

Social Housing Finance Corporation
BDO Plaza, 8737 Paseo De Roxas, Makati City

AGENCY ACTION PLAN and STATUS OF IMPLEMENTATION
Audit Observations and Recommendations
For the Calendar Year 2020
As at July 2020

Ref.	Audit Observations and Recommendations	Agency Action Plan			Status of Implementation	Reason for Partial/Delay/Non-Implementation	Action Taken/Action To Be Taken
		Action Plan	Person/Dept Responsible	Target Implementation Date			
FINANCIAL AUDIT							
1	<p>Undistributed Collections totaling (P452.252 million remained un-posted to the Mortgage Contracts Receivable (MCR) account overstating both the Other Payables and the MCR accounts by the same amount as at December 31, 2020.</p> <p>a. Submit a work breakdown schedule to post and allocate UC by at least (i) 50% by end of CY 2021 and (ii) 50% by end of CY 2022</p> <p>b. Require the ICTD to facilitate the enhancement of the database to include the HDH projects and all other accounts not yet in the database.</p>	-	-	-	ONGOING	-	Please see Annex A
		Develop the system for the HDH accounts.	ICTD	Q4	ONGOING	-	Complete the development and implement before end of 2021.
2	<p>The requirements of PFRS 9 on Financial Instruments were not complied with, thus, the balances of various financial asset accounts totaling P21.179 billion as at December 31, 2021 are misstated by undetermined amounts.</p> <p>a. Formulate an accounting policy on financial instruments which is aligned/compliant with the requirements of PFRS 9.</p>	Formulation of a specific accounting and financial reporting Policies with the assistance of the Consultant.	Consultant/ FCD	December 2021	PARTIALLY IMPLEMENTED	Procurement process and contract review	ACTION TAKEN: The contract has been signed by the Consultant (AO 28 June 2021). The physical/original documents will be transmitted to Davao for signature

Ref.	Audit Observations and Recommendations	Agency Action Plan			Status of Implementation	Reason for Partial/Delay/Non-Implementation	Action Taken/Action To Be Taken
		Action Plan	Person/Dept Responsible	Target Implementation Date			
	b. Apply said policy in the classification, measurement and impairment of the financial instruments of SHFC.	Apply the policies.	FCD	January 2021	FOR IMPLEMENTATION	Procurement process for the Consultant	of President Cabling. ACTION TO BE TAKEN: Implementation of the policies developed by the Consultant and the FCD.
3	<p>The present value of expected payments to cover future retirement benefits of SHFC's employees was not measured, recognized and disclosed regularly in the books as benefit cost and benefit obligation, contrary to PAS 19 on Employee Benefits, resulting in the understatement of both the expense and liability accounts. This defeats the purpose of spreading out the expense over years in service so that the benefit expense recognized in the financial statements does not differ materially with the benefit expense at the reporting/availment period and which has likewise an adverse impact on cash flows.</p> <p>a. Recognize in the books the present value of expected payments to cover future retirement benefits as expense and liability, pursuant to PAS 19</p> <p>b. Disclose in the Notes to Financial Statements pertinent and necessary information required under paragraph 135 of PAS 19 on Employee benefits</p>	(a and b) Implement the recommendations.	FCD/HRSB	-	PARTIALLY IMPLEMENTED Hiring of a Consultant is in process.	-	ACTION TAKEN: Commenced the hiring of a consultant through negotiated procurement.

Ref.	Audit Observations and Recommendations	Agency Action Plan			Status of Implementation	Reason for Partial/Delay/Non-Implementation	Action Taken/Action To Be Taken
		Action Plan	Person/Dept Responsible	Target Implementation Date			
	c. Seek assistance from a qualified actuary service in the measurement of all material post-employment benefit obligations to carry out a detailed valuation of the obligation before the end reporting period.	Hire a Consultant					ACTION TO BE TAKEN: Implementation of the COA recommendations through the assistance of the Consultant.
OTHERS							
4	<p>Trust fund amounting to P10.360 million received from the Department of Social Welfare and Development (DSWD) for the shelter needs of families whose houses were damaged by Typhoon Sendong remained unutilized for almost five years, contrary to the Memorandum of Agreement (MOA) between DSWD and SHFC and Section 4(3) of PD 1445, resulting in the failure to address the immediate needs for decent housing of family-victims affected by disaster. Thus, defeating the purpose of the trust fund and depriving the National Government (NG) the use of these cash reserves to finance other vital programs related to housing.</p> <p>a. Immediately liquidate with DSWD the trust fund amounting to P10.360 million including all interest earned so that these can be appropriated to the more important and urgent projects of the government.</p>	-	-	-	FULLY IMPLEMENTED	-	A Report of Check Issued and Report of Disbursement totaling Php7.7 M was already submitted to the COA resident auditor for verification; and

Ref.	Audit Observations and Recommendations	Agency Action Plan			Status of Implementation	Reason for Partial/Delay/Non-Implementation	Action Taken/Action To Be Taken
		Action Plan	Person/Dept Responsible	Target Implementation Date			
	b. Intensify and strengthen mobilization efforts to ensure that Funds received are utilized accordingly.						The remaining balance for the DSWD Fund amounting to Php2.66 M was already paid/returned to DSWD per OR No. 9334585 (Annex B).
5	<p>A High Density Housing (HDH) project of a Community Association (CA) costing P352.304 million was not completed within the scheduled date of completion despite two approved extension periods or a total of two years, contrary to the provisions of the Building Construction and Site Development Agreement and Corporate Circular HDH No. 14-002, series of 2014, thus, depriving the intended 720 Informal Settler Families (ISF) beneficiaries of the immediate use of the decent housing, resulting in the non-attainment of the objective of the HDH program and the risk of non-recovery of SHFC's investment in housing projects.</p> <p>a. Require or make representation with the CA to impose the liquidated damages against the contractor for each day of delay and initiate termination or rescission of the Agreement as a result of the contractor's fault or negligence pursuant to Article XI of the Building</p>	Coordinate with the HOA and discuss the delay in the project	HDH Unit	June 2021	PARTIALLY IMPLEMENTED	-	ACTION TAKEN: Coordinated with the HOA and contractor. The contractor was asked to justify why they should not be

Ref.	Audit Observations and Recommendations	Agency Action Plan			Status of Implementation	Reason for Partial/Delay/Non-Implementation	Action Taken/Action To Be Taken
		Action Plan	Person/Dept Responsible	Target Implementation Date			
	<p>Construction and Site Development Agreement</p> <p>b. Ensure a full coordination with the Local Government Unit (LGU), the CA and Meralco for the dismantling of the post encroaches on the project site</p> <p>c. Require the Department of Engineering to perform due diligence on future projects to ensure that the assessment of the contractor/developer hired by the association is based on financial capacity, managerial capability, organizational structure, technical expertise, delivery capability and</p>	<p>Coordinate with the LGU, CA and Meralco</p> <p>(c and d) These have been addressed through the implementation of the SHFC Construction Manual which provides for the due diligence processes as well as</p>	<p>HDH Unit</p> <p>-</p>	<p>-</p> <p>-</p>	<p>FULLY IMPLEMENTED</p> <p>FULLY IMPLEMENTED</p>	<p>-</p> <p>-</p>	<p>charged for the delays. The contractor submitted a revised workplan with target completion date in May 2022. The accomplishments as of 26 June 2021 is 77.86%.</p> <p>ACTION TAKEN: Coordinated with the Meralco and they have agreed to relocate the post encroaching the septik tank and a portion of the road lot (no buildings were affected by the encroachment)</p> <p>Compliance with the SHFC Construction Manual.</p>

