the timeline of the project implementation; and**
  - e) **Furnish the Barangay Sub-Project Management Committees (BSPMCs) with the list of contractors and suppliers in good standing and blacklist erring contractors and suppliers.**
9. Delays were incurred in the implementation of the project Construction of 605 classrooms for Indigenous Peoples (IP) due to internal and external factors with only 15.04 percent accomplishment as at December 31, 2017; thus, defeating the project's objective of expanding access to basic education services in IP communities through the provision of 605 classrooms by SY 2016-2017.

**We recommended and Management agreed to require:**

- a) **the KC-NCDDP National Project Monitoring Team/Regional Project Monitoring Team to monitor the implementation of the program to ensure the timely completion and utilization of the classrooms in identified IP communities to achieve the desired outcome of educating its youth and bringing progress to the Mindanao region;**
- b) **the implementing ROs to monitor and implement the immediate liquidation of funds transferred to the LGUs to avoid the accumulation of *Due from LGUs* account.**

**We, likewise, recommended and Management agreed to henceforth review its capacity to implement projects before entering into agreements to ensure that project objectives are achieved.**

The foregoing findings and recommendations were discussed with management officials in an exit conference on May 4, 2018 and their view and comments were incorporated in the report, where appropriate.

#### **F. Enforcement of Settlement of Suspensions, Disallowances and Charges**

The non-compliance with laws, rules and regulations resulted in the total suspensions and disallowances in the audit of various transactions amounting to P817.287 million and P785.030 million, respectively.

**G. Status of Implementation of Prior Years' Audit Recommendations**

Of the 104 prior years' audit recommendations, 47 were fully implemented, 54 were partially implemented and 1 was not implemented and 2 were reiterated audit recommendations in 2017 audit report. The details of these audit recommendations are shown in Part III of the report.

**Management is enjoined to ensure full implementation of all audit recommendations to improve the financial and operational efficiency of the Agency.**