

# Audited Project Financial Statements

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Project Number: 46420  
Loan Number: 3100  
Period covered: 1 January to 31 December 2015

## PHI: KALAHI-CIDSS National Community-Driven Development Project

Prepared by: Department of Social Welfare and Development

For the Asian Development Bank  
Date received by ADB: 1 July 2016

The audited project financial statements are documents owned by the borrower. The views expressed herein do not necessarily represent those of ADB's Board of Directors, Management, or staff. These documents are made publicly available in accordance with ADB's Public Communications Policy 2011 and as agreed between ADB and the Department of Social Welfare and Development.



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

## 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: National Community Driven Development Project**, 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.


*Basis for Qualified Opinion*

As discussed in this report, the recorded balance of Cash in Bank – Foreign Currency, Savings Account amounting to P2,828,446,431.49 as of December 31, 2015 is overstated by P49,676,660.08, thus the Gain on Foreign Exchange/Accumulated Surplus was overstated by the same amount.

*Qualified Opinion*

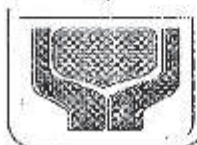
In our opinion, except for the effects on the financial reports of the matter referred to in the preceding paragraph the financial statements present fairly, in all material respects the financial position of the **Kapit-bisig Laban sa Kahirapan – Comprehensive and Integrated Delivery of Social Services: National Community Driven Development Project** 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**  
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**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**  
National Community-Driven Development Project

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.

**DESEREE D. FAJARDO**  
Director, Financial Management Service

2/3/16  
Date Signed

**MATEO G. MONTAÑO**  
Undersecretary, GASSG

2/10/2016  
Date Signed

## Annex C



## DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT

## Statement of Financial Position

As of December 31, 2015

Support to Foreign-Assisted Fund - General Fund - New General Appropriations - NCDDP-WB & ADB  
(in Philippine Peso)

	2015			2014	
<b>ASSETS</b>					
Current Assets	<b>GOP</b>	<b>WB</b>	<b>ADB</b>	<b>WB</b>	<b>ADB</b>
Cash and Cash Equivalents	127,036.04	1,660,063,707.53	2,525,857,339.48	235,380,089.96	429,846,326.71
Receivables	5,433,431.45	2,363,662,348.73	5,852,808,809.03	752,116.23	23,726,312.05
Inventories	17,472,292.60	2,957,352.56	152,042.94	1,995,889.25	96,073.36
Other Current Assets	1,272,506.28	1,445,309.18	(15,833.34)	-	-
<b>Total Current Assets</b>	<b>24,305,266.37</b>	<b>4,028,149,718.00</b>	<b>8,378,802,358.11</b>	<b>238,128,095.46</b>	<b>691,598,807.58</b>
Non - Current Assets					
Property, Plant and Equipment	13,248,144.67	31,384,754.17	25,740,456.74	10,038,652.12	5,616,405.00
Biological Assets	-	-	-	-	-
Intangible Assets	-	-	-	9,984.00	-
Other Non-Current Assets	305,840.03	-	-	388,803.80	11,984.00
<b>Total Assets</b>	<b>37,859,251.07</b>	<b>4,059,983,472.17</b>	<b>8,404,542,814.85</b>	<b>10,437,439.92</b>	<b>5,628,389.00</b>
<b>LIABILITIES</b>					
Current Liabilities					
Financial Liabilities	150,216,660.58	134,381,281.82	529,689,409.42	58,001,576.38	66,125,719.93
Inter-Agency Payables	15,692,873.70	14,128,191.91	891,642.44	16,114,137.78	3,256,352.29
Intra-Agency Payables	-	-	-	-	-
Trust Liabilities	-	-	-	-	-
Deferred Credits/Unearned Income	-	-	-	-	-
Other Payables	-	-	-	76,459.13	2.95
<b>Total Current Liabilities</b>	<b>167,709,898.12</b>	<b>149,431,348.38</b>	<b>530,581,605.39</b>	<b>74,192,175.29</b>	<b>69,382,075.07</b>
Non- Current Liabilities					
Financial Liabilities	-	-	-	-	-
Provisions	-	-	-	-	-
Deferred Credits/Unearned Income	-	-	-	-	-
Trust Liabilities	-	-	-	-	-
<b>Total Non- Current Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities</b>	<b>167,709,898.12</b>	<b>149,431,348.38</b>	<b>530,581,605.39</b>	<b>74,192,175.29</b>	<b>69,382,075.07</b>
<b>NET ASSETS/EQUITY</b>					
Accumulated Surplus/(Deficit)	(129,850,647.06)	3,910,552,123.79	7,873,961,209.46	174,373,360.09	389,715,025.95
<b>Total Net Assets/Equity</b>	<b>(129,850,647.06)</b>	<b>3,910,552,123.79</b>	<b>7,873,961,209.46</b>	<b>174,373,360.09</b>	<b>389,715,025.95</b>
<b>Total Liabilities and Net Assets/Equity</b>	<b>37,859,251.07</b>	<b>4,059,983,472.17</b>	<b>8,404,542,814.85</b>	<b>248,565,535.38</b>	<b>459,097,101.02</b>

## Annex D



**Department of Social Welfare and Development**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
 For the period ending December 31, 2015  
**NCDDP-GOP, WB & ADB**  
 (In Philippine Peso)

	GOP	2015 WB	ADB	2014 WB	ADB
Revenue					
Service and Business Income	6,781.01	2,851,312.68	4,531,423.64	172,579.04	226,966.12
Total Revenue	6,781.01	2,851,312.68	4,531,423.64	172,579.04	226,966.12
less: Current Operating Expenses					
Maintenance and Other Operating Expenses	2,642,458,674.23	776,077,078.50	60,711,930.76	788,139,672.45	141,232,155.38
Financial Expenses	2,200.00	9,203.89	103,992.56		1,136.90
Non-Cash Expenses					
Depreciation	1,902,663.78	3,961,509.42	2,063,506.29	765.38	
Amortization-Intangible Assets	118,800.21		15,833.34		
Current Operating Expenses	2,644,572,338.22	779,047,791.81	62,895,262.04	788,139,437.83	141,233,294.28
Surplus/(Deficit) from Current Operations	(2,644,565,557.21)	(776,196,479.13)	(58,363,839.30)	(787,966,858.79)	(141,006,328.16)
Financial Assistance/Subsidy from NGA, LGUs, GOCCs					
Subsidy from National Government	2,497,827,417.50	5,301,388,095.57	8,918,957,701.19	955,262,000.00	520,008,000.00
Subsidy from Other Funds	-	15,253,692.00	-	-	-
Less: Subsidies-Others-Financial	35,132.37	873,592,018.84	1,170,855,115.74	-	3,593,590.00
Net Financial Assistance/Subsidy	2,497,792,285.13	4,443,049,768.73	7,748,102,585.45	955,262,000.00	516,414,410.00
Gains	10,532.37	1,239,690,181.40	139,658,057.15	9,714,138.80	18,228,857.68
Losses	(4,358.35)	(1,164,089,270.01)	(24,813,329.34)	(2,421,049.55)	(3,855,836.48)
Surplus/(Deficit) for the period	(146,767,098.06)	3,742,154,180.99	7,804,583,473.96	174,588,230.46	389,781,103.04





**Department of Social Welfare and Development**  
**STATEMENT OF CASH FLOWS**  
For the period ending December 31, 2015  
**NCDDP-GOP, WB & ADB**  
(In Philippine Peso)

	2015
<b>Cash Flows From Operating Activities</b>	
<b>Cash Inflows</b>	
Receipt of Notice of Cash Allocation	30,942,142,847.15
Collection of Income/Revenues	5,882,113.32
Collection of Receivables	-
Receipt of Inter-Agency Fund Transfers	51,535.60
Other Receipts	3,534,708,913.38
Adjustments	97,514,081.44
<b>Total Cash Inflows</b>	<b>34,580,325,830.77</b>
<b>Cash Outflows</b>	
Remittance to National Treasury	177,852.92
Payment of Expenses	5,255,757,376.19
Purchase of Inventories	19,892,609.18
Grant of Cash Advances	214,160,166.02
Prepayments	291,550.53
Payment of Accounts Payable	61,601,246.41
Remittance of Personnel Benefit Contributions and Mandatory Deductions	134,033,291.95
Grant of Financial Assistance/Subsidy	6,813,772,140.73
Release of Inter-Agency Fund Transfers	484,009,146.31
Release of Intra-Agency Fund Transfers	11,640,026,541.88
Other Disbursements	6,389,464,546.04
Reversal of Unutilized NCA	22,536,853.01
Adjustments	58,375,837.42
<b>Total Cash Outflows</b>	<b>31,094,099,158.59</b>
<b>Cash Provided by (Used in) Operating Activities</b>	<b>3,486,226,672.18</b>
<b>Cash Flows from Investing Activities</b>	
<b>Cash Inflows</b>	
<b>Total Cash Inflows</b>	-
<b>Cash Outflows</b>	
Purchase/Construction of Property, Plant and Equipment	35,201,669.09
<b>Total Cash Outflows</b>	<b>35,201,669.09</b>
<b>Cash Provided By (Used In) Investing Activities</b>	<b>(35,201,669.09)</b>
<b>Cash Flows From Financing Activities</b>	
<b>Cash Provided By (Used In) Financing Activities</b>	
<b>Increase (Decreased in Cash And Cash Equivalents)</b>	<b>3,451,025,003.09</b>
<b>Effects of Exchange Rate Changes on Cash and Cash Equivalents</b>	
<b>Add: Cash Balance, Beginning January 1, 2014</b>	<b>736,885,001.95</b>
<b>Cash Balance, Ending December 31, 2014</b>	<b>4,187,910,005.04</b>



**DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT**  
**Statement of Changes In Net Assets/Equity**  
**Consolidated Central and Regional**  
**Offices**  
**NCDDP-GOP, WB & ADB**  
**(in Philippine Peso)**  
**For the Year Ended December 31, 2015**

		<u>2015</u>		<u>2014</u>
	<b>GOP</b>	<b>WB</b>	<b>ADB</b>	
Balance at December 31, 2014 .	215,910,639.66	174,373,360.09	389,715,025.95	
Changes in Accounting Policy				
Restated Balance	215,910,639.66	174,373,360.09	389,715,025.95	0.00
Changes in Net Assets/Equity for 2014				
Adjustment of net revenue recognized directly in net assets/equity	(196,767,671.33)	(6,188,462.94)	(319,599,496.17)	(280,947.46))
Surplus/(Deficit) for the period	(146,767,098.08)	3,742,454,180.99	7,804,583,473.96	564,369,333.50
Total recognized revenue and expense for the period	(343,534,769.39)	3,736,265,718.05	7,484,983,977.79	564,088,386.04
Others	2,228,517.33	86,954.35	737,794.28	
Balance at December 31, 2015	(129,850,647.06)	3,910,552,123.79	7,873,961,209.46	564,088,386.04



**NOTES TO FINANCIAL STATEMENTS  
KALAHI-CIDSS: NCDDP  
CY 2015**

**1. General Information/Agency Profile**

The financial statements of Department of Social Welfare and Development were authorized for issue as shown in the Statement of Management Responsibility for Financial Statements.

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**



- **KALAHI Additional Financing (Loan No. 7959-P11)** - The objective of the project is to empower Local Communities in targeted poor municipalities and selected Urban areas, to achieve improved access to sustainable basic public services and to participate in more inclusive Local Government Unit planning and budgeting. The opening of the loan agreement was on December 3, 2010 and expected to close on May 31, 2014.
- **KALAHI-CIDSS National Community Driven Development Project (NCDDP)** - a poverty alleviation program of the National Government implemented by the DSWD. It is supported by the Philippine Development Plan (2011-2016). Approved on 18 January 2013, it is the expansion into a national scale of the operations of community-driven development (CDD), a strategy that has been tried and proven effective in Kalahi-CIDSS (Kapit-Bisig Laban sa Kahirapan-Comprehensive and Integrated Delivery of Social Services), the parent project of KC-NCDDP. The development objective of KC-NCDDP is to have barangays/communities of targeted municipalities become empowered to achieve improved access to services and to participate in more inclusive local planning, budgeting, and implementation. KC-NCDDP will also be aligned into a program to support community-driven post-disaster response and development in Typhoon Yolanda-affected municipalities within provinces covered by KC-NCDDP.
- **AusAID / World Bank Co-financing for Kapitbisig Laban sa Kahirapan – Comprehensive and Integrated Delivery of Social Services (KALAHI-CIDSS) Project** – This grant is provided by the Government of Australia, with the World Bank as the administrator of funds, represented by the Australian Agency for International Development under the Australia-World Bank Philippines Development Trust Fund. The objective of the grant is to empower local communities in targeted poor municipalities and selected urban areas, to achieve improved access to sustainable basic public services and to participate in more inclusive local government unit planning and budgeting. The specific activities to be financed by the grant are: (a) carrying out of investment sub-projects specifically related to the construction of day care centers and school buildings / classrooms to meet the needs through provision of sub-grants to barangays; (b) mobilization of community volunteers for the preparation and updating of the program of work and technical plans, as well as the mobilization of local counterpart contributions for the construction and rehabilitation of day care centers and school buildings and classrooms.
- **Government of Australia (GoA) Department of Foreign Affairs and Trade (DFAT) (formerly AusAID) Agreement No 70184** - This is an accountable cash grant funded by the Government of Australia to assist the Government of the Philippines in Improving access to Early Learning thru Community-led Approach

## **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 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.

#### *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 or service potential is 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) is included in the surplus or deficit when the asset is derecognized.

### **3.6 Leases**

#### *Operating lease*

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the DSWD. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

#### *DSWD as a lessor*

#### *Operating Lease*

Leases in which the DSWD does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases.

Rent received from an operating lease is recognized as income on a straight-line basis over the lease term. Contingent rents are recognized as revenue in the period in which they are earned.

The depreciation policy for PPE are applied to similar assets leased by the entity.

### **3.7 Intangible Assets**

#### *Recognition and Measurement*

Intangible assets are recognized when the items are identifiable non-monetary assets without physical substance; it is probable that the expected future economic benefits or service potential that are attributable to the assets will flow to the entity; and the cost or fair value of the assets can be measured reliably.



Intangible assets acquired separately are initially recognized at cost.

#### *Intangible Assets Acquired through Non-Exchange Transactions*

The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date these were acquired.

#### *Internally Generated Intangible Assets*

Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

#### *Recognition of an Expense*

Expenditure on an intangible item shall be recognized as an expense when it is incurred unless it forms part of the cost of an intangible asset that meets the recognition criteria of an intangible asset.

#### *Subsequent Measurement*

The useful life of the intangible assets is assessed as either finite or indefinite.

Intangible assets with a finite life is amortized over its useful life:

The straight line method is adopted in the amortization of the expected pattern of consumption of the expected future economic benefits or service potential

An intangible asset with indefinite useful lives shall not be amortized.

Intangible assets with an indefinite useful life or an intangible asset not yet available for use are assessed for impairment whenever there is an indication that the asset may be impaired.

The amortization period and the amortization method, for an intangible asset with a finite useful life, are reviewed at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on an intangible asset with a finite life is recognized in surplus or deficit as the expense category that is consistent with the nature of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the surplus or deficit when the asset is derecognized.



### **3.8 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.

### **3.9 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.

### **3.10 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.

### *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.

## **3.11 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.

### **3.12 Employee benefits**

The employees of DSWD are member of the Government Service Insurance System (GSIS) which provides life and retirement insurance coverage.

The DSWD recognizes the undiscounted amount of short term employee benefits, like salaries, wages, bonuses, allowance, etc., as expense and as a liability after deducting the amount paid.

The DSWD recognizes expenses for accumulating compensated absences when these were paid (commuted or paid as terminal leave benefits). Unused entitlements that has accumulated at the reporting date were not recognized as expense. Non-accumulating compensated absences, like special leave privileges, were not recognized.

### **3.13 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.

### **3.14 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.



#### 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 on Hand	P 162,079.17	P 114,083.87
Cash in Bank - Local Currency, Current Account	1,357,459,572.39	374,065,465.27
Cash in Bank-Foreign Currency, Savings Account	2,828,446,431.49	458,432,946.32
Cash - Treasury/Agency Deposit, Regular	1,093,992.20	-
Cash, Modified Disbursement System, Regular	1,957,273.76	6,803,372.50
Total	P4,189,119,349.01	P839,415,867.96

#### Receivables

#### 7. Inter-Agency Receivables

Account Name	2015	2014
Due from National Government Agencies	1,589,337.60	1,364,015.72
Due from GOCC's	-	-
Due from LGU's	3,491,502.02	171,544,634.69
Total	P 5,080,839.62	P172,930,255.58

#### 8. Other Receivables

Account Name	2015	2014
Receivables - Disallowances/Charges	-	475,205.72
Due from Officers and Employees	-	28,394.00
Due from NGO's/People's Organizations	8,216,390,077.64	99,661,429.16
Other Receivables	433,671.95	48,997,752.64
Total	P8,216,823,759.59	P 149,162,781.52

## 9. Inventories

Account Name	2015	2014
Office Supplies Inventory	P 16,236,254.33	P 7,526,174.99
Accountable Forms, Plates and Stickers Inventory	164,936.30	114,531.37
Fuel, Oil and Lubricants Inventory	2,000.00	2,000.00
Other Supplies and Materials Inventory	4,178,497.47	3,645,475.47
<b>Total</b>	<b>P 20,581,688.10</b>	<b>P 11,288,181.83</b>

## 10. Property, Plant and Equipment

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

	Machinery & Equipment	Transportation Equipment	Furniture, Fixtures and Books	Other PPE's	TOTAL
Gross Cost (Asset Account Balance per Statement of Financial Position)	54,862,650.16	35,465,425.25	5,308,914.79	1,507,694.85	P102,075,793.05
Less: Accumulated Depreciation	(17,261,230.33)	(8,104,757.07)	(1,087,702.68)	128,632.72)	(P 26,582,322.80)
Carrying Amount, December 31, 2015 (As per Statement of Financial Position)	37,601,419.83	27,360,668.18	4,219,212.11	1,379,062.13	P 70,560,362.25

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

Intangible Assets of Computer Software for 2015 total valued at P547,182.79 and Accumulated Amortization of P284,189.46 with a net value of P262,993.33.

## 11. Advances

Account Name	2015	2014
Advances to Special Disbursing Officers	P1,760,186.41	-
Advances to Officers and Employees	253,033.28	P 152,752.35
<b>Total</b>	<b>P2,013,219.69</b>	<b>P 152,752.35</b>

## 12. Prepayments

Account Name	2015	2014
Advances to Contractors	-	P 666,164.27
Prepaid Rent	P 300,800.00	203,087.74
Prepaid Insurance	50,568.68	-
Other Prepayments	300,000.00	300,000.00
<b>Total</b>	<b>P 651,368.68</b>	<b>P 1,169,252.01</b>



**13. Guaranty Deposits**

Account Name	2015	2014
Guaranty Deposits	P 37,393.75	P 21,000.00
Other Deposits	-	1,111,182.37
Total	P 37,393.75	P1,132,182.37

**14. Other Assets**

Account Name	2015	2014
Other Assets	P 305,840.03	-

Other Assets composed of FO IV-A-P284,352.03 and CO- P21,488.00 with a total of P305,840.03.

**15. Financial Liabilities**

Account Name	2015	2014
Accounts Payable	P804,381,669.93	P130,587,451.59
Due to Officers and Employees	9,905,681.89	9,000,577.51
Total	P814,287,351.82	P139,588,029.10

**16. Inter-Agency Payables**

Account Name	2015	2014
Due to BIR	30,329,252.95	21,784,400.10
Due to PAG-IBIG	357,070.30	667,625.27
Due to Philhealth	19,200.00	(1,500.00)
Due to GOCC's	440.00	1,320.00
Due to LGU's	6,744.80	6,744.80
Total	30,712,708.05	22,458,590.17

**17. Other Payables**

Account Name	2015	2014
Other Payables	P2,722,792.03	P1,371,922.02

**18. Service and Business Income**

Account Name	2015	2014
Fines and Penalties-Service Income	P 100,818.01	P 16,682.67
Other Service Income	17,326.00	1.60
Business Income	7,271,373.32	432,366.66
Total	P 7,389,517.33	P 449,050.93

## 19. Maintenance and Other Operating Expenses

### 19.1 Traveling Expenses

Particulars	2015	2014
Traveling Expenses - Local	P240,556,823.11	P84,546,785.28

### 19.2 Training and Scholarship Expenses

Particulars	2015	2014
Training Expenses	P 693,893,685.99	P 277,954,236.58

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.

### 19.3 Supplies and Materials Expenses

Particulars	2015	2014
Office Supplies Expenses	P55,475,336.54	P10,045,155.73
Accountable Forms Expenses	167,208.50	92,337.50
Fuel, Oil and Lubricants Expenses	3,365,488.37	2,416,218.50
Other Supplies and Materials Expenses	1,902,506.50	279,040.04
Total Supplies and Materials Expenses	P60,910,549.91	P12,832,751.77

### 19.4 Utility Expenses

Particulars	2015	2014
Water Expenses	P 603,364.68	P 980,086.52
Electricity Expenses	6,315,184.11	2,511,616.34
Total Utility Expenses	P 6,918,548.79	P3,491,702.86

### 19.5 Communication Expenses

Particulars	2015	2014
Postage and Courier Services	P 771,433.94	P 187,263.01
Telephone Expenses	47,249,309.73	18,009,060.99
Internet Subscription Expenses	1,585,272.08	205,321.96
Total Communication Expenses	P49,606,015.75	P18,401,645.96

**Telephone Expenses** are payments made to the Phil. Long Distance Telephone Co. (PLDT Co.) for current charges of DSWD Telephone (Landlines) lines. It also includes mobile expenses made to Globe Telecom, Inc. and Smart Communications, Inc. Also included are reimbursements of individual postpaid lines payments in lieu of prepaid card allocation.



**Internet Subscription Expenses** are payments made to Philippine Long Distance Telecommunications Company (PLDT) for the wireless internet subscription.

**Awards/Rewards and Prizes** amounted to P60,020.00 and P11,264.00 for 2015 & 2014 respectively.

#### 19.6 Professional Services

Particulars	2015	2014
Consultancy Services	86,942,241.94	40,948,011.27
Other Professional Services	2,287,219,713.69	911,066,661.42
<b>Total Professional Services</b>	<b>P2,374,161,955.53</b>	<b>P952,221,745.65</b>

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.

#### 19.7 General Services

Particulars	2015	2014
Janitorial Services	P 2,180,629.08	P 437,130.63
Security Services	3,426,914.14	250,186.36
<b>Total Professional Services</b>	<b>P 5,607,543.22</b>	<b>P 687,316.99</b>

Janitorial & Security Services are payment rendered by PhilCare & Prime Security assigned at DSWD- CO, SWADCAPP & NROC for the period January to December 2015 respectively.

#### 19.8 Repairs and Maintenance

Particulars	2015	2014
Repairs and Maintenance - Buildings and Other Structures	P4,697,287.11	P 995,655.50
Repairs and Maintenance - Machinery and Equipment	565,239.08	623,033.27
Repairs and Maintenance - Transportation Equipment	3,770,631.50	2,069,834.04
Repairs and Maintenance - Furniture and Fixtures	300,539.60	995.00
Repairs and Maintenance - Other PPE	93,595.00	-
<b>Total Repairs and Maintenance</b>	<b>P9,427,292.29</b>	<b>P 3,689,517.81</b>

#### 19.9 Taxes, Insurance Premiums and Other Fees

Particulars	2015	2014
Taxes, Duties and Licenses	P 16,679.06	P 2,609.06

Particulars	2015	2014
Taxes, Duties and Licenses	P 16,679.06	P 2,609.06
Fidelity Bond Premiums	575,625.00	112,500.00
Insurance Expenses	122,542.07	49,248.76
<b>Total Taxes, Insurance Premiums and Other Fees</b>	<b>P 714,846.13</b>	<b>P164,357.82</b>

#### 19.10 Other Maintenance and Operating Expenses

Particulars	2015	2014
Advertising Expenses	P 1,867,073.48	P 412,017.60
Printing and Publication Expenses	18,110,360.47	1,538,644.33
Representation Expenses	4,997,585.97	2,808,621.39
Transportation and Delivery Expenses	186,006.13	43,684.69
Rent/Lease Expenses	9,514,686.26	1,856,924.41
Subscription Expenses	-	27,456.00
Other Maintenance and Operating Expenses	1,714,710.46	4,300,073.86
<b>Total Other Maintenance and Operating Expenses</b>	<b>P 36,390,422.77</b>	<b>P10,987,422.28</b>

#### 20. Financial Expenses

Particular	2015	2014
Bank Charges	P115,396.45	P 1,598.82

The account generally refers to withholding tax fees for interest earned on bank deposit balance.

#### 21. Depreciation

Particulars	2015	2014
Depreciation - Machinery and Equipment	P 5,070,429.78	P 4,608,205.61
Depreciation - Transportation Equipment	2,516,476.57	3,084,198.40
Depreciation - Furniture, Fixtures and Books	395,379.09	507,916.43
Depreciation - Other Property, Plant and Equipment	35,394.04	57,330.44
<b>Total Depreciation</b>	<b>P 8,017,679.48</b>	<b>P 8,257,650.88</b>

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

#### 22. Amortization

Account Name	2015	2014
Amortization-Intangible Assets	P 134,633.55	-



## 23. Net Financial Assistance/Subsidy

### Financial Assistance/Subsidy from NGAs, LGUs, GOCCs

Particulars	2015	2014
Subsidy from National Government	P16,718,173,214.26	P1,766,101,475.77
Subsidy from other NGAs	11,643,006,360.22	65,985,414.61
Subsidy from Other Funds	15,253,692.00	66,504.59
<b>Total Financial Assistance/Subsidy from NGAs, LGUs</b>	<b>P28,376,433,266.48</b>	<b>P1,832,153,394.97</b>
Less: Financial Assistance to NGA's	11,643,006,360.22	65,985,414.61
Subsidies – Others	2,044,482,266.96	1,026,953,545.35
<b>Total Financial Assistance/Subsidy to NGAs, LGUs</b>	<b>P13,687,488,627.17</b>	<b>P1,092,938,959.96</b>
<b>Net Financial Assistance/Subsidy</b>	<b>P14,688,944,639.31</b>	<b>P 739,214,435.01</b>

The account Subsidy to other NGA's broke down as follows:

Particulars	Amount
NCDDP-GOP	P 302,552.00
NCDDP-WB	4,389,162,735.58
NCDDP-ADB	7,253,541,072.64