

EXECUTIVE SUMMARY

A. Introduction

The Department of Social Welfare and Development (DSWD) was first established in 1915 as the Public Welfare Board (PWB) until it became the Social Welfare Administration in 1961. It was elevated into a Department in 1968 by virtue of RA No. 5416; otherwise known as the Social Welfare Act and was renamed as DSWD in 1987. The passage of RA 7160, otherwise known as the Local Government Code of 1991 effected the devolution of DSWD basic services to local government units.

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 Secretary Corazon J. Soliman, who is assisted by three Undersecretaries and six Assistant Secretaries. Each of the 16 FO is headed by the Regional Director.

For CY 2015, the DSWD personnel complement is 30,105, consisting of 2,476 regular, 8,580 contractual and 19,049 MOA, distributed in the Central Office and 16 Field Offices.

B. Financial Highlights

The DSWD had a total appropriation of *₱118.829 billion* per RA No. 10651. Total allotments received amounted to *₱142.558 billion*, broken down as follows:

Source/Nature	CY 2015 (in millions)	CY 2014 (in millions)
Current Year's Appropriation	₱122,848.95	₱94,912.942
Continuing Appropriation	19,708.79	8,411.364
Total	₱142,557.74	₱103,324.306

Of the total allotment received of *₱142.557 billion*, *₱124.091 billion* was obligated, leaving an unobligated allotment of *₱18.466 billion*. Out of the total obligation, *₱98.659 billion* was disbursed, leaving an unexpended balance of *₱25.432 billion*. Details of the sources and application of funds are presented below.

Particulars	CY 2015	CY 2014
Financial Condition		
Assets	112,920,581,723.69	86,422,392,764.48
Liabilities	6,471,329,968.39	11,599,444,030.36
Government Equity	106,449,251,755.30	74,822,948,734.12
Sources of Fund		
Subsidy from NG - net	70,508,936,179.66	34,021,047,057.21
Other Income	1,845,650,823.56	2,858,570,859.36
Total Income	72,354,587,003.22	36,879,617,916.57
Application of Fund		
Personnel Services	5,115,046,802.56	3,124,352,688.1
MOOE	10,311,049,082.22	7,192,785,028.38
Financial Expenses	306,296,608.06	247,805,103.94
Non-Cash Expenses	300,460,516.24	273,404,123.66
Total Expenses	16,032,853,009.08	10,838,346,944.08
Surplus (Deficit) for the Period	56,321,733,994.14	₱26,041,270,972.49

C. Scope and Objectives of Audit

The audit covered the accounts, transactions and operations of the DSWD OSEC and 16 FOs for the period 01 January to 31 December 2015. It was aimed at determining whether the Department's financial statements present fairly the Department's financial position and results of operations for the year then ended, and at determining the extent of compliance with existing laws, rules and regulations. 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. Auditor's Report on the Financial Statements

A qualified opinion was rendered on the fairness of presentation of the financial statements of the DSWD for CY 2015, due to material exceptions noted in audit, which are shown in *Annex 1* and are stated in the Independent Auditor's Report and discussed in detail in Part II of this report.

E. Significant Observations and Recommendations

The following are the other significant observations and recommendations, details of which are discussed in Part II of the report:

1. The effective monitoring on the compliance conditions of 4Ps ensured beneficiary children of regular attendance to school, improved health care, and opportunities to educate parents on family and citizen's responsibilities that would redound to nation building.

Notwithstanding the challenges in the implementation of the Program, we commend DSWD for its dedication to uplift the condition of the poor and vulnerable with the end-view to break the intergenerational cycle of poverty. (Observation No. 10)

2. Deficiencies/gaps in the 4Ps information system, such as: a) compliant beneficiaries excluded/suspended from payroll; b) retro payments not verifiable on Grievance system and paid only after two (2) years; and, c) existence of duplicate entries in the 4Ps payroll had affected the efficient implementation of the program. (*Observation No. 11*)

We recommended, among others, that the Secretary:

- a) **implement a management review control process which ensures the all compliant beneficiaries are included in the payroll of the periods stated in the CV;**
 - b) **identify the causes of the exclusion from the payroll list and make necessary enhancement in the system to avoid the same errors;**
 - c) **establish a monitoring mechanism to warrant timely resolution of complaints to ensure that the cash assistance reach the beneficiaries within the timelines set and the much needed cash assistance is utilized as intended;**
 - d) **Conduct a review/validation of the beneficiary data and clean up the invalid/double beneficiary entries and errors to ensure that the master data is free from any invalid/duplicate/multiple records; and**
 - e) **enhance the system to include an embedded facility that automatically checks duplicate/invalid beneficiary entries to avoid double payments.**
3. The account balances of CCT/MCCT beneficiaries under the cash card mode of payment showed a total of ₱1.099 billion, consisting of 79,530 accounts with balances ranging from ₱2,801 to ₱102,200 that were not withdrawn from 30 to 2,190 days upon payout, thereby showing that there is no immediate need for the financial assistance, and casting doubt on the eligibility of the chosen beneficiaries. Moreover, 386,435 accounts with a total balance of ₱139.008 million have no date of last monetary activity, but still included in the list of beneficiaries. (*Observation No. 12*)

We recommended that the Secretary require the National Program Management Office to:

- a) **coordinate with LBP of the status of cash cards issued and make necessary actions to recover the amount to be remitted to the BTr;**
- b) **conduct an investigation/re-assessment of the eligibility of the concerned beneficiaries and make necessary actions based on the assessments;**
- c) **intensify monitoring and follow-up of beneficiaries by the field personnel and update of the data base for the non-compliant/delisted beneficiaries; and**

- d) **the Regional Project Management Office (RPMO), Pantawid Director to intensify validation of all unpaid beneficiaries and require the Municipal and Provincial Link prompt reporting on the status of beneficiaries so that changes if any are immediately effected to prevent or minimize the occurrence of unpaid grants on over the counter and off-site payments of 4Ps.**
4. Payment of MCCT to qualified beneficiaries incurred delays, ranging from 12 to 15 months, due to: (a) absence of partner conduit to service the areas; (b) lack of capital funds of conduits; and, (c) delayed processing and release of checks for MCCT beneficiaries, thus the objective to alleviate the condition of the partner families was not fully achieved. (*Observation No. 13*)

We recommended that the Secretary require the NPMO/RPMO to:

- a) **Submit to the Unified Financial Management Unit the Notice of Approve Payroll Action for the early preparation and release of MCCT Cash Grants;**
 - b) **Prepare and implement a work plan for the conduct of annual activities for the MCCT to ensure that allocated amounts achieves the purpose for which it was allocated;**
 - c) **Contract the services of partner conduits in the same province/Region for security and avoid delays in pay-out.**
5. Low financial accomplishment rate and delayed submission of project accomplishment as of December 31, 2015, raised doubts on the effective implementation of the KC-NCDDP M&E System, specifically on the areas of reporting, monitoring and evaluating KALAH I projects. (*Observation No. 14*)

We recommended that the Secretary require 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 maximization of desired benefits and to guide them in their decision making.

6. Only 47.39 percent or 272 SPs costing ₱329.081 million were completed, out of the 574 SPs validated with project cost of P696.591 million, thus short of the 70 percent KC-NCDDP Intermediate Outcome Indicator for CY 2015, due to: (a) lack of assistance and monitoring by the ACTs and RPMOs personnel to the BSPMCs; and, (b) delayed downloading of community grants to the BSPMC, especially the 2nd tranches, thus may affect the implementation of SPs within the agreed timeframe of five-year and four-year implementation period provided in the loan agreement with the WB and ADB, respectively. (*Observation No. 15*)

We recommended that the Secretary require the concerned ACTs and RPMOs personnel to:

- a) **regularly monitor the on-going and unimplemented SPs and determine the causes of delays and address the issues and concerns to fast track the completion of the SPs;**
 - b) **require the BSPMCs to strictly adhere to the KALAH I policy as to the prescribed period of project implementation by the timely submission of the requests for fund release and supporting documents and instruct the BSPMCs to start the procurement activity while awaiting for the downloading of the community grants;**
 - c) **fast track the downloading of community grants to BSPMC; and**
 - d) **instruct the ACTs to properly monitor the status of SPs implementation within their area of responsibilities and ensure that all information/reports are accurate, complete, and consistent with Program standards.**
7. SPs costing ₱9.087 million were with deficiencies/issues, and not in keeping with KC-NCDDP policy guidelines. (*Observation No. 16*)

We recommended and Management agreed to:

- a) **require the ACT/RPMO personnel to closely monitor, supervise and provide technical assistance to the BSPMC during project implementation and immediately correct the defects/deficiencies noted for the full continuity and functionality of the SPs for the benefits of the intended beneficiaries; and**
 - b) **hold accountable the RPMO/ACT who will be found remiss in the monitoring and evaluation of the SPs.**
8. Community grants amounting to ₱217.240 million released to BSPMC showed a difference of ₱48.086 million as against the KC-NCDDP report, thus affecting the accuracy of the reported project accomplishments to various stakeholders. (*Observation No. 17*)

We recommended that the Secretary:

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

9. Validation of 39 association-led SPs costing ₱59.953 million disclosed non-compliance with the registration requirements, as stated in the RWSM, thus the sustainability of the projects may not be assured. (*Observation No. 18*)

We recommended and the Management agreed to: a) require the ACT at DSWD Field Offices to strictly implement the provisions of NEDA Board Resolutions No. 5 series of 1996; and b) establish a monitoring mechanism to ensure that association-led sub-projects are provided with guidance and support in all matters relating to the projects.

10. The Agency registered a low CSAP accomplishment of 68.97 percent or 69,003 despite the full release of funds for the project due to: (a) failure to provide LGU counterpart and to comply with shelter assistance requirements; (b) delayed release of certification as safe areas by the MGB/PHILVOCS/PAGASA; and, c) validation of relocation sites still on-going, thus, depriving the victims of disasters benefits thereof and rendering the objective of the program not fully attained. (*Observation No. 19*)

We recommended that Management a) enforce the policy on LGU counterpart and require the submission of all documentary requirements from the LGUs requesting for shelter assistance, before funds are downloaded to them; and b) establish an effective monitoring/ validation of sites to ensure that projects are implemented according to plans and budget.

11. The delay in the construction of transitional shelters in Regions VIII and IX, with only 52 percent or 1,410 completed out of 2,700 units in Region VIII and 85 percent overall completion in Region IX, deprived the victims of disaster of immediate shelter assistance, thus defeating the very objective of the project. (*Observation No. 20*)

We recommended that the Secretary:

- a) require the IP to complete the needed transitional shelters and turnover the same to the intended beneficiaries; and**
- b) strictly observe compliance with the established laws rules and regulations on Fund transfers to NGO/POs and CSAP.**

12. The delay in or non-release of shelter assistance to 37,870 beneficiaries amounting to ₱684.30 million rendered the objective of the program to address the emergency and rehabilitation shelter needs of families with damaged houses not fully realized. Further, no clear and written policy guidelines were issued on the processing period of documents, from assessment to release of fund, thus affecting the efficient implementation of the program. (*Observation No. 21*)

We recommended that management hasten the assessment and validation of prospective beneficiaries and include in the guidelines the time element in

processing the documents needed in the grant of ESA to beneficiaries as well as the corresponding penalty for non-compliant LGUs.

13. Distribution of ESA for typhoon Lando victims was delayed by three months due to delay in the downloading of fund to the Regions and in the assessment and validation of beneficiaries. (*Observation No. 22*)

We recommended that Management closely coordinate and follow up submission of documents by LGUs and fast track the downloading of funds, if already available, to ensure that the objectives of emergency assistance program are attained.

14. The delayed and/or non-implementation of the SFP in seven regions, due to lapses in program implementation deprived children beneficiaries of the opportunity to improve their nutritional status and health condition. (*Observation No. 23*)

We recommended that Management to direct the concerned FOs to: a) instruct the Regional SFP Focal Person/s to coordinate closely with the concerned IPs and the social worker counterparts to monitor monthly the proper and efficient implementation of projects as well as liquidation of fund transfers to ensure that objectives and goals of the project are achieved; and b) assess the readiness of the IP and capacitate them before any release of fund for the efficient and effective implementation of the Program.

The above findings and recommendations were discussed with management officials in an exit conference on June 15, 2016, and their views and comments were incorporated in the report, where appropriate.

F. Status 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 ₱488,445,864.62 and ₱193,479,266.85, respectively. Settlements on suspensions and disallowances were made amounting to ₱65,451,764.13 and ₱661,883.27, bringing the balances as of the year amounting to ₱419,546,871.49 and ₱463,194,971.24.

G. Status of Implementation of Prior Years' Audit Recommendations

Of the 113 prior years' audit recommendations, 34 were fully implemented, 70 were partially implemented and 8 were not implemented. The details of these audit recommendations is discussed in Part III of the Report.