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, 2016 and 2015

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

April 25, 2017

SHFC
OFFICE OF THE BOARD SECRETARY
RECEIVED
BY: Imee P. Santiago
DATE: APR 26 2017 3:53pm

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 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) and the Community Mortgage Program (CMP) and Amortization Support and Developmental Financing Components of the Abot Kaya Pabahay Fund (AKPF) for the years ended December 31, 2016 and 2015.

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

The Auditor expressed a qualified opinion on the fairness of presentation of the financial statements of the SHFC and the AKPF because of the following:

The undistributed collections (UC) in the total amount of P440.338 million and P372.626 million in CYs 2016 and 2015, respectively, that remained unposted/unapplied to Loan Installment Receivable (LIR) and other affected accounts, thereby overstating the LIR account and understating the affected accounts as at December 31, 2016 and 2015 by the same amounts.

Advances from Member Borrowers (MBs) amounting to P216 million as of December 31, 2016 are not supported with schedules reconciled with Individual Subsidiary Ledger of MBs.

For the above observations, which caused the issuance of a qualified opinion, we recommended that Management:

For the Undistributed Collections

1. Conduct a continuous reconciliation of the accounts to minimize the accumulation of UC;

    a. Review master list and include Member Beneficiaries (MBs) not listed;

    b. Analyze the reasons cited and address properly.

2. Adjust LIR and affected accounts accordingly; and

3. Require the Information Systems Department (ISD) to enhance the database to include Express Lane Projects, HDH Project and all other not yet in the database.

For the unposted/unapplied Advances from Member Borrowers

1. Prepare the schedule supporting the Advances from Borrowers account to properly monitor and expedite the reconciliation;

2. Determine individually the property being paid for to identify the MB payor and record unposted payments to MBs individual ledgers;

3. Update the existing system to ensure that all excess payments are posted and applied to their individual outstanding obligations; and

4. Adjust the Receivable account and the related accounts accordingly.

Other significant observations and recommendations that need immediate actions are as follows:

A. SHFC

1. Loan releases amounting to P1.141 billion from HDH Program are secured by Chattel Mortgage Agreement which are not notarized and registered/recorded with the Registry of Deeds (RD) contrary to Chattel Mortgage Law and Site Development and Building Construction Loan Agreement of SHFC, thus, exposing SHFC to the risk of non-recovery of capital exposures and loss of funds in case of default.

1.1 We recommended that Management:

a. Revisit their policy on loan collaterals and loan releases drawdown to ensure that the existing and future loan facilities are secured with acceptable collaterals enough to cover the outstanding balances in case of default and that projects are monitored regularly;

b. Notarize and register with the RD all mortgage agreements to ensure validity of the documents used as collaterals of the loans granted; and

c. Submit copies of duly notarized and registered Chattel Mortgage Agreement to support the loan releases.

2. Thirty-one Transfer Certificate of Titles (TCTs) under Usufruct Agreement of HDH lot acquisition project valued at P392.28 million are still not transferred in the name of SHFC 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 (LGU) of Quezon City, amounting to P16.359 million was not transferred in the name of the Community Association (CA) and with no annotation of SHFC Mortgage while full payment was already made contrary to Section 5 of Implementing Rules and Regulation (IRR) 2014-003, thus, may result in non-recovery/loss of fund, in case of third party claimant.

2.1 We recommended that Management expedite the transfer of the subject TCT in the name of SHFC for 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.

3. Funds amounting to P350 million transferred from the Department of Interior and Local Government (DILG) to SHFC for the construction of Micro Medium Rise Buildings (MMRBs) for Informal Settler Families (ISFs) remain idle due to the

absence of Trust Agreement (TA) issued by DILG which paved the way for SHFC to invest the fund to Land Bank of the Philippines (LBP) High Yield Savings Account (HYSA). Likewise, the effectivity and validity of the Memorandum of Agreement (MOA) entered into by the Department of Social Welfare and Development (DSWD) with SHFC ended on July 16, 2016. However, the MOA was not renewed and the transferred fund amounting to P10.360 million remained unutilized, thus far from achieving its objectives to the detriment of the supposed member-beneficiaries (MBs).

3.1 We recommended that Management:

a. Coordinate immediately with the DILG on the execution of the TA to trigger the project implementation and performance of its duties and responsibilities to achieve the over-all objective of the Project;

b. Prepare documents for the construction of MMRBs under the HDH Program;

c. Ensure that the funds released by DILG are properly utilized for the intended purpose only, not commingled with SHFC's corporate funds and to terminate its investment;

d. Coordinate with the DSWD for the renewal of MOA which ended on July 16, 2016; and

e. Utilize the transferred funds and expedite the completion of the project to achieve the objectives for the benefit of the suppose MBs.

B. AKPF

4. There are lapses in management and implementation of AKPF which are contrary to the TA entered into by and between the NHMFC and the SHFC resulting in the following deficiencies that expose SHFC to non-recovery of loan exposure;

4.1 A total of 202 TCTs remain unaccounted and undelivered by three developers who availed of Developmental Loan Projects in violation of Section 3.02 of the Loan Agreement and Trust Receipts, thus, the risk that the TCTs and Corporation loan exposure may not be recovered;

4.2 Nine developers were able to avail of a loan amounting to P134.50 million under AKPF despite non-compliance with schedule of completion for the land development and housing construction contrary to the Section 4 (4.02) of MOA and Section 2.02 of the Loan Agreement. Thus, a very low percentage of development and the return of investment on the loan exposure, after 19 to 21 years remains nil;

4.3 The existence of third party claimants on the property mortgaged for a Subdivision and the foreclosed property of a Subdivision Project cast doubts on the recovery of capital exposures amounting to P22.00 million and P26.00 million, respectively and the legality of the rights/ownership of the property; and

4.4 A total of 726 TCTs of acquired properties with loan amounting to P66 million were not consolidated in the name of the NHMFC notwithstanding the lapse of eight to 14 years after the expiration of one-year redemption period, thus, resulting in the delay in the disposal of asset and exposing the property to further depreciation or deterioration.

4.5 We recommended that Management:

a. Undertake immediate legal action to secure/recover the financial exposure on the subject projects and update this office of the status of action taken considering the period that lapses;

b. Initiate disposal of acquired properties to prevent further deterioration and loss of funds; and

c. Determine the persons liable for the deficiencies noted and file appropriate administrative action for failure to perform their functions.

The other audit observations together with the recommended courses of action, which were discussed by the Audit Team with concerned Management officials and staff during the exit conference conducted on March 7, 2016, are discussed in detail in Part II of the report.

In a letter of even date, we respectfully requested the President, Social Housing Finance Corporation, that the recommendation contained in Part II of the report be implemented and that this Commission be informed of the actions taken thereon by accomplishing the Agency Action Plan and Status of Implementation Form (copy attached) and returning the same to us 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:

MARY S. ADELINO
Director IV

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
The National Library

Annex A

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 2014
As of _____

Ref.	Audit Observations	Audit Recommendations	Agency Action Plan				Status of Implementation	Reason for Partial/Delay/ Non-Implementation, if applicable	Action Taken/ Action to be Taken
			Action Plan	Person/Dept. Responsible	Target Implementation Date				
					From	To			

Agency sign-off:

_____ _____
Name and Position of Agency Officer Date

Note: Status of Implementation may either be (a) Fully Implemented (FI, (b) Ongoing (O), (c) Not Implemented (NI), (d) Partially Implemented (PI), or (e) Delayed (D)

EXECUTIVE SUMMARY

INTRODUCTION

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

As a wholly-owned subsidiary of the National Home Mortgage Finance Corporation (NHMFC), the SHFC was created primarily to be 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 merely a trustee of the transferred CMP funds and assets. The NHMFC remains in control of the affairs of SHFC and it 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 Chairman of Housing Urban Development Coordinating Council (HUDCC); (b) the President of SHFC; (c) the Secretary of Department of Budget and Management (DBM); (d) the Undersecretary of Department of Finance (DOF); (e) the Assistant Governor of Bangko Sentral ng Pilipinas (BSP); (f) the President of NHMFC; (g) the Undersecretary of Department of Interior and Local Government (DILG); and (h) three private sector representatives.

The President is assisted in the management of the Corporation by the Executive Vice-President, five Vice-Presidents and 15 Department Managers. The personnel complement for current year 2016 is 367, with 216 regular, one casual probationary and 150 agency-hired employees. To date, the SHFC has 10 Satellite/Regional Offices located in Isabela, Naga City, Puerto Princesa City in Palawan, Bacolod City, Iloilo City, Cebu City, Davao City, General Santos City, Cagayan de Oro City and Zamboanga City.

The DBM-approved Corporate Operating Budget of the SHFC for CYs 2016 and 2015 amounted to P5.551 billion and P5.351 billion, respectively, which were utilized as follows:

Particulars	2016		2015	
	Budget	Utilization	Budget	Utilization
	(In Thousand Pesos)			
Personal services	220,282	184,126	198,881	170,237
Maintenance and other operating expenses	318,861	297,981	193,692	225,365
Capital outlay	5,012,204	2,394,291	4,958,736	2,397,234
	5,551,347	**2,876,398**	**5,351,309**	**2,792,836**

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

FINANCIAL HIGHLIGHTS (In Philippine Peso)

I. Comparative Financial Position

Particulars	2016	2015 As restated	Increase (Decrease)
Assets	20,520,957,971	17,196,472,855	3,324,485,116
Liabilities	16,351,978,042	14,996,629,060	1,355,348,982
Equity	4,168,979,929	2,199,843,795	1,969,136,134

II. Comparative Results of Operations

Particulars	2016	2015 As restated	Increase (Decrease)
Gross income	584,025,635	572,915,689	11,109,946
Total expenses	482,106,674	466,532,871	15,573,803
Net income before tax	101,918,961	106,382,818	(4,463,857)
Income tax expense	39,918,309	14,199,226	25,719,083
Net income	62,000,652	92,183,592	(30,182,940)
Subsidy from National Gov't	1,975,797,545	978,968,849	996,828,696
Net income and subsidy	2,037,798,197	1,071,152,441	966,645,756

