REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

CORPORATE GOVERNMENT AUDIT SECTOR
CLUSTER 2 - SOCIAL SECURITY

April 30, 2024

RECEIVED
Jhededia de Leon /04-30-24/4:47 PM
Office of the Board Secretary

THE BOARD OF DIRECTORS
Social Housing Finance Corporation
BDO Plaza, 8737 Paseo de Roxas
Makati City

Gentlemen:

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree (PD) No. 1445, otherwise known as the Government Auditing Code of the Philippines, we transmit herewith our report on the results of the audit of the accounts and transactions of the Social Housing Finance Corporation (SHFC) for the years ended December 31, 2023 and 2022.

The report consists of the Independent Auditor's Report, Audited Financial Statements, Observations and Recommendations, and the Status of Implementation of Prior Years' Audit Recommendations.

The Auditor expressed an unmodified opinion on the fairness of presentation of the financial statements of the SHFC for the years ended December 31, 2023 and 2022.

The audit observations and recommendations that need immediate actions are as follows:

1. Long-outstanding undistributed collections (UCs) totaling P241.611 million aged over 150 days remain unposted to the respective individual ledger of mortgage contract receivable, contrary to SHFC Corporate Circular Community Mortgage Program (CMP) No. 23-064, thus, resulting in inaccurate balances of the individual ledger of member beneficiaries (MBs).

   We recommended that Management:

   a. Provide reconciliation timeline to distribute or allocate long-outstanding UCs;

   b. Instruct the Operations Cluster, Treasury Group and Finance and Comptrollership Group to expedite the reconciliation of long-outstanding UCs within the timeline set;

   c. Continuously and timely coordinate with Community Associations (CAs) for the identified UCs for proper application of payment in the MB ledgers; and

   d. Require the partner authorized government depository bank (AGDB) to submit collection reports in a timely manner to facilitate identification of any UCs.

2. Public bidding was not immediately conducted for the acquisition of an insurance provider to manage the Group Mortgage Redemption Insurance of loan borrowers of the CMP and other similar home financing programs of SHFC, despite the expiration of its Memorandum of Agreement with an insurance brokerage entity of an AGDB, contrary to Sections 3 and 4 of Republic Act (RA) No. 9184 and Section 2 of its 2016 Revised Implementing Rules and Regulations, thus, fair bid competition and the possibility of selecting a better package among participating insurance providers, for the benefit of the member-borrowers, were not attained.

   We recommended that Management:

   a. Instruct the Technical Working Group to fast-track the process of procuring the services of an insurance provider through public bidding in accordance with RA No. 9184; and

   b. Prospectively, prepare a procurement plan to be able to take immediate action prior to the expiration of any contract as part of sound procurement practices.

3. The balance of the loan proceeds of 510 CAs representing 50 per cent of the lot cost remain outstanding for over 10 years due to the inability of the CAs to comply with the documentary requirements under SHFC Corporate Circular No. 13-024. This may result in the non/poor recovery of invested funds in housing projects, thereby deprives SHFC of the use of the fund for other housing projects intended for low-income families.

   We reiterated our prior year's recommendation that Management follow-up with the CAs the documentary requirements needed for the payment of the remaining 50 per cent of loan proceeds for the cost of the lot.

The above-mentioned and other observations together with the recommended courses of action which were discussed by the Audit Team with the concerned Management officials and staff during the exit conference conducted on March 7, 2024 are discussed in detail in Part II of the report.

In a letter of even date, we requested the President and CEO of SHFC to take appropriate actions on the recommendations contained in the report and to inform this Commission of the actions taken thereon within 60 days from the date of receipt hereof.

We acknowledge the support and cooperation that the Management extended to the Audit Team, thus, facilitating the completion of the report.

Very truly yours,

COMMISSION ON AUDIT

By:

DIGNA CRESCENCIA G. FILLER
Officer-in-Charge

Copy furnished:

The President of the Republic of the Philippines
The Vice President
The Speaker of the House of Representatives
The Chairperson – Senate Finance Committee
The Chairperson – Appropriations Committee
The Secretary of the Department of Budget and Management
The Governance Commission for Government-Owned and Controlled Corporations
The Presidential Management Staff, Office of the President
The UP Law Center
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Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Ave., Quezon City

ANNUAL AUDIT REPORT

on the

SOCIAL HOUSING FINANCE CORPORATION
(A Wholly-owned Subsidiary of the National Home Mortgage Finance Corporation)

For the Years Ended December 31, 2023 and 2022

EXECUTIVE SUMMARY

INTRODUCTION

The Social Housing Finance Corporation (SHFC) was organized and established on June 21, 2005, by virtue of Executive Order No. 272, signed and approved by the President of the Republic of the Philippines on January 20, 2004.

The creation of the SHFC, a wholly-owned subsidiary of the National Home Mortgage Finance Corporation (NHMFC), was in accordance with the Corporation Code, now Republic Act No. 11232 or the Revised Corporation Code of the Philippines. It was created primarily as the lead agency in undertaking social housing programs that will cater to the formal and informal sectors in the low-income bracket and in taking charge of the development and administration of social housing program schemes, particularly the Community Mortgage Program (CMP) and the Amortization Support and Developmental Financing Programs of the *Abot-Kaya Pabahay* Fund (AKPF) as well as other social housing programs of the NHMFC.

Presently, SHFC is the administrator of the transferred CMP funds and assets. The NHMFC remains in control of the affairs of SHFC and did not abandon its obligation to use its ownership under a trust relationship having retained its full control over the subject funds.

The governing board of SHFC, which exercises its corporate powers and determines its policies, is composed of the following: (a) the Chairperson of Department of Human Settlements and Urban Development; (b) the President of SHFC; (c) the Secretary of Department of Budget and Management (DBM); (d) the Undersecretary of Department of Finance; (e) the Undersecretary of Department of the Interior and Local Government; and (f) three private sector representatives.

The personnel complement for Calendar Year (CY) 2023 is 657, with 214 regular, two probationary and 441 agency-hired employees. To date, the SHFC has 29 Satellite/Regional Offices located in Legaspi Albay, Bacolod City, Biñan Laguna, Cagayan de Oro City, Calamba City, Cauayan Isabela, Cebu City, Daet, Davao City, Dipolog City, General Santos City, Iligan City, Iloilo City, Lucena City, Naga City, Palawan, Pampanga, Roxas City, Tubigon City Bohol, Zamboanga City, Bacoor City, Caraga Butuan City, Imus Cavite, Tacloban City, Tuguegarao, North Cotabato and Dapitan.

The DBM-approved Corporate Operating Budget of the SHFC for CYs 2023 and 2022 amounted to P8.885 billion and P4.560 billion, respectively, which were utilized as follows:

Particulars	2023		2022	
	Budget	**Utilization***	**Budget**	**Utilization**
	(In Thousand Pesos)			
Personnel services	531,916	352,044	369,437	278,363
Maintenance and other operating expenses	1,012,718	437,787	834,713	445,857
Capital outlay	151,559	46,002	55,282	40,155
Loan outlay	7,188,624	3,635,313	3,300,685	1,735,046
	8,884,817	**4,471,146**	**4,560,117**	**2,499,421**

**The amounts of utilization presented are on a cash basis.*

The registered office of SHFC is at Banco de Oro Plaza, 8737 Paseo de Roxas, Makati City.

FINANCIAL HIGHLIGHTS (In Philippine Peso)

I. Comparative Financial Position

Particulars	2023	2022	Increase
Assets	29,825,788,070	29,093,811,618	731,976,452
Liabilities	21,781,917,350	21,766,962,071	14,955,279
Equity	8,043,870,720	7,326,849,547	717,021,173

II. Comparative Results of Operations

Particulars	2023	2022	Increase/ (Decrease)
Total income	803,058,617	734,122,264	68,936,353
Total expenses	728,620,103	667,306,871	61,313,232
Income before tax	74,438,514	66,815,393	7,623,121
Income tax expense	3,870,231	13,558,761	(9,688,530)
Profit after tax	70,568,283	53,256,632	17,311,651
Subsidy from National Government	686,405,267	1,881,131,630	(1,194,726,363)
Net income	756,973,550	1,934,388,262	(1,177,414,712)

SCOPE OF AUDIT

Our audits covered the examination, on a test basis, of the accounts and financial transactions of the SHFC for the period January 1 to December 31, 2023, in accordance with the International Standards of Supreme Audit Institutions to enable us to express an opinion on the fairness of presentation of the financial statements for the years ended December 31, 2023, and 2022. Also, we conducted our audit to assess compliance with pertinent laws, rules and regulations, as well as adherence to prescribed policies and procedures.

AUDITOR'S OPINION

We rendered an unmodified opinion on the fairness of the presentation of the financial statements of the SFHC as at December 31, 2023 and 2022.

SUMMARY OF SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

1. Long-outstanding undistributed collections (UCs) totaling P241.611 million aged over 150 days remain unposted to the respective individual ledger Mortgage contract receivable (MCR) accounts, contrary to Section 111(2) of Presidential Decree (PD) No. 1445 and SHFC Corporate Circular Community Mortgage Program (CMP) No. 23-064, thus, resulting in inaccurate balances of individual ledger of member beneficiaries (MBs).

We recommended and Management agreed to:

a. Provide reconciliation timeline to distribute or allocate long-outstanding UCs;

b. Instruct the Operations Cluster, Treasury Group, and Finance and Comptrollership Group to expedite the reconciliation of long-outstanding UCs within the timeline set;

c. Continuously and timely coordinate with community associations (CAs) for the identified UCs for proper application of payment in the MB ledgers; and

d. Require the partner authorized government depository bank (AGDB) to submit collection reports in a timely manner to facilitate identification of any UCs.

2. Public bidding was not immediately conducted for the acquisition of an insurance provider to manage the Group Mortgage Redemption Insurance of loan borrowers of the CMP and other similar home financing programs of SHFC, despite the expiration of its Memorandum of Agreement (MOA) with an insurance brokerage entity of an AGDB, contrary to Sections 3 and 4 of Republic Act (RA) No. 9184 and Section 2 of its 2016 Revised Implementing Rules and Regulations, thus, fair bid competition and the possibility of selecting a better package among participating insurance providers for the benefit of the member-borrowers were not attained.

We recommended and Management agreed to:

a. Instruct the Technical Working Group to fast-track the process of procuring the services of an insurance provider through public bidding in accordance with RA No. 9184; and

b. Prospectively, prepare a procurement plan to be able to take immediate action prior to the expiration of any contract as part of sound procurement practices.

3. The balance of the loan proceeds of 510 CAs representing 50 per cent of the lot cost remain outstanding for over 10 years due to the inability of the CAs to comply with the documentary requirements under SHFC Corporate Circular No. 13-024. This may result in the non/poor recovery of invested funds in housing projects, thereby deprives SHFC of the use of the fund for other housing projects intended for low-income families.

We reiterated our prior year's recommendation and Management agreed to follow-up with the CAs the documentary requirements needed for the payment of the remaining 50 per cent of loan proceeds for the cost of the lot.

4. Unserviceable Property and Equipment (PEs) amounting to P11.239 million as at reporting date, have been stored in the warehouse and remain undisposed for over nine years, contrary to Section 79 of PD No. 1445, resulting in further obsolescence and deterioration of property, non-use of storage space for other purposes and foregone possible income that could have been derived from its disposal. Also, various semi-expendable PEs included in the Inventory and Inspection Report of Unserviceable Property (IIRUP) have no corresponding unit cost, affecting the review of the valuation thereof.

We reiterated our prior year's recommendation and Management agreed to direct the Disposal Committee to facilitate the immediate and systematic disposal of unserviceable PEs in accordance with existing rules and regulations in order to prevent further deterioration and maximize recoverable values or income therefrom.

We further recommended and Management agreed to instruct the Disposal Committee to ensure that all unit costs of unserviceable PEs be presented in the IIRUP as one of the requirements in the request for inspection and valuation thereof prior to disposal.

5. The High Density Housing (HDH) project implemented by the SHFC is currently occupied by residents who are not the intended MBs included in the priority list for this specific project. Moreover, despite the occupancy of the project by non-MBs, no valid substitution documents have been submitted, contrary to Sections 3, 5, 6 and 7 of Corporate Circular HDH No. 17-013, which resulted in the illegal occupancy of the project.

   We recommended that Management:

   a. Initiate legal actions for the illegal entry of occupants into the HDH project to recover possession thereof; and

   b. Comply with the requirements specified in Sections 3, 5, 6 and 7 of Corporate Circular No. HDH 17-013.

SUMMARY OF AUDIT SUSPENSIONS, DISALLOWANCES, AND CHARGES

As at December 31, 2023, the status of audit disallowances issued to the SHFC has a total balance of P77.522 million. There were no Notices of Suspension and Charge issued during the year.

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Out of 32 audit recommendations embodied in the CY 2022 Annual Audit Report, 22 were implemented, 10 were not implemented of which two were reiterated in Part II of this report. The details are presented in Part III of this Report.

TABLE OF CONTENTS

LIST OF ACRONYMS

AAR	Annual Audit Report
AGDB	Authorized Government Depository Bank
AKPF	*Abot-Kaya Pabahay* Fund
AO	Audit Observation
AOC	Abstract of Collections
AR	Accomplishment Report
BCSDA	Building Construction and Site Development Agreement
BIR	Bureau of Internal Revenue
BOD	Board of Directors
BR	Board Resolution
CA	Community Association
CISFA	Comprehensive and Integrated Shelter Financing Act
CMP	Community Mortgage Program
COA	Commission on Audit
COB	Corporate Operating Budget
CY	Calendar Year
DBM	Department of Budget and Management
DHSUD	Department of Human Settlement and Urban Development
DILG	Department of Interior and Local Government
DOTr	Department of Transportation
DRRM	Disaster Risk Reduction and Management
DSWD	Department of Social Welfare and Development
DV	Disbursement Voucher
EAD	Exposure at Default
ECL	Expected Credit Loss
EO	Executive Order
ESA	Emergency Shelter Assistance
FCG	Finance and Comptrollership Group
FVOCI	Fair value through other comprehensive income
FVPL	Fair value through profit or loss
FY	Fiscal Year
GAD	Gender and Development
GCG	Governance Commission for GOCCs
GFPS	GAD Focal Point System
GMEF	Gender Mainstreaming Evaluation Framework
GMMS	Gender Mainstreaming Monitoring System
GOCCs	Government-Owned or Controlled Corporations
GoP	Government of the Philippines
GPB	GAD Plan and Budget
GPPB-TSO	Government Procurement Policy Board-Technical Support Office
GSIS	Government Service Insurance System
HDH	High Density Housing
HDMF	Home Mutual Development Fund
HMO	Healthcare Maintenance Organization
IA	Intramuros Administration
IEC	Information, Education and Communication
IIRUP	Inventory and Inspection Report of Unserviceable Property
IRR	Implementing Rules and Regulations
ISF	Informal Settler Families
IT	Information Technology
KMP	Key Management Personnel

LIST OF ACRONYMS

LA	Lease Agreement
LCMP	Localized CMP
LGD	Loss Given Default
LGU	Local Government Unit
LOG	Letter of Guaranty
LPA/LA	Lease Purchase Agreement/Lease Agreement
LSPA	Loan Sale and Purchase Agreement
MB	Member Beneficiaries
MBLA	Masterlist of Beneficiaries and Loan Apportionment
MC	Memorandum Circular
MCIT	Minimum Corporate Income Tax
MCR	Mortgage Contract Receivable
MOA	Memorandum of Agreement
MOU	Memorandum of Understanding
MRI	Mortgage Redemption Insurance
MSP	Marawi Shelter Project
NCR	National Capital Region
NDRRM	National Disaster Risk Reduction and Management
NDRRMC	National Disaster Risk Reduction and Management Council
NG	National Government
NHMFC	National Home Mortgage Finance Corporation
NOLCO	Net Operating Loss Carry Over
OP	Office of the President
PAS	Philippine Accounting Standards
PCW	Philippine Commission on Women
PD	Presidential Decree
PE	Property and Equipment
PFRS	Philippine Financial Reporting Standards
PHIC	Philippine Health Insurance Corporation
PIF	Property Inventory Form
PIP	Property Inventory Plan
PNR	Philippine National Railways
RA	Republic Act
RCIT	Regular Corporate Income Tax
RHL	Residential Housing Loan
RIRR	Revised Implementing Rules and Regulations
ROU	Right-of-use
RR	Revenue Regulation
SCI	Statement of Comprehensive Income
SEC	Securities and Exchange Commission
SFP	Statement of Financial Position
SHFC	Social Housing Finance Corporation
SSS	Social Security System
TCT	Transfer Certificate of Title
TOR	Terms of Reference
TWG	Technical Working Group
UC	Undistributed Collections
4PH	*Pambansang Pabahay Para sa Pilipino* Housing

PART I

AUDITED FINANCIAL STATEMENTS

REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS
Social Housing Finance Corporation
Banco de Oro Plaza
8737 Paseo de Roxas
Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Social Housing Finance Corporation (SHFC), a wholly-owned subsidiary of the National Home Mortgage Finance Corporation, which comprise the statements of financial position as at December 31, 2023 and 2022, and the statements of comprehensive income, statements of changes in equity, statements of cash flows for the years then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the SHFC as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the SHFC in accordance with the Code of Conduct and Ethical Standards for Commission on Audit Officials and Employees (Code of Ethics) together with the ethical requirements that are relevant to our audits of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

In our report dated March 27, 2023, we expressed an opinion that the financial statements for the year ended December 31, 2022 did not present fairly the financial position, financial performance and cash flows of the SHFC in accordance with the PFRSs because of the overstatement of both Other Payables and Mortgage Contract Receivables (MCR) due to the undistributed collections (UCs) pertaining to amortization payments from member borrowers which were temporarily lodged under Other Payables and not yet applied or posted to the MCR account as at reporting date due to timing differences and other related concerns. In CY 2023, SHFC already presented all the UCs as a direct deduction from the gross carrying amount of the MCR account and applied the reporting treatment retrospectively.

Moreover, the Investment-Held to Maturity, Receivables, current and non-current, Other Current Assets and Other Non-current Assets accounts were misstated by undetermined amounts as at December 31, 2022 due to non-compliance to the provisions of PFRS 9 requiring classification, measurement and impairment of the aforementioned financial assets. As disclosed in Notes 3.2, 4.3 and 6 to the financial statements, SHFC has already complied with the requirements of PFRS 9. The Expected Credit Losses were also taken up retrospectively and the effect on the adoption of PFRS 9 is presented in Note 35.

Finally, the assets and liabilities were both understated by undetermined amounts as at December 31, 2022 due to non-recognition of Right-of-Use assets and Lease Liability in the books pertaining to lease contracts of SHFC as a lessee as required under PFRS 16. In addition, the account balances of the related Retained Earnings, Accumulated Depreciation, Rent/Lease Expenses, Depreciation Expenses and Interest Expenses were all misstated by undetermined amounts thereby affecting the fairness of the presentation of these accounts in the financial statements. As disclosed in Notes 3.12, 13, 17, 25, 26 and 27 to the financial statements, the SHFC has already adopted the PFRS 16 and applied its requirements for all its leases retrospectively as presented in Note 35.

Accordingly, our present opinion on the restated financial statements for the year ended December 31, 2022, as presented herein, is different from that expressed in our previous report.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, 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.

In preparing the financial statements, management is responsible for assessing SHFC's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate SHFC or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing SHFC's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 SHFC's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on SHFC's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained to the date of our auditor's report. However, future events or conditions may cause SHFC to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 36 to the financial statements is presented for the purpose of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of the management of SHFC. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

COMMISSION ON AUDIT

CELIA L. NAZARENO
Supervising Auditor

March 7, 2024

Social Housing Finance Corporation

Kaagapay ng Komunidad sa Maginhawang Pamumuhay

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of SOCIAL HOUSING FINANCE CORPORATION is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2023 and December 31, 2022 in accordance with the prescribed financial reporting framework indicated therein, 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.

In preparing the financial statements, management is responsible for assessing the SOCIAL HOUSING FINANCE CORPORATION's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the SOCIAL HOUSING FINANCE CORPORATION or to cease operations, or has no realistic alternative to do so.

The Board of Directors is responsible for overseeing the SOCIAL HOUSING FINANCE CORPORATION's financial reporting process.

The Board of Directors reviews and approves the financial statements, including the schedules attached therein, and submits the same to the regulators, creditors and other stakeholders.

The Commission on Audit, through its authorized representative, has examined the financial statements of the company pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 28 of the Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines. The audit was conducted in accordance with International Standards of Supreme Audit Institutions and the auditor, in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

JOSE RIZALINO L. ACUZAR
Chairperson of the Board

FEDERICO A. LAXA
President & CEO

DANTE M. ANABE
OIC - Vice President
Finance and Comptrollership Group

07 March 2024

SOCIAL HOUSING FINANCE CORPORATION
(A Wholly-Owned Subsidiary of the National Home Mortgage Finance Corporation)
STATEMENTS OF FINANCIAL POSITION
December 31, 2023 and 2022
(In Philippine Peso)

	Note	2023	2022 (As restated)	January 1, 2022 (As restated)
ASSETS				
Current Assets				
Cash and cash equivalents	5	**3,768,370,696**	5,830,300,528	4,773,077,384
Financial assets	6	**50,000,000**	110,000,000	159,990,000
Receivables	7	**1,274,573,428**	1,186,438,347	2,239,245,511
Inventories	8	**12,716,681**	9,613,518	9,113,793
Other current assets	9	**10,300,073,760**	6,948,103,323	1,495,521,648
		15,405,734,565	14,084,455,716	8,676,948,336
Non-Current Assets				
Receivables, net	7	**10,254,398,674**	10,808,290,972	13,930,666,359
Investment property	10	**2,455,563,155**	2,455,563,155	2,275,373,328
Property and equipment	11	**169,729,842**	97,100,231	100,903,153
Intangible assets	12	**9,689,149**	10,312,248	11,409,518
Deferred tax assets	29.2	**887,930,943**	880,860,075	887,239,509
Right-of-use assets	13	**2,045,263**	105,113,368	118,712,716
Other non-current assets	14	**640,696,479**	652,115,853	672,590,989
		14,420,053,505	15,009,355,902	17,996,895,572
TOTAL ASSETS		**29,825,788,070**	29,093,811,618	26,673,843,908
LIABILITIES AND EQUITY				
Current Liabilities				
Financial liabilities	15	**1,133,928,015**	1,211,700,504	1,079,991,531
Inter-agency payables	16	**15,807,125**	37,896,226	51,466,116
Income tax payable	29.3	**3,776,125**	2,596,236	2,535,731
Trust liabilities	18	**4,934,325**	4,763,065	4,791,168
Deferred credits/unearned income	19	**180,123,492**	199,907,701	217,941,932
Provisions	20	**264,166,619**	224,731,649	166,497,915
Other payables	21	**1,188,016,215**	1,026,979,456	925,457,374
		2,790,751,916	2,708,574,837	2,448,681,767
Non-Current Liabilities				
Lease payable	17	**2,093,906**	13,145,819	23,772,074
Trust liabilities	18	**18,989,071,528**	19,045,241,415	18,755,165,551
		18,991,165,434	19,058,387,234	18,778,937,625
TOTAL LIABILITIES		**21,781,917,350**	21,766,962,071	21,227,619,392
Capital stock	22.1	**10,000,000**	10,000,000	10,000,000
Retained earnings	22.2	**8,033,870,720**	7,316,849,547	5,436,224,516
TOTAL EQUITY		**8,043,870,720**	7,326,849,547	5,446,224,516
TOTAL LIABILITIES AND EQUITY		**29,825,788,070**	29,093,811,618	26,673,843,908

The Notes on pages 10 to 51 form part of these financial statements.

SOCIAL HOUSING FINANCE CORPORATION
(A Wholly-Owned Subsidiary of the National Home Mortgage Finance Corporation)
STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2023 and 2022
(In Philippine Peso)

	Note	2023	2022 (As restated)
INCOME			
Service and business income	23	**729,406,573**	717,932,710
		729,406,573	717,932,710
EXPENSES			
Personnel services	24	**346,573,608**	276,768,383
Maintenance and other operating expenses	25	**339,474,325**	313,879,683
Non-cash expenses	26	**40,306,872**	75,039,822
Financial expenses	27	**2,265,298**	1,618,983
		728,620,103	667,306,871
INCOME FROM OPERATIONS		**786,470**	50,625,839
Other non-operating income	28	**73,652,044**	16,189,554
PROFIT BEFORE TAX		**74,438,514**	66,815,393
INCOME TAX EXPENSE/(BENEFIT)			
Current	29.1	**10,941,099**	7,179,327
Deferred	29.2	**(7,070,868)**	6,379,434
		3,870,231	13,558,761
PROFIT AFTER TAX		**70,568,283**	53,256,632
Net assistance/subsidy income from National Government	30	**686,405,267**	1,881,131,630
NET INCOME/COMPREHENSIVE INCOME		**756,973,550**	1,934,388,262

The Notes on pages 10 to 51 form part of these financial statements.

SOCIAL HOUSING FINANCE CORPORATION
(A Wholly-Owned Subsidiary of the National Home Mortgage Finance Corporation)
STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2023 and 2022
(In Philippine Peso)

	Capital stock (Note 22.1)	Retained earnings		Total equity
		Appropriated	Unappropriated (Note 22.2)	
BALANCE AT JANUARY 1, 2023	10,000,000	7,775,347,317	(458,497,770)	7,326,849,547
CHANGES IN EQUITY FOR 2023				
Add/(Deduct):				
Net income for the year	0	0	756,973,550	756,973,550
Dividends declared	0	0	(39,952,377)	(39,952,377)
BALANCE AT DECEMBER 31, 2023	**10,000,000**	**7,775,347,317**	**258,523,403**	**8,043,870,720**
BALANCE AT JANUARY 1, 2022	10,000,000	7,775,347,317	4,707,188	7,790,054,505
ADJUSTMENTS:				
Add/(Deduct):				
Prior period adjustments (Note 35)	0	0	(2,343,829,989)	(2,343,829,989)
RESTATED BALANCE AT JANUARY 1, 2022	10,000,000	7,775,347,317	(2,339,122,801)	5,446,224,516
CHANGES IN EQUITY FOR 2022				
Add/(Deduct):				
Net income for the year	0	0	1,934,388,262	1,934,388,262
Dividends declared	0	0	(53,763,231)	(53,763,231)
RESTATED BALANCE AT DECEMBER 31, 2022	10,000,000	7,775,347,317	(458,497,770)	7,326,849,547

The Notes on pages 10 to 51 form part of these financial statements.

SOCIAL HOUSING FINANCE CORPORATION
(A Wholly-Owned Subsidiary of the National Home Mortgage Finance Corporation)
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2023 and 2022
(In Philippine Peso)

	Note	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash inflows			
Collection of income/revenue		**1,291,549,053**	1,239,089,914
Receipt of assistance/subsidy		**708,860,088**	2,191,248,132
Collection of receivables		**2,608,461**	2,666,695
Receipt of inter-agency fund transfers		**0**	306,307
Trust receipts		**147,000**	288,550
Other receipts		**301,395**	3,733,625
Total cash inflows		**2,003,465,997**	3,437,333,223
Cash outflows			
Release of funds for mortgage contracts		**3,148,277,336**	1,639,971,776
Payment of expenses		**776,215,380**	451,815,495
Prepayments		**70,626,523**	91,152,861
Remittance of personnel benefit contributions and mandatory deductions		**44,777,313**	30,524,329
Release of inter-agency fund transfers		**38,228,601**	30,365,528
Grant of financial assistance/subsidy/contribution		**23,600,942**	464,197
Purchase of inventories		**13,926,375**	20,535,821
Grant of cash advances		**9,796,413**	11,132,485
Refund of deposits		**7,503,575**	2,176,147
Other disbursements		**317,219**	475,153
Total cash outflows		**4,133,269,677**	2,278,613,792
Net cash provided by/(used in) operating activities		**(2,129,803,680)**	1,158,719,431
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash inflows			
Proceeds from matured investments/redemption of long-term investments/return on investments		**2,435,479,067**	918,266,676
Receipt of interest earned		**64,759,242**	14,822,185
Total cash inflows		**2,500,238,309**	933,088,861
Cash outflows			
Purchase of investments		**2,375,479,067**	861,040,833
Purchase of land as investment property		**0**	152,677,687
Purchase/construction of property and equipment		**0**	6,710,560
Purchase of intangible assets		**0**	299,000
Total cash outflows		**2,375,479,067**	1,020,728,080
Net cash provided by/(used in) investing activities		**124,759,242**	(87,639,219)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash outflows			
Payment of cash dividends		**53,763,231**	9,694,016
Payment of long-term liabilities		**2,445,990**	3,839,465
Payment of interest on loans and other financial charges		**676,173**	323,587
Total cash outflows		**56,885,394**	13,857,068
Net cash used in financing activities		**(56,885,394)**	(13,857,068)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(2,061,929,832)**	1,057,223,144
Cash and cash equivalents at beginning of the year		**5,830,300,528**	4,773,077,384
CASH AND CASH EQUIVALENTS AT END OF YEAR	5	**3,768,370,696**	5,830,300,528

The Notes on pages 10 to 51 form part of these financial statements.

SOCIAL HOUSING FINANCE CORPORATION
(A Wholly Owned Subsidiary of National Home Mortgage Finance Corporation)
NOTES TO FINANCIAL STATEMENTS
(Amounts in Philippine Peso)

1. GENERAL INFORMATION

On January 20, 2004, Executive Order (EO) No. 272 was signed and approved by the President of the Republic of the Philippines authorizing the National Home Mortgage Finance Corporation (NHMFC) to organize and establish the Social Housing Finance Corporation (SHFC), as a wholly-owned subsidiary, in accordance with the Corporation Code and pertinent rules and regulations issued by the Securities and Exchange Commission (SEC). SHFC has been formally organized and established on June 21, 2005 with the issuance of the Certificate of Incorporation under SEC No. CS 200510702.

As a wholly-owned subsidiary of NHMFC, SHFC was created primarily to be the lead agency to undertake social housing programs that will cater to the formal and informal sectors in the low-income bracket and shall take charge of developing and administering social housing program schemes, particularly the Community Mortgage Program (CMP) and the Amortization Support and Developmental Financing Programs of the *Abot-Kaya Pabahay* Fund (AKPF), as well as other social housing programs of the NHMFC, to allow the NHMFC to focus on its primary mandate that is, developing the secondary market for home mortgages.

Presently, SHFC is the administrator of the transferred CMP funds and assets. The NHMFC remains in control of the affairs of SHFC and did not abandon its obligation to use its ownership under a trust relationship having retained its full control over the subject funds.

Aside from the CMP and AKPF, SHFC has been implementing the Localized CMP (LCMP) since July 2010. LCMP is a derivative of CMP that would assist and empower the local government units (LGUs) in achieving their housing programs for the informal sector in their respective areas.

In 2010, the President of the Philippines issued a directive in line with the Ten-Point covenant with the Urban Poor, to ensure a safe and a flood resilient permanent housing solution for informal settler families (ISFs) residing in danger areas in the National Capital Region (NCR). The directive falls squarely within the mandate of SHFC, thus, in furtherance to its mandate and primary purpose, the High Density Housing (HDH) Program was created and promulgated to extend financing assistance to organized communities for the construction of HDH projects and acquisition of lots for near-site, in city and near city relocations.

On December 7, 2017, a Trust Agreement was entered into by and between the Department of Transportation (DOTr) and SHFC for the construction of Micro Medium Rise Building (MMRB)/CMP Vertical, regular CMP, and other community-driven housing programs and shelter solutions that will benefit primarily the ISFs living along the Tutuban-Los Baños segment and Calamba-Batangas branch line described as the Philippine National Railways (PNR) South Commuter Project. An initial amount of P3 billion pesos (First Tranche) was transferred to SHFC on February 20, 2018 to finance the resettlement

program for the said PNR Project. For the entirety of the North-South Railway Project Phase II, SHFC will receive the total amount of P14 billion pesos.
In May 2018, a Memorandum of Understanding (MOU) was executed between the United Nations Human Settlements Programme (UN-Habitat) and SHFC, where the parties agreed to collaborate in the shelter and community recovery program in response to the Marawi Siege of 2017 under the "Project for Rebuilding Marawi through Community-Driven Shelter and Livelihood Support" which is being supported by the People of Japan. The Rebuilding Marawi Shelter Livelihood Recovery Project supports people displaced by Marawi conflict in the rebuilding of resilient and peace-promotive shelter, livelihood and community infrastructure. One thousand five hundred (1,500) core shelters will be built for identified home partners organized under the said project.

On March 27, 2019, a Memorandum of Agreement (MOA) was executed between the Intramuros Administration (IA), the Housing and Urban Development Coordinating Council (HUDCC) and SHFC, where the parties agreed to finally operationalize the Strategy for the Inclusive Mainstreaming of People's Living Entitlements or the SIMPLE Program. The MOA provides that the IA shall transfer the initial amount of P410 million for the resettlement of the families that is enrolled to the SIMPLE Program. The amount transferred shall be provided for the construction of MMRBs or CMP Vertical, regular CMP and other community-driven housing programs and shelter solutions that will primarily benefit Intramuros' ISFs.

On July 17, 2023, President Ferdinand R. Marcos Jr. issued EO No. 34, declaring the *Pambansang Pabahay Para sa Pilipino* Housing (4PH) Program as a flagship program of the government and directed all government agencies to come up with an inventory of suitable lands for the program. The Department of Human Settlements and Urban Development (DHSUD) envisions narrowing the housing deficit of the country through the 4PH Program by targeting to construct a million housing units annually for the next six years with SHFC as the main implementer of the program. The 4PH Program promotes holistic or full-package housing to ensure that people live in high-quality homes in safe communities.

The SHFC's registered office, which is also its principal place of business, is located at No. 8737 Paseo de Roxas, Makati City.

The financial statements of SHFC as at December 31, 2023 were approved and authorized for issue by the SHFC's Board of Directors (BOD) on March 7, 2024 under Board Resolution (BR) No. 1042.

2. BASIS OF PREPARATION, STATEMENT OF COMPLIANCE AND CHANGES IN ACCOUNTING POLICIES

2.1 Basis of Preparation of Financial Statements

a. *Statement of compliance with Philippine Financial Reporting Standards (PFRSs) and Commission on Audit (COA) Circular No. 2017-004*

As a Commercial Public Sector Entity, SHFC is required to adopt PFRSs as its applicable financial reporting framework pursuant to COA Circular No. 2017-004. PFRSs are adopted by the Philippine Financial Reporting

Standards Council from the pronouncements issued by the International Accounting Standards Board and approved by the Philippine Board of Accountancy.

b. *Presentation of financial statements*

The financial statements are presented in accordance with Philippine Accounting Standards (PAS) 1, Presentation of Financial Statements. SHFC presents all items of income and expenses and other comprehensive income/(loss) in a single Statement of Comprehensive Income (SCI).

As required under PFRS 1, A third Statement of Financial Position (SFP) is presented as an opening balance of the comparative information in the first-time adoption of new accounting policies.

c. *Basis of measurement*

The financial statements are prepared on historical cost basis.

d. *Accrual basis of accounting*

In accordance with PAS 1, the financial statements, except for cash flow information, have been prepared using the accrual basis of accounting.

e. *Functional and presentation currency*

The financial statements are presented in Philippine Peso (P), which is the SHFC's functional and presentation currency. All amounts are rounded to the nearest peso, unless otherwise indicated.

2.2 New Standards, Interpretations, Amendments and Future Changes in Accounting Policies

a. *Effective beginning on or after January 1, 2023*

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the SHFC adopted effective for annual periods beginning on or after January 1, 2023. Unless otherwise stated, these accounting policies do not affect and/or do not have material impact on the financial statements of the SHFC.

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current.* The amendments affect only the presentation of liabilities in the SFP. It clarifies that the classification of liabilities as current or non-current should be based on rights that exist at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least 12 months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability.

- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates.* The amendments replace the old definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The amendments clarify that a change in accounting estimates that results from new definition or new developments is not the correction of an error.

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*. An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented. It also, at the beginning of the earliest comparative period presented, recognizes deferred tax for all temporary differences related to leases and decommissioning obligations and recognizes the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

b. *New and amended PFRSs issued but not yet effective subsequent to December 31, 2023*

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the SHFC does not expect that the future adoption of the said pronouncements will have a significant impact on its financial statements.

- <u>Effective beginning on or after January 1, 2024</u>

  - Amendments to PAS 1, *Non-current Liabilities with Covenants.* The amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

  - Amendments to PFRS 16, *Leases – Lease Liability in a Sale and Leaseback.* The amendments clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in PFRS 15, Revenue from Contracts with Customers, to be accounted for as a sale. The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted. Management is currently assessing the impact of this new standard in its financial statements.

- <u>Deferred effectivity</u>

  Amendments to PFRS 10 – *Consolidated Financial Statements and* PAS 28 – *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associates or Joint Venture.* The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in the PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

3. MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policy information that have been used in the preparation of these financial statements are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Current and noncurrent classification

SHFC presents assets and liabilities in the SFP based on current/non-current classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in a normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within the 12 months after the reporting period; or
- Cash and cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in a normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

All other liabilities are classified as non-current.

3.2 Financial assets

A financial asset is any asset that is:

a. Cash;
b. An equity instrument of another agency;
c. A contractual right to receive cash or another financial asset;
d. A contractual right to exchange financial assets or liabilities with another entity on potentially favorable terms; or
e. A contract that will or may be settled in the Corporation's own equity instruments and is a non-derivative for which the Corporation is or may be

obliged to receive a variable number of the Corporation's own equity instrument; a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Corporation's own equity instruments. For this purpose, the SHFC's own equity instruments do not include puttable financial instruments classified as equity instruments.

Recognition and measurement

Financial assets are recognized in the SFP when, and only when, SHFC becomes a party to the contractual provisions of the instrument. At initial recognition, the SHFC measures its financial assets at fair value plus, in the case of financial assets not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial assets. After initial recognition, financial assets are measured at fair value or amortized cost in accordance with PFRS rules on financial instruments.

Classification

Financial assets are classified in their entirety based on the contractual cash flow characteristics of the financial assets and the business model for managing the financial assets. The business model of SHFC is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The business model does not depend on Management's intentions for an individual instrument.

A more detailed description of the categories of financial assets relevant to the authority are as follows:

Cash and cash equivalents are carried in the SFP at cost. Cash includes cash on hand and in bank. Cash equivalents are short-term, highly liquid investments that are readily convertible to cash and or at a very near maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash is measured at face value.

Accounts receivables are open accounts arising from the sale of service in the ordinary course of business and not supported by promissory notes.

Non-trade receivables, i.e. loans receivable, represent claims arising from sources other than the sale of service in the ordinary course of business.

Loans and receivables are non-derivative financial assets with fixed or determinable payments and maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as or financial assets at fair value through other comprehensive income (FVOCI) or financial assets at FVPL.

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest rate method, less impairment in value, if any. Any interest earned on loans and receivables shall be recognized as part of "Interest income" in the SCI. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate. The periodic amortization is also included as part of interest income. Gains or losses are recognized in profit or loss when loans and receivables are derecognized or impaired, as well as through the amortization process.

Allowance for impairment is maintained at a level considered adequate for potentially uncollectible receivables. The level of allowance is based on historical collection, current economic trends, and changes in the customer payment terms, age status of receivables and other factors that may affect collectability. The allowance is established by charges to income in the form of provision for doubtful accounts (now referred to as impairment).

SHFC derecognizes a financial asset only when: a) the contractual rights to the cash flows from the financial asset expire or are settled, or b) the SHFC transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the SHFC, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the SHFC derecognizes the asset and recognizes its rights and obligations retained or created in the transfer.

The SHFC discloses, in the summary of significant accounting policies, the measurement basis (or bases) and other accounting policies used for financial instruments that are relevant to an understanding of the financial statements. Carrying amounts, income, expense and gains or losses are disclosed at the reporting date for each of the following categories of financial assets and financial liabilities:

a) Financial assets measured at FVPL
b) Financial assets measured at FVOCI
c) Financial assets measured at amortized cost
d) Financial liabilities measured at FVPL
e) Financial liabilities measured at amortized cost

Information on the terms and conditions of the financial instruments such as interest rate, maturity, repayment schedule and restrictions are disclosed to enables users of the financial statements to evaluate its significance in the financial position and performance of SHFC.

When SHFC has pledged or assigned financial assets as collateral for liabilities or contingent liabilities, it discloses the carrying amount of the financial assets pledged as collateral and the terms and conditions relating to its pledge.

3.3 Inventories

a. *Inventory held for consumption*

Supplies and materials purchased for inventory purposes are recorded using the Perpetual Inventory System. In compliance with PAS 2, SHFC's inventory held for consumption is valued at lower of cost or net realizable value. Inventories are reclassified to expense upon issuance thereof and recorded based on the Report of Supplies and Materials Issued.

b. *Semi-expendable property*

These are tangible items below the capitalization threshold of P50,000 as prescribed under COA Circular No. 2022-04 implementing Section 23 of the General Provisions of Republic Act (RA) No. 11639, also known as the General Appropriations Act for fiscal year 2022, relative to the increase in the capitalization threshold from P15,000 to P50,000. Semi-expendable properties are recognized as expense upon issuance to the end-user.

3.4 Property and equipment

An item of Property and equipment (PE) is initially recognized at cost. The cost of an asset comprises its purchase price and costs directly attributable to bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized while expenditures for repairs and maintenance are charged to expense as incurred.

In compliance with COA Circular No. 2022-004, the SHFC increased the capitalization threshold of recognizing an item as PE from P15,000 to P50,000. This threshold, which represents the minimum cost, is applied on an individual asset or per item basis. Each item within the bulk acquisition with aggregate or total value of PE, such as computer peripherals and small items of equipment, should meet the capitalization threshold to be recognized as PE.

After initial recognition, PE are carried at acquisition cost or construction cost less subsequent depreciation and amortization and impairment in value, if any.

Expenditures incurred after the PE have been put into operation, such as repairs and maintenance, are normally charged to operations in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of the PE beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of the PE.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Asset class	Useful life (in years)
Building and improvements	30 to 50

Asset class	Useful life (in years)
Machinery and equipment	5 to 15
Office furniture and equipment	5 to 15
Transportation equipment	5 to 15
Furniture, fixtures and books	2 to 15
Leased assets improvements	Over the useful life of the improvements or the lease term whichever is shorter

An item of PE, including the related accumulated depreciation and impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. 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 item) is included in profit or loss in the year the item is derecognized.

An item of PE is said to be fully depreciated when the carrying amount is equal to zero or its residual value. The cost of fully depreciated asset remaining in service and related accumulated depreciation are not removed from the books of accounts until these items are disposed of or derecognized through donations. An asset is said to be unserviceable if it is no longer capable of providing the entity with future economic benefits or service potential. The cost of these items including the related accumulated depreciation also remain in the books and any remaining book value is derecognized upon disposal.

3.5 Investment property

An investment property is a property held to earn rental income and/or for capital appreciation potential, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is initially carried at acquisition cost plus costs incurred for site development and home building. Subsequent to initial recognition, investment property is consistently measured using the cost model which is cost less accumulated depreciation and impairment, if any, in accordance with PAS 16's requirements. However, SHFC's investment property only represents land which is valued at cost with no accumulated depreciation.

Investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal.

3.6 Impairment of PE and Investment property

At each reporting date, SHFC assesses if there is any indication that the PE and investment properties may be impaired.

Where an indicator of impairment exists, SHFC makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

3.7 Intangible assets

Intangible assets are accounted for under the cost model. The cost of the asset is the amount of cash or cash equivalents paid or the fair value of the other considerations given up to acquire an asset at the time of its acquisition or production. Capitalized costs are amortized on a straight-line basis over the estimated useful lives ranging from three to five years as the lives of these intangible assets are considered finite.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software. Costs associated with maintaining computer software are recognized as expense in profit or loss as incurred.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in profit or loss.

3.8 Financial liabilities

Financial liabilities are contractual obligations to deliver cash or another financial asset or to exchange financial instruments with another agency on potentially unfavorable terms. Financial liabilities are recognized when the SHFC becomes a party to the contractual terms of the instrument. All interest-related charges are recognized as an expense.

Trade and other payables, due to related parties and other non-current liabilities are recognized initially at their fair values and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer), or SHFC does not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the SFP only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

3.9 Provisions and contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation as a result of a past event.

Provisions are measured at the best estimate of the expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pre-tax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to SHFC that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements. On the other hand, any reimbursement that SHFC can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

3.10 Revenue and expense recognition

Revenue comprises revenue from rendering of services measured by reference to the fair value of consideration received or receivable by SHFC for services rendered.

Revenue is recognized to the extent that the revenue can be measured reliably; it is probable that future economic benefits will flow to SHFC; and the costs incurred or to be incurred can be measured reliably. In effect, the recognition of an income occurs simultaneously with the recognition of a decrease in liabilities or an increase in assets. In addition, the specific recognition criteria must also be met before revenue is recognized:

(i) Interest income on loan receivables is recognized using the effective interest method that is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

(ii) Interest income on regular and time deposits is accrued on a time proportion basis, by reference to the principal amount outstanding and at the interest rates applicable.

Cost and expenses are recognized in SCI when decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. This means, in effect, that recognition of expenses occurs simultaneously with the recognition of an increase in liabilities or a decrease in assets.

When economic benefits are expected to arise over several accounting periods and the association with income can only be indirectly determined, expenses are recognized in the income statement on the basis of rational allocation procedures. This is often necessary in recognizing the expenses associated with the using up of assets. These allocation procedures are intended to recognize expenses in the accounting periods in which the accounting benefits associated with these items are consumed.

An expense is recognized immediately in the SCI when expenditure produces no future economic benefits or when future economic benefits do not qualify or cease to qualify for recognition in the SFP as an asset.

Cost and expenses are also recognized upon utilization of services or at the date they are incurred. All costs are reported in the SCI on an accrual basis.

3.11 Employee benefits

The employees of SHFC are members of the Social Security System (SSS) which provides life and retirement insurance coverage.
The SHFC recognizes the undiscounted amount of short-term employee benefits, like salaries, wages, bonuses, allowance, etc., as expense unless capitalized, and as a liability after deducting the amount paid.

Expenses are recognized for accumulating earned leaves. Non-accumulating compensated absences, like special leave privileges, are not recognized.

3.12 Leases

COA Resolution No. 2020-033 dated December 2, 2020 was issued prescribing the mandatory adoption of *PFRS 16 – Leases*, effective for periods beginning January 1, 2020. On October 1, 2021, COA Circular No. 2021-009 was issued containing the provisions on its implementation by all Commercial Public Sector Entities. In CY 2023, SHFC adopted PFRS 16 for its lease contracts as a lessee covered by the Standard.

SHFC as a Lessee

The application of PFRS 16 requires SHFC to identify whether a contract is a lease or not. For this purpose, a contract is a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. Control is conveyed when the entity has both the right to direct the use of the asset and to obtain substantially all the economic benefits from that use. An asset is typically identified by being explicitly specified in the contract. A capacity portion of an asset can be considered identified asset if it is physically distinct.

Minimum lease payments for each lease are amortized through effective interest method using SHFC's incremental borrowing rate. The present value of minimum lease payments at the inception of the lease is recorded as a right-of-use (ROU) asset and lease liability.

The ROU asset is amortized over the lease term and presented in the SFP at cost less any accumulated depreciation. Guaranteed residual values are not considered in the amortization of ROU assets over the lease term.

3.13 Related parties

Related-party transactions are transfers of resources, services or obligations between SHFC and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. For SHFC, these are individuals owning, directly or indirectly, an interest in the voting power of SHFC that gives them significant influence over SHFC and close members of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

3.14 Income taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is recognized for the future tax consequences and is provided or accounted for using the liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amount used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefit will be realized or utilized.

Deferred tax assets and deferred tax liabilities are offset if SHFC has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

SHFC's deferred tax asset is computed based on the temporary difference on the provisioning at the end of the reporting period.

3.15 Events after the reporting date

Any post year-end event that provides additional information about SHFC's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts in the financial statements and related notes at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the affected asset or liability in the future.
SHFC believes the following represents a summary of these significant judgments, estimates and assumptions and the related impact and associated risks on SHFC's financial statements.

4.1 Distinction between operating and finance leases

SHFC has entered into various lease agreements. Critical judgment was exercised by Management to distinguish each lease agreement as either an operating or a finance lease by looking at the transfer or retention of significant risks and rewards of ownership of the properties covered by the agreements.

4.2 Recognition of provisions and contingencies

Judgment is exercised by Management to distinguish between provisions and contingencies.

4.3 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

a. *Impairment of Trade and other receivables*

The SHFC records an allowance for "expected credit loss" (ECL) based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that it expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

For debt instruments measured at amortized cost and FVOCI, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date.
When there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, SHFC compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

For debt instruments that are considered impaired, lifetime ECL is computed based on the difference between the carrying amount of the instrument and the present value of the expected cash flows discounted using the original effective rate.

SHFC uses the general approach in estimating the ECL on its loans receivables. Under the general approach, ECL is calculated using the following formula:
ECL = Exposure at default (EAD) x Probability of default x Loss given default (LGD).

The general approach is a three-stage approach where the impact of changes in credit risk over the period affects the ECL calculation. Accordingly, SHFC determines the appropriate stage of the loans by analyzing the credit risk of an asset to determine whether a 12-month ECL or a lifetime ECL shall be provided.

Stage 1 – 12-month ECL

SHFC considers reasonable and supportable information, including forward-looking information that affect credit risk in estimating the ECL. SHFC considers both qualitative and quantitative information that may affect the assessment. It is assumed that loans receivables that are current and those that are past due for not more than 30 days will fall under this category. SHFC recognizes 12-months ECL for loans falling under this category.

Stage 2 – Lifetime ECL

When credit risks have significantly increased, loans receivables are transferred from Stage 1 to Stage 2. SHFC evaluates the change in the risk of default occurring over the expected life of the exposures in assessing whether these shall be moved to Stage 2. Although collateral will be used to measure the loss given default, this should not be primarily used in measuring risk of a default or in transferring to different stages. SHFC assumes that loans receivables that are 31-90 days past due fall under this category. Lifetime ECL for loans falling under this category are provided.

Stage 3 – Impaired

Loans receivables are classified under Stage 3 category when there is objective evidence that the loans receivables have been impaired. In this category, lifetime ECL is calculated as the difference between the carrying amount of the receivables and their recoverable amounts. SHFC assumes that loans receivables that are more than 90 days past due shall fall under this category.

The major factors involved in the calculation of ECL are:

- EAD – For any asset for which ECL is calculated, EAD represents the projected credit risk exposure at any given point of time. For example, when assessing ECL for loans receivable as at the reporting date, EAD for SHFC's loans receivable will be its carrying amount (amortized cost) as at the reporting date.

- PD – This represents the projected possibility of default with respect to any asset. For this purpose, the SHFC uses the following matrix as a basis for determining the probability of default:

Number of days past due	**Probability of default (%)**	**Stage**
0-30 days	2	1
31-90 days	10	2
91-120 days	25	3
121-180 days	50	3
Over 180 days	100	3

- LGD – This represents a projected economic loss in case of default happens with respect to any asset. LGD is calculated as (1- recovery rate).

  The existence of substitution plays an important role in the computation of this factor for any asset. Historical data shows that the average year of substitution is 10 years. For this purpose, collateral held by SHFC are classified into the following categories:

Type of collateral	LGD (%)
Lot only	27
House and lot	27
Condominium unit	27

b. *Estimation of useful lives of PE and Intangible assets*

SHFC estimates the useful lives of PE and intangible assets based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment and intangible assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The carrying amounts of PE and intangible assets are analyzed in Notes 11 and 12, respectively. Based on Management's assessment as at December 31, 2023 and 2022, there is no change in the estimated useful lives of those assets during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

c. *Determination of realizable amount of Deferred tax assets*

SHFC reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Management assessed that the deferred tax assets recognized as at December 31, 2023 and 2022 will be fully utilized in the coming years. The carrying value of deferred tax assets as of those dates is disclosed in Note 29.2.

5. CASH AND CASH EQUIVALENTS

This account consists of the following:

	2023	2022 As restated
Cash on hand	**4,336,424**	3,207,843
Cash in bank	**3,464,034,272**	5,627,106,819
Cash equivalents*	**300,000,000**	199,985,866
	3,768,370,696	5,830,300,528

**Exclusive of interest receivable amounting to P4 million and P3 million in CYs 2023 and 2022, respectively.*

Cash in bank consists of funds deposited with government banks for payroll, corporate operating funds, take-out funds, HDH Program, PNR South Commuter Project (DOTr Project), National Disaster Risk Reduction and Management (NDRRM) Funds for Marawi Shelter Projects (MSP) and Intramuros resettlement project. Cash in bank earns interest at prevailing interest rates of 4.500 to 6.210 per cent per annum for the time deposit and 0.10 per cent for the current account.

Cash equivalents consist of highly liquid investment in time deposits and treasury bills with maturities of not more than three months from date of placements.

Interest income earned from cash and cash equivalents amounted to P73.583 million and P16.145 million in CYs 2023 and 2022, respectively (See Note 28).

6. FINANCIAL ASSETS

This account consists of the following:

	2023	2022
Investment in treasury bills	**50,000,000**	50,000,000
Investment in time deposits	**0**	60,000,000
	50,000,000	110,000,000

Investments in treasury bills and time deposits consist of short-term, highly liquid investments with average prevailing interest rates of 1.85 per cent per annum and maturities of more than three months from the date of placements.

7. RECEIVABLES

This account consists of the following:

	2023	2022 As restated
Current:		
Mortgage contract receivable	**1,157,063,621**	1,093,584,924
Due from parent corporation	**44,101,587**	59,447,575
Due from other funds – AKPF	**35,679,866**	8,177,258
Due from other funds – DOTr	**28,711,647**	15,042,062
Due from government corporations	**14,489,276**	14,837,990
Interest receivable	**3,675,139**	3,236,514
Due from national government agencies	**2,292,987**	2,769,954
Loans receivable	**1,984,168**	1,984,168
Due from officers and employees	**483,147**	553,349
Receivables – disallowances/charges	**149,083**	149,083
Other receivables – suppliers	**1,749,836**	1,749,836
	1,290,380,357	1,201,532,713
Less: Allowance for impairment	**15,806,929**	15,094,366
	1,274,573,428	1,186,438,347
Non-current:		
Mortgage contract receivable	**13,191,196,827**	13,788,960,328
Assets held in trust – insurance receivables	**455,902,546**	484,403,193
Loans receivable	**24,047,165**	28,375,465
Assets held in trust – interest receivables	**433,095**	433,095
	13,671,579,633	14,302,172,081

	2023	2022 As restated
Less:		
Allowance for impairment	**3,147,883,378**	3,142,996,497
Accounts for clearing – CMP	**258,844,641**	322,661,202
Accounts for clearing – HDH	**10,452,940**	28,223,410
	10,254,398,674	10,808,290,972

7.1 Mortgage contract receivable

	2023	2022 As restated
Current	**1,157,063,621**	1,093,584,924
Less:		
Allowance for impairment	**15,806,929**	15,094,366
Current, net	**1,141,256,692**	1,078,490,558
Non-current		
Past due – CMP	**7,921,907,898**	8,450,947,661
Past due – HDH	**4,606,440,280**	4,605,027,961
Restructured interest-bearing principal	**479,987,694**	530,755,483
Restructured noninterest-bearing principal	**131,935,598**	151,303,866
Items in litigation	**50,925,357**	50,925,357
	13,191,196,827	13,788,960,328
Less:		
Allowance for impairment	**3,147,883,378**	3,142,996,497
Accounts for clearing – CMP	**258,844,641**	322,661,202
Accounts for clearing – HDH	**10,452,940**	28,223,410
Non-current, net	**9,774,015,868**	10,295,079,219
	10,915,272,560	11,373,569,777

a. Current – This includes CMP taken-out projects from the time of transfer up to the end of each year.

b. Past due – HDH – This represents past due portion of the loans granted to the beneficiaries of HDH Program payable in 30 years, and draw down releases to various projects intended for the HDH Program beneficiaries.

c. Past due – CMP – This represents the past due portion of the loan at the time of transfer up to December 31, 2023. This also includes CMP projects taken-out from 1989 to 1993 which were retained by NHMFC but eventually transferred to SHFC with a monetary value of P621 million representing outstanding principal loan balances as at the time of transfer on December 31, 2009. The transferred loans were based on the Community Association's (CA) ledgers subject to adjustments upon the determination of the actual outstanding principal balance, which should be based on the member beneficiaries' (MBs) loan ledgers.

d. Restructured interest-bearing principal – This refers to the accounts of delinquent borrowers who availed of the restructuring program offered by SHFC in accordance with RA No. 9507, otherwise known as the Socialized and Low-Cost Housing Loan Restructuring Act of 2008.

e. Restructured noninterest-bearing principal – This refers to loans with unpaid interests availed by delinquent borrowers who also availed the Restructuring Program offered by SHFC (See Note 19.1).

f. Items in litigation – This represents the outstanding receivables from delinquent community associations for foreclosure and with petitions already filed in court. The outstanding receivables are the original amount transferred from NHMFC.

7.2 Allowance for impairment

The roll forward analysis of allowance for impairment losses on Mortgage contract receivable is as follows:

	Balance December 31, 2022	Adjustments in Provision/ (Reversal)	Balance December 31, 2022 (As restated)	Provision/ (Reversal) for the Year	**Balance December 31, 2023**
Past due accounts					
0-30 days	9,642,456	5,451,910	15,094,366	712,563	**15,806,929**
31-90 days	6,480,065	22,010,245	28,490,310	(5,470,112)	**23,020,198**
91-120 days	0	20,329,119	20,329,119	(17,105)	**20,312,014**
121-180 days	0	55,892,984	55,892,984	3,175,025	**59,068,009**
Over 180 days	88,666,320	2,949,617,764	3,038,284,084	7,199,073	**3,045,483,157**
	104,788,841	3,053,302,022	3,158,090,863	5,599,444	**3,163,690,307**

7.3 Accounts for clearing

This refers to undistributed or unposted collections of amortization payments to individual borrower's account as at reporting date due to timing differences and other related concerns. It consists of accounts for clearing under the following categories:

	2023	2022
CMP		
Unposted amortization payments from remedial accounts	**128,053,701**	125,771,224
No abstract of collection/Not in the masterlist	**59,142,557**	66,380,348
Uncategorized amortization payments	**47,552,143**	75,742,181
Not in the database	**3,763,978**	22,620,862
Collections from MBs who availed of the one year updating scheme	**778,738**	2,302,395
From NHMFC	**504,106**	14,878,646
Unposted amortization payments from restructured accounts		58,109
Others	**19,049,418**	14,907,437
	258,844,641	322,661,202
HDH	**10,452,940**	28,223,410
	269,297,581	350,884,612

a. Remedial accounts – These refer to unposted amortization payments from remedial accounts which will be distributed to MB's ledger accounts upon approval of the restructuring program.

b. No abstract of collections/Not in the masterlist – These are collections of amortizations without accompanying abstract of collections as basis for posting and/or collections from non-MBs.

c. Uncategorized – These are variances in undistributed collections as a result of initial reconciliation between the recorded and posted collections.

d. Not in the database – These refer to collections from CA and/or MBs whose loan data are not yet encoded in the database. Payments through bank that are not included in the batch posting are included in this category.

e. One year updating – This refers to unposted collections from MBs who availed of the one year updating scheme.

f. From NHMFC – This refers to collections of NHMFC for the account of SHFC that remain unposted due to the absence of collection documents.

g. Restructured accounts – These pertain to collections from accounts with pending approval of applications for restructuring program provided under RA No. 9507.

h. HDH – This includes collections of amortization payments from HDH projects not accompanied with abstract of collection. This also includes collections from projects wherein the masterlist of beneficiaries and loan apportionment data is not yet uploaded into the database.

i. Others – These are undistributed collections that do not fall under any of the previous categories.

7.4 Due from parent corporation

This account includes CMP amortization payments and other collections received from the borrowers who still pay at NHMFC for the account of SHFC. The account is also comprised of management and collection servicing fees computed pursuant to the provision under Section VI of the Trust Agreement entered into by and between NHMFC and SHFC.

7.5 Due from other funds – AKPF

This account refers to the accumulated personnel services and other administrative expenses of the AKPF paid in advance by SHFC during the year.

7.6 Interest receivable

This refers to the interest accrued on various money placements as at December 31, 2023 with varying maturity dates.

7.7 Due from government corporations

This account represents the total advances made by SHFC for the account of the HUDCC, now DHSUD, for office building special assessments and other administrative expenses. This also includes receivables from SSS for advance payments made by SHFC on account of sickness and maternity benefit claims of employees.

7.8 Due from national government agencies

This account includes receivables from the Department of Budget and Management-Procurement Service for purchases of supplies which are not yet delivered. This also includes receivables for expenses incurred in DOTr projects charged against the corporate funds of SHFC.

7.9 Receivables – disallowances/charges

This account consists of receivables from officers and employees for COA disallowances with finality of decision on various benefits previously granted by SHFC.

7.10 Assets held in trust – insurance receivables

This consists of the general ledger accounts transferred from NHMFC as at September 30, 2005. The balance of this account increases whenever there is a renewal of the mortgage redemption insurance (MRI) coverage which is being advanced by SHFC for qualified CAs. The balance reduces upon collection of insurance repayments from MBs which can be determined only upon proper posting of amortization payments to their respective accounts.

7.11 Loans receivable

This includes the unamortized portion of the origination and appraisal cost amounting to P15.943 million and P17.609 million as at December 31, 2023 and 2022, respectively. Prior to CY 2011, the origination and appraisal costs are capitalized and amortized over the term of the loan for up to 25 years. Beginning CY 2011, said costs are treated as outright expense.

This also includes the car and calamity loans availed by SHFC officers and employees in the amounts of P9.746 million and P0.342 million as at December 31, 2023, and P12.118 million and P0.633 million as at December 31, 2022, respectively, which are payable in 10 years.

	2023	2022 As restated
Current		
Car loan	**1,984,168**	1,984,168

	1,984,168	1,984,168
Non-current		
Car loan	**7,761,646**	10,133,520
Calamity loan	**342,088**	633,385
Unamortized origination and appraisal cost	**15,943,431**	17,608,560
	24,047,165	28,375,465

8. INVENTORIES

This account consists of the following:

	2023	2022 As restated
Inventory held for consumption	**2,716,219**	677,009
Semi-expendable furniture and fixtures	**3,639,913**	3,559,146
Semi-expendable office equipment	**2,241,166**	1,769,717
Semi-expendable IT equipment	**2,023,004**	1,634,548
Semi-expendable other machinery and equipment	**1,921,057**	1,797,775
Semi-expendable communication equipment	**168,741**	168,741
Semi-expendable books	**6,581**	6,582
	12,716,681	9,613,518

9. OTHER CURRENT ASSETS

The account consists of the following:

	2023	2022 As restated
Advances to CAs	**9,233,415,413**	6,304,107,752
Advances to contractors	**862,088,535**	464,485,773
Restricted fund	**192,926,497**	166,416,691
Guaranty deposits	**4,650,877**	4,371,744
Prepayments	**2,019,469**	1,758,147
Advances to special disbursing officer	**243,435**	838,381
Other deposits	**4,729,534**	6,124,835
	10,300,073,760	6,948,103,323

9.1 Advances to CAs

These refer to the payments of progress billings on building construction and/or site development, heirs' bond, estate and transfer taxes to the Bureau of Internal Revenue (BIR), and registration fees with the Registry of Deeds.

9.2 Advances to contractors

This refers to amount paid in advance as mobilization fee to contractors for CMP and HDH projects and office improvements which are subsequently deducted from the progress billings based on the percentage of completion of the project.

9.3 Restricted fund

This represents contingency trust fund opened with Land Bank of the Philippines as trustee, to answer for the MRI claims arising from death or permanent incapacity of the member-borrower.

9.4 Guaranty deposits

These represent guaranty fees for SHFC's rental of regional offices and warehouse.

9.5 Prepayments

These include payments in advance consisting of rent, subscriptions, and insurance to be amortized over one year.

9.6 Advances to special disbursing officer

This account is used to recognize the amount granted to SHFC's accountable officers and employees for special purpose/time-bound undertakings to be liquidated within a specified period.

9.7 Other deposits

This account includes amount paid in advance to suppliers for purchases made under cash on delivery terms awaiting required supporting documents for recording.

10. INVESTMENT PROPERTY

This account consists of 38 lands acquired in CYs 2014 to 2022 for building construction and site development for the ISFs under usufruct arrangement with HDH Program beneficiaries. These are carried at acquisition cost plus costs incurred for site development and home building. Disclosure on the fair value of the investment property is not possible as there are no available appraised values due to lack of appraiser to date. However, SHFC is intending to engage the services of external appraisers for fair value measurements in CY 2024. The carrying amount of investment property amounted to P2.456 billion as at December 31, 2023 and 2022.

SHFC Corporate Circular No. 13-026 on HDH guidelines provides for the implementation framework of SHFC's participation in the priority P50 billion ISFs Housing Program for the relocation of ISFs residing in danger areas and waterways in Metro Manila. To further strengthen said corporate objective, Corporate Circular HDH No.14-005 was issued pertaining to the acquisition of property by SHFC and usufruct under the HDH Program. Through these circulars, as affirmed in Board Resolution No. 391, series of 2014, and under its Articles of Incorporation and by-laws, SHFC is authorized to pursue the acquisition of property in its own name for the eventual disposition to the CAs, or entering into a usufruct arrangement, for the implementation of the HDH Program.

11. PROPERTY AND EQUIPMENT

This account consists of the following:

	Buildings and other structures	**Leased assets improvements**	**Transportation equipment**	**Construction in progress**	**Machinery and equipment**	**Furniture, fixtures and books**	**Total**
Cost							
January 1, 2023	**727,695**	**69,932,648**	**47,183,148**	**12,133,884**	**46,364,979**	**2,080,275**	**178,422,629**
Additions	**0**	**1,044,601**	**0**	**0**	**0**	**0**	**1,044,601**
Adjustments	**201,330,000**	**0**	**(854,500)**	**0**	**943,886**	**139,584**	**201,558,970**
December 31, 2023	**202,057,695**	**70,977,249**	**46,328,648**	**12,133,884**	**47,308,865**	**2,219,859**	**381,026,200**
Accumulated depreciation							
January 1, 2023	**0**	**20,106,945**	**28,008,355**	**0**	**31,876,276**	**1,330,822**	**81,322,398**
Depreciation	**6,781,868**	**6,569,233**	**3,454,716**	**0**	**6,600,719**	**124,004**	**23,530,540**
Adjustments	**107,150,554**	**0**	**(769,050)**	**0**	**47,666**	**14,250**	**106,443,420**
December 31, 2023	**113,932,422**	**26,676,178**	**30,694,021**	**0**	**38,524,661**	**1,469,076**	**211,296,358**
Net Book Value December 31, 2023	**88,125,273**	**44,301,071**	**15,634,627**	**12,133,884**	**8,784,204**	**750,783**	**169,729,842**

	Buildings and other structures	Leased assets improvements	Transportation equipment	Construction in progress	Machinery and equipment	Furniture, fixtures and books	Total
Cost							
January 1, 2022	201,330,000	34,724,580	40,472,588	28,130,027	93,840,701	3,965,491	402,463,387
Additions	727,695	36,164,659	6,710,560	0	2,420,588	97,777	46,121,279
Adjustments	(201,330,000)	(956,591)	0	(15,996,143)	(49,896,310)	(1,982,993)	(270,162,037)
December 31, 2022	727,695	69,932,648	47,183,148	12,133,884	46,364,979	2,080,275	178,422,629
Accumulated depreciation							
January 1, 2022	100,368,687	18,612,643	24,622,553	0	54,770,595	2,224,444	200,598,922
Depreciation		1,756,810	3,385,802	0	6,617,134	129,273	11,889,019
Adjustments	(100,368,687)	(262,508)	0	0	(29,511,453)	(1,022,895)	(131,165,543)
December 31, 2022	0	20,106,945	28,008,355	0	31,876,276	1,330,822	81,322,398
Net Book Value December 31, 2022 (As restated)	727,695	49,825,703	19,174,793	12,133,884	14.488,703	749,453	97,100,231

PE costing P47.309 million and P35.196 million as at December 31, 2023 and 2022, respectively, are fully depreciated but are still serviceable. Also, right-of-use asset pertaining to the office building under finance lease with a total cost and accumulated depreciation amounting to P201.330 million and P113.932 million, respectively, was reclassified to PE in CY 2023 following the end of the lease term.

12. INTANGIBLE ASSETS

This account includes capitalized cost of operating systems, anti-virus programs and other computer programs for use in the SHFC operations. The roll forward analysis is as follows:

	2023	2022
Cost		
Balances at beginning of year	**21,418,978**	21,119,977
Additions	**0**	299,000
Balances at end of year	**21,418,978**	21,418,977
Accumulated amortization		
Balances at beginning of year	**11,106,729**	9,710,459
Amortization	**623,100**	1,396,270
Balances at end of year	**11,729,829**	11,106,729
Net book value at end of year	**9,689,149**	10,312,248

13. RIGHT-OF-USE ASSETS

This account consists of the following:

	2023	2022 As restated
Cost		
Balances at beginning of year	**229,362,357**	229,362,357
Reclassification	**(201,330,000)**	0
Balances at end of year	**28,032,357**	229,362,357
Accumulated depreciation		
Balances at beginning of year	**124,248,989**	108,158,319
Depreciation	**8,888,660**	16,090,670
Reclassification	**(107,150,555)**	0
Balances at end of year	**25,987,094**	124,248,989
Net book value at end of year	**2,045,263**	105,113,368

14. OTHER NON-CURRENT ASSETS

This account consists of the following:

	2023	2022 As restated
Trust asset – AKPF	**516,399,886**	527,819,260
Government grant – MSP	**124,296,593**	124,296,593
	640,696,479	652,115,853

14.1 Trust asset – AKPF

This refers to assets held in trust on AKPF which was previously under the administration of the NHMFC. Due to the passage of EO No. 272, the management of the amortization support and developmental financing programs of AKPF was transferred to SHFC in CY 2005.

This account is treated in the books of SHFC in the same manner and procedure it was previously treated in the books of NHMFC wherein periodic increment and reduction of said account, as a result of its operations, are taken up as credit and debit to Trust liabilities account (See Note 18).

The details of the Fund balance amounting to P516.400 million and P527.819 million as at December 31, 2023 and 2022, respectively, is shown in the succeeding page.

	2023	2022
Cash and cash equivalents	**14,315,736**	292,670,723
Receivable – current	**2,894,459**	2,218,394
Other receivables	**15**	122,670
Receivable – non-current	**335,939,375**	49,232,020
PE, net	**48,110**	65,502
Other non-current assets	**204,101,429**	196,845,866
Intra-agency payables	**(35,679,866)**	(5,213,228)
Inter-agency payables	**(5,213,228)**	(8,117,973)
Other payables	**(6,144)**	(4,714)
	516,399,886	527,819,260

14.2 Government grant – MSP

This refers to cost of land acquired for MSP funded through the NDRRM (Calamity fund) for the Marawi Recovery, Rehabilitation and Reconstruction Program in relocating 1,500 families.

15. FINANCIAL LIABILITIES

This account consists of the following:

	2023	2022 As restated
Current:		
Accounts payable	**1,037,913,425**	1,132,044,192
Insurance/reinsurance premium payable	**90,058,176**	78,614,002
Due to officers and employees	**5,956,414**	1,042,310
	1,133,928,015	1,211,700,504

15.1 Accounts payable

This refers mainly to the remaining balance of CMP and HDH loan proceeds for the payment of land retained by SHFC pending compliance with other requirements in accordance with NHMFC Board Resolution No. 3149, series of 2001, for the CMP projects. This account also includes perfected contracts with suppliers amounting to P122.037 million and P176.568 million as at December 31, 2023 and 2022, respectively.

15.2 Insurance/Reinsurance premium payable

This account refers to insurance premium for one year paid in advance by MBs to SHFC through the CAs, and accordingly remitted upon enrollment to the MRI pool.

16. INTER-AGENCY PAYABLES

This account consists of:

	2023	2022 As restated
Due to parent corporation (NHMFC)	**6,807,640**	20,428,525
Due to BIR	**7,298,721**	15,673,708
Due to Treasurer of the Philippines	**717,779**	999,537
Due to Pag-IBIG	**431,540**	342,629
Due to SSS	**272,250**	226,566
Due to PhilHealth	**279,195**	225,261
	15,807,125	37,896,226

16.1 Due to parent corporation (NHMFC)

This account includes expenses for personal services, administrative and operating expenses, retirement benefits, and renewal/enrollment of CMP accounts to the Pag-IBIG MRI pool advanced by NHMFC as provided in the Trust Agreement.

16.2 Due to BIR

This account represents the taxes withheld from payment of employees' compensation, origination fees, percentage tax, honoraria, taxes withheld at source and from government money payments.

16.3 Due to Treasurer of the Philippines

This account represents the interest income on deposits earned, net of tax, from the DOTr and Department of Interior and Local Government (DILG) Funds to be remitted to the Bureau of the Treasury after the closing of the year-end financial statements as provided in the Memorandum of Agreement between SHFC and DOTr/DILG.

17. LEASE PAYABLE

The account pertains to the present value of the lease payments payable over the lease term discounted using the prevailing borrowing rate of SHFC.

Set out below are the carrying amounts of this account and the movements during the period:

	2023	2022 As restated
Balances at beginning of year	**13,145,819**	23,772,074
Interest expense	**812,036**	649,767
Lease payments	**(11,863,949)**	(11,276,022)
Balances at end of year	**2,093,906**	13,145,819

Future minimum lease payments as at December 31, 2023 are as follows:

	Minimum lease payment due		
	Within one year	More than one year	Total
Lease payments	2,046,942	46,964	2,093,906
Interest expense	13,225	76	13,301
Total cash payment	2,060,167	47,040	2,107,207

18. TRUST LIABILITIES

This account consists of the following:

	2023	2022 As restated
Current:		
Performance warranty	**4,283,929**	4,259,669
Bidders' bonds	**650,396**	503,396
	4,934,325	4,763,065
Non-current:		
NHMFC	**14,727,391,984**	14,756,822,155
DOTr	**2,984,679,658**	3,000,000,000
AKPF (See Note 14)	**516,399,886**	527,819,260
Other trust liabilities	**760,600,000**	760,600,000
	18,989,071,528	19,045,241,415

18.1 NHMFC

The transfer of the CMP accounts to SHFC was initially implemented through the transfer of the cash balance on November 10, 2005 amounting to P532 million as at September 30, 2005 and the turnover of the outstanding principal loan balance of the mortgages taken-out from CY 1994 onwards. Said conveyance correspondingly required the transfer of the general ledger balances of certain accounts related to the program. In addition, the transfer considered the portion of the balances pertaining to mortgages turned over to SHFC and those retained by NHMFC.

The CMP mortgages from CYs 1989 to 1993 with a total outstanding principal loan balance of P621 million as at December 31, 2009 retained by NHMFC were eventually transferred to SHFC. This amount is temporarily recorded under the Loans installment receivable – current account but was later reclassified to Mortgage contract receivable – past due account. Details of this account as at December 31, 2023 are as follows:

Particulars	Amount
Cash	**(2,947,730,096)**
Loans installment receivable	**13,751,470,964**
Past due loan installment receivables	**2,750,042,775**
Retained earnings balance for transfer to NHMFC	**428,010,179**
Land	**638,298,293**
Notes receivable – National Housing Authority	**200,000,000**
Interest income	**165,678,128**
Advances to contractors	**420,992,618**
Origination and appraisal cost	**166,642,635**
Insurance receivable	**119,762,108**
Interest receivables	**72,873,957**
Items in litigation	**50,925,357**
Unamortized mortgage origination cost	**50,479,961**
Origination fee payable	**18,444,963**
Service fee incentives	**5,648,600**
Technical subsidy	**2,770,247**
Other professional fees	**3,500**
Accounts payable – Mortgage contract receivable	**(808,937,350)**
Undistributed collections	**(179,442,653)**
Guaranty deposits payable	**(147,250,222)**
Insurance payable	**(5,189,361)**
Real estate taxes	**11,109**
Due to BIR (withholding tax payable)	**(4,135,522)**
Advances from borrowers	**(1,598,646)**
Other deposits	**(19,286,991)**
Performance warranty payable	**(1,092,569)**
	14,727,391,984

The corresponding fund for the Comprehensive and Integrated Shelter Financing Act (CISFA) of 1994 amounting to P12.775 billion was fully released by the Department of Budget and Management (DBM) through NHMFC in CY 2017. The trust liability account has negative cash balance amounting to P2.948 billion after the exhaustion of the CISFA fund received from NHMFC. The subsequent CMP loan take-outs are now sourced from SHFC's corporate fund.

On December 31, 2021, the DBM released P325 million budgetary support directly to SHFC to cover the implementation of the CMP. This, however, will not form part of the trust liability since it was recorded as subsidy income from national government.

On the other hand, no additional trust liability for CY 2023 is recognized since no dividends were declared by the Board on the share of NHMFC on the net income of SHFC for the same year.

18.2 DOTr

The Trust Agreement was entered into by and between the DOTr and SHFC with an initial amount of P3 billion pesos transferred to SHFC on February 20, 2018 to finance the resettlement program for the PNR South Commuter Project. A property previously owned by BSP was purchased by SHFC as a resettlement area for MBs affected by the project.

18.3 Other trust liabilities

This account pertains to the funds received by SHFC from the following government agencies:

a. *Trust fund – DILG* amounting to P350 million refers to the fund held in trust as provided in the Trust Agreement entered into by and between the DILG and SHFC on June 27, 2016 intended for HDH projects which was deposited and maintained in a separate fund account.

b. *Trust fund – Intramuros Administration* (IA) amounting to P410 million refers to fund held in trust released by IA to SHFC in CY 2021 for the relocation and resettlement of more or less 500 duly identified and qualified dweller-families in Intramuros, Manila.

c. *Trust fund – DSWD* amounting to P10.360 million refers to the fund received on July 1, 2016 from the Emergency Shelter Assistance Program of DSWD earmarked for the 148 ISF victims of Typhoon Sendong in Cagayan de Oro City to be used solely for the purchase of housing materials. The amount of P7.7 million of the fund was already utilized as payment for the loan amortization of beneficiaries, while the remaining balance of P2.660 million was returned/refunded to the DSWD on June 1, 2021.

19. DEFERRED CREDITS/UNEARNED INCOME

This account consists of the following:

	2023	2022
Deferred income	**131,794,048**	151,162,316
Deferred credits	**48,329,444**	48,745,385
	180,123,492	199,907,701

19.1 Deferred income

This account pertains to the interest as of date of application for restructured loans which are payable within a period of 30 years (See Note 7.1).

19.2 Deferred credits

This account pertains to the principal portion of amortization paid in advance by DHSUD to SHFC for the office spaces it previously occupied. Upon satisfaction of the terms and conditions provided under the executed deed of assignment, this account shall be closed and corresponding asset will be transferred to DHSUD.

20. PROVISIONS

This account consists of the following:

	2023	2022 As restated
Contingency fund payable	**190,363,433**	162,649,406
Leave benefits payable	**65,013,639**	47,468,087
Retirement gratuity payable	**8,789,547**	14,614,156
	264,166,619	224,731,649

20.1 Contingency fund payable

This account represents the liability for the amount of MRI premiums received from the annual enrollment or renewal of insurance policy of MBs.

20.2 Leave benefits payable

This account pertains to accrual of monetary value of the earned leave credits of regular employees.

20.3 Retirement gratuity payable

This account pertains to retirement gratuity benefits due to employees calculated in accordance with the provisions of RA No. 7641.

21. OTHER PAYABLES

This account consists of the following:

	2023	2022 As restated
Guaranty deposits payable	**587,343,987**	410,766,291
Advances from borrowers	**459,440,134**	433,020,704
Dividends payable (See Note 22.2)	**39,952,377**	53,763,231

	2023	2022 As restated
Unreleased/stale checks	**39,619,681**	60,256,844
Origination fee payable	**34,727,638**	34,765,761
Accrued expenses	**19,863,183**	27,358,825
Due to provident fund	**2,494,803**	3,247,011
Other payables	**4,574,412**	3,800,789
	1,188,016,215	1,026,979,456

21.1 Guaranty deposits payable

This account refers to three months and six months cash deposits required for old and new originators, respectively, pursuant to Corporate Circular CMP No. 003, calculated based on the total monthly amortization payment plus one year MRI premiums. This deposit is treated as a regular advance payment on the same date as the first amortization from the CAs/MBs or will be used in cases that no payments are received in each due month.

This also includes retention fees from progress billings on building construction and/or site development on SHFC programs and projects, and other contracts.

21.2 Advances from borrowers

This account pertains to the amortization payments in excess of the amount due for the current period but is not deducted from the principal balance upon distribution of amortization collections.

21.3 Origination fee payable

This account refers to the 50 per cent origination fee retained by SHFC pending originators' full compliance with loan requirements.

21.4 Accrued expenses

This account refers to various operating expenses incurred but not yet paid as at reporting date.

21.5 Due to provident fund

This account refers to deductions made from the salaries of the employees representing three per cent of basic salary as part of the contributory plan. Upon remittance, the SHFC contributes 15 per cent of the basic salary of each employee.

22. EQUITY

22.1 Capital stock

SHFC has an authorized capital stock of P100 million divided into 100,000 shares with a par value of P1,000 each. A total of 25,000 shares were subscribed by the NHMFC, of which, 10,000 shares were paid for P10 million and the balance of P15 million remains unpaid for the 15,000 subscribed shares.

The paid-in portion of authorized capital stock is P10 million and transferable pursuant to the distribution mandated by EO No. 272. Of this amount, P9.992 million was paid up by the NHMFC and the remaining amount by various stockholders for and in behalf of the government of the Philippines.

22.2 Retained earnings

Retained earnings include amount appropriated for SHFC programs and has been allocated or earmarked to fund the HDH projects, MSP and CMP.

Dividends amounting to P39.952 million and P53.763 million have been declared to the National Government for CYs 2023 and 2022, respectively. Dividends declared in CY 2022 were paid in CY 2023.

The prior period adjustments at the beginning of CY 2022 are detailed in Note 35.

23. SERVICE AND BUSINESS INCOME

This account consists of:

	2023	2022
Service income		
Interest income – loans and receivables	**429,909,072**	424,592,083
Fines and penalties	**296,547,344**	280,629,496
Business income		
Other business income		
Service fee	**2,640,000**	5,500,000
Miscellaneous income	**310,157**	7,211,131
	729,406,573	717,932,710

23.1 Other business income

a. *Service fee* represents the monthly servicing fee on collections from HDH sold accounts to NHMFC.

b. *Miscellaneous income* account includes:

- income from penalty on late amortization payments of the MBs;

- other miscellaneous income derived from processing fee of the application for penalty condonation and substitution;
- photocopy fee and recovery of value-added tax payments;
- interest from calamity loans granted to officers and employees affected by typhoon Ondoy;
- surcharges from suppliers on late deliveries; and
- recognition of refund of excess payments amounting to P500 and below as miscellaneous income.

24. PERSONNEL SERVICES

This account consists of the following:

	2023	2022
Salaries and wages - regular	**175,909,795**	132,732,735
Other compensation		
Year-end bonus	**14,982,303**	11,078,289
Mid-year bonus	**14,933,141**	0
Personnel economic relief allowance	**5,078,540**	5,205,770
Overtime and night pay	**5,007,709**	3,252,624
Transportation allowance	**4,624,480**	4,435,620
Representation allowance	**4,240,527**	4,292,500
Clothing/uniform allowance	**1,242,000**	1,281,780
Cash gift	**1,086,250**	1,087,750
Honoraria	**221,335**	0
Other bonuses and allowances	**55,669,616**	70,376,997
	107,085,901	101,011,330
Personnel benefit contributions		
Provident/welfare fund contributions	**18,235,835**	19,580,133
Retirement and life insurance premiums	**7,156,420**	5,447,783
PhilHealth contributions	**2,823,126**	2,409,298
Pag-IBIG contributions	**257,000**	263,000
Employees compensation insurance premiums	**77,050**	78,450
	28,549,431	27,778,664
Other personnel benefits		
Terminal leave benefits	**34,035,277**	15,245,654
Retirement gratuity	**993,204**	0
	35,028,481	15,245,654
	346,573,608	276,768,383

25. MAINTENANCE AND OTHER OPERATING EXPENSES

This account consists of the following:

	2023	2022 As restated
General services		
Clerical services	**135,737,731**	141,987,550
Security services	**50,699,626**	42,633,880
Janitorial services	**4,325,554**	3,541,382
Other general services	**14,544,199**	12,963,510
	205,307,110	201,126,322
Taxes, insurance premiums and other fees		
Taxes, duties and licenses	**28,444,975**	14,102,234
Insurance expenses	**797,308**	667,719
Fidelity bond premiums	**177,064**	326,077
	29,419,347	15,096,030
Supplies and materials expenses		
Office supplies expenses	**7,283,267**	8,029,102
Fuel, oil and lubricants expenses	**4,208,054**	5,482,671
Drugs and medicines expenses	**399,193**	143,881
Accountable forms expenses	**345,000**	581,368
Medical, dental, and laboratory supplies expenses	**88,481**	183,472
Semi-expendable machinery and equipment expenses	**56,849**	1,468,523
Semi-expendable furniture, fixtures and books expenses	**480**	302,289
Other supplies and materials expenses	**1,457,080**	355,156
	13,838,404	16,546,462
Utility expenses		
Electricity expenses	**10,693,945**	9,857,336
Water expenses	**1,174,950**	719,047
	11,868,895	10,576,383
Professional services		
Consultancy services	**8,046,939**	1,238,462
Legal services	**344,927**	115,000
Other professional services	**912,759**	820,217
	9,304,625	2,173,679
Communication expenses		
Internet subscription expenses	**3,225,234**	3,216,910
Postage and courier services	**2,897,549**	3,423,726
Telephone expenses	**1,816,522**	1,893,788
Cable, satellite, telegraph and radio expenses	**71,268**	58,661
	8,010,573	8,593,085
Traveling expenses		
Traveling expenses – local	**6,594,990**	11,338,020
Traveling expenses – foreign	**0**	216,468
	6,594,990	11,554,488

	2023	2022 As restated
Training and scholarship expenses		
Training expenses	**3,640,020**	2,732,135
	3,640,020	2,732,135
Repairs and maintenance		
Transportation equipment	**1,899,985**	3,341,723
Machinery and equipment	**567,503**	256,518
Semi-expendable information and communication technology	**67,073**	0
Buildings and other structures	**29,157**	85,600
Semi-expendable furniture and fixtures	**14,120**	0
Leased assets improvements	**3,779**	96,533
Furniture and fixtures	**0**	2,500
	2,581,617	3,782,874
Confidential, intelligence and extraordinary expenses		
Extraordinary and miscellaneous expenses	**903,830**	909,804
	903,830	909,804
Other maintenance and operating expenses		
Major events and conventions expenses	**15,098,885**	5,121,530
Rent/lease expenses	**7,383,477**	6,854,252
Subscription expenses	**3,232,122**	578,788
Advertising, promotional and marketing expenses	**2,999,602**	559,924
Representation expenses	**1,979,010**	6,223,818
Directors and committee members' fees	**1,324,295**	1,431,000
Financial assistance/subsidy/contribution	**1,102,713**	1,472,507
Printing and publication expenses	**189,322**	881,517
Litigation/acquired assets expenses	**142,295**	2,450,582
Transportation and delivery expenses	**65,789**	193,416
Donations	**85,450**	0
Membership dues and contributions to organizations	**4,625**	0
Association dues	**0**	5,960,520
Collection servicing fee	**0**	4,021,806
Origination and appraisal cost	**100,000**	3,388,469
Miscellaneous expense	**0**	739,195
Others	**14,297,329**	911,097
	48,004,914	40,788,421
	339,474,325	313,879,683

26. NON-CASH EXPENSES

This account consists of:

	2023	2022 As restated
Depreciation		
ROU assets	**8,888,660**	16,090,670
Buildings and other structures	**6,781,868**	0
Machinery and equipment	**6,600,719**	6,617,134
Leased assets improvements	**6,569,233**	1,756,810
Transportation equipment	**3,454,716**	3,385,802
Furniture, fixtures and books	**124,004**	129,273
	32,419,200	27,979,689
Amortization		
Origination and appraisal costs	**1,665,128**	2,119,797
Intangible assets	**623,100**	1,396,270
	2,288,228	3,516,067
Impairment loss		
Loans and receivables	**5,599,444**	43,544,066
	40,306,872	75,039,822

27. FINANCIAL EXPENSES

This account consists of:

	2023	2022 As restated
Interest expenses (Note 17)	**812,036**	649,767
Bank charges	**143,928**	46,927
Other financial charges	**1,309,334**	922,289
	2,265,298	1,618,983

Other financial charges refer to the fees charged by the trustee bank in managing the MRI fund established by SHFC.

28. OTHER NON-OPERATING INCOME

This account consists of:

	2023	2022 As restated
Interest income - bank deposits	**72,385,486**	15,030,459
Interest income - treasury bills	**1,197,666**	1,114,931
Interest income - others	**68,892**	44,164
	73,652,044	16,189,554

28.1 Interest income – bank deposits

This account represents interest earned at prevailing interest rates of 4.500 to 6.210 per cent per annum for the time deposit and 0.10 per cent for the current account.

28.2 Interest income – treasury bills

This account represents interest earned at an average prevailing interest rates of 2.375 per cent per annum for Investments in treasury bills.

29. INCOME TAXES

The major components of provisions for income tax for the years ended December 31, 2023 and 2022 are as follows:

	2023	2022 As restated
Current	**10,941,099**	7,179,327
Deferred (tax benefit)/tax expense	**(7,070,868)**	6,379,434
	3,870,231	13,558,761

SHFC applied the minimum corporate income tax (MCIT) rate on taxable gross income for CYs 2023 and 2022 since its taxable net income resulted in breakeven. Also, SHFC claimed itemized deductions in computing for its income tax due for both years.

Moreover, regular corporate income tax (RCIT) rate was reduced from 30 to 25 per cent while MCIT rate was reduced from two to one per cent upon effectivity of RA No. 11534, otherwise known as Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, on April 12, 2021.

29.1 Current tax expense

The components of RCIT are as follows:

	2023	2022 As restated
Net income before income tax	**74,438,514**	66,815,393
Non-deductible expense	**14,694,454**	3,609,206
Interest income on investment/bank deposits	**(73,652,044)**	(16,189,554)
Accounting income subject to tax	**15,480,924**	54,235,045
Loan loss provision	**5,599,444**	43,544,066
Lease liability - interest expense and depreciation	**542,969**	7,149,932
Net operating loss carry over (NOLCO) applied	**(21,623,337)**	(104,929,043)
Net taxable income (loss)	**0**	0
Tax rate (%)	**25**	25
RCIT	**0**	0

Excess (MCIT) over RCIT:

	2023	2022
Gross income	**729,406,573**	717,932,710
Tax rate (%)	**1.5**	1
MCIT	**10,941,099**	7,179,327
RCIT	**0**	0
Current tax expense	**10,941,099**	7,179,327

29.2 Deferred tax asset and expense

The components of deferred tax assets are as follows:

	2023	2022 As restated
Deferred tax asset – beginning	**880,860,075**	887,239,509
Temporary differences:		
Loan loss provision	**5,599,444**	43,544,066
NOLCO applied	**(21,623,337)**	(104,929,043)
Lease liability - interest expense and depreciation	**542,969**	7,149,932
Tax rate (%)	**25**	25
	(3,870,231)	(13,558,761)
Excess MCIT over RCIT	**10,941,099**	7,179,327
Deferred tax benefit/(tax expense)	**7,070,868**	(6,379,434)
Deferred tax asset – ending	**887,930,943**	880,860,075

The following are the details of the NOLCO and MCIT available for offsetting against the future income:

NOLCO

Inception Year	**Amount**	**Applied**		**Balance**	**Expiry Year**
		Year	**Amount**		
2020	177,445,576	2020	0	177,445,576	2025
		2021	(34,991,356)	142,454,220	
		2022	(104,929,043)	43,893,820	
		2023	(21,623,337)	15,901,840	

MCIT

Inception year	**Amount**	**Applied**	**Balance**	**Expiry year**
2023	10,941,099	0	10,941,099	2026
2022	7,179,327	0	7,179,327	2025
2021	6,197,116	0	6,197,116	2024
2020	8,333,194	0	8,333,194	2023
	32,650,736	0	32,650,736	

29.3 Income tax payable

This account represents income tax due after deducting previous quarter income tax payments and tax credits, if any, for the years ended December 31, 2023 and 2022, as follows:

	2023	2022
Income tax due	**10,941,099**	7,179,327
Less: Tax payments from previous quarters	**7,164,974**	4,583,091
	3,776,125	2,596,236

30. NET ASSISTANCE/SUBSIDY INCOME FROM NATIONAL GOVERNMENT

The total approved funding allocation and release from DBM as the National Government's support for the housing projects, amounted to P708.860 million and P1.881 billion for the years 2023 and 2022, respectively. The financial assistance to non-government organizations and technical assistance and service to people's organizations amounted to P22.455 million and P0.166 million for the years 2023 and 2022, respectively.

31. LEASES

31.1 Operating lease commitments – SHFC as lessee

In CY 2023, SHFC has a total of 12 lease contracts for office spaces recognized as ROU assets per PFRS 16. The maximum term for this type of lease is three years.

Other lease contracts entered into by SHFC which were expensed as incurred are as follows:

- Rental of machinery and equipment with varying payments based on usage; and
- Short-term leases of office spaces with not more than one year lease term.

Set out below are the amounts recognized in the SCI:

	2023	2022 As restated
Depreciation expense of ROU assets	**8,888,660**	16,090,670
Interest expense on lease liabilities	**812,036**	649,767
Rent expense - short-term	**6,321,711**	4,317,367
Rent expense - variable lease payments	**1,061,766**	2,536,885
Total expense recognized in SCI	**17,084,173**	23,594,689

31.2 Finance lease commitment – SHFC as lessee

SHFC is a lessee with lease term of 15 years which ended in CY 2023. The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognized in the SFP as PE and borrowings, respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments. Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognized in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

32. RELATED PARTY DISCLOSURES

Parties are considered to be related if one party has the ability, directly and indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities.

As at December 31, 2023, the composition of the BOD of SHFC is as follows:

Board Position	Position in SHFC/Other agencies
Chairman	Chairman, Department of Human Settlements and Urban Development
Vice Chairman	President and Chief Executive Officer, SHFC
Member	Undersecretary, Department of Finance
Member	Undersecretary, DILG
Member	Undersecretary, DBM
Member	Private sector
Member	Private sector
Member	Private sector

32.1 Compensation of key management personnel (KMP)

The compensation of KMP which consists of short-term benefits amounted to P69.089 million and P48.348 million for the years ending December 31, 2023 and 2022, respectively. Key management compensation forms part of the Personnel services, and Maintenance and other operating expenses as presented under Notes 24 and 25, respectively.

Salaries and allowances received and expenses incurred by the key officers in the conduct of their official functions are as follows:

	2023	2022
Personnel services		
Salaries and wages	**41,693,939**	25,711,293
Other compensation	**23,855,484**	21,017,811
Other personnel benefits	**2,741,535**	787,103

	2023	2022
	68,290,958	47,516,207
Maintenance and other operating expenses	**798,088**	831,510
	69,089,046	48,347,717

Meanwhile, the total remuneration (per diem) received by the members of the BOD amounted to P1.324 million and P1.431 million for CYs 2023 and 2022, respectively.

33. COMMITMENTS AND CONTINGENCIES

SHFC is a respondent to a labor case wherein the Office of the Panel Voluntary Arbitrator ruled in favor of Social Housing Employees Association, Inc. directing the garnishment of the SHFC's time deposit at Development Bank of the Philippines amounting to P70.931 million for the release of discontinued benefits under the Collective Bargaining Agreement and State of the Nation Bonus to its member. The case is currently under appeal to the Supreme Court awaiting its final resolution.

34. RISK MANAGEMENT OBJECTIVES AND POLICIES

SHFC's principal financial instruments comprise cash, receivables, due from a related party, investment in securities, accounts payable and accrued expenses, and due to related parties. The main purpose of these financial instruments is to raise working capital for SHFC's operations.

Financial Risk Management

Credit risk

Credit risk is the risk of financial loss arising from the counterparties' inability or unwillingness to settle their financial obligations to the SHFC as expected or originally contracted. The exposure to credit risk of SHFC arises primarily from the inability of customers to fully settle their accounts and other claims owed to SHFC. SHFC does not have any significant concentration of credit risk. Its maximum exposure to credit risk is equivalent to the carrying value of its financial assets.

Mortgage contract receivable (CMP loans)

CMP loans receivable are 25-year, six per cent interest loans secured by mortgage on the land subject of the loan. The loans are given to qualified CAs made up mostly of poor and underprivileged families to assist them in purchasing the private land where they are informally settled or buying a relocation site.

The property, subject of loan and mortgage, is registered under the name of the CA. The property is covered by a subdivision plan and each lot in the subdivision plan is assigned to a member under a lease purchase agreement (LPA) with the association. The LPAs of the associations are assigned to SHFC as additional security for the community loan.

Credit policy for Mortgage contract receivable (CMP loans)

The CMP loan program follows the legal mandate of the Urban Development and Housing Act and is therefore not in conformity with the credit standards prescribed by the BSP for financial institutions under its supervision. In lieu of the normal credit standards, the program requires CA members to deposit in advance savings equivalent to three months amortization as proof of capacity and willingness to pay.

SHFC generally ascertains credit standing of counterparties before entering into a business transaction. The examination of credit standing includes: (1) financial resources (2) ownership structure; and (3) quality of Management.

Insurance

For the duration of the loan, there shall be an MRI on the lives of the principal borrowers as identified in the masterlist of members on a yearly, renewable term basis. The insurance premiums shall be included in the monthly amortizations of the members. An equivalent of one year MRI premium shall be required from the CAs in the form of cash deposit prior to the release of the loan proceeds.

Security

SHFC follows an appraisal procedure and policy that is market-based and allows a maximum loan to value ratio of 100 per cent.

Collection

The Mortgage contract receivables (CMP loans) are covered by a collection agreement with the CAs. The CAs collect the monthly amortizations from its members for remittance to SHFC. The credit quality by class of MCR based on SHFC's aging of provisions are detailed in Note 7.2.

Liquidity Risk

Liquidity risk pertains to the risk that SHFC will encounter difficulty in meeting obligations associated with maturing obligations that are settled by delivering cash or another financial asset.

The total financial liabilities of SHFC, excluding the statutory obligations such as tax liabilities, as at December 31, 2023 and 2022 are as follows:

	2023	2022
Financial liabilities	**1,133,928,015**	1,211,700,504
Deferred credits/unearned income	**180,123,492**	199,907,701
Other payables	**2,093,906**	13,145,819
	1,316,145,413	1,424,754,024

SHFC monitors its risk to a shortage of fund by analyzing the maturity date of its financial assets, including financial investments, and amount of cash flow provided or used in operations.

Regulatory framework

The operation of SHFC is also subject to the regulatory requirements of the SEC. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions.

35. PRIOR PERIOD ADJUSTMENTS

Below is the summary of the financial impact of prior period adjustments to the CY 2022 and prior years' financial statements:

Prior period adjustments	Income	Expenses	Assets	Liabilities	Equity
Adjustment due to correction of errors	44,164	759,431	(400,534,446)	(393,459,290)	(7,075,156)
Adjustment due to compliance to PFRS 9	0	37,172,240	(3,123,519,972)	0	(3,123,519,972)
Adjustment due to compliance to PFRS 16	0	30,691	10,933,922	9,942,712	991,210
Prior year's adjustments on DTA due to recomputation of impairment and lease liability	0	(7,700,104)	785,773,929	0	785,773,929
	44,164	**30,262,258**	**(2,727,346,567)**	**(383,516,578)**	**(2,343,829,989)**

36. SUPPLEMENTARY INFORMATION REQUIRED UNDER REVENUE REGULATION (RR) NO. 15-2010

On November 25, 2010, the BIR issued RR No. 15-2010 amending certain provisions of RR No. 21-2002, as amended and implementing Section 6(H) of the Tax Code of 1997 which authorize the Commissioner of Internal Revenue to prescribe additional procedural and/or documentary requirements in connection with the preparation and submission of financial statements accompanying the tax returns. These regulations require that additional disclosures in the notes to financial statements shall be made to include information on taxes and licenses fees paid or accrued during the taxable year.

Hereunder are the additional disclosures in compliance with the requirements set forth in RR No. 15-2010:

	2023	2022
Final tax paid on income	**14,694,453**	3,263,000
Percentage tax	**8,172,759**	6,626,661
Real property tax	**2,942,296**	2,925,304
Business permits	**1,227,092**	1,277,936
BIR registration	**500**	500
	27,037,100	14,093,401

The amount of withholding taxes paid/accrued for the taxable years amounted to:

	2023	2022
Income taxes withheld on compensation and final withholding taxes	**56,528,600**	26,732,877
Creditable income taxes withheld (expanded)/ income payments exempt from withholding tax	**7,934,535**	5,990,966
	64,463,135	32,723,843

Tax contingencies

SHFC did not receive any final tax assessments in CY 2023, and has no tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the administration of the BIR.

PART II

OBSERVATIONS AND RECOMMENDATIONS

OBSERVATIONS AND RECOMMENDATIONS

1. Long-outstanding undistributed collections (UCs) totaling P241.611 million aged over 150 days remain unposted to the respective individual ledger of Mortgage Contract Receivable (MCR) account, contrary to SHFC Corporate Circular Community Mortgage Program (CMP) No. 23-064, thus, resulting in inaccurate balances of individual ledger of member beneficiaries (MBs).

1.1 Corporate Circular CMP No. 23-064 of the Social Housing Finance Corporation (SHFC) dated October 25, 2023 provides the specific instructions and policies in posting the amortization payments accurately to the ledgers of the MBs, including: (1) collections supported with community mortgage receipt`, mortgage bank receipt, remittance report, Abstract of Collections (AOCs); (2) collections from payors not in the masterlist (undocumented substitution); and (3) collections from accounts under one-year updating scheme.

1.2 UCs refer to amortization payments not yet applied or posted to individual borrower's account as at statement date due to timing differences and other related concerns. The UCs account is composed mainly of the following:

- Amortization payments from remedial/restructured accounts;
- Amortizations related to AOCs with issues;
- Unaccounted amortization payments;
- Amortization payments from High Density Housing (HDH) projects;
- Amortizations from payors not in the database/masterlist;
- Amortization payments from MBs who availed of the one-year updating scheme; and
- Accounts from NHMFC without supporting documents

1.3 UCs arising from amortization payments from remedial accounts pertain to those accounts which were restructured in accordance with in-house restructuring program of SHFC and CMP accounts which have no existing Community Associations (CAs). AOC-related UCs, on the other hand, refer to those discrepancies in total collections between the AOCs submitted by the CAs against the report submitted by the remittance/ collection partners. Collections from HDH projects wherein pertinent loan data are still in the process of migration or development are also reflected in the UCs. In addition, UCs from amortizations from payors not in the database/masterlist refer to collections from CAs and/or MBs that are on-going preparation or inclusion in the MCR database, and collections not yet included in the batch processing due to late transmittal of details of payees.

1.4 Moreover, unaccounted UCs are collections with ongoing reconciliation on the disagreement of the recorded against the posted collections in the individual MB ledger. UCs from one year updating scheme pertain to collections from delinquent accounts that have availed of the condonation of penalties program of SHFC as provided under Corporate Circular CMP No.

13-027. Other UCs pertain unreconciled collections that do not fall under any of the foregoing UC categories.

1.5 Review of the aging of UCs as at December 31, 2023 disclosed that long-outstanding accounts aging over 150 days totaling P241.611 million remain unposted to the individual ledgers of MCR account despite the issuance of Corporate Circular CMP No. 23-064 which aims for the timely and accurate posting of the same to the ledgers of MBs. Details are presented in Table 1.1.

Table 1.1 – Aging of UCs
As at December 31, 2023

UC Category	Age bracket (in days) 0-30	31-60	61-90	91-120	121-150	Over 150	Total
CMP							
Remedial	P4,074,500	P1,648,901	P1,794,488	P1,423,259	P1,883,151	P117,229,402	P128,053,701
AOC-related	4,230,407	2,439,822	1,683,846	1,441,993	6,185,716	43,160,773	59,142,557
Unaccounted						47,552,143	47,552,143
Not in database/ masterlist	0	0	0	0	0	3,763,978	3,763,978
One year updating	0	0	0	0	0	778,738	778,738
From parent agency	0	0	0	0	0	504,106	504,106
Others	0	0	0	0	0	19,049,418	19,049,418
HDH							
AOC-related	230,730	108,008	310,589	166,530	64,690	9,572,393	10,452,940
Total	**P8,535,637**	**P4,196,731**	**P3,788,923**	**P3,031,782**	**P8,133,557**	**P241,610,951**	**P269,297,581**

1.6 As can be gleaned in Table 1.1, the long-outstanding UCs, aged over 150 days largely comprise the balance of the UCs account as at December 31, 2023. Analysis of the details of long-outstanding UCs revealed that the amount pertains to collections from related MCR accounts from CY 2021 and earlier, as well as CMP accounts that were transferred to SHFC by NHMFC. These transferred CMP accounts fall within the remedial category of UCs.

1.7 The Audit Team, however, noted that the long-outstanding UCs aged over 150 days have decreased by P76.774 million as at December 31, 2023 as a result of the Management's continuous efforts of cleansing the account. Details are shown in Table 1.2.

Table 1.2 – Long-outstanding UCs
As at December 31, 2023 and 2022

Category	12/31/2023	12/31/2022	Increase/ (decrease)	Percen-tage
CMP				
Remedial	P117,229,402	P122,295,378	(P 5,065,976)	(4.14)
AOC-related	47,552,143	48,789,325	(1,237,182)	(2.54)
Unaccounted	43,160,773	75,742,182	(32,581,409)	(43.02)
Not in database/ masterlist	3,763,978	10,109,061	(6,345,083)	(62.77)

Category	12/31/2023	12/31/2022	Increase/ (decrease)	Percen-tage
One year updating	778,738	2,302,395	(1,523,657)	(66.18)
From parent agency	504,106	14,878,645	(14,374,539)	(96.61)
Others	19,049,418	16,697,453	2,351,965	14.09
HDH				
AOC-related	9,572,393	27,570,480	(17,998,087)	(65.28)
Total	**P241,610,951**	**P318,384,919**	**(P76,773,968)**	**(24.11)**

1.8 Further, the Audit Team observed that there was a decrease in the balance of UCs as at December 31, 2023 by 23.25 per cent or P81.587 million from its balance in the previous year of P350.885 million.

1.9 The decrease in the balance of UCs as at December 31, 2023 is largely attributable to the posting of long-outstanding UCs as a result of the various measures and activities implemented by the Management. In addition to the issuance of Corporate Circular CMP No. 23-064 to facilitate the immediate posting of MCR payments to individual accounts of MBs and/or reduce the balance of UCs as at reporting period, hereunder are the measures/activities undertaken by Management:

- Use of online payment channels and CAs Information System Kiosks in the Head and Regional Offices;
- Submission by the regional offices/branches of daily scanned copy of the collection reports and necessary documents to Treasury Group and transmit the same to the Finance and Comptrollership Group (FCG);
- Incorporation of the HDH accounts into Zeus Operations Support Information System, wherein user can process loan applications, loan take-out and generation of ledgers/Statement of Account;
- Providing copies of Corporate Circular CMP No. 23-064 by regional offices/branches to all CAs under their jurisdiction for their guidance and conduct of onsite orientation;
- Use of the SHFC portal in the preparation of AOCs by the CA prior to payment to the partner authorized government depository bank (AGDB); and
- Reconciliation of UCs with the parent agency.

1.10 Inquiry with Management disclosed that the long-outstanding UCs remain unposted due to issues related to loan records maintenance which are currently undergoing validation and/or reconciliation with CAs and/or MBs and inability of the CAs to provide the required resolutions issued by their respective officers and submission of other necessary documents to confirm the application of payments to respective MB ledgers. Furthermore, Management mentioned that the delay in the submission of collection reports by the partner AGDB contributed to the non-posting of UCs to their respective MCR accounts.

1.11 Thus, despite the issuance of SHFC Corporate Circular CMP No. 23-064 and the diligent efforts of Management, the non-reconciliation of the recorded collections against the supporting documents on the long-outstanding UCs affect the correctness of the individual MB ledgers' balances.

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

a. **Provide reconciliation timeline to distribute or allocate long-outstanding UCs;**

b. **Instruct the Operations Cluster, Treasury Group and FCG to expedite the reconciliation of long-outstanding UCs within the timeline set;**

c. **Continuously and timely coordinate with CAs for the identified UCs for proper application of payment in the MB ledgers; and**

d. **Require the partner AGDB to submit collection reports in a timely manner to facilitate identification of any UCs.**

2. **Public bidding was not immediately conducted for the acquisition of an insurance provider to manage the Group Mortgage Redemption Insurance (MRI) of loan borrowers of the CMP and other similar home financing programs of SHFC, despite the expiration of its Memorandum of Agreement (MOA) with an insurance brokerage entity of an AGDB, contrary to Sections 3 and 4 of Republic Act (RA) No. 9184 and Section 2 of its 2016 Revised Implementing Rules and Regulations (RIRR), thus, fair bid competition and the possibility of selecting a better package among participating insurance providers, for the benefit of the member-borrowers, were not attained.**

2.1 Sections 3 and 4 of RA No. 9184, otherwise known as the Government Procurement Reform Act, provide that:

> ***SEC. 3. Governing Principles on Government Procurement.*** *– All procurement of the national government, its departments, bureaus, offices and agencies, including state universities and colleges, government-owned and/or-controlled corporations, government financial institutions and local government units, shall, in all cases, be governed by these principles:*
>
> *(a) Transparency in the procurement process and in the implementation of procurement contracts.*
>
> *(b)* ***Competitiveness by extending equal opportunity*** *to enable private contracting parties who are eligible and qualified to participate in public bidding.*
>
> *(c)* ***Streamlined*** *procurement process that will uniformly apply to all government procurement. The procurement process shall be simple and made adaptable to advances in modern*

technology in order ***to ensure an effective and efficient method.***

(d) ***System of accountability*** *where both the public officials directly or indirectly involved in the procurement process as well as in the implementation of procurement contracts and the private parties that deal with government are, when warranted by circumstances, investigated and held liable for their actions relative thereto.*

(e) ***Public monitoring of the procurement process and the implementation of awarded contracts*** *with the end view of* ***guaranteeing that these contracts are awarded pursuant to the provisions of this Act and its implementing rules and regulations****, and that all these contracts are performed strictly according to specifications.*

SEC. 4. Scope and Application. – *This Act shall apply to the Procurement of Infrastructure Projects, Goods, and Consulting Services, regardless of source of funds, whether local or foreign, by all branches and instrumentalities of government, its departments, offices and agencies, including government-owned and/or-controlled corporations and local government units, subject to the provisions of Commonwealth Act No. 138. Xxx* (Emphasis ours)

2.2 Section 2 of the 2016 RIRR of RA No. 9184 provides that:

Section 2. Declaration of Policy

The provisions of this IRR are in line with the commitment of the GoP [Government of the Philippines] ***to promote good governance and its effort to adhere to the principles of transparency, accountability, equity, efficiency, and economy in its procurement process.*** *It is the policy of the GoP that procurement of Goods, Infrastructure Projects and Consulting Services* ***shall be competitive and transparent, and therefore shall undergo competitive bidding, except as provided in Rule XVI of this IRR.*** (Emphasis Supplied)

2.3 SHFC is mandated to undertake social housing programs for the formal and informal sectors in the low-income bracket and shall take charge of developing and administering social housing program schemes, particularly the CMP and the *Abot-Kaya Pabahay* Fund Program for amortization support and developmental financing.

2.4 The mortgage loan is a real estate loan for housing and/or lot purchase, secured by a real estate mortgage (REM) granted to a mortgagor by SHFC and repayable in monthly installments over a fixed period of up to 30 years. It also covers reconstructed loans applied by the member-borrowers, which are repayable up to the extent of the regular/original loan or as applicable and provided by SHFC.

2.5 All member-borrowers of the CMP and such other similar home financing programs who are 65 years old and below at the take-out/loan grant date are eligible for the Group MRI, including duly-approved substitute member-borrowers.

2.6 Thereafter, SHFC entered into a MOA with the insurance brokerage entity of an AGDB for the procurement of MRI and other insurance packages under an Agency-to-Agency mode of Negotiated Procurement as provided in RA No. 9184. The agreement was effective for a period of one year starting from October 27, 2021 which is the same date it was signed by the parties and notarized by the notary public.

2.7 The insurance brokerage entity is a government-owned and/or-controlled corporation and a wholly-owned subsidiary of an AGDB. As stipulated in the MOA, the entity is entrusted with the responsibility of selecting an insurance provider that will issue MRI policies for the members of the CAs with socialized housing loans granted by the SHFC. These MRI policies serve to mitigate the SHFC's risk of loss from non-payment by its MBs due to death or disability, covering newly taken-out, existing, and restructured loan accounts. However, Management disclosed that no insurance provider was selected by the brokerage entity throughout the duration of the MOA. This was due to the inability of the proposed insurance providers to conform to the SHFC's Terms of Reference (TOR) during the first and second insurance quotations within the validity period of the agreement. In view of this, no broker's fee, commission, or service fees have been paid to the insurance brokerage entity.

2.8 Audit disclosed that SHFC was not able to immediately plan a procurement activity prior to the expiration of its MOA with insurance brokerage entity. A brief timeline of activities based on SHFC's records after the expiration of the MOA is shown in Table 2.1.

Table 2.1 – Brief Timeline After the Expiration of MOA

Event	Date
Expiration of the MOA	10/26/2022
Approval of the Management Plan-of-Action on the procurement of new insurance provider for MRI and the creation of Technical Working Group (TWG) for the said procurement project	02/08/2023
Inquiry with the GPPB-TSO* on how RA No. 9184 and its RIRR apply to the acquisition of an insurance provider for MRI	10/02/2023
Approved TOR under the custody of Bids and Awards Committee	January 2024

**Government Procurement Policy Board-Technical Support Office*

2.9 To date, no procurement activity has been conducted since the expiration of the MOA. Inquiry with the Management revealed that the delay in creating a TWG was due to reorganization of the SHFC's officers and Board. However, it must be emphasized that Section 2 of the 2016 RIRR of RA No. 9184 is in line with the commitment of the GoP to promote good governance and its effort to adhere to the principles of transparency, accountability, equity, efficiency, and economy in the procurement process. Sound public procurement policies and practices are among the essential elements of good governance. Good practices in procurement reduce costs and produce timely results; poor practices lead to waste and delays[1].

2.10 Non-procurement of an insurance provider to manage the Group MRI for the member-borrowers is contrary to Sections 3 and 4 of RA No. 9184, as well as Section 2 of its 2016 RIRR, thus, fair bid competition and the possibility of selecting a better insurance package among participating insurance providers for the benefit of the member-borrowers were not attained.

2.11 We recommended and Management agreed to:

a. Instruct the TWG to fast-track the process of procuring the services of an insurance provider through public bidding in accordance with RA No. 9184; and

b. Prospectively, prepare a procurement plan to be able to take immediate action prior to the expiration of any contract as part of sound procurement practices.

3. The balance of the loan proceeds of 510 CAs representing 50 per cent of the lot cost remain outstanding for over 10 years due to the inability of the CAs to comply with the documentary requirements under SHFC Corporate Circular No. 13-024. This may result in the non/poor recovery of invested funds in housing projects, thereby deprives SHFC of the use of the fund for other housing projects intended for low-income families.

3.1 This is a reiteration of prior year's Audit Observation (AO) with modification as embodied in the Calendar Year (CY) 2020 Annual Audit Report (AAR).

3.2 SHFC Corporate Circular No. 13-024 dated March 11, 2023 on the modes of payment for the purchase of land under SHFC housing programs, provides, among others, that:

I. Upon issuance of the LOG [Letter of Guaranty], *the landowner with its conformity, may be paid the first 50% of the purchase price, provided that the following requirements are complied with:*

a.) Regular on-site and off-site projects:

[1] Asian Development Bank (2002).

1. *delivery to SHFC of the owner's duplicate copy of the title/s under its name;*
2. *execution and submission of a notarized deed of absolute sale by the landowner in favor of the community association (CA); and,*
3. *compliance with Board conditions and other technical, loan and mortgage examination findings.*

Xxx

II. The landowner shall be entitled to the final 50% of the purchase price upon compliance of the following:

a) Regular on-site, off-site and LCMP [Localized CMP] projects:

1. *For on-site and LCMP projects, the final 50% shall be released upon the transfer of title/s in the name of the CA with the mortgage lien annotated at the back thereof, submission of the owner's duplicate copy of title/s, compliance with Board conditions and other technical, loan and mortgage requirements.*

2. *For off-site projects, the final 50% of the loan shall be released on a staggered basis at a rate proportionate to the occupancy performance of the CA until such occupancy reaches the required 85% level, compliance with Board conditions and other technical, loan and mortgage requirements. Title in the CA's name shall also be required and such other requirements/compliances which SHFC deems necessary.*

3. *In the absence of an agreement between the parties, transfer taxes, registration fees and documentary stamp taxes shall be for the account of the landowner.*

3.3 CMP is a program of SHFC wherein the CA seeks suitable lots for housing. The cost of lot, site development and house construction shall then be financed by SHFC in the form of a loan, payable over 30 years. Upon receipt and validation of the completeness of the documents, the Board will approve the loan and accordingly issue an LOG as the basis for releasing the initial 50 percent of the lot cost.

3.4 The remaining 50 per cent loan proceeds refer to the CMP loan proceeds and origination fees that are retained by SHFC pending compliance with other requirements including the transfer of title of the land in the name of the CA, as well as other technical, loan and mortgage requirements.

3.5 Our review of these unreleased loan proceeds as at December 31, 2023 amounting to P915.876 million disclosed that the amounts payable to 510 CAs remained outstanding for up to more than 10 years. Details are presented in Table 3.1.

Table 3.1 – Aging of remaining 50 per cent loan proceeds
As at December 31, 2023

Aging	Amount	Quantity of CAs
Within one year	P 45,215,591	11
Over one year to two years	4,567,264	11
Over two years to five years	139,689,415	90
Over five years to 10 years	508,033,999	203
Over 10 years	218,369,621	195
Total	**P915,875,890**	**510**

3.6 Inquiry with Management disclosed that the said accounts have remained unsettled due to the problems encountered by the CAs in transferring the land titles to their names because of insufficient funds for the payment of transfer and documentary stamp taxes, as well as registration fees with the Registry of Deeds.

3.7 According to Management, the following measures or activities, among others, were undertaken to facilitate the release of the final 50 per cent payment for the land in CMP projects:

- Orientation activities with various CAs on the requirements for the release of long-outstanding payables to their respective landowners;
- Streamlining of the requirements on the availment of accommodation mortgage for the release of the loan proceeds;
- Partnership with relevant government offices involved in the approval of the subdivision plan, technical descriptions and transfer of title of the land in the name of CAs;
- Proposed one-shot individualization to simultaneously individualize the mother title/s upon transfer of title of the land in the name of CA and segregating the portion retained by the landowner;
- Review of mortgage documents/folders prior to the release of the loan proceeds; and
- Inventory of projects and reconciliation of records in the branches.

3.8 Despite the above measures, the CAs were still not able to comply with the requirements, due to the following:

- CAs/landowners are not aware of the requirements for the release of the remaining loan proceeds;
- Encumbrances on the lot intended for the project;
- Net lot area for CMP are still covered by the mother title under the landowner's name;
- Lack of mortgage examiners responsible for reviewing and processing documents further delays the release of remaining loan proceeds; and
- Unlocated documents or project folders within branches.

3.9 Pending compliance by the CAs with the requirements for the release of the final 50 per cent loan proceeds for the cost of lot, the non-payment of these accounts which have been outstanding for up to over 10 years may result in the non-recovery of the funds initially released to the CAs and deprives SHFC of the use of the fund for other housing projects intended for low-income families.

3.10 We reiterated our prior year's recommendation and Management agreed to follow-up with the CAs the documentary requirements needed for the payment of the remaining 50 per cent of loan proceeds for the cost of the lot.

4. Unserviceable Property and Equipment (PEs) amounting to P11.239 million as at reporting date, have been stored in the warehouse and remain undisposed for over nine years, contrary to Section 79 of Presidential Decree (PD) No. 1445, resulting in further obsolescence and deterioration of property, non-use of storage space for other purposes and foregone possible income that could have been derived from its disposal. Also, various semi-expendable PEs included in the Inventory and Inspection Report of Unserviceable Property (IIRUP) have no corresponding unit cost which is essential in the review of property valuation prior to disposal.

4.1 This is a reiteration of prior year's AO with modification as embodied in the CY 2021 AAR.

4.2 Section 79 of PD No. 1445 on the destruction or sale of unserviceable property provides that:

> *When government property has become unserviceable for any cause, or is no longer needed, it shall, upon application of the officer accountable therefore, be inspected by the head of the agency or his duly authorized representative in the presence of the auditor concerned and, if found to be valueless or unsalable, it may be destroyed in their presence. If found to be valuable, it may be sold at public auction to the highest bidder under the supervision of the proper committee on award or similar body in the presence of the auditor concerned or other duly authorized representative of the Commission, xxx such price as may be fixed by the same committee or body concerned and approved by the Commission.*

4.3 PEs and semi-expendable items become unserviceable under, but not limited to, the following circumstances:

- When it can no longer be repaired or reconditioned;
- When maintenance costs/costs of repair outweigh the benefits and services that can be derived from its continued use;
- When it becomes obsolete or outmoded due to technological changes;
- When it becomes unnecessary due to change in the agency's mandate or function;
- When supplies, materials and spare parts become unused due to procurement in excess of requirements; and

- When supplies and materials become dangerous to use because of long storage or use of which is determined to be hazardous.

4.4 Review of the IIRUP disclosed that unserviceable PEs with a total cost of P11.239 million remained undisposed thereby exposing the items to further deterioration and obsolescence. Moreover, the said unserviceable PEs have been occupying storage spaces for more than nine years. Details are presented in Table 4.1.

Table 4.1 – Undisposed Unserviceable Semi-expendable PEs
As at December 31, 2023

Account name	Amount
Semi-expendable IT* equipment	P10,649,583
Semi-expendable office equipment	563,008
Semi-expendable other machineries and equipment	26,671
Total	**P11,239,262**

*Information technology

4.5 Also, the Audit Team noted that various semi-expendable PEs included in the IIRUP have no corresponding unit cost but with property numbers and appraised value. Although the said items were expensed previously upon issuance to respective employees, it is necessary that the records of unit cost of the said unserviceable semi-expendable PEs is maintained in the IIRUP for reference in the review of property valuation prior to disposal.

4.6 We reiterated our prior year's recommendation and Management agreed to direct the Disposal Committee to facilitate the immediate and systematic disposal of unserviceable PEs in accordance with existing rules and regulations in order to prevent further deterioration and maximize recoverable values or income therefrom.

4.7 We further recommended and Management agreed to instruct the Disposal Committee to ensure that all unit costs of unserviceable PEs are presented in the IIRUP for reference in the review of property valuation prior to disposal.

5. Delayed submission of 3,028 Disbursement Vouchers (DVs) amounting to P3.141 billion for the payment of various expenses and other transactions from January to December 2023 by SHFC is contrary to Section 7.2.1(a) of COA Circular No. 2009-006, thus, caused delay in the timely conduct of mandatory post-audit activities and communication of deficiencies, if any.

5.1 COA Circular No. 2009-006 dated September 15, 2009 enumerates, among others, the responsibility of the Agency Accountant as follows:

> *Section 7.2.1 The Chief Accountant, Bookkeeper or other authorized official performing accounting and/or bookkeeping functions of the audited agency shall ensure that:*

a) *The reports and supporting documents submitted by the accountable officers are immediately recorded in the books of accounts and* ***submitted to the auditor within the first ten (10) days of the ensuing month.*** (Emphasis ours)

5.2 Our audit showed that 3,028 DVs were submitted beyond the 10 days reglementary period as at audit observation date. The details are presented in Table 5.1.

Table 5.1 – Delayed submission of paid DVs
From January 1 to December 31, 2023

Month	Quantity	Amount
January	104	P 78,372,612
February	252	232,556,014
March	449	149,955,434
April	218	173,342,400
May	323	287,713,973
June	214	182,517,708
July	255	71,459,879
August	352	299,975,953
September	258	144,101,654
October	280	237,701,837
November	153	45,338,395
December	170	1,238,255,448
Total	**3,028**	**P3,141,291,307**

5.3 Inquiry with Management disclosed that the delay in the submission of DVs was largely due to delay in the transmittal of DVs with complete attachments from the regional offices to the head office of SHFC which processes the payment of the former's expenses. DVs and drawn checks are forwarded to the respective regional offices which are required to return the same to the head office of SHFC together with the supporting documents. Also, Management disclosed that the limited manpower and heavy workloads in the Treasury Group added to the non-compliance with the requirement of Section 7.2.1(a) of COA Circular No. 2009-006.

5.4 Consequently, the post-audit of the 3,028 DVs and timely communication of deficiencies, if any, are delayed.

5.5 We recommended and Management agreed to:

a. Instruct the Treasury Group to submit the DVs and supporting documents to the Audit Team within the first 10 days of the ensuing month as required under Section 7.2.1(a) of COA Circular No. 2009-006 dated September 15, 2009;

b. Instruct the regional offices of SHFC to return the DVs with complete attachments to the head office within reasonable period to facilitate compliance with the COA Circular; and

c. Maximize the available manpower and/or address the lack of manpower to facilitate compliance with the same COA Circular.

6. The HDH project implemented by the SHFC is currently occupied by residents who are not the intended MBs included in the priority list for this specific project. Moreover, despite the occupancy of the project by non-MBs, no valid substitution documents have been submitted, contrary to Sections 3, 5, 6 and 7 of Corporate Circular HDH No. 17-013, which resulted in the continued illegal occupancy of the project.

6.1 Sections 3, 5, 6 and 7 of Corporate Circular HDH No. 17-013 dated April 7, 2017 on the guidelines on substitution for the completion of the Lease Purchase Agreement (LPA)/Lease Agreements (LA) and Masterlist of Beneficiaries and Loan Apportionment (MBLA) for HDH projects of SHFC provide that:

Section 3. Conduct of LPA/LA Orientation and LPA/LA Signing Day

To ensure that LPA/LA are completed and submitted after the issuance of notice of approval and prior to the start of the site and house construction, an LPA/LA Orientation and signing shall be conducted. This shall be organized and scheduled by SHFC. Refusal to sign the LPA/LA on the signing day shall be a ground for substitution. The HOA shall immediately submit to SHFC the list of names of MBs who refused to sign and the following requirements for substitution:

a. One government issued ID
b. Filled up substitution form by the substitute
c. MBLA
d. Notarized HOA Board Resolution recommending the substitution.
e. HOA/SHFC Certification of the absence without justifiable reason or refusal to sign.

MBs who are not present at the time of LPA/LA signing day may be represented by his or her authorized representative who shall present a special power of Attorney. The MB shall also issue a sworn affidavit stating a justifiable reason for not personally accomplishing the LPA/LA.

Xxx

Section 5. Substitution

The following are grounds for substitution of MBs in the List of Beneficiaries in HDH projects:

A. Execution of notarized Voluntary Waiver of Rights or
B. Disinterested MBs (those who have transferred their residence to another location or migrated to the province) or MB's who are absent and missing and cannot be located.
C. Refusal to sign the LPA/LA on the signing day or
D. Death of an MB or

E. *Violation of the MB of the policies rules, regulations and guidelines of the HOA (provided the same is not illegal or contrary to the guidelines of SHFC) and/or SHFC or existing laws or ordinances of the locality or*
F. *Final and executory decision from the courts or quasi-judicial body to substitute the MB.*

Section 6. Requirements for Substitution

The documentary requirements stated in Section III of Circular 16-046 shall be adopted and submitted by the HOA to SHFC for a valid substitution of member beneficiaries in the List of Beneficiaries except for (B) and (C) mentioned in Section 5 above.

Xxx, the HOA shall initiate the substitution process and submit the following requirements:

a. *One government issued ID*
b. *Filled up substitution form by the substitute*
c. *MBLA*
d. *Notarized HOA Board Resolution recommending the substitution.*
e. *Proof of publication (from HDH or Loan Processing Group)*

On the ground of violation of the MB of the policies rules, regulations and guidelines of the CA (provided the same is not illegal or contrary to the guidelines of SHFC) and/or SHFC or existing laws or ordinances of the locality, the same requirements in Section III E of Circular 16-046 shall be complied even if this ground is prior to the signing of the LPA.

Section 7. DILG Validation and Certificate of Eligibility (HDH Projects)

The SHFC/HOA shall immediately submit the Board Resolution recommending the substitution to the DILG upon receipt of the following:

- *Voluntary Waiver of Rights; or*
- *Lapse of the prescribed time stated in the publication; or*
- *Execution of the HOA affidavit on the commission of a violation; or*
- *Execution of HOA/SHFC Certification of refusal to sign on signing day; or*
- *Receipt of the final and executory decision to substitute the MB.*

DILG shall immediately validate and issue the Certificate of Eligibility for the substitution of the MBs under Section 5. Upon the issuance of the Certificate of Eligibility of the substitute or *replacement from DILG and the complete requirements for substitution submitted to SHFC, the SHFC/HOA shall immediately ask the substitute to sign the LPA/LA.*

However, the DILG validation and certificate of eligibility shall not be required for the substitution of a deceased or overaged MB, if there are heirs who can substitute the deceased or overaged MB. The requirements for a valid substitution, however, shall be complied.

6.2 The HDH project of SHFC has a total of 496 priority/original MBs validated by the Department of Interior and Local Government (DILG). Its project plan indicates that three and two-storey buildings are to be constructed in a 9,900 sq. m. lot area specifically intended for the project. As at December 31, 2023, total disbursements for the project amounted to P23.166 million for lot acquisition and P161.637 million for site development and building construction. Despite the suspension of the construction due to project slippage, there were non-MBs who illegally entered/occupied the site in March 2022. No legal action has yet been initiated by SHFC resulting in continued illegal occupancy by non-MBs on the said HDH project.

6.3 On November 16, 2023, the Audit Team conducted an ocular inspection of the project, and administered survey questionnaires to 169 residents during the inspection. Results of the survey revealed that only one is a validated priority MB of the DILG for the housing project. Moreover, records show that no substitution documents were submitted and/or activities conducted between the CA and SHFC, contrary to Sections 3, 5, 6 and 7 of Corporate Circular HDH No. 17-013.

6.4 Management disclosed that the non-MB occupants allegedly made payments, including monthly dues, to an officer of the project's CA, who invited them to move-in without authority from the SHFC. Also, in the house-to-house validation conducted by SHFC on May 21, 2022, there are 324 occupants, of which only four were revalidated by SHFC as original MBs of the HDH project.

6.5 Thus, the CA's non-compliance with the requirements under Sections 3, 5, 6 and 7 of Corporate Circular HDH No. 17-013, coupled with the SHFC's absence of legal action against the non-MB occupants, resulted in the continued illegal occupancy of the project.

6.6 We recommended and Management agreed to:

a. Initiate legal actions for the illegal entry of occupants into the HDH project to recover possession thereof; and

b. Require the CAs to comply with the requirements specified in Sections 3, 5, 6 and 7 of Corporate Circular No. HDH 17-013.

7. **The adequacy of protection for SHFC's insurable properties from CYs 2018 to 2022 against any damage or loss could not be ascertained due to non-preparation and non-submission of the Property Inventory Form (PIF) for all SHFC's insurable properties and interests to the Government Service Insurance System (GSIS), as basis for the assessment of general insurance coverage, contrary to Sections 5.1(b) and 5.1(e) of COA Circular No. 2018-002, resulting in risk of unrecoverable losses.**

7.1 Sections 5.1(b) and 5.1(e) of the COA Circular No. 2018-002 dated May 31, 2018 provide that:

> *Section 5.1 Head of government agencies shall direct the pertinent official under his/her supervision to:*
>
> *Xxx*
>
> *(b) Prepare the Property Inventory Form (PIF)* ***listing of all the insurable properties*** *and other assets, showing their* ***latest appraised values/valuation****, appraisal date, location, and other information;*
>
> *Xxx*
>
> *(e) Submit the consolidated PIF to the Supervising Auditor/Audit Team Leader and the GIF, GSIS, not later than April 30 of each year.* (Emphasis ours)

7.2 Likewise, the said COA Circular defines, among others, property and insurable interest as follows:

> *Section 4.1 Property includes vessels and craft, motor vehicles, machineries, permanent buildings, properties stored therein (i.e. furniture, fixtures, equipment, supplies and materials, etc.) or in buildings rented by the government, or properties in transit,* ***the ownership of which had already passed to the government.***
>
> *Section 4.2 Insurable interests, xxx, mean* ***every interest*** *in property, whether real or personal, or any relation, thereto, or liability in respect thereof, of such nature that a contemplated peril might directly indemnify the insured.* (Emphasis ours)

7.3 The properties of SHFC presented in Table 7.1 fall under the category of insurable properties as defined under COA Circular No. 2018-002 and must therefore be included in the PIF for general insurance coverage.

Table 7.1 – Book value of PE
As at December 31, 2022

Asset Classification	Amount
Right of use (ROU) asset – building	P105,113,368
Leased assets improvements	49,825,703

Asset Classification	Amount
Transportation equipment	19,174,794
Machinery and equipment	14,488,703
Construction in progress	12,133,884
Furniture, fixtures and books	749,453
Buildings and other structures	717,695
Total	**P202,203,600**

The ROU asset – building pertains to the office building of SHFC in Makati under finance lease which ended in CY 2023. Risks and rewards over the property are transferred to SHFC over the lease term.

7.4 Management disclosed, however, that there were no PIFs prepared for the insurable properties, which should be submitted to the GSIS and the Audit Team. Also, there are no reported appraised values.

7.5 It is to be emphasized that COA Circular No. 2018-002 requires appraisal of insurable properties for the purpose of general insurance protection with the GSIS. Section 5.1(d) thereof in relation to the preparation of PIF annually provides that an in-house appraisal shall be sufficient if the property or insurable interest has a value of P10 million and below. Otherwise, an independent appraisal shall be necessary.

7.6 According to Management, the inventory report of properties and equipment is submitted to the GSIS upon application for and/or renewal of general insurance coverage. In the case of motor vehicles, official receipts and certificates of registration are also submitted. Moreover, the list of properties and equipment is quoted for general insurance coverage at depreciated cost. The properties currently covered under general insurance include buildings, transportation equipment, machinery and equipment, and furniture and fixtures.

7.7 Management further disclosed that the general insurance coverage with the GSIS was not consolidated, hence, property insurance activity is not centralized. COA Circular No. 2018-002 requires the preparation of a consolidated PIF where all insurable properties must be listed and have a centralized payment of insurance premiums to avoid double payments, whether they are located in the head office or branches.

7.8 Foregoing considered, the adequacy of protection for SHFC's insurable properties from CYs 2018 to 2022 against any damage or loss could not be ascertained due to the non-preparation and non-submission of PIF resulting in risk of unrecoverable losses.

7.9 We recommended and Management agreed to:

a. **Prepare consolidated PIF to secure its insurable properties or assets with the GSIS against any damage or loss as required under Section 5.1(b) of COA Circular No. 2018-002;**

b. **Prospectively, submit a copy of the consolidated PIF to the Audit Team on or before April 30 of each year, as required under Section 5.1(e) of the same COA Circular; and**

c. **Ensure that insurable properties or assets are appraised when securing general insurance coverage with the GSIS in accordance with Section 5.1(d) of the same COA Circular.**

8. The non-preparation of the Physical Inventory Plan (PIP) by the Inventory Committee of SHFC resulted in delays in the completion of the conduct of physical count of PEs and semi-expendable items.

8.1 Paragraphs 5.3, 5.9, 5.10 and 5.11 of COA Circular No. 2020-006 dated January 31, 2020 provide that:

5.0 GENERAL GUIDELINES

Xxx

5.3 The members of the Inventory Committee ***shall be temporarily relieved of all their regular duties to devote their full time in the conduct of the physical inventory taking until the same is completed.***

Xxx

5.9 In coordination with the Property Division/Unit, the ***Inventory Committee shall plan/strategize on how to conduct and complete the physical inventory within the prescribed period.*** *It shall prepare a* ***Physical Inventory Plan (PIP)*** *containing, at the least,* ***the specific assignments/duties of the Committee members****, the* ***cut-off date*** *and a* ***schedule specifying the dates and locations of the inventory taking activities from start up to the targeted completion of the physical inventory.*** (Emphasis ours)

5.10 The PIP ***shall be approved by the Head of the Agency.***

5.11 The Inventory Committee shall ***submit the approved PIP to the COA Audit Team at least ten (10) calendar days before the scheduled start of inventory activities.*** (Emphasis ours)

8.2 The above-mentioned COA Circular prescribes the guidelines and procedures on inventory taking, recognition of those found at station and disposition for non-existing/missing property, plant and equipment items for the one-time cleansing of these accounts and establish its balances that are verifiable as to existence, condition and accountability.

8.3 In planning the inventory taking, a PIP shall be prepared which shall contain, among others, schedules specifying the dates and locations of the inventory taking activity. Request of the plan however revealed that the Inventory Committee did not prepare a PIP, as the Audit Team noted the following:

a. The list of fixed assets and semi-expendable properties for CY 2023 setting out the areas/locations subjected for inventory taking pertains only to SHFC's regional satellites or branches and does not include those in the SHFC Head Office;

b. The Inventory Committee has set another physical inventory of fixed assets and semi-expendable properties in the Head Office of SHFC, and invited the Audit Team through a letter dated January 2, 2024 but received only on January 4, 2024. The activity was scheduled from January 9-12, 2024 but further extended until January 26, 2024;

c. The invitation letter for the inventory taking was approved by the Chairperson of the Inventory Committee instead of the Head of Agency. Moreover, it did not subscribe with the required number of days on the submission to the Audit Team prior to the scheduled start of inventory activities as required under paragraph 5.11 of COA Circular No. 2020-006, hence, it cannot be considered as a PIP.

8.4 Foregoing considered, the non-preparation of the PIP resulted in delays in the conduct of physical count of PEs and semi-expendable items, and completion thereof within the prescribed period.

8.5 We recommended and Management agreed to:

a. Instruct the Inventory Committee to prepare a PIP pursuant to paragraph 5.9 of COA Circular No. 2020-006 to plan, and strategize the conduct and completion of the physical inventory within the prescribed period; and

b. Submit the approved PIP to the Audit Team at least 10 days before the scheduled start of physical count of PEs and semi-expendable items.

9. Collections from the residential housing loan (RHL) accounts covered by the Loan Sale and Purchase Agreement (LSPA) totaling P40.208 million were remitted by SHFC to the National Home Mortgage Finance Corporation (NHMFC) beyond 30 working days after the closing date, contrary to Item 2.5 (a) of Article 2 of the LSPA, resulting in accumulation of funds held in trust.

9.1 Item 2.5 (a) of Article 2 of the LSPA on collections provides that:

> *Collections Prior to and After Cut-Off Date, which is November 30, 2020. Any collections on any of the residential loans that are received by SELLER on or prior to Cut-Off Date shall belong to the SELLER.* ***Collections on any of the Residential Housing Loans***

received after the Cut-Off Date shall belong to the PURCHASER and are absolutely owned by the PURCHASER and shall be held in trust by the SELLER and remitted to the PURCHASER within thirty (30) working days *after the Closing Date.* (Emphasis ours)

9.2 SHFC, seller, entered into an LSPA with NHMFC, purchaser, for the sale of its 1,624 RHL accounts under the HDH program on December 29, 2020, and was executed and notarized on March 19, 2021. The Agreement was approved under BR Nos. 907 dated December 21, 2020 and 4024-A dated December 22, 2020 issued by the Boards of SHFC and NHMFC, respectively. The cut-off date of the affected loan accounts, which are either secured by REM or under usufruct agreements, was November 30, 2020 as agreed upon by the parties. The consideration for the sale and purchase of the loan accounts amounted to P632.084 million which was settled by NHMFC in favor of SHFC on December 29, 2020.

9.3 Likewise, Board Resolution (BR) No. 4024-A issued by NHMFC's Board provides, among other things, that SHFC, as the seller in the LSPA, will continue to manage and service the accounts to be purchased by NHMFC and remit any collected amounts from the accounts to be purchased. However, Management disclosed that no Servicing and Accounts Management Agreement was executed between the parties stipulating SHFC's obligation regarding the remittance of collections from sold RHL accounts to NHMFC.

9.4 As defined in the LSPA, the cut-off date is the point at which the risks and benefits that may be generated by or from the subject RHL accounts shall be transferred to the purchaser, NHMFC. On the other hand, the closing date pertains to the execution date of the Agreement.

9.5 Our review of the Remittance Report to NHMFC as at December 31, 2023 disclosed that collections covering various periods totaling P40.208 million were remitted by SHFC to NHMFC beyond the 30 working days after the cut-off date, contrary to Item 2.5 (a) of Article 2 of the LSPA. Details of the delayed remittances of collections from RHL accounts as at December 31, 2023 is presented in Table 9.1.

Table 9.1 – Delayed Remittances of Collections from RHL Accounts
As at December 31, 2023

Check No.	Check Date	Amount	Coverage	Date Received by NHMFC	Audit Remarks
9069	05/13/2022	P19,526,317	December 2020 - March 2022	06/01/2022	Delayed
127843	10/12/2022	3,844,412	April-June 2022	10/19/2022	Delayed
2022-477*	12/29/2022	6,996,149	July-November 2022	12/29/2022	Delayed
130135	02/02/2023	1,565,808	December 2022	02/07/2023	Delayed
133609	04/03/2023	3,978,592	January-February 2023	04/04/2023	Delayed
133978	05/18/2023	2,324,933	March 2023	05/25/2023	Delayed
141792	12/01/2023	1,971,451	October 2023	12/07/2023	Delayed
		P40,207,662			

*Letter of instruction

9.6 Review of the remittances made for the collections from RHL accounts in CY 2022 disclosed that, except for the month of December, SHFC accumulated the funds for at least three months before remitting them to NHMFC. Also, the Audit Team noted that checks were prepared only, at the least, two months after the closing date, thereby resulting in the accumulation of funds collected and held in trust.

9.7 We recommended and Management agreed to remit collections from loan accounts covered by the LSPA to NHMFC within 30 working days after the closing date, ensuring compliance with the provision of the LSPA.

10. A total of 18 out of 21 Gender and Development (GAD) activities in the Philippine Commission on Women (PCW)-approved GAD Plan and Budget (GPB) for Fiscal Year (FY) 2023 of SHFC have been accomplished in consonance with Section 37 of the IRR of RA No. 9710, also known as the Magna Carta of Women, in relation to the declared policy under Section 2 thereof, thus, the corresponding GAD issues and concerns were significantly addressed and its objectives satisfactorily achieved. However, its PCW-approved GPB for FY 2023 was not submitted by Management to the Audit Team within five working days from its receipt, contrary to Item V of COA Circular No. 2014-001.

10.1 Section 2 of the IRR of RA No. 9710 dated March 10, 2010, states among others, the following policy:

> *Recognizing that the economic, political, and sociocultural realities affect women's current condition, the State affirms the role of women in nation building and ensures the substantive equality of women and men. It shall promote empowerment of women and pursue equal opportunities for women and men and ensure equal access to resources and to development results and outcome. Further, the State realizes that equality of men and women entails the abolition of the unequal structures and practices that perpetuate discrimination and inequality.* ***To realize, this, the State shall endeavor to develop plans, policies, programs, measures, and mechanisms to address discrimination and inequality in the economic, political, social, and cultural life of women and men.*** (Emphasis ours)

10.2 Also, Section 37, Rule VI of the IRR of RA No. 9710 on Institutional Mechanisms, specifically item (A) (1) (a) and (5) provides that:

> *A. Planning, Budgeting, Monitoring and Evaluation for GAD*
>
> *1. Development of and Budgeting for GAD Plans and Programs – All agencies, offices, bureaus, SUCs,* ***GOCCs****, LGUs, and other government instrumentalities* ***shall formulate their annual GAD Plans, Programs, and Budgets within the context of their mandates****. Further:*

a. Following the conduct of a gender audit, gender analysis, and/or review of sex-disaggregated data, each ***agency*** *or LGU shall develop* ***its GAD Plans, Programs, and Budget in response to the gender gaps or issues faced by their women and men employees, as well as their clients and constituencies****. Along with the Act and these Rules and Regulations, the Philippine Plan for Gender-Responsive Development (PPGD), the Beijing Platform for Action (BPfA), and the CEDAW, among others, shall serve as key documents to guide the identification of gender issues and the formulation of GAD Plans, Programs and Budget; xxx*

5. ***Monitoring and Evaluation of the Implementation*** *of and Budget Utilization for* ***GAD Plans and Programs***

a. The PCW, in consultation with DBM, COA, DILG, NEDA, and other concerned agencies, shall ensure that an effective system to ***monitor and evaluate the effectiveness*** *of the GAD budget utilization of the agencies and LGUs is in place.*

b. The COA shall ***conduct an annual audit of GAD funds*** *of all government agencies, offices, bureaus, SUCs, GOCCs, LGUs, and other government instrumentalities.*

c. *At the end of the fiscal period, all government agencies shall submit to PCW their* ***GAD Accomplishment Reports*** *including the utilization of the GAD Budget. The LGUs shall submit the same to the DILG which in turn shall consolidate and submit to the PCW.* (Emphasis ours)

10.3 On the other hand, Item V of COA Circular No. 2014-001 dated March 18, 2014 provides that:

Xxx

V. RESPONSIBILITY OF THE AUDITED AGENCY

The Audited agency shall ***submit a copy of the Annual GAD Plan and Budget (GPB) to the COA Audit Team assigned to the agency within five (5) working days from the receipt of the approved plan from the PCW*** *or their mother or their central offices, as the case may be. Xxx (Emphasis ours)*

10.4 Likewise, the PCW issued MC No. 2022-03 dated August 31, 2022 on the preparation and submission of GPB for FY 2023. The same PCW MC provides, among others, the deadline for the submission of the GPB through the Gender Mainstreaming Monitoring System (GMMS). For government owned and/or controlled corporations, except those included in the pilot agencies using the revised GPB form, the deadline for submission of FY 2023 GPB was set on November 21, 2022.

10.5 Review of the GAD Accomplishment Report for FY 2023 of SHFC showed that 18 out of 21 GAD programs, projects and activities were fully implemented. Details are presented in Table 10.1

Table 10.1 – GAD Programs, Projects and Activities As at December 31, 2023

GAD activity	Actual result	Audit observations
	Client-focused	
Conduct periodic meetings and consultations with **internal and external clients** xxx and the participation of women on planning, decision-making xxx	Conducted Leadership and Values Formation (attended by both internal and external clients)	**Fully implemented**
Conduct capacity development training/seminar on rights to housing, leadership, xxx	Conducted Estate Management, Gender Sensitivity and Gender-Responsive Housing (attended by both internal and external clients)	**Fully implemented**
Conduct **two** training/capacity building that will attain equal access to resources xxx of women and other vulnerable community members in addressing the effects of health crisis, natural calamity and climate change through xxx and dissemination of information, education and communication **(IEC) materials** xxx	Conducted (1) Orientation on Basic GAD Concepts; and (2) Disaster Resilience and Preparedness Produced IEC materials on National Women's Month, National Disaster Resilience Month, and RA Nos. 7877, 9262 and 11313	**Fully implemented**
Conduct trainings/capacity building which promotes and supports women's self-employment, xxx	Conducted 16 batches of Financial Management and Bookkeeping Trainings	**Fully implemented**
Conduct activities that support/ build women's capacity to generate income xxx and livelihood programs designed for sustainable and productive entrepreneurial activities	Same as above	**Fully implemented**
Conduct **two** customized training/ capacity building which promotes perceived role reversal of women and men xxx	Conducted trainings on (1) Responsible Parenthood; and (2) Food Processing Skills	**Fully implemented**
Conduct activities that support/ build women's and men's capacity xxx for equitable sharing of responsibilities xxx	Same as above	**Fully implemented**
Conduct **three** capacity building trainings and GAD-mandated advocacy campaign xxx	Conducted trainings on (1) National Women's Month Gender Sensitivity; (2) 18-day Campaign to End Violence Against Women (VAW); (3) VAW-related laws to CAs in Bacoor, General Santos and Zamboanga Cities	**Fully implemented**

GAD activity	Actual result	Audit observations
Conduct **three** Basic GAD Orientation xxx to support and promote gender equality and women's empowerment	Conducted **four** batches of Gender Sensitivity Trainings on selected CAs	**Fully implemented**
	Organization-focused	
Conduct **three** GAD-related capacity development activities for SHFC employees and **one** executive briefing xxx for better appreciation of GAD xxx	Conducted three batches of Gender-sensitive consultations and one Gender Executive briefing	**Fully implemented**
Conduct training need analysis of GAD Focal Point System (GFPS)	Conducted training needs assessment of the GFPS	**Fully implemented**
Conduct trainings and capacity building on relevant GAD programs for the GFPS Committee xxx	Conducted Gender-Sensitivity Training of the GFPS	
Conduct regular meetings, consultations, xxx and annual assessment of GFPS Committee members and advocates	Conducted GFPS Critiquing and Consultation Meeting	**Fully implemented**
Create **10** trainers from the GFPS on basic GAD trainings	Recognized six GFPS members as resource persons on GAD trainings	**Partially implemented**
Hire **four** agency personnel that will focus on all corporate GAD-related programs xxx	Three agency-hired personnel were designated to focus on all corporate GAD-related programs	**Partially implemented**
Establish/Set-up **one** GAD Office with accessible and available gender toolkit xxx	No GAD Office created	**Not implemented**
Establish/Set-up GAD Corner, Breastfeeding Area, xxx	Created GAD Corner in SHFC Head and Regional Offices	**Fully implemented**
Create **two** GAD-related committees and conduct **two** capacity development relevant to their functions and advocacies	Created (1) Decorum and Investigation Committee; and (2) Men Opposed to VAW Everywhere (MOVE).	**Fully implemented**
	Conducted seminars with the two created committees on (1) Anti-Sexual Harassment and Safe Spaces Acts; (2) Basic Sexual Orientation, Gender Identity, Gender Expression and Sex Characteristics (SOGIESC) Orientation and Pride March; and (4) Zeus Knowledge Management System	
Conduct training on gender analysis tools particularly the enhance Gender Mainstreaming Evaluation Framework (GMEF) xxx	Conducted GMEF workshop	**Fully implemented**

GAD activity	Actual result	Audit observations
Conduct annual GMEF validation	Conducted GMEF and GAD*timpala* validation	**Fully implemented**
Pilot a GAD Incentive Mechanism to internal/external clients and corporate departments/branches	Implemented Department Action Plan and Individual Performance Plan on GAD-related activities	**Fully implemented**

10.6 The accomplishment of 18 out of 21 GAD activities by SHFC based on its FY 2023 PCW-approved GPB indicates commitment to organizational GAD concerns, issues and objectives.

10.7 For the activities not fully implemented, Management disclosed that out of the 42 members of the GFPS, only six members have qualified as resource persons on basic GAD-related trainings according to the established criteria for selection. Moreover, only three instead of four agency personnel to focus on all corporate GAD-related programs have been hired due to constraints in complying with the requirements for recruitment. Finally, Management disclosed that GAD Office was not established due to unavailability of space in the corporate premises intended for such. The non and/or partial implementation of the said GAD activities may affect its related GAD issue or mandate.

10.8 To comply with the requirements of RA No. 9710 and its IRR, the SHFC, through its GFPS, formulated and submitted its GPB to PCW through the latter's Gender Mainstreaming and Monitoring System on November 21, 2022. It was endorsed/approved by the PCW on December 23, 2022 and was received by SHFC on the same date.

10.9 However, our review of records showed that Management submitted to the Audit Team the PCW-approved GPB for FY 2023 of SHFC on January 22, 2024 which is beyond the prescribed submission under COA Circular No. 2014-001.

10.10 We commended Management's efforts to address and/or satisfy the GAD issues, concerns and objectives of SHFC as communicated in its PCW-approved GPB for FY 2023 resulting in the attainment of 18 out of 21 GAD activities.

10.11 Further, we recommended and Management agreed to:

a. Instruct the SHFC GFPS to ensure that all GAD programs, projects and activities are implemented as planned in order to effectively address GAD-related issues and concerns, and satisfactorily achieve its objectives; and

b. Prospectively, submit the approved GPB to the Audit Team within five working days upon receipt from PCW pursuant to Item V of COA Circular No. 2014-001.

11. Compliance with Rules on Mandatory Government Deductions

The SHFC consistently complies with the requirements on the withholding from its employees' salaries and remittance of the corresponding compulsory premium contributions to the Social Security System (SSS), Philippine Health Insurance Corporation (PHIC) and Home Development Mutual Fund (HDMF) for CY 2023 as presented in Table 11.1.

Table 11.1 – Remittance of Mandatory Government Deductions

	Withheld	Remittance*
SSS	P 3,390,930	P 10,788,970
PHIC	2,825,655	5,737,063
HDMF	415,350	680,750
Total	**P 6,631,935**	**P 17,206,783**

**Includes SHFC's share*

12. Compliance with Tax Laws

In compliance with the requirements set forth under Revenue Regulation No. 15-2010, the information on taxes, duties and license fees paid or accrued during the taxable year 2023 were disclosed under Note 36 to the FS. For CY 2023, taxes withheld/accrued amounted to P64.463 million, while the total taxes remitted to the Bureau of Internal Revenue amounted to P62.686 million. The balance of P1.777 million were paid in accordance with the deadlines for payment/remittance of taxes prescribed under the National Internal Revenue Code.

13. Status of Audit Suspensions, Disallowances and Charges

13.1 As at December 31, 2023, the status of audit disallowances issued to the SHFC has a total balance of P77.522 million as presented in Table 13.1, while there are no balances for audit suspensions and charges.

Table 13.1 – Status of Audit Disallowances
As at December 31, 2023

Audit Action	Beginning balance 01/01/2023	Issued this period	Settlement this period	Ending balance 12/31/2023
Disallowances	**78,950,312**	0	1,428,807	77,521,505

13.2 The corresponding Notices of Disallowances (NDs) of the above balance were issued to SHFC after the effectivity of the Rules and Regulations on Settlement of Accounts. Four of the five NDs issued are on appeal before the COA Commission Proper. The NDs pertain mainly to the disallowed benefits received by the SHFC officers and/or employees and garnishment of peso time deposit with DBP, including bank charges.

PART III

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Out of 32 audit recommendations embodied in the Calendar Year (CY) 2022 Annual Audit Report (AAR), 22 were implemented, 10 were not implemented of which two were reiterated in Part II of this report. Details are presented below:

Reference	Audit Observations	Audit Recommendations	Status/Actions Taken
CY 2022 AAR, Audit Observation (AO) No. 1, page 52	1. Undistributed collections (UC) totaling P353.807 million remained unposted to the Mortgage contract receivable (MCR), despite the policy implemented and efforts exerted by Management to lower the same, thus, overstating both the Other Payables and the MCR accounts by the same amount as at December 31, 2022.	a. Ensure posting at the end of the calendar year the current year's collections lodged in UC;	Implemented
		b. Require the Information and Communication Technology Department to facilitate the enhancement of the database of High Density Housing (HDH) member beneficiaries (MBs) under migration and all other accounts not yet in the database;	Implemented
		c. Implement measures to prevent or correct the causes of the non-posting of collections; and	Implemented
		d. Revisit the timeline in Office Order No. 21-1178, the Policy Implementing the Distribution/Posting of Amortization Collections, considering the volume of transactions.	Implemented
CY 2022 AAR, AO No. 2, page 55	2. The requirements of the Philippine Financial Reporting Standard (PFRS) 9 on Financial Instruments were not complied with, thus, the balances of various financial asset accounts totaling P23.188 billion as at December 31,	a. Resubmit and make a representation to the Board of Directors (BODs) to prioritize the approval of the SHFC Accounting Manual;	Implemented
		b. Accordingly, apply the policy embedded in the SHFC Accounting	Implemented

Reference	Audit		Status/Actions Taken
	Observations	Recommendations	
	2022 are misstated by undetermined amounts.	Manual which should be PFRS compliant on the proper classification, measurement, and impairment of all financial instruments of SHFC; and	
		c. Provide the disclosures required under PFRS 7 in the Financial Statements.	Implemented
CY 2022 AAR, AO No. 3, page 61	3. The accounts Right-of-Use of Assets and Lease payable are not recognized in the books of SHFC, contrary to the requirements of PFRS 16 on Leases, thus, the assets and liabilities are both understated, and the balances of the related accounts are all misstated by undetermined amounts as at December 31, 2022.	Facilitate the approval of the accounting policy by the BODs and its subsequent implementation that is compliant to the provisions of PFRS 16, including its disclosure requirements on SHFC's leases.	Implemented
CY 2022 AAR, AO No. 4, page 63	4. SHFC procured Healthcare Maintenance Organization (HMO) services covering the period from August 2020 to August 2023 for its officers and employees through its employees' association, the Social Housing Employees Association, Inc., and paid a total of P15.849 million on the same as at December 31, 2022, without prior approval by the President upon recommendation of the Department of Budget and Management (DBM), contrary to Commission on Audit (COA) Resolution No. 2005-001 in relation to Section 5 of Presidential Decree (PD) No. 1597 and	a. Stop disbursing funds from SHFC to pay for the officers and employees' HMO premiums;	Implemented
		b. Seek for a post-facto approval from the OP, otherwise, refund the total amount of P15.849 million, which constitutes an unauthorized benefits and allowances; and	Not implemented For issuance of Notice of Disallowance.
		c. Strictly follow and comply with COA Resolution No. 2005-001, Section 5 of PD No. 1597 and Section 3 of Memorandum Order No. 20, series of 2001.	Implemented

Reference	Audit		Status/Actions Taken
	Observations	Recommendations	
	Section 3 of Memorandum Order No. 20, series of 2001, hence, constitutes irregular expenditure and unnecessary use of public funds.		
CY 2022 AAR, AO No. 5, page 66	5. The unexpended balance of the Marawi Shelter Project (MSP) Fund, amounting to P29.451 million, that was sourced from the FY2018 National Disaster Risk Reduction and Management (NDRRM) Fund and appropriated for the acquisition of two (2) lots, still remained in the SHFC's depository account as at December 31, 2022, although the purpose of its appropriation was already completed; hence, it runs counter to the National Disaster Risk Reduction and Management Council (NDRRMC) Memorandum Circular (MC) No. 110, series of 2021, and deprives the National Government (NG) of fund to finance other priority programs.	Return the remaining DRRM Fund appropriated for lot acquisition of Phase I and Phase II, amounting to P29,451,400 as demanded by DBM pursuant to NDRRMC MC No. 110, s. 2021.	Implemented
CY 2022 AAR, AO No. 6, page 69	6. The SHFC has contracted for the services of 415 institutional contract of service personnel and 21 of whom were assigned managerial and supervisory positions due to the insufficiency of its workforce for its operations, which is not in accordance with Paragraph 7 of the Civil Service Commission-COA-DBM Joint Circular No. 1, series of 2017.	Fast track the reorganization to address the insufficiency of the SHFC's current work-force.	Not implemented Reorganization is still in progress. Request for additional plantilla positions is pending compliance with the requirements of Governance Commission for GOCCs (GCG).

Reference	Audit		Status/Actions Taken
	Observations	Recommendations	
CY 2022 AAR, AO No. 7, page 70	7. The mode of payment of the cost of land for the SHFC-Department of Transportation Housing Project intended as a resettlement site for the dweller-families affected by the North-South Commuter Railway Extension Project is not harmonized with the SHFC Community Mortgage Program (CMP) Corporate Circular No. 22-058, thus may result in the delay of conversion of Transfer Certificate of Title (TCT) in the name of the SHFC because the landowner had already collected 90 per cent of the cost of the land.	Harmonize actions with existing policy to ensure uniform interpretation and application of the Circular across the Corporation and to safeguard the conversion of TCTs in the name of SHFC.	Implemented
CY 2022 AAR, AO No. 8, page 73	8. SHFC was able to utilize/attribute P434.799 million, or 98.41 per cent, of its CY 2022 Gender and Development (GAD) Plan and Budget (GPB), amounting to P441.804 million, or 9.69 per cent, of its P4.560 billion DBM-Approved Corporate Operating Budget (COB); however, the GPB initially submitted to the Philippine Commission on Women (PCW) was neither based on the DBM-approved COB nor the proposed COB submitted to DBM, which is contrary to Section 1.2.2.1.3 of PCW MC No. 2021-04.	a. Use the DBM-approved COB or the proposed COB submitted to DBM, whichever is readily available, as basis in the preparation of the GPB;	Implemented
		b. Include only attainable GAD-related activities in the GPB; and	Implemented
		c. Strictly comply with the provisions of Section 1.2.2.1.3 of PCW MC No. 2021-04.	Implemented
CY 2021 AAR, AO No. 5, page 64	9. The balance of the Trust Fund amounting to P7.700 million received from the Department of Social Welfare and	Seek a written authority from the DSWD Secretary for the change in the purpose of the trust fund and modality	Not implemented On November 9, 2022, SHFC received a

Reference	Audit Observations	Audit Recommendations	Status/Actions Taken
	Development (DSWD) for the emergency shelter assistance of families whose houses were damaged by Typhoon Sendong was applied as loan amortization payment of MBs. This is not in accordance with the intended purpose provided in the Memorandum of Agreement (MOA) between DSWD and SHFC and is contrary to Section 4(3) and Section 84(2) of PD No. 1445. This also defeats the objective of the trust fund to provide immediate assistance to intended beneficiaries at the earliest possible time.	of its distribution to the MBs as stipulated in the MOA. Otherwise, return the amount of P7.700 million to the DSWD.	response from DSWD informing that it cannot accommodate SHFC's request for conformity. On November 11, 2022, SHFC, in reply to the letter of the DSWD, stated its position and reiterated its request for the conformity of the DSWD on the utilization of the Trust Fund.
CY 2021 AAR, AO No. 6, page 67	10. Emergency Shelter Assistance (ESA) amounting to P5.390 million sourced from the DSWD trust fund was granted to 77 substitute MBs without securing prior approval from DSWD on the amendment of the original list of MBs, contrary to Section 1.1 of Article III of the MOA between DSWD and SHFC. This casts doubt on the eligibility of the substitute beneficiaries as the rightful recipients of the program.	Submit the required documents to DSWD and secure a written approval from the DSWD Secretary on the changes in the list of beneficiaries of the ESA.	Not implemented On November 9, 2022, SHFC received a response from DSWD informing that it cannot accommodate the SHFC's request for conformity. On November 11, 2022, SHFC, in reply to the letter of the DSWD, stated its position and reiterated its request for the conformity of the DSWD on the utilization of the Trust Fund.
CY 2021 AAR, AO No. 7, page 70	11. The HDH Project for the Phase II (Site Development and Housing Construction) of a	a. Require the CA to implement the following remedies against the Contractor as provided in	Implemented

<table>
<tr><th rowspan="2">Reference</th><th colspan="2">Audit</th><th rowspan="2">Status/Actions Taken</th></tr>
<tr><th>Observations</th><th>Recommendations</th></tr>
<tr><td></td><td>Community Association (CA) with a project cost of P222.705 million funded by the Department of the Interior and Local Government Trust Fund was not completed within the scheduled date, contrary to the provisions of SHFC Corporate Circular No. 13-026 and Building Construction and Site Development Agreement (BCSDA) and Notice to Proceed, depriving the intended 546 informal settler families-beneficiaries living in waterways and danger zones of decent and affordable housing, defeating the objectives of the Program and the possible non-recovery of funds invested in housing.</td><td>Article XIV of the BCSDA is:

• Give a written notice to the Contractor to proceed with the work and to perform what is in the agreement; and

• If the Contractor fails to perform the work within seven days from receipt of the written notice, the CA and SHFC shall have the option to proceed against the bond and enter the premises and employ another contractor to complete the work at the expense of Contractor A.</td><td></td></tr>
<tr><td></td><td></td><td>b. Require the CA to compute for and demand the payment of liquidated damages from the Contractor, pursuant to Article XII of the BCSDA;</td><td>Implemented</td></tr>
<tr><td></td><td></td><td>c. Require the Contractor to submit to the HDH Team in charge of the Project the documentation on the renewal of the performance bond as protection of SHFC from concerns such as contractors being insolvent before finishing the contract.</td><td>Implemented</td></tr>
</table>

Reference	Audit		Status/Actions Taken
	Observations	Recommendations	
CY 2021 AAR, AO No. 8, page 76	12. The lands costing P43.036 million for the Marawi site development housing projects turned over and awarded to the home partners/ beneficiaries are not yet supported with TCT registered in the name of SHFC, contrary to MSP Corporate Circular No. 19-001, resulting in the delay of the individualization of titles and the risk of loss of funds invested in housing in case of third-party claimants.	Facilitate the transfer of the ownership of the land to SHFC to hasten the individualization of the titles in the name of the qualified home partners/beneficiaries.	Not implemented Transfer of ownership of the land in favor of SHFC is ongoing. Management has already sought the assistance of local government to support landowners in the conduct of relocation survey.
CY 2021 AAR, AO No. 9, page 81	13. Unserviceable Property and equipment (PEs) amounting to P12.908 million which have long been stored and occupying space in the warehouse for more than seven years remain undisposed, contrary to Section 79 of PD No. 1445 and COA Circular Nos. 2020-06 and 2004-008, resulting in further obsolescence and deterioration of property, non-use of storage to be occupied for other purposes and foregone possible income that would have been derived from disposal.	Direct the Inspection and Disposal Committee to facilitate the immediate and systematic disposal of PEs in accordance with existing rules and regulations in order to prevent further deterioration and maximize recoverable values/income therefrom.	Not implemented The AO is reiterated with modifications under Observation and Recommendation No. 4, Part II of this report.
CY 2020 AAR, AO No. 6, page 72	14. Accounts payable-MCR amounting to P988.844 million payable to 490 CAs for the 50 per cent balance of the cost of lot, remained outstanding for a period of two years or more due to the inability of the CAs to complete the documentation required	Follow up with the CAs the necessary documentary requirements for the payment of the remaining 50 per cent cost of lot to the landowner.	Not implemented The AO is reiterated with modifications under Observation and Recommendation No. 3, Part II of this report.

Reference	Audit		Status/Actions Taken
	Observations	Recommendations	
	under SHFC Corporate Circular No. 024, series of 2013. This may result in the non/poor recovery of funds invested in housing and deprives SHFC the use of the fund for other housing projects intended for low-income families.		
CY 2019 AAR, AO No. 10, page 87	15. The granting by SHFC of car loans amounting to P70.831 million to its officers and BODs is contrary to the Car Plan approved by the Office of the President (OP) of the Philippines for Government Financial Institutions, as the benefit applies only to those that do not receive subsidy from the NG, thus rendering the car plan irregular. Moreover, loan balance amounting to P1.794 million of BODs who availed of the car plan after the publication of Executive Order (EO) No. 24 on February 10, 2011, as amended by the GCG Memorandum Circular (MC) No. 2016-01, still remain outstanding as at December 31, 2019, but which should have already been due and demandable.	a. Secure a *post-facto* approval from the OP, through the GCG, of SHFC's Car Plan to its officers; and b. Require the three members of the Board to immediately settle the amount of P1.794 million to comply with the provisions of GCG MC No. 2016-01.	Implemented Implemented
CY 2019 AAR, AO No. 17, page 114	16. Funds amounting to P315.630 million remain idle since CY 2010 with no utilization, except for administrative expenses, resulting in the non-attainment of the objectives for which the *Abot-Kaya Pabahay* Fund was created, specifically the amortization support and	a. Fast-track the transfer of the TCTs of the foreclosed and dacioned properties in the name of SHFC; and	Not implemented Gathering of documents to facilitate the transfer of title of the foreclosed properties to SHFC is ongoing. Legal issues are referred to and

Reference	Audit		Status/Actions Taken
	Observations	Recommendations	
	developmental financing component, pursuant to Republic Act No. 6846, as amended, defeating the goal of the NG program in addressing the urgency of the housing need that caters to low-income bracket families.		discussed with local government concerned involving the said properties.
		b. Dispose the properties already in the name of SHFC through public bidding.	Implemented
CY 2017 AAR, AO No. 3, page 48	17. CMP accounts totaling P88.154 million transferred by the National Home Mortgage Finance Corporation without the corresponding supporting documents and 638 accounts with negative balances amounting to P8.818 million cast doubts on the accuracy of the Insurance Receivable-MBs account balance of P295.382 million under the CMP, contrary to paragraph 15 of PAS 1.	Analyze and reconcile the accounts with lapsed mortgage redemption insurance premiums and immediately apply the negative balances to future periods of insurance coverage or to the loan balances or refund to the MBs if loan is already fully paid.	Implemented
CY 2017 AAR, AO No. 6, page 54	18. An HDH project amounting to P414.049 million was approved by the Board and payment amounting to P100.329 million was made despite Greater Metro Manila Area Hazard Map result that the lot is susceptible to moderate flooding, within the tsunami inundated area, susceptible to moderate liquefaction, thereby not suitable for relocation contrary to EO No. 272 and Corporate Circular No. 13-026.	If the result of the soil testing of the subject property is favorable, demand the contractor to complete the project.	Not implemented Coordination with relevant agencies is ongoing to address the project's hazards.
CY 2016 AAR, AO No. 4, page 34	19. 31 TCTs under Usufruct Agreement of HDH lot acquisition project	Expedite the transfer of the subject TCTs in the name of SHFC for	Not implemented

Reference	Audit Observations	Audit Recommendations	Status/Actions Taken
	valued at P392.284 million are still not transferred in the name of SHFC, thus, contrary to Section 6 of Corporate Circular No. 14-005 series of 2014. Likewise, TCT on the lot acquisition through SHFC Re-Financing Program of a local government unit, amounting to P16.359 million was not transferred in the name of the CA and with no annotation of SHFC Mortgage while full payment was already made, contrary to Section 5 of the Implementing Rules and Regulations (IRR) 2014-003, thus, may result to non-recovery/loss of fund in case of a third-party claimant.	usufruct and in the name of CA for the refinanced amount and annotate the same in the name of SHFC in compliance with Corporate Circular HDH No. 14-005, series of 2014, and IRR 2014-003.	Review of the technical and legal aspects on the transfer of titles in the name of SHFC for usufruct is still ongoing.