Ref.	Audit Observations and Recommendations	Agency Action Plan			Status of Implementation	Reason for Partial/Delay/Non-Implementation	Action Taken/Action To Be Taken
		Action Plan	Person/Dept Responsible	Target Implementation Date			
	<p>experience pursuant to Corporate Circular HDH No. 14-002 dated March 31, 2014</p> <p>d. Require the Department of Engineering to strictly monitor and validate the construction projects undertaken by the CA</p>	monitoring and validation of projects.					
6	<p>Accounts Payable – MCR amounting to P988.844 million payable to 490 CAs for the 50 percent 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 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.</p> <p>a. Follow up with the CAs the documentary requirements needed for the payment of the remaining 50 percent cost of lot to the landowner.</p> <p>b. Devise control mechanism in the review process of the documents submitted by</p>	(a to c) Verify and reconcile list of projects transmitted to CMP Unit against the list of projects that were actually taken-out with 50% payment. COA record shows that there are 490 projects while the transmitted list to CMP Unit from the branches consist of 171 projects only.	Operations Group; TUAAMD	5 years	To commence this year	Lack of Manpower with the required competency particularly in mortgage exam. to address the huge volume of final 50% projects to be processed.	<p>ACTIONS TAKEN:</p> <p>1. Conducted assessment as to the need of mortgage examiners</p> <p>- Request the HR to proceed with hiring of mortgage</p>

Ref.	Audit Observations and Recommendations	Agency Action Plan			Status of Implementation	Reason for Partial/Delay/Non-Implementation	Action Taken/Action To Be Taken
		Action Plan	Person/Dept Responsible	Target Implementation Date			
	<p>the CAs to ensure that all the documentary requirements are complied with before the release of the 50% final payment.</p> <p>c. Include in the schedule of AP-MCR the information on the approval of the Letter of Guaranty, cost of lots and names of the landowner/seller to facilitate the validation and monitoring of the accounts.</p>				<p>Decentralization or re-assignment of personnel to different branches such that accountabilities were difficult to identify.</p> <p>No proper turn-over of projects per branch <i>Note: some of the branches have no physical transfer of projects only list.</i> <i>Sent Memo/ conducted online follow-up</i></p> <p>Turn-over of incomplete list of projects for final 50%</p>	<p>examiners</p> <p>2. Assessment of accountabilities - Approval of the table of organization</p> <p>3. Requested branches to reconcile records for inventory of final 50% projects - Reconcile the list of final 50% with COA</p>	

Ref.	Audit Observations and Recommendations	Agency Action Plan			Status of Implementation	Reason for Partial/Delay/Non-Implementation	Action Taken/Action To Be Taken
		Action Plan	Person/Dept Responsible	Target Implementation Date			
					<p>release.</p> <p><i>Note: Upon validation of projects with final 50% payment, some projects in the regions and those partially taken out by LCMP were not included in the list.</i></p> <p>Improper accounting of final 50% projects transmitted to CMP Unit</p> <p><i>Note: Branches were required to reconcile the records and to submit inventory of projects with final 50% payment</i></p>		

Ref.	Audit Observations and Recommendations	Agency Action Plan			Status of Implementation	Reason for Partial/Delay/Non-Implementation	Action Taken/Action To Be Taken
		Action Plan	Person/Dept Responsible	Target Implementation Date			
7	<p>The grant of one-time gratuity pay amounting to P955,500 to 346 DBP Service Corporation and DBP Security Services incorporated employees hired by the SHFC through Institutional Contract of Service (ICOS) is not in accordance with the provisions of Administrative Order (AO) No. 20, series of 2020 and CSC, COA and DBM Joint Circular No. 1, series of 2017.</p> <p>a. Seek clarification from the DBM or the Office of the President whether the personnel of institutional contract of service provider rendering services to SHFC are entitled to the gratuity pay authorized under AO No. 20.</p> <p>b. Otherwise, in the absence of an express authority or clarification that the gratuity pay includes those hired through ICOS, require the employees of</p>	<p>Write to DBM for clarification.</p>	<p>HRSB</p>	<p>-</p>	<p>PARTIALLY IMPLEMENTED A letter-request for clarification was sent to DBM via email on 03 June 2021 and through personal delivery on 04 June 2021 (Annex C).</p>	<p>-</p>	<p>A follow-up on the letter was made on 18 June 2021. The SHFC is still waiting for a response as of date, and will be sending another follow-up email.</p>
	<p>b. Otherwise, in the absence of an express authority or clarification that the gratuity pay includes those hired through ICOS, require the employees of</p>	<p>(b and c) Further actions to be taken will be dependent on the response of the DBM.</p>	<p>HRSB</p>	<p>-</p>	<p>PARTIALLY IMPLEMENTED</p>	<p>-</p>	<p>Continue inquiry/follow up with the DBM.</p>

Ref.	Audit Observations and Recommendations	Agency Action Plan			Status of Implementation	Reason for Partial/Delay/Non-Implementation	Action Taken/Action To Be Taken
		Action Plan	Person/Dept Responsible	Target Implementation Date			
	<p>the DBPSC and DBPSCSSI to refund the gratuity pay received from SHFC in the amount of P955,500.00.</p> <p>c. Adhere strictly to the provisions of the Contract Agreement entered into by SHFC and the service provider, and to the CSC, COA and DBM Joint Circular No. 1, particularly the provision on the no employer-employee relationship and that the service provider alone shall be responsible for the payment of the wages and other employment benefits of their employees.</p>				Awaiting DBM response.		
8	<p>The grant of financial assistance totaling P1.526 million to 454 DBP Service Corporation and DBPSC Security Services Incorporated employees hired through Institutional Contract of Service (ICOS) has no legal basis and is not in accordance with the provisions of Section 5 of the CSC, COA and DBM Joint Circular No. 1, series of 2017 and section 4(7) on the Fundamental principles of Presidential Decree (PD) No. 1445.</p> <p>a. Submit legal basis on the financial assistance to personnel of ICOS rendering services to SHFC, otherwise, refund the financial assistance granted to them in the absence of legal authority.</p> <p>b. Adhere strictly to the provisions of CSC, COA DBM Joint Circular No. 1,</p>	<p>(a and c) The SHFC maintains its position as stated in its letter-reply dated 24 February 2021.</p>	-	-	-	-	The legal bases were cited in the reply-letter dated 24 February 2021.

Ref.	Audit Observations and Recommendations	Agency Action Plan			Status of Implementation	Reason for Partial/Delay/Non-Implementation	Action Taken/Action To Be Taken
		Action Plan	Person/Dept Responsible	Target Implementation Date			
	series of 2017, and Section 4(7) of PD 1445.						
9	<p>The grant of financial assistance totaling P1.508 million to 887 vulnerable Member Beneficiaries (MBs) during the ECQ is without legal basis and runs counter to the mandate of the SHFC as well as to the Philippine Commission for Women (PCW) Memorandum Circular (MC) N. 2020-03 dated April 27, 2020 resulting in the overlapping of functions with other government agencies tasked to respond to the crisis under the Bayanihan to Heal as One Act and Bayanihan to Recover as One Act.</p> <p>a. Submit legal basis for the grant of financial assistance to MBs, otherwise, the transaction is considered irregular in the absence of legal authority.</p> <p>b. Strictly disburse funds in accordance with the SHFC's mandate, vision and mission.</p> <p>c. Disburse funds from GAD budget in accordance with the FY 2020 GAD Plan and budget.</p>	<p>The SHFC maintains its position as stated in its letter-reply dated 24 February 2021.</p> <p>The disbursement is aligned with the corporate mission and mission of SHFC.</p> <p>The disbursement is pursuant to the submitted FY 2020 GAD Plans and Budget.</p>	-	-	-	-	Legal bases for the grant were cited in the letter-reply dated 24 February 2021

Ref.	Audit Observations and Recommendations	Agency Action Plan			Status of Implementation	Reason for Partial/Delay/Non-Implementation	Action Taken/Action To Be Taken
		Action Plan	Person/Dept Responsible	Target Implementation Date			
10	<p>Non-withholding of tax on the monetized leave credits in excess of the allowable number of days considered as de minimis benefit of 41 employees totaling P1.918 million contrary to Section 1 of Revenue Regulation (RR) No. 5-2011 and Section 7 of RR No. 11-2018 and may expose SHFC to the risk of possible assessment on deficiency tax on wages.</p> <p>a. Secure clarification from the BIR whether the monetized leave credits in excess of the threshold is exempt from tax considering that SHFC employees are covered by the Labor Code.</p> <p>b. Ensure that the provisions of RR No. 5-2011 and RR No. 11-2018 are strictly applied to all other allowances and benefits granted to employees in order to avoid possible assessment by the BIR on deficiency tax on wages.</p>	(a and b) Seek OGCC opinion on the nature of SHFC officers and employees to ascertain whether they are exempted from withholding tax for their monetized leave credits.	Legal Department/ FCD	-	PARTIALLY IMPLEMENTED Letter to OGCC was sent on 10 June 2021 (Annex D).	-	<p>ACTION TAKEN: Requested for OGCC opinion.</p> <p>ACTION TO BE TAKEN: Strictly comply with the BIR regulations after clarification from the OGCC and/or BIR.</p>
11	<p>The Marawi Shelter Project Fund amounting to P43.036 million sourced from the 2018 National Disaster Risk Reduction and Management (NDRRM) Fund, was deposited and maintained in a bank account intended for the Community Mortgage Program (CMP) loan take-outs, contrary to Sections 110,111, 124 of Presidential Decree (PD) N. 1445, defeating the purpose of providing a sound and effective internal control on the receipt and utilization of the Fund solely for its specific purpose.</p>	-	-	-	FULLY IMPLEMENTED	-	Please see Annex E

Ref.	Audit Observations and Recommendations	Agency Action Plan			Status of Implementation	Reason for Partial/Delay/Non-Implementation	Action Taken/Action To Be Taken
		Action Plan	Person/Dept Responsible	Target Implementation Date			
	<p>a. Open a separate depository bank account for the Marawi Shelter Project Fund considering that this is a government subsidy sourced from the NDRRM Fund subject of strict monitoring of its receipts and utilizations through periodic reporting until full liquidation.</p>						
12	<p>SHFC was able to attribute and utilize P1.424 billion or 59.16 percent from its Gender and Development (GAD) budget amounting to P2.407 billion which is 36.29 percent of its 2020 DBM approved budget of P6.633 billion. However, the GAD Plan and Budget (GPB) was not submitted to PCW within the prescribed period in accordance with PCW within the prescribed period in accordance with PCW MC No. 2020-003, thus it could not be ascertained whether the PPAs really addressed the gender issues because it is still under review by the PCW. Moreover, of the 19 PPAs amounting to P12.684 million for the client and organization-focused activities, only 11 PPAs amounting to P6.555 million or 51.68 percent were implemented, thus reducing the opportunity of women and other concerned parties to participate and benefit from the GAD PPAs.</p>						
	<p>a. Follow up with PCW the endorsement of the GPB to ensure that the PPAs</p>	Follow up with the PCW.	GAD/ICED	Jan to Dec 2021	ONGOING	-	The SHFC submitted the

Ref.	Audit Observations and Recommendations	Agency Action Plan			Status of Implementation	Reason for Partial/Delay/Non-Implementation	Action Taken/Action To Be Taken
		Action Plan	Person/Dept Responsible	Target Implementation Date			
	<p>identified re fully carried out and really addressed the gender issues of SHFC.</p> <p>b. Monitor properly the implementation of the approved GAD PPAs which should be done as scheduled within the budget year.</p> <p>c. Adhere strictly to the provisions of PCW MC No. 2020-03 on the adjustments and implementation of the PPAs.</p>	<p>Observe strict monitoring and implementation of GAD PPAs according to timeline.</p> <p>Comply with the recommendation.</p>					<p>revised GAD AR last 11 June 2021 per notice of revision from the PCW on 8 June 2021. As of last communication with the PCW, the status of the updated GAD AR is ‘under review’ (Annex F).</p>
13	<p>Absence of prior approval or consent, through submission of signed consent/agreement form, from the 215 Member Beneficiaries (MBs) who reached the age of 70 years old during the three-month loan term extension period with an outstanding loan balance aggregating P32.694 million as at June 16, 2020 is contrary to Section V of SHFC Corporate Circular No. 054, s. 2020, thus, SHFC is exposed to risk of non-recovery of its investment in housing in case of MBs death or total permanent disability during the loan term extension.</p> <p>a. Secure copies of Certification/Consent From for the extension of the loan term from HOAs and or MBs and furnish the Audit Team of their certified true copies.</p> <p>b. Conduct an online briefing or orientation to MBs who reached the age</p>	<p>(a and b) Implement the recommendations</p>	<p>Operations Groups</p>	<p>January to December 2021</p>	<p>ONGOING</p>	<p>There was a delay on the scheduled face to face orientation and retrieval of consent forms</p>	<p>ACTIONS TAKEN:</p> <p>- Conducted orientation mostly online and some face to face before the</p>

Ref.	Audit Observations and Recommendations	Agency Action Plan			Status of Implementation	Reason for Partial/Delay/Non-Implementation	Action Taken/Action To Be Taken
		Action Plan	Person/Dept Responsible	Target Implementation Date			
	of 70 years during the moratorium period through the assistance of the CAs emphasizing the financial impact and implication of non-coverage of MRI.					<p>as the SHFC issued an order holding any vehicle request due to exposure of drivers to COVID 19. This was further delayed after the declaration of ECQ and MECQ.</p>	<p>declaration of ECQ.</p> <ul style="list-style-type: none"> - Issued and released letters and consent forms to concerned MBs - For the HDH, 1598 letters and consent forms have been sent. <p>ACTION TO BE TAKEN:</p> <ul style="list-style-type: none"> - Conduct site visit and one on one orientation and/or convince the MB to participate in one on one zoom/chat meeting in view of increasing cases of COVID_19.

Ref.	Audit Observations and Recommendations	Agency Action Plan			Status of Implementation	Reason for Partial/Delay/Non-Implementation	Action Taken/Action To Be Taken
		Action Plan	Person/Dept Responsible	Target Implementation Date			
14	<p>Total amortization payments amounting to P610,351 collected from 2,891 out of 4,369 sampled past due accounts from March 16, 2020 to June 15, 2020 were not posted immediately and not applied to the arrearages as at March 15, 2020, contrary to Section VII of SHFC Corporate Circular No. 054, s. 2020, resulting in the computation and charging of interest and penalty charges.</p> <p>a. Investigate and reconcile the noted non-application of payment of from MBs to their arrearages totaling P0.610 million.</p> <p>b. Apply the amortization payments collected from the borrowers to the arrearages before the effectivity of the moratorium in compliance with Section VII of SHFC Corporate Circular No. 054, s. 2020, and adjust penalties charged to the borrowers, if warranted.</p> <p>c. Ensure the timely posting of payments of borrowers' amortization, if warranted.</p> <p>d. Ensure the timely posting of payments of borrowers' amortizations to avoid unnecessary imposition of penalty and interest charges.</p>	<p>(a to d) Reconciliation showed:</p> <ul style="list-style-type: none"> - MRI settlements/payments amounting to 149,293.50 were already applied retroactively to the time of death of the borrower; - Billing on penalties during and the day after moratorium period (March 16 to June 15) amounting to 461,057.41 already endorsed (list of accounts with penalty billings) to ICTD for appropriate adjustment in the system. 	FCD/ICTD	July 2021	ONGOING	-	Adjustments will be reflected in the next batching of transactions.

Agency Sign Off:

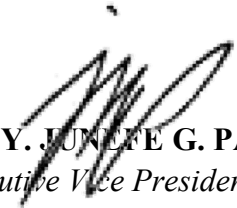


ATTY. RONALDO SACO
OIC-SVP for Operations



ATTY. LEO DEOCAMPO
*OIC-SVP for Legal, Asset Management
and Partners*

RUBEN LASET
*OIC-SVP for Corporate Affairs and
Governance*



ATTY. JUNEFE G. PAYOT
Executive Vice President



ATTY. ARNOLFO RICARDO B. CABLING
President