OPERATIONAL HIGHLIGHTS

Performance Indicators	2016		Scorecard Rating
	Targets	Accomplishments	
Social Impact			
Informal Settler Families (ISFs) provided with shelter security	12,550	23,702	10%
Stakeholders			
Families assisted through CMO and HDH	18,382	23,202	10%
Partnership developed and institutions capacitated	12 partners	18 partners	8%
Families of legally organized associations assisted through project development process	20,000	22,456	6%
Client satisfaction survey	92% (for pre-takeout) and satisfactory (for post-takeout)	90.10% (for pre-takeout 91.60% (for post-takeout)	3%
Financial			
Collection efficiency rate achieved	84%	76.60%	9.12%
EBITDA margin achieved	31%	36.76%	8%
Guidelines developed for the issuance of the certification on compliance of developers	all or nothing	Corporate Circular 16-043 approved on	3%

Performance Indicators	2016		Scorecard Rating
	Targets	Accomplishments	
under the 20% balanced housing		June 21, 2016	
Issuance of CMP Mortgages, applying the proceeds for the HDH Program	all or nothing	Secured OGCC opinion on August 2016 that proceeds may be used for HDH program; and SHFC and NHMFC negotiation was conducted re: Board's advice to reduce costs	1%
Internal Process			
Usufruct arrangements financed	2 HDH projects	5 HDH projects	5%
New framework for financing schemes with 1 Microfinance Institution (MFI)/Local Government Unit (LGU) partner piloted	all or nothing	Letter securing OGCC opinion submitted on November 29, 2016	5%
Loan Management System and Financial Management Information System modules (commenced based on the TOR, NTP issued by 3rd quarter	2 modules	Proposed TOR by Price Waterhouse Cooper, submitted on June 6, 2016, for review by the DRS Steering Committee; and Board resolution approving the review of the ISSP	6%
HDH applications processed within 120 days	90%	100%	3%
CMP applications processed within 60 days	90%	97.87%	3%

SCOPE OF AUDIT

Our audits covered the examination, on a test basis, of the accounts and financial transactions of the SHFC and the AKPF – Amortization Support and Developmental Financing Programs for the years ended December 31, 2016 and 2015 to determine the fairness of presentation of the financial statements in accordance with generally accepted accounting principles in the Philippines and to assess the propriety of the financial transactions and compliance of SHFC with laws, rules and regulations.

INDEPENDENT AUDITOR'S OPINION

We rendered a qualified opinion on the fairness of the presentation of the financial statements as of December 31, 2016 and 2015 due to: (a) the undistributed collections (UC) in the total amount of P440.338 million and P372.626 million in CYs 2016 and 2015, respectively, that remained unposted/unapplied to Loan Installment Receivable (LIR) and other affected accounts, thereby overstating the LIR account and understating the affected accounts as at December 31, 2016 and 2015 by the same amounts; and (b) Advances from Member Borrowers (MBs) amounting to P216 million as of December 31, 2016 are not supported with schedules reconciled with Individual Subsidiary Ledger of MBs. Both these conditions adversely affected the fair presentation of the said accounts in the financial statements.

For the above observations, we recommended that Management:

For the Undistributed Collections

1. Conduct a continuous reconciliation of the accounts to minimize the accumulation of UC;

   a. Review master list and include Member Beneficiaries (MBs) not listed; and
   b. Analyze the reasons cited and address properly.

2. Adjust LIR and affected accounts accordingly; and

3. Require the Information Systems Department (ISD) to enhance the database to include Express Lane Projects, HDH Project and all other not yet in the database.

For the unposted/unapplied Advances from Member Borrowers

1. Prepare the schedule supporting the Advances from Borrowers account to properly monitor and expedite the reconciliation;

2. Determine individually the property being paid for to identify the MB payor and record unposted payments to MBs individual ledgers;

3. Update the existing system to ensure that all excess payments are posted and applied to their individual outstanding obligations; and

4. Adjust the Receivable account and the related accounts accordingly.

OTHER SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

A. SHFC

1. Loan releases amounting to P1.141 billion from HDH Program are secured by Chattel Mortgage Agreement which are not notarized and registered/recorded with the Registry of Deeds (RD) contrary to Chattel Mortgage Law and Site Development and Building Construction Loan Agreement of SHFC, thus, exposing SHFC to the risk of non-recovery of capital exposures and loss of funds in case of default.

1.1 We recommended that Management:

   a. Revisit their policy on loan collaterals and loan releases drawdown to ensure that the existing and future loan facilities are secured with acceptable collaterals enough to cover the outstanding balances in case of default and that projects are monitored regularly;

   b. Notarize and register with the RD all mortgage agreements to ensure validity of the documents used as collaterals of the loans granted; and

c. Submit copies of duly notarized and registered Chattel Mortgage Agreement to support the loan releases.

2. Thirty one Transfer Certificate of Titles (TCTs) under Usufruct Agreement of HDH lot acquisition project valued at P392.28 million are still not transferred in the name of SHFC 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 (LGU) of Quezon City, amounting to P16.359 million was not transferred in the name of the Community Association (CA) and with no annotation of SHFC Mortgage while full payment was already made contrary to Section 5 of Implementing Rules and Regulation (IRR) 2014-003, thus, may result in non-recovery/loss of fund, in case of third party claimant.

2.1 We recommended that Management expedite the transfer of the subject TCT in the name of SHFC for 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.

3. Funds amounting to P350 million transferred from the Department of Interior and Local Government (DILG) to SHFC for the construction of Micro Medium Rise Buildings (MMRBs) for Informal Settler Families (ISFs) remain idle due to the absence of Trust Agreement (TA) issued by DILG which paved the way for SHFC to invest the fund to Land Bank of the Philippines (LBP) High Yield Savings Account (HYSA). Likewise, the effectivity and validity of the Memorandum of Agreement (MOA) entered into by the Department of Social Welfare and Development (DSWD) with SHFC ended on July 16, 2016. However, the MOA was not renewed and the transferred fund amounting to P10.360 million remained unutilized, thus far from achieving its objectives to the detriment of the supposed member-beneficiaries (MBs).

3.1 We recommended that Management:

a. Coordinate immediately with the DILG on the execution of the TA to trigger the project implementation and performance of its duties and responsibilities to achieve the over-all objective of the Project;

b. Prepare documents for the construction of MMRBs under the HDH Program;

c. Ensure that the funds released by DILG are properly utilized for the intended purpose only, not commingled with SHFC's corporate funds and to terminate its investment;

d. Coordinate with the DSWD for the renewal of MOA which ended on July 16, 2016; and

e. Utilize the transferred funds and expedite the completion of the project to achieve the objectives for the benefit of the suppose MBs.

4. The garnishment of P71.03 million on the SHFC Peso Time Deposit with the Development Bank of the Philippines is contrary to Section 4 (1) of Presidential Decree

(PD) No. 1445, Section 1 of Rule II and Section 2 of Rule VIII of the 2009 Revised Rules of Procedure (RRP) of the Commission on Audit (COA) dated September 15, 2009.

4.1 We recommended that Management submit a copy of money claim filed with the Commission including its supporting documents to support the P71.03 million garnished amount.

B. ABOT KAYA PABAHAY FUND

5. There are lapses in management and implementation of AKPF which are contrary to the TA entered into by and between the NHMFC and the SHFC resulting in the following deficiencies that expose SHFC to non-recovery of loan exposure;

5.1 A total of 202 TCTs remain unaccounted and undelivered by three developers who availed of Developmental Loan Projects in violation of Section 3.02 of the Loan Agreement and Trust Receipts, thus, the risk that the TCTs and Corporation loan exposure may not be recovered;

5.2 Nine developers were able to avail of a loan amounting to P134.50 million under AKPF despite non-compliance with schedule of completion for the land development and housing construction contrary to the Section 4 (4.02) of MOA and Section 2.02 of the Loan Agreement. Thus, a very low percentage of development and the return of investment on the loan exposure, after 19 to 21 years remains nil;

5.3 The existence of third party claimants on the property mortgaged for a Subdivision and the foreclosed property of a Subdivision Project cast doubts on the recovery of capital exposures amounting to P22.00 million and P26.00 million, respectively and the legality of the rights/ownership of the property; and

5.4 A total of 726 TCTs of acquired properties with loan amounting to P66 million were not consolidated in the name of the NHMFC notwithstanding the lapse of eight to 14 years after the expiration of one year redemption period, thus, resulting in the delay in the disposal of asset and exposing the property to further depreciation or deterioration.

5.5 We recommended that Management:

a. Undertake immediate legal action to secure/recover the financial exposure on the subject projects and update this office of the status of action taken considering the period that lapses;

b. Initiate disposal of acquired properties to prevent further deterioration and loss of funds; and

c. Determine the persons liable for the deficiencies noted and file appropriate administrative action for failure to perform their functions.

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Out of 57 audit recommendations embodied in prior years' Annual Audit Report, 12 were fully implemented, 37 were partially implemented and eight were not implemented.

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Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City
Corporate Government Sector
Cluster 2 – Social Security Services and Housing

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 Financial Statements

We have audited the accompanying 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, 2016 and 2015, and the statements of income and expenses, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting principles in the Philippines and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Public Sector Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Bases for Qualified Opinion

The undistributed collections (UC) in the total amount of P440.338 million and P372.630 million in CYs 2016 and 2015, respectively, remained unposted/unapplied to Loan Installment Receivable (LIR) and other affected accounts due to the absence of policy on the proper and timely allocation of UC to the appropriate borrowers' accounts. Thus, the LIR account and the other affected accounts as at December 31, 2016 and 2015 were overstated and understated, respectively by the same amounts, thereby adversely affecting the fair presentation of the account balances in the financial statements.

Further Advances from Member Borrowers (MBs) amounting to P216 million as of December 31, 2016 are not supported with schedules reconciled with Individual Subsidiary Ledger of MBs contrary to Section 111 of PD No. 1445 and Section 15 of PAS 1, thus casting doubt on the reliability and fair presentation of the account balance and not beneficial to MBs.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Bases for Qualified Opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of SHFC as at December 31, 2016 and 2015, and of its financial performance and its cash flows for the years then ended in accordance with generally accepted accounting principles in the Philippines.

Emphasis of Matter

We draw attention to Note 5.2 to the financial statements of the Abot-Kaya Pabahay Fund which describes the developmental loans granted to the developers which were endorsed to the Legal Department for legal action. Our opinion is not modified in respect of this matter.

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 on taxes, duties and license fees in Note 27 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the Management of SHFC. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, except for the effects of the matter discussed in the preceding paragraphs, the information is fairly stated, in all material respects, in the basic financial statements taken as a whole.

COMMISSION ON AUDIT

JULIA E. MORENO
Supervising Auditor

April 25, 2017

SOCIAL HOUSING FINANCE CORPORATION

Enhancing People's Lives and Empowering Commimities through FAIR Shelter Solutions

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 for the years ended December 31, 2016 and December 31, 2015 in conformity with generally accepted accounting principles in the Philippines and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a systems of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized.

The Board of Directors or Trustees reviews and approves the financial statements and submit the same to the President, the Senate and the Congress of the Philippines and other stakeholders.

The Commission on Audit, through its authorized representative, has examined the financial statements of the Fund 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 Philippines Public Sector Standards on Auditing and the auditor has expressed its opinion on the fairness of presentation upon completion of such examination in its report to the members of the board.

MA. ANA R. OLIVEROS
Vice Chairperson of the Board

EDUARDO T. MANICIO
Executive Vice President

DANTE M. ANABE
Manager, Finance & Controllership Dept.

April 18, 2017

PART I –

AUDITED FINANCIAL STATEMENTS

SOCIAL HOUSING FINANCE CORPORATION
(A Wholly-owned Subsidiary of the National Home Mortgage Finance Corporation)
STATEMENTS OF FINANCIAL POSITION
December 31, 2016 and 2015
(In Philippine Peso)

	Note	2016	2015 As restated
ASSETS			
Current assets			
Cash and cash equivalents	3	**4,894,610,871**	3,703,881,358
Receivables, net	4	**80,049,657**	83,486,823
Inventories	5	**3,011,500**	3,127,948
Prepayments	6	**308,537**	2,408,511
Guaranty deposits	7	**1,574,392**	1,635,531
Advances to contractors	8	**445,443,074**	215,095,744
		5,424,998,031	4,009,635,915
Assets held in trust			
National Home Mortgage Finance Corporation	9	**10,877,060,102**	10,540,964,880
Abot-Kaya Pabahay Fund	9	**553,496,838**	553,055,436
		11,430,556,940	11,094,020,316
Non-current assets			
Long-term loan receivables	10	**2,168,094,519**	732,661,102
Property and equipment, net	11	**167,911,119**	172,708,569
Intangible assets, net	12	**1,028,007**	1,801,080
Deferred tax asset	13	**43,045,461**	41,736,461
Other resources	14	**1,285,323,894**	1,143,909,412
		3,665,403,000	2,092,816,624
TOTAL ASSETS		**20,520,957,971**	17,196,472,855
LIABILITIES AND EQUITY			
Current liabilities			
Payables	15	**1,371,547,261**	1,489,672,794
Inter-agency payables	16	**37,594,359**	32,159,776
Provision for labor dispute	17	**-**	70,930,752
Other current liabilities	18	**848,236,493**	655,471,945
		2,257,378,113	2,248,235,267
Long-term liabilities			
Other long-term liabilitites	19	**89,340,114**	102,399,462
Trust liabilities			
National Home Mortgage Finance Corporation	20	**13,091,402,977**	12,092,938,895
Abot-Kaya Pabahay Fund	21	**553,496,838**	553,055,436
Other trust liabilities	22	**360,360,000**	-
		14,005,259,815	12,645,994,331
TOTAL LIABILITIES		**16,351,978,042**	14,996,629,060
EQUITY		**4,168,979,929**	2,199,843,795
TOTAL LIABILITIES AND EQUITY		**20,520,957,971**	17,196,472,855

The Notes on Pages 8 to 26 form part of these financial statements.

SOCIAL HOUSING FINANCE CORPORATION
(A Wholly-owned Subsidiary of the National Home Mortgage Finance Corporation)
STATEMENTS OF INCOME AND EXPENSES
For the Years Ended December 31, 2016 and 2015
(In Philippine Peso)

	Note	2016	2015 As restated
INCOME			
Interest income on loans		**309,214,684**	296,579,794
Interest on savings deposits		**74,557,098**	63,663,955
Service fees		**11,576,551**	10,870,040
Miscellaneous income	26	**188,677,302**	201,801,900
		584,025,635	572,915,689
EXPENSES			
Personal services			
Salaries and wages		**86,302,734**	82,862,722
Other personnel benefits		**15,187,360**	14,306,106
Other compensation		**65,472,208**	56,582,232
Personnel benefit contribution		**17,163,818**	16,486,392
		184,126,120	170,237,452
Maintenance and other operating expenses			
Loan loss		**4,363,332**	5,154,022
Professional services		**46,778,489**	54,910,831
Gender and development expenses		**1,555,759**	211,858
Taxes, insurance premiums and other fees		**29,041,151**	24,117,292
Depreciation/Amortization		**16,249,094**	16,509,691
Origination and appraisal cost		**30,393,461**	30,178,549
Supplies and materials		**8,163,313**	7,713,926
Utility		**6,062,210**	6,809,956
Representation		**6,051,830**	4,528,145
Travelling		**8,648,031**	8,032,874
Training and seminar		**7,573,162**	5,465,335
Rent		**4,971,739**	4,257,161
Confidential, extraordinary and miscellaneous		**696,616**	1,457,232
Miscellaneous expenses		**526,867**	-
Communication		**3,848,286**	3,635,523
Building association contribution to organization		**3,872,599**	3,864,899
Repairs and maintenance		**1,944,170**	1,763,635
Advertising		**1,929,798**	1,985,231
Printing and binding		**666,499**	611,800
Subsidies and donations		**26,000**	28,000
Subscription		**162,909**	167,334
Transportation and delivery		**24,000**	145,809
Other MOOE		**17,803,965**	12,065,644
		201,353,280	193,614,747
Financial expenses			
Interest expenses		**5,692,940**	7,053,957
Bank charges		**146,586**	297,600
Financial expense - technical assistance		**90,787,748**	24,398,363
		96,627,274	31,749,920
Provision for labor dispute	17	-	70,930,752
INCOME BEFORE INCOME TAX		**101,918,961**	106,382,818
Income tax expense	28	**39,918,309**	14,199,226
NET INCOME AFTER INCOME TAX		**62,000,652**	92,183,592
Subsidy from National Government	24	**1,975,797,545**	978,968,849
NET INCOME AND SUBSIDIES		**2,037,798,197**	1,071,152,441

The Notes on Pages 8 to 26 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, 2016 and 2015
(In Philippine Peso)

	Note	Paid in Capital	Retained Earnings	Total Equity
		23	25	
Balance balance January 1, 2015		10,000,000	1,155,680,439	1,165,680,439
Adjustments:				
Prior period adjustments		-	22,729,258	22,729,258
Balance balance, adjusted		10,000,000	1,178,409,697	1,188,409,697
Net income		-	1,071,152,441	1,071,152,441
Dividends paid		-	(59,718,343)	(59,718,343)
Ending balance December 31, 2015		10,000,000	2,189,843,795	2,199,843,795
Balance at December 31, 2015		10,000,000	2,189,843,795	2,199,843,795
Dividends paid		-	(68,662,063)	(68,662,063)
Net income		-	2,037,798,197	2,037,798,197
Balance at December 31, 2016		**10,000,000**	**4,158,979,929**	**4,168,979,929**

The Notes on Pages 8 to 26 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, 2016 and 2015
(In Philippine Peso)

	Note	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Amortization collections from borrowers		**911,717,547**	857,460,730
Subsidy from National Government		**1,975,797,545**	978,968,849
Receipt of CMP Fund transferred from NHMFC		**1,000,000,000**	750,000,000
Receipt of Housing Fund from DILG		**350,000,000**	-
Receipt of Housing Fund from DSWD		**10,360,000**	-
Receipts of interests from deposits		**64,315,098**	54,549,351
Service fee income		**12,238,967**	11,001,305
Insurance prepayments		**4,832,440**	5,472,642
Receipts of interest on receivable - investments		**7,291,683**	4,321,817
Other receipts		**82,573,282**	68,087,895
Miscellaneous income		**933,868**	1,394,728
Cash paid for loan take-outs, employees and suppliers		**(2,627,170,695)**	(1,709,966,182)
Payment of Dividends		**(68,662,063)**	(59,718,344)
Garnishment due to labor dispute		**(70,930,752)**	-
Net cash provided by operating activities		**1,653,296,920**	961,572,791
CASH FLOWS FROM INVESTING ACTIVITIES			
Leasehold /Office Improvements		**(2,099,358)**	(2,537,861)
Purchase/construction of buildings/furnitures & fixtures		**(2,393,821)**	(157,608,571)
Purchase of office, IT and communication equipment		**(4,131,870)**	(6,097,082)
Payment of amortization of office building		**(9,828,497)**	(9,075,255)
Investment in land		**(360,396,504)**	(579,075,722)
Net cash used in investing activities		**(378,850,050)**	(754,394,491)
CASH FLOWS FROM FINANCING ACTIVITIES			
Financial expense for technical assistance		**(83,717,357)**	(24,398,363)
Net cash used in financing activities		**(83,717,357)**	(24,398,363)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,190,729,513**	182,779,937
Cash and cash equivalents at beginning of year		**3,703,881,358**	3,521,101,421
CASH AND CASH EQUIVALENTS AT END OF YEAR	3	**4,894,610,871**	3,703,881,358

The Notes on Pages 8 to 26 form part of these financial statements.

SOCIAL HOUSING FINANCE CORPORATION
(A Wholly-owned Subsidiary of the National Home Mortgage Finance Corporation)
NOTES TO FINANCIAL STATEMENTS
(All amounts in Philippine Peso unless otherwise stated)

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 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 the 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 of developing the secondary market for home mortgages.

Presently, SHFC is merely a trustee of the transferred CMP funds and assets. The NHMFC remains in control of the affairs of SHFC and it 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, the SHFC has been implementing the Localized CMP (LCMP) since July 2010. LCMP is a derivative of the CMP that would assist and empower the local government units (LGUs) in achieving their housing programs for the informal sector in their respective areas.

Also, 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 solutions for informal settler families (ISFs) residing in the danger areas in the National Capital Region (NCR). Said directive falls squarely within the mandate of SHFC, thus, in furtherance of 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 for acquisition of lots for near-site, in city and near city relocations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The accompanying financial reports and statements are prepared in accordance with the generally accepted accounting principles and standards in conformity with the New

Government Accounting System (NGAS) pursuant to COA Circular No. 2004-02 dated April 9, 2004. SHFC was classified as a Government Business Enterprise under COA Circular No. 2015-03 dated April 16, 2015 which shall apply the Philippine Financial Reporting Standards issued by the Philippine Financial Reporting Standards Council.

The corporation is in the process of determining the PFRS applicable and its impact on its FS. As a GBE, the corporation is also required to adopt the Revised Chart of Accounts for GOCC pursuant to COA Circular No. 2015-010 dated December 1, 2015. The corporation has not yet converted to the said Chart of Accounts and still in the process of determining the impact of conversion to its financial statement.

2.2 Accounting basis

The Corporation uses the accrual basis of accounting. The effects of transactions and events on assets and liabilities are recognized and reported in the financial statements in the period to which they relate.

2.3 Property and equipment

Property and equipment are carried at cost less accumulated depreciation. Significant improvements and accessories are capitalized while the cost of maintenance and repairs is treated as outright expense. In adherence with the NGAS, SHFC uses the straight line method of depreciation wherein a residual value equivalent to 10 percent of the cost is applied.

2.4 Inventories

Supplies and materials purchased for inventory purposes are recorded using the perpetual inventory system. The costs of ending inventory of office supplies and materials and other inventory items are computed using the moving average method. Inventories are reclassified to expense upon issuance thereof and recorded based on the Report of Supplies and Materials Issued.

2.5 Loan installment receivables (LIR) – held in trust

LIR – held in trust are carried at book value less Accounts for Clearing and provision for probable uncollectible, if any. These are classified into current, restructured interest-bearing principal (IBP), restructured non-interest bearing principal (NIBP), past due and items in litigation.

2.6 Allowance for probable loss

Allowance for probable loss is set up to absorb potentially uncollectible receivables associated with the CMP portfolio.

The Board of Directors (BOD), in its Resolution No. 329, series of 2013, approved the "Adoption of the Policy on Loan Loss Provisioning, With Prescribed Rates, Reserve, Write-off and Accounting Thereof" which provides for the following loan loss provisioning rates:

Loan Classification	Loan Loss Rates
LIR – current	0.25%
LIR – restructured	0.25%
LIR – past due	
More than 3 months to 1 year	0.50%
More than 1 year to 3 years	0.75%
Over 3 years	1.00%
Items in litigation	5.00%

3. CASH AND CASH EQUIVALENTS

This account consists of the following:

	2016	2015
Cash on hand	**6,675,945**	5,390,377
Cash in bank – time deposit	**4,719,538,583**	3,442,527,761
Cash in bank – current account	**168,396,343**	255,963,220
	4,894,610,871	3,703,881,358

3.1 Cash on hand

Cash on hand consists of: (a) collections of cash collecting officers and supervising tellers in the last working day of the year and were deposited only in the first working day of the succeeding year, as well as cash advances granted to cash disbursing officers; and (b) petty cash fund established at the Head and Regional/Satellite Offices to defray immediate or emergency petty expenses. Details of this account are as follows:

	2016	2015
Cash collecting officers/supervising tellers	**6,000,945**	4,715,377
Petty cash fund	**675,000**	675,000
	6,675,945	5,390,377

Cash collecting officers/supervising tellers includes collection of P91,632 which was reported lost due to theft as alleged by the concerned employee. A request for relief from accountability was already filed with the Commission on Audit (COA) on December 2010. Appropriate action is put on hold pending receipt of COA decision on the matter.

3.2 Cash in bank

Cash in bank consists of funds deposited with government banks for payroll, corporate operating funds, take-out funds and HDH Program. Cash in banks earn interest at prevailing interest rates of 1.75 to 2.0 per cent per annum for the time deposit and 0.25 per cent for the current account. Time deposits are short term highly liquid investments maturing from 15 to 91 days or 3 months from date of placements. . Details of this account are as follows:

	2016	2015
LBP – HYSA	**3,578,026,153**	2,825,830,116
DBP – Peso Time Deposit	**1,141,512,430**	616,697,645
	4,719,538,583	3,442,527,761

4. RECEIVABLES

This account consists of the following:

	2016	2015
Due from NHMFC	**59,344,803**	59,278,014
Due from AKPF	**4,121,908**	3,365,575
Interest receivable – investment	**8,193,600**	7,291,683
Due from HUDCC	**703,976**	4,600,965
Due from officers and employees	**875,454**	252,924
Due from Provident Fund	**503,959**	-
Advances to officers and employees	**254,309**	1,595,252
Due from Social Security System (SSS)	**241,552**	137,779
Accounts Receivable (AR) – Others	**5,810,096**	6,964,631
	80,049,657	**83,486,823**

4.1 Due from NHMFC

This account includes CMP amortization payments and other collections of NHMFC for the account of SHFC. This account also comprises management fee computed pursuant to the provision under Section VI of the Trust Agreement entered into by and between NHMFC and SHFC.

4.2 Due from AKPF

This account refers to accumulated personnel services and other administrative expenses of the fund advanced by SHFC during the year.

4.3 Due from HUDCC

This account represents the total advances made by SHFC for the account of HUDCC pertaining to office building special assessments and other administrative expenses.

4.4 Due from SSS

This represents the total advance payments made by SHFC on account of sickness and maternity benefit claims of employees.

4.5 AR – Others

The account consists of receivables from Officers and Employees set up in compliance with the Notice of Finality of Decision dated June 29, 2016 and October 26, 2016 issued by COA as a result of the disallowed additional cash gift and grocery subsidy in the amounts of P5,000 and P20,000 per employee, respectively, including the uncollected

amount of P93,000 pertaining to Productivity Enhancement Incentive (PEI) given to agency-hired employees which was also disallowed in audit. This includes Directors, Officers, Stockholders and Related Interests (DOSRI) loan extended to members of the Board of Director (BOD) and employees and Advances to Procurement Services (PS) for undelivered inventory supplies purchased during the year.

5. INVENTORIES

This account consists of the following:

	2016	2015
Office supplies inventory	**2,478,251**	2,614,245
Accountable forms inventory	**485,868**	357,095
Other supplies inventory	**47,381**	156,608
	3,011,500	3,127,948

6. PREPAYMENTS

Included under this account are the following:

	2016	2015
Prepaid rent	**10,878**	2,098,151
Prepaid insurance	**297,659**	306,460
Prepaid subscription	-	3,900
	308,537	2,408,511

7. GUARANTY DEPOSITS

This account represents the guaranty fees for SHFC's rental of Regional Offices and warehouse totalling to P1,574,392 and P1,635,531 as of December 31, 2016 and 2015, respectively.

8. ADVANCES TO CONTRACTORS

This account pertains to the amounts paid in advance as mobilization fee to contractors for HDH projects which are to be subsequently deducted from the progress billings based on the percentage of completion of the projects. As of December 31, 2016 and 2015, the account has a balance of P445,443,074 and P215,095,744, respectively.

9. ASSETS HELD IN TRUST

This account represents the balances of CMP-related accounts and AKPF fund balance from the time of transfer up to the reporting date. The account, however, excludes "cash"

which is presented separately in the financial statements. Details of this account are as follows:

	2016	2015
NHMFC		
LIR – current	**7,339,140,733**	6,924,642,214
LIR – past due	**2,858,716,265**	2,885,513,755
LIR – restructured	**837,869,540**	839,400,522
Insurance receivables	**275,336,568**	251,636,569
Items in litigation	**50,925,357**	50,925,357
Unamortized mortgage origination cost	**27,798,234**	29,497,155
Interest receivable	**433,094**	433,095
Loan loss reserve	**(72,820,785)**	(68,457,452)
Accounts for clearing	**(440,338,904)**	(372,626,335)
	10,877,060,102	10,540,964,880
AKPF fund balance	**553,496,838**	553,248,980
	11,430,556,940	11,094,213,860

Loan loss reserve is computed based on the rates provided in Note 2.6.

9.1 LIR – current

This account includes the amount of CMP taken-out projects from the time of transfer up to the reporting date.

9.2 LIR – past due

This account represents the past due portion of the loans at the time of transfer, the amount of which was based on Community Associations' (CAs') ledger outstanding balances as of the September 30, 2005 cut-off date. It also includes CMP projects taken-out from 1989 to 1993, which were retained by NHMFC but eventually transferred to SHFC with a monetary consideration in the amount of P621 million representing outstanding principal loan balances as of December 31, 2009. The transferred loan balances are based on CAs' ledger subject to adjustments upon the determination of the actual outstanding principal balance based on the member-beneficiaries' (MBs') loan ledgers.

9.3 LIR – restructured

This account consists of the following:

	2016	2015
Interest bearing principal	**627,283,016**	627,113,348
Non-interest bearing principal	**210,586,524**	212,287,174
	837,869,540	839,400,522

It represents past due accounts who availed of the Restructuring Program offered by SHFC, in compliance to Republic Act (RA) No.9507 otherwise known as the 2008

Socialized And Low Cost Housing Loan Restructuring and Condonation Program, rescue package for housing loan borrowers.

9.4 Insurance receivables

This account consists of the general ledger (GL) balances transferred from NHMFC as of September 30, 2005. The balance of this account increases whenever there is renewal of the Mortgage Redemption Insurance (MRI) coverage advanced by SHFC for qualified CAs on a yearly basis. On the other hand, the account decreases upon collection of insurance repayments from MBs which can be determined only upon reversal/distribution of collections temporarily lodged in the Undistributed Collections (UC) account.

9.5 Items in litigation

This account refers to the outstanding balance of receivables from delinquent CAs, transferred to the Legal Department for foreclosure and with petitions already filed in court. The outstanding balance of this account represents the original amount transferred from NHMFC.

9.6 Unamortized mortgage origination cost

This account pertains to the unamortized portion of costs incurred in originating and appraising mortgages. It was the policy of the Corporation to capitalize such costs and to amortize the same over the term of the loan which normally is 25 years or 300 months. Beginning 2011, however, origination and appraisal costs are expensed outright. Details of this account are as follows:

	2016	2015
Cost		
Balance, January 1	51,512,515	51,512,515
Adjustments	-	-
Additions	-	-
Balance, December 31	51,512,515	51,512,515
Accumulated Amortization		
Balance, January 1	22,015,360	20,316,439
Amortization	1,698,921	1,698,921
Balance, December 31,	23,714,281	22,015,360
Net Book Value, December 31, 2016	**27,798,234**	29,497,155

9.7 Accounts for clearing

The Accounts for Clearing was previously treated as Undistributed Collections (UC) under Other Liabilities which amounted to P440,338,904 and P372,626,335, as of December 31, 2016 and December 31, 2015, respectively. It refers to amortization payments not yet applied/posted to individual borrower's account as of statement date due to timing differences and other related reason, such as:

- Payments with no abstract of collections;
- Payments of MBs not in master list;

- Collections from MBs who availed of the 1-year updating scheme;
- Un-posted amortization payments from restructured accounts;
- Un-posted amortization payments from remedial accounts;
- Non-transmittal of collection documents by NHMFC; and
- Un-categorized amortization payments

Accounts for Clearing are treated as reduction from receivable accounts to render the balances of the affected accounts accurate after proper distribution.

Collections from restructured accounts and 1-year updating scheme will be posted upon completion of the billing and posting modules of the newly developed program. The approval of in-house restructuring program will serve as guidelines for remedial accounts to begin the process of documentation up to posting and reversal of amortization payments. Payments categorized under no abstract of collection and not in master list need compliances before collections can be cleared and posted.

10. LONG-TERM LOAN RECEIVABLES

This account consists of the following:

	2016	2015
LIR – HDH program	**2,143,065,330**	706,798,579
Car and calamity loan receivable – officers and employees	**25,029,189**	25,862,523
	2,168,094,519	732,661,102

The balance figure of P2,143 million represents loan granted to the beneficiaries of HDHP payable in 30 years while the car and calamity loan availed by SHFC officers and employees in the amounts of P22.73 million and P2.29 million, respectively are payable in 10 years. The account LIR-HDH represents draw down releases to various projects intended for HDHP beneficiaries.

11. PROPERTY AND EQUIPMENT– NET

This account consists of the following:

	Leasehold Improve-ments	Office, Communi-cation and Other Equipment	Furniture and Fixtures	Transpor-tation Equipment	IT Equipment	Library Materials	Office Buildings/ Structures	Total
Cost								
January 1, 2016	17,236,315	8,160,321	10,552,218	20,289,918	25,376,275	139,418	201,330,000	283,084,465
Adjustments	(71,599)	555,866	(585,340)	-	-	-	-	(101,073)
Additions	2,074,403	1,557,294	2,186,740	-	3,209,036	-	-	9,027,473
December 31, 2016	**19,239,119**	**10,273,481**	**12,153,618**	**20,289,918**	**28,585,311**	**139,418**	**201,330,000**	**292,010,865**
Accumulated Depreciation								
January 1, 2016	10,199,006	6,177,853	5,381,113	12,316,978	16,535,477	87,988	59,677,481	110,375,896
Depreciation	1,539,538	755,254	698,075	1,448,293	2,484,131	16,691	6,781,868	13,723,850
December 31, 2016	**11,738,544**	**6,933,107**	**6,079,188**	**13,765,271**	**19,019,608**	**104,679**	**66,459,349**	**124,099,746**

	Leasehold Improve-ments	Office, Communi-cation and Other Equipment	Furniture and Fixtures	Transpor-tation Equipment	IT Equipment	Library Materials	Office Buildings/ Structures	Total
Net Book Value, December 31, 2016	7,500,575	3,340,374	6,074,430	6,524,647	9,565,703	34,739	134,870,651	167,911,119
Net Book Value, December 31, 2015	7,037,309	1,982,468	5,171,105	7,972,940	8,840,798	51,430	141,652,519	172,708,569

12. INTANGIBLE ASSETS

This account refers to computer softwares which include the Lex Libris, Microsoft Office 2010 and 2013 Standard Open License Program, and 300 nodes of Anti-virus Government License Keys, which are amortized over an estimated useful life of one to five years. Details of this account are as follows:

	2016	2015
Cost		
Balance, January 1	5,678,660	4,262,755
Adjustments		(71,098)
Additions	53,250	1,487,003
Balance, December 31	5,731,910	5,678,660
Accumulated Amortization		
Balance, January 1	3,877,580	3,093,251
Amortization	826,323	784,329
Balance, December 31	4,703,903	3,877,580
Net Book Value, December 31	**1,028,007**	1,801,080

13. DEFERRED TAX ASSET

This account refers to the P43,045,461 and P41,736,461 deferred taxes as of year-end, as follows:

	2016	2015
Provision for impairment of loans/acquired properties	21,766,235	20,457,235
Provision for labor dispute	21,279,226	21,279,226
	43,045,461	**41,736,461**

14. OTHER RESOURCES

14.1 Real properties for development and sale

SHFC Corporate Circular No. 13-026 on HDH Guidelines, provides for the implementation framework for SHFC's participation in the priority P50-billion ISFs Housing Program on

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, series of 2014 was made pertaining to the acquisition of property by SHFC and usufruct under the HDH Program. Through these circulars, as affirmed through Board Resolution No. 391, series of 2014 and under its Articles of Incorporation and by-laws, SHFC is fully empowered to pursue the acquisition of property in its own name and for the eventual disposition to the CAs, or entering into a usufruct arrangement, for the implementation of the HDH Program.

The account represents land acquired for building construction and site development intended for sale or, in the interim, under a usufruct arrangement with HDH program beneficiaries. These are carried at acquisition cost plus costs incurred for site development and home building. Details are as follows:

	2016	2015
Land	**1,285,323,894**	928,290,652
Construction in progress	**-**	215,618,760
	1,285,523,894	1,143,909,412

15. PAYABLE ACCOUNTS

This account consists of the following:

	2016	2015
Accounts payable	**1,367,445,105**	1,485,570,638
Performance warranty payable	**3,570,613**	3,570,613
Performance/Bidders bond payable	**492,019**	492,019
Due to officers and employees	**39,524**	39,524
	1,371,547,261	1,489,672,794

15.1 Accounts payable

This account refers to the remaining 50 per cent of CMP loan proceeds and origination fees retained by SHFC pending compliance with requirements. The 50 per cent partial release of loan proceeds is implemented based on NHMFC Board Approved Resolution No. 3149, series of 2001. This account also includes perfected contracts with suppliers amounting to P7,202,497 and P221,211,955 delivered as of December 31, 2016 and December 31, 2015, respectively.

16. INTER-AGENCY PAYABLES

This account consists of the following:

	2016	2015
Due to NHMFC	**18,871,043**	18,871,043
Due to Bureau of Internal Revenue (BIR)	**16,651,765**	8,088,189
Due to HUDCC	**224,550**	3,453,782
Due to Provident Fund	**1,363,082**	1,210,559

	2016	2015
Due to SSS	**231,864**	253,526
Due to Pag-IBIG	**152,862**	181,809
Due to PhilHealth	**79,113**	80,788
Due to Other GOCC	**20,080**	20,080
	37,594,359	32,159,776

16.1 Due to NHMFC

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

16.2 Due to BIR

This account represents the taxes withheld from payment of employees' compensation, origination fees, honoraria, taxes withheld at source and on government money payments including the provision for corporate income tax for the year.

17. PROVISION FOR LABOR DISPUTE

The account consists of the garnished peso time deposit at DBP amounting to P70,930,752 enforced by an Urgent Exparte Motion from case AC-973-RCMB-NCR-LVA-024-01-09-2014 titled SOHEAI vs. SHFC in 2015. This was disclosed in the CY 2015 notes under contingencies. The amount was dropped from the book of accounts in CY 2016 in view of its release to the NCMB to enforce the garnishment.

18. OTHER CURRENT LIABILITIES

This account consists of the following:

	2016	2015 As restated
Accrued expenses payable	**31,686,615**	21,476,677
Other payables		
Deferred income	**210,586,524**	212,287,174
Guaranty deposits payable	**299,902,493**	176,627,611
Advances from borrowers	**216,020,331**	157,517,672
Origination fee payable	**26,587,426**	34,052,120
Insurance payable	**33,093,790**	26,438,986
Deferred credits	**28,094,964**	24,864,113
Tax refunds payable	**556,664**	663,995
Other payable – Others	**1,218,459**	1,073,621
Other liabilities	**489,227**	469,976
	848,236,493	655,471,945

18.1 Guaranty deposits payable

This account refers to two-months and six-months advance deposits required for old and new originators, respectively pursuant to Corporate Circular CMP No. 003 which is calculated based on the total monthly amortization payments plus one year MRI premiums. However, these deposits are to be applied to CAs' account once the collection efficiency rating falls below 80 per cent but in no case such application be made earlier than six months from take-out date.

18.2 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.

18.3 Origination fee payable

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

18.4 Insurance payable

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

18.5 Deferred credits

The account pertains to the principal portion of amortization payments paid by SHFC pertaining to office spaces occupied by HUDCC.

19. OTHER LONG-TERM LIABILITIES

This account represents set-up of long-term payable for the acquisition of office building and other structures from Bangko Sentral ng Pilipinas (BSP) which is carried at cost less principal portion of the amortization payments.

20. TRUST LIABILITIES – NHMFC

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

CMP mortgages from 1989 to 1993 with a total outstanding principal loan balance of P621 million as of December 31, 2009, which were retained by NHMFC, were eventually transferred to SHFC. This amount is temporarily lodged under the LIR – current account but was later reclassified to LIR – past due account in compliance with COA recommendations. Details of this account are as follows:

	2016	2015
Cash	**920,960,105**	721,683,901
LIR – current	**9,746,621,088**	9,094,424,922
LIR – past due	**2,750,042,775**	2,750,042,775
Land	**71,035,203**	-
Notes receivable – National Housing Authority	**200,000,000**	200,000,000
Interest income	**165,678,128**	165,678,128
Insurance receivables	**119,762,108**	119,762,108
Interest receivables	**72,873,957**	72,873,958
Origination and appraisal cost	**91,657,143**	71,451,603
Items in litigation	**50,925,357**	50,925,357
Unamortized mortgage origination cost	**49,799,880**	49,799,880
Advances to contractors	**6,416,571**	1,390,500
Interest service fee	**4,481,400**	1,798,000
Other professional fees	**3,500**	3,500
Accounts payable – MCR	**(924,341,354)**	(974,160,117)
Undistributed collections	**(152,488,226)**	(152,206,695)
Guaranty deposits payable	**(58,481,537)**	(51,443,160)
Origination fee payable	**(16,251,890)**	(20,094,314)
Insurance payable	**(4,600,017)**	(4,314,063)
Taxes, duties and licenses	**-**	(1,986,173)
Advances from borrowers	**(1,598,645)**	(1,598,646)
Performance warranty payable	**(1,092,569)**	(1,092,569)
	13,091,402,977	12,092,938,895

21. TRUST LIABILITIES – AKPF

The AKPF 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 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. Details of this account are as follows:

	2016	2015
Cash and cash equivalents	**299,772,785**	296,481,253
Acquired assets	**169,753,490**	139,973,318
Installment sales receivable – long term	**11,456,635**	34,928,112
Items in litigation, net	**39,383,712**	47,326,100
Past due receivable – developmental loan, net	**34,036,351**	26,093,962

	2016	2015
Installment sales receivable – current	**7,537,034**	19,863,023
Accounts receivable	**-**	750,000
Interest receivable – special deposit account	**491,344**	115,794
Office equipment, IT equipment and software, furniture and fixtures, net of accumulated depreciation	**219,116**	246,587
Advances to officers and employees	**-**	21,200
Due to LGUs	**(4,914,446)**	(6,690,638)
Due to SHFC	**(4,140,914)**	(3,365,575)
Deferred income on sale of acquired assets	**-**	(2,469,872)
Accrued income tax payable – special savings deposit	**(98,269)**	(23,159)
Due to BIR	**-**	(1,125)
Fund balance	**553,496,838**	553,248,980

22. OTHER TRUST LIABILITIES

This accounts pertains to funds granted by DILG and DSWD released to SHFC amounting to P350 million and P10.36 million, respectively. The funds from DILG was intended for HDHP projects deposited and maintained in a separate fund account (HDHP II) in order not to co-mingle with other funds. The funds from the Emergency Shelter Assistance Program of DSWD was earmarked for the 148 ISF victims of typhoon Sendong in Cagayan de Oro City to be used solely for the purchase of housing materials.

23. PAID IN CAPITAL

The Corporation has an authorized capital stock of P100 million divided into 100,000 shares with a par value of P1,000 each. The amount of said capital stock which has been actually subscribed by the NHMFC is P25 million, of which, P10 million was paid up and the balance of P15 million remains unpaid.

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, P9,989,000 was paid up by the NHMFC and the remaining amount by various stockholders for and in behalf of the Government of the Philippines.

24. SUBSIDY FROM THE NATIONAL GOVERNMENT

The HDH Program window is a new program which enables SHFC to extend financing assistance to organized communities living in danger areas in the NCR. There were 21 and 14 approved HDH projects in various phases in 2016 and 2015, respectively with the following approved funding allocation and releases from the Department of Budget and Management (DBM):

	2016	2015
Approved funding allocation from DBM	**4,068,313,751**	3,742,865,000
Funds released during the year	**1,975,797,545**	978,968,849

25. RETAINED EARNINGS

This account consists of the following:

	2016	2015
Appropriated for HDH Program	**3,772,986,186**	1,797,188,643
Unappropriated	**385,993,743**	392,655,152
	4,158,979,929	2,189,843,795

Unappropriated retained earnings include (a) retained earnings due for transfer to NHMFC P302,218,808 as addition to Trust Liability pursuant to the amended Trust Agreement; (b) payment for dividends P78,575,866 due to the Bureau of Treasury; and (c) investment income from HDH Program amounting to P5,199,067 which does not form part of the amount to be transferred to NHMFC.

25.1 Prior Period Adjustments

This account consists of Deferred tax Asset, beginning amounting to P18,911,029 after effecting the temporary and permanent differences computed for 2015, including adjustments pertaining to prior years at beginning of 2015 as follows:

	Nature of Adjustments/Correction	Accounts Affected				Amount
		Asset	Liabilities	Income	Expense	
1.	Interest and final tax paid on income recognized in 2014	Receivables	-	Interest income	Final tax paid	(4,865)
2.	Unused/unissued drugs and medicines supplies	Inventories	-	-	Supplies and materials	17,060
3.	Cancelled check covered by DV No. 20140123556	Cash	-	-	Professional services	5,000
4.	Payable to HUDCC on Insurance claims received by SHFC that was credited to prior year's adjustments (PYA)	-	Inter-agency payable	Miscellaneous income	-	(1,325,870)
5.	Unamortized portion of prepaid insurance covering various years	Prepayments	-	-	Taxes, insurance and other fees	(959,662)
6.	Board allowances of a Director	-	Inter-agency payable	-	Representation	(36,000)
7.	Settlement of disallowed amount	Cash	-	-	Confidential, extraordinary and miscellaneous	2,980
8.	Prepaid Income Tax to PYA for unclaimed tax deductible credit	Prepayments	-	-	Income tax	(8,886)

	Nature of Adjustments/Correction	Accounts Affected				Amount
		Asset	Liabilities	Income	Expense	
9.	Receivable from OGCC personnel handling cases to refund Christmas Bonus and PEI for 2014	Receivable	-	-	Confidential, extraordinary and miscellaneous	630,000
10.	Unremitted contributions of SSS to Due to Officers & Employees and PYA	-	Inter-agency payable	-	Personnel benefit contribution	450
11.	Unremitted contributions to Pag-IBIG from 2006 to 2013	-	Inter-agency payable	-	Personnel benefit	95
12.	Expired portion of prepaid rent to PYA for September 2014	Prepayments	-	-	Rent	(291,950)
13.	Expired portion of prepaid subscription to PYA from 2011 to 2014	Prepayments	-	-	Subscription	(75,400)
14.	Other supplies inventory	Inventories	-	-	Supplies and materials	(38,586)
15.	Receivable from resigned employees, re: Refund of cash gift on 13th month and GC for 2014	Receivable	-	-	Other personal benefits	50,000
16.	Reversal of accrued expenses payable	-	Other liabilities	-	Various MOOE accounts	5,853,863
						3,818,229

26. MISCELLANEOUS INCOME

This account represents (a) income from penalty on late amortization payments of the MBs; (b) other miscellaneous income derived from processing fee of the application for penalty condonation and substitution; (c) photocopy and recovery of VAT payments made previously on deferred income (d) interest from calamity loans granted to officers and employees affected by then typhoon Ondoy; (e) surcharges to suppliers on late deliveries; and (f) the recognition of refund of excess payments amounting to P500.00 and below as miscellaneous income per Office Order No. 07-0075, series of 2007 dated May 10,2007.

27. COMPLIANCE WITH TAX LAWS

In compliance with the requirements set forth in BIR Revenue Regulations No. 15-2010, hereunder are the information on taxes, licenses and fees paid or accrued during the taxable year.

	2016	2015
Taxes and licenses		
BIR registration	**500**	500
Real property tax	**1,235,900**	1,235,900
	1,236,400	1,236,400

	2016	2015
Withholding taxes		
On compensation	**23,383,597**	22,428,272
Percentage tax	**9,685,258**	7,585,369
Final tax paid on income	**14,911,420**	12,731,818
Corporate Income Tax	**41,227,309**	37,024,658
	89,207,584	79,770,117
	90,443,984	81,006,517

28. INCOME TAX EXPENSE

	2016	2015
Current tax expense	**41,227,309**	37,024,658
Income tax benefit	**(1,309,000)**	(22,825,432)
	39,918,309	14,199,226

28.1. Regular Corporate Income Tax

Particulars	2016	2015
Income before income tax	**101,918,961**	**106,382,818**
2015 restatements affecting income	-	(8,119,929)
Income before income tax as restated	**101,918,961**	**98,262,889**
Permanent differences		
Financial expense – technical assistance	90,787,748	-
Non-deductible expenses	14,911,420	12,731,818
Interest income on investment/bank deposits	(74,557,098)	(63,663,955)
Accounting income subject to tax	**133,061,031**	**47,330,752**
Temporary differences		
Provision for impairment of loans/acquired properties	4,363,332	5,154,022
Provision for labor dispute	-	70,930,752
Net taxable income (loss)	137,424,363	123,417,526
Income tax rate	30%	30%
Current tax expense	**41,227,309**	**37,024,658**

Financial expenses (Technical Expenses) are expenses presented after the Net Income after Income Tax, as deductions from the Subsidy Income, a non-taxable income in 2016. During 2015, the Financial Expenses were presented under Operating Expense and subsequently deducted from Net Income before Income Tax, thus claimed as tax deduction for 2015.

28.2 Income Tax Benefit Computation

	2016	2015
Deferred tax asset – probable losses		
Provision for the year	4,363,332	5,154,022
Bad debts written off for the year	-	-
Net temporary difference for the year	4,363,332	5,154,022
Tax rate	30%	30%

	2016	2015
Income tax benefit for the year	1,309,000	1,546,206
January 1 balance	20,457,235	18,911,029
December 31 balance	**21,766,235**	**20,457,235**
Deferred tax asset – labor dispute		
Provision for the year	-	70,930,752
Tax rate	30%	30%
Income tax benefit for the year	-	21,279,226
January 1 balance	21,279,226	-
December 31 balance	**21,279,226**	**21,279,226**
Income tax benefit for the year		
Probable losses	1,309,000	1,546,206
Provision for labor dispute	-	21,279,226
Total	**1,309,000**	**22,825,432**

29. FINANCIAL RISK MANAGEMENT

The Corporation is exposed mainly to credit risk relative to its financial assets. Credit risk is the risk that SHFC will incur a loss because its counterparties fail to discharge their contractual obligations. Hereunder are the measures undertaken by Management, under the guidance of the BOD, to minimize its exposure to credit risk:

a. MCR (CMP Loans)

CMP loan receivables 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 under-privileged 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.

b. Credit Policy for MCR (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.

c. Insurance

For the duration of the loan, there shall be a mortgage insurance on the lives of the principal borrowers as identified in the master list 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 mortgage insurance premium shall be required from the CAs in the form of cash deposit prior to release of the loan proceeds.

d. Security

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

e. Collection

The MCR (CMP Loans) are covered by a collection agreement with the CAs. The CAs collect the monthly amortizations from its members and remits these to SHFC.

PART II –

OBSERVATIONS AND RECOMMENDATIONS

OBSERVATIONS AND RECOMMENDATIONS

A. SOCIAL HOUSING FINANCE CORPORATION

1. The undistributed collections (UC) in the total amount of P440.339 million and P372.626 million in CYs 2016 and 2015, respectively, remained unposted/unapplied to Loan Installment Receivable (LIR) and other affected accounts due to the absence of policy on the proper and timely allocation of UC to the appropriate borrowers' accounts. Thus, the LIR account was overstated and the affected accounts were overstated as of December 31, 2016 by the same amounts, thereby adversely affecting the fair presentation of the account balances in the financial statements, contrary to Section 15 of PAS 1.

1.1 Paragraph 15 of the Philippine Accounting Standards (PAS) 1 – Presentation of Financial Statements states that:

> *"xxx Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with definitions and recognition criteria for assets, liabilities, income and expenses set out in the Framework. The application of IFRSs, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation".*

1.2 Undistributed Collections (UC) consist of amortization payments since CY 2008 up to reporting date that remained un-posted/unapplied to LIR and other affected accounts.

1.3 Review of UC account as of December 31, 2016 shows an increase amounting to P67.713 million or 18.17 per cent from CY 2015 to CY 2016, due to reasons as stated herein and accounted as follows:

Particular/Reasons	Dec. 31, 2016	Dec. 31, 2015	Increase (Decrease)	%
Payments without Abstract of Collections	24,352,181	33,737,001	(9,384,820)	(27.81)
MBs not in Master list	7,192,672	7,417,115	(224,443)	(3.02)
MBs who availed of the 1-year updating scheme	169,749,050	107,773,834	61,975,216	57.50
Accounts with site development loan component	10,058	(25,738)	35,796	139
Collections from:				
NHMFC	14,878,645	14,878,645	-	-
Restructured Accounts	10,360,599	31,814,272	(21,513,673)	(67.50)
Express Lane Projects (not yet in the database)	8,191,949	5,800,753	2,391,196	41.22
HDH project (not yet in database)	9,927,138	847,208	9,079,930	1071
Remedial Accounts	111,660,642	86,020,207	25,640,435	29.81
Unaccounted	83,570,463	83,570,463	-	-
Others	445,504	792,574	(347,060)	(43.79)
TOTAL	**440,338,901**	**372,626,334**	**67,712,567**	**18.17**

1.4 The increase of UC accounts were due to the absence of the cited reasons in the database, Therefore payments cannot be captured and distributed, thus, adversely affecting the fair presentation of the account balances.

1.5 **We reiterated our prior years' audit recommendations that Management:**

a. Conduct a continuous reconciliation of the accounts to minimize the accumulation of UC;

i.Review master list and include MBs not listed; and
ii.Analyze the reasons cited and address properly.

b. Adjust LIR and affected accounts accordingly.

1.6 **We further recommended that Management require the Information Systems Department (ISD) to enhance the database to include Express Lane Projects, HDH Project and all other not yet in the database.**

1.7 Management submitted the following plans of action to reduce and contain the build-up of UC account:

a. Payment without Abstract of Collection (AoC)

b. MBs not in Master List

c. MBs who availed of the 1-year updating scheme

d. NHMFC Collections

e. Collections from Restructured Accounts

f. Collections from Express Lane not yet in the database

g. Collections from HDH projects not yet in the database

h. Collections from Remedial Accounts

i. Uncategorized Collections

1.8 In addition, management made mention that for consistency with NHMFC in their presentation of same account and to facilitate consolidation, the UC account is presented in the balance sheet as Accounts for Clearing or a deduction from the Loan Installment Receivables (LIR) account which was previously reported under Other Liability Accounts. This approach is realistically more appropriate than the previous one and faithfully adheres to addressing fair presentation of SHFC's financial condition for CY 2016.

1.9 Management is advised to set deadlines/timetables in accomplishing the plans of action, and not to become a regular function of the agency.

2. Advances from Member Borrowers (MBs) amounting to P216 million as of December 31, 2016 are not supported with schedules and not reconciled with Individual Subsidiary Ledger of MBs, contrary to Section 111 of P.D. 1445 and Pararaph 15 of PAS 1, thus casting doubt on the reliability and fair presentation of the account balance and not beneficial to MBs.

2.1 Section 111 of Presidential Decree (P.D.) 1445 provides that;

"Keeping of Accounts:

(1) The accounts of an agency shall be kept in such detail as is necessary to meet the needs of the agency and at the same time be adequate to furnish the information needed by fiscal or control agencies of the government.

(2) The highest standards of honesty, objectivity and consistency shall be observed in the keeping of accounts to safeguard against inaccurate or misleading information."

2.2 Note 16.2 to Financial Statement states that Advances from borrowers account pertains to amortization payment in excess of the amount due for the current period but are deducted from principal balance upon distribution of amortization collections.

2.3 This account is previously recorded as Undistributed Collection which represents the excess payments of the MBs from amount due for the period which will be applicable to future amortizations and subsequently deducted from the Receivable account.

2.4 However, there is no supporting schedule on the details of the full amount of the account for proper monitoring and reconciliation, which if not distributed, will render the balances of the MBs individual ledger (SL) and General Ledger (GL) inaccurate and not beneficial to MB. The validation of year-end balance cannot be established due to the absence of supporting schedule per CA of the account balance as of December 31, 2016.

2.5 As of December 31, 2016, Advances from Borrowers balance amounted to P216.020 million with an average increase of P30.699 million every year from CY 2009, as follows:

Year	Year-end Balance	Increase from previous year	% of Increase
2009	1,124,537		
2010	13,905,612	12,781,075	1137%
2011	31,134,709	17,229,097	124%
2012	59,985,786	28,851,077	93%
2013	76,273,953	16,288,167	27%
2014	108,014,968	31,741,015	42%
2015	157,517,672	49,502,704	46%
2016	216,020,331	58,502,659	37%
	Average	**30,699,399**	

2.6 Due to the noted deficiencies, the reliability and fair presentation of the Advances from MBs account balance is doubtful and is also not beneficial to them, which is contrary to Section 111 of PD 1445 and paragraph 15 of PAS 1 as respectively stated in Paragraphs 2.1 and 1.1, hereof.

2.7 **We recommended that Management:**

a. Prepare the schedule supporting the Advances from Borrowers account to properly monitor and expedite the reconciliation;

b. Determine individually the property being paid for, to identify the MB payor and record unposted payments to MBs individual ledgers;

c. Update the existing system to ensure that all excess payments are posted and applied to their individual outstanding obligations; and

d. Adjust Receivable account and the related accounts accordingly.

2.8 Management commented that on the existing Collection and Ledgering Program (Adopted from NHMFC), excess payment accruing up to six (6) months equivalent monthly amortization is automatically applied as deduction from the principal of the MBs loan amount , provided however, that there were no prior instructions from the borrower to credit the amount to future amortization, while excess payment less than six months even after settlement of the loan, remains in the individual loan ledgers until refunded.

2.9 Refund of excess payment are recorded in the books but not yet effected in the subsidiary ledgers due to the volume of accounts and systems limitation.

2.10 In view of the above, one-time adjustment to reconcile both GL and SL balances of this account shall be done to address the discrepancies until the upgraded system is fully operational.

2.11 As a rejoinder, however, verification disclosed that the excess payments up to six months were not automatically applied as deduction from the principal of the MBs loan but remained in the Advances from borrowers account, resulting in the accumulation of the balances of the said account. In Note 16.2 to FS, there was no distinction as to the amount of the excess to be applied to future amortization consisting of principal and interest and the amount to be refunded to the borrower due to excess payment.

3. Loan releases amounting to P1.141 billion from HDH Program are secured by Chattel Mortgage Agreement which are not notarized and registered/recorded with the Registry of Deeds (RD), contrary to Chattel Mortgage Law and Site Development and Building Construction Loan Agreement of SHFC. Thus, exposing SHFC to the risk of non-recovery of capital exposures and loss of funds in case of default.

3.1 Act No. 1508 known as "Chattel Mortgage Law" Section 4 and Section 7 provides that:

> *"Sec. 4. Validity. — A chattel mortgage shall not be valid against any person except the mortgagor, his executors or administrators, unless the possession of the property is delivered to and retained by the mortgagee or unless the mortgage is recorded in the office of the register of deeds of the province in which the mortgagor resides at the time of making the same, or, if he resides without the Philippine Islands, in the province in which the property is situated: Provided, however, That if the property is situated in a different province from that in which the mortgagor resides, the mortgage shall be recorded in the office of the register of deeds of both the province in which the mortgagor resides and that in which the property is situated, and for the purposes of this Act the city of Manila shall be deemed to be a province.*
>
> *Sec. 7. Descriptions of property. — the description of the mortgaged property shall be such as to enable the parties to the mortgage, or any other person, after reasonable inquiry and investigation, to identify the same."*

Paragraph 5 & 14 on Site Development and Building Construction Loan Agreement of SFHC provides that;

> *"5. Parties agreed that the building owned by the CA shall be considered as personal property/chattel which shall be used to secure the loan to be recorded with the Registry of Deeds.*
>
> *xxx*
>
> *14. The occurrence of any of the following shall constitute an event of default;*
>
> *a) xxx*
> *b) xxx*
> *c) xxx*
> *d)* ***The Mortgage cannot be registered with the Registry of Deeds*** *or said security has become subordinated to the claim of any person or entity whether public or private;*
> *e) xxx*
> *f) The Mortgage shall, for any cause, ceases to be in full force and effect or it is otherwise impaired and the required collateral value has been reduced;" (Emphasis ours)*

3.2 SHFC executed a Usufruct Agreement in favor of Community Associations (CA) for a certain land which shall be used exclusively **for the construction of housing units/buildings** intended for the CA member beneficiaries who cannot afford to buy the land or do not opt to.

3.3 Upon execution of the above usufruct agreement the CA shall apply for Site Development and Building Construction loan from SHFC, the proceeds of said loan shall

be used exclusively to finance the site development and building construction on the land owned by SHFC under usufruct to CA.

3.4 To secure the loan for Site Development and Building Construction, verification showed that the CA executed Chattel Mortgage Agreement in favor of SHFC and asserted that:

> *"CA transfers and conveys by way of first mortgage to SHFC, its successors-in-interest or assigns,* ***buildings and improvements now existing*** *or which may thereafter exists (Mortgaged Property/ies) on the land owned by SHFC of which the Community Associations is the absolute owner, free from all liens and encumbrances of whatever nature, except the right granted to CA under the Lease Purchase Agreement executed with its member-beneficiary. (Emphasis ours)*
>
> *xxx*
>
> *This mortgage is constituted under the following conditions:*
>
> *Building and improvements (both present and future) is* ***constructed*** *on the land owned by SHFC. The property is placed as security for the prompt and complete fulfilment of any and all existing obligation of the CA with respect to the loan and financial assistance extended by SHFC*
>
> *xxx." (Emphasis ours)*

3.5 The loan agreements were approved for a total of 3,626 billion with loan releases in the total amount of P1.141.billion and drawdown as of December 31, 2016, as shown in Annex A.

3.6 Contrary to the assertion in the chattel mortgage agreement that the building is existing/contructed on the land owned by SHFC, the building is presently still under construction or not yet completed and some has not yet started, also shown in Annex A.

3.7 Thus, SHFC cannot register all of the executed Chattel Mortgage agreements at the office of the Registry of Deeds (RD) since the building (mortgaged property) is not yet existing/completed.

3.8 Further, SHFC has no clear guidelines on the collateral/security policies for loan releases of projects under usufruct agreement, since the percentage of accomplishments cited for the drawdowns under Board Resolution No. 471 is not strictly implemented.

3.9 Approval of the increase of Big Projects Drawdowns from four to eight tranches at the maximum, shall be in accordance with the following schedule of loan drawdowns:

	Particulars	Drawdown Requests	Actual of Releases Based on Work Accomplishments	Duration of Request	
				Months	Percentage
1	1st Billing	11.11%	11.11%		
2	2nd Billing	32.56%	43.67%	2 months	21.45%
3	3rd Billing	22.03%	65.70%	3 months	22.03%

	Particulars	Drawdown Requests	Actual of Releases Based on Work Accomplishments	Duration of Request	
				Months	Percentage
4	4th Billing	6.86%	72.56%	3 months	6.86%
5	5th Billing	6.86%	79.42%	2 months	6.86%
6	6th Billing	6.86%	86.28%	2 months	6.86%
7	7th Billing	6.86%	93.14%	2 months	6.86%
8	8th Billing	6.86%	100.00%	1 month	6.86%

3.10 Comparison of the actual number of drawdown requests percentage with the percentage of completion as of December 31, 2016 disclosed that four projects has short accomplishments ranging from 9.28 percent to 45.43 percent (see Annex A).

3.11 Moreover, the mobilization drawdowns released for the four projects from July to September 2016 have not yet been started as of December 31, 2016, thus, the funds remain idle with the developer.

3.12 Due to above deficiencies, SHFC is exposed to the risk of non-recovery of capital exposures and loss of funds in case of default.

3.13 **We recommended that Management:**

a. Revisit their policy on loan collaterals and loan releases drawdown to ensure that the existing and future loan facilities are secured with acceptable collaterals enough to cover the outstanding balances in case of default and that projects are monitored regularly;

b. Notarize and register with the RD all mortgage agreements to ensure validity of the documents used as collaterals of the loans granted; and

c. Submit copies of duly notarized and registered Chattel Mortgage Agreement to support the loan releases.

3.14 Management commented that under the Usufruct Agreement, SHFC is the registered owner of the properties intended as relocation sites by the ISFs. As owner, it retains all acts of ownership over the said properties except those powers given to the community associations, specifically the power to develop and construct buildings thereon. While the site development and building construction phase is on-going, the developments made on the property because of the loans obtained by the community associations, increases its value. Consequently, the said development inures to the benefits of the SHFC pursuant to Section 3 of the Usufruct Agreement.

3.15 As such, there is no need for additional collateral from the community associations to secure the releases of the loans while the site development and building construction is on-going, considering that all existing permanent improvements on the property belongs to SHFC and not to the community associations.

3.16 With respect to the notarization with the RD and the submission of copies of Chattel Mortgage Agreements, they stated that they will comply with the said recommendations upon completion of the buildings on the project site, in compliance to Article 2085 of the New Civil Code and Section 7 of the Chattel Mortgage Law.

3.17 In the case of HDH projects, the construction of the buildings covered by the Chattel Mortgage Agreement is still to be considered owners yet and therefore have no right to dispose or encumber the same in favour of SHFC. Besides, it is impossible to identify with precision the metes and bounds of the buildings of each clustered community associations, the total number of units and their share in the common areas until completion of the buildings. If we notarize and record the chattel mortgage agreement even if the community associations do not yet own the buildings, the same shall be considered void. (Arenas vs. Raymundo, 19 Phil. 46; Dilag vs, Heirs of Resurrection, 76 Phil. 650 De Bautista vs. Marcos, 3 SCRA 434).

3.18 The Site Development and Building Construction Loan Agreement must be revised to cite specifically that the building constructed for MBs "upon completion" shall be used to secure the loan and shall be a "Real Estate Mortgage" not a "Chattel Mortgage" since it is not a moving property.

3.19 As a rejoinder, in case the project is not completed or the CA cannot pay the loan amortization, there is no assurance for the recovery of the loan exposure.

4. Thirty one Transfer Certificate of Titles (TCTs) under Usufruct Agreement of HDH lot acquisition project 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 (LGU) in Quezon City, amounting to P16.359 million was not transferred in the name of Community Association (CA) and with no annotation of SHFC Mortgage while full payment was already made contrary to Section 5 of Implementing Rules and Regulation (IRR) 2014-003, thus, may result to non-recovery/loss of fund in case of a third party claimant.

4.1 Section (6) of Corporate Circular No. 14-005 series of 2014 on the Mode of Payment for the Acquisition of Property by SHFC states that:

> *"a. First tranche of eighty percent (80%) of the purchase*
>
> *After issuance of the Letter of Guaranty (LOG), the landowner with his conformity, may be paid the first eighty percent (80%) of the purchase price upon submission of the following documents:*
>
> *i. Owner's duplicate copy of title/s under his name*
> *ii. Notarized Deed of Absolute Sale; and*
> *iii. Documents in compliance to Board conditions and other technical and legal examination findings (if any)*
>
> *b. Balance of twenty percent (20%) of the purchase price*
>
> *The landowner shall receive the balance purchase price of twenty percent (20%) upon transfer of the title/s to SHFC. The amount shall stand as title security against third party claimants on the property subject of sale and payment of any tax due from the landowner."*

Section 5 of IRR No. 2014-003 - Payment of Property/Housing Project for Re-Financing states that:

"Payment for the property to LGU shall be made under any of the following schemes:

a. Staggered Payment

xxx

b. Remaining balance of 50% of the refinanced amount, if the title to the property is already transferred in the name of the community association and has an annotation of SHFC Mortgage.

c. Full payment of the refinance amount shall be released when all conditions in items a and b have been met."

4.2 SHFC is fully empowered, under its Articles of Incorporation and By-laws, as affirmed by its Board through Board Resolution No. 391, Series of 2014, to the acquisition of property in its own name and for eventual disposition to the CA, or entering into a Usufruct Agreement (UA), for the implementation of HDH Project.

4.3 Usufruct Agreement is the agreement between SHFC and CA wherein the latter will use the lot acquired by SHFC free for five years. After five years, the value of the lot will be added on the monthly loan amortization of the member beneficiaries (MBs) until such time that the loan will be paid.

4.4 Inventory of TCTs under UA of HDH Projects revealed that 31 TCTs acquired from February 15, 2015 to July 2016 are still in the name of the original owners despite payments of 80% of the land purchase price, details as follows:

Project Name/ Location	Name of Owner	TCT No.	TCT Qty.	Loan Amount	Land Status
AMC HOA (usufruct) Bo. of Bagumbong City of Caloocan	Bella Pilares	C-383788 C-281372 C-383787	3	26.357M	80% pd. 2/25/15
RSP HOA (usufruct) Bo. Gaya-Gaya SJ Del Monte Bulacan	Reynaldo A. Villano /Herminio A. Villano	T-298464 (M) T-176269 (M)	2	127.599M	80% pd. 3/6/15
Hope Ville Barrio Bagumbong Caloocan (usufruct) Tala Estate Bo. Bagumbong City of Caloocan	Ronaldo Mabanta/ Ester Consolacion Mabanta	C-391317	1	14.909M	80% pd. 4/6/15
Kapit Bahayan Blue Meadows (usufruct) Bo. Camarin City of Caloocan	Samuel Uy/ James Uy	214086 to 214103 214107 to 214108	20	32.431M	80% pd. 8/12/15
Malinta Waterways Alliance Corp. (usufruct) Brgy. Malinta City of Valenzuela	Carmen Angeles	013-2016002850 2853	2	57.656M	80% pd. 2/1/16
Gumamela HOA (usufruct) Bo. Sto. Cristo Mun of SJ Del Monte Bulacan	Jose Abela	T-60487 (M)	1	107.183M	80% pd. 6/7/16
Gloria Ville HOA 1 (usufruct)	Adelina Rodriguez Zaldarriaga	001-2015-004491 4492	2	26.149M	80% pd. 7/29/16
Total			**31**	**392.284M**	

4.5 There is no proof submitted to show that the transfer of titles under the name of the SHFC are in process. Thus, contrary to Section 6 of SHFC Corporate Circular No. 14-005 series of 2014 which may result to non-recovery/loss of funds in case of a third party claimant.

4.6 Specifically, the Re-Financing Project of Mabuhay West Kamias HOA 1 was approved under Board Resolution No. 362 series of 2013 for a total loan amount of P16.359 million and was fully paid by SHFC to the CA on May 10, 2016, but the title was not transferred in the name of the CA, as follows:

Project Name	Name of Owner	Location	TCT No.	Qty.	Loan Amount	Land Status
Mabuhay West Kamias HOA 1	Local Gov't. of Q.C.	Brgy Commonwealth Q.C.	004-2013006415	1	16,359,000	100 % pd. refinancing

4.7 Re-financing refers to the financing, through the HDH program of SHFC, of the previously LGU-financed development and construction of Multi-Storey Buildings for informal settler families.

4.8 The full payment of the refinanced amount was contrary to Section 5 of the Implementing Rules and Regulation (IRR) 2014-003 since the lot was not yet transferred in the name of the Community Association and with no annotation of SHFC Mortgage, which may result to non-recovery/loss of fund.

4.9 **We recommended that Management expedite the transfer of the subject TCTs in the name of SHFC for 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.**

4.10 Management commented that the refusal of the landowner to pay the capital gains tax for the 31 TCTs under Usufruct Agreement of HDH projects is the primary reason for the delay in the transfer of title in the name of SHFC. Management further stated that they have been lobbying for the exemption of HDH projects from payment of capital gains tax. Initially, Management has executed a MOA with the Bureau of Internal Revenue (BIR) where the latter committed to expedite and streamline the processes related to the issuance of certificate of tax exemption for CMP projects. Management also stated that they will continue to lobby that the agreement with regards to HDH projects will be secured. They intend to use the provision of the amended balanced housing act where *proposed socialized condominium projects* shall be exempted from the payment of capital gains tax.

4.11 Further, management commented that only the site development and building construction amount has been released in full by SHFC. The lot acquisition is not yet fully paid, per HDH Corporate Circular No. 16-009 the remaining 50% of the refinanced lot value shall only be paid upon transfer of title in the name of CA with annotation of the mortgage in favor of SHFC.

4.12 On the status of the title, the same is with the Land Management Bureau (LMB) for segregation of the lot occupied by unit owners who have in-house financing agreement with LGU Quezon City.

4.13 As a rejoinder, Management should have clarified all possible issues and must be in the agreement prior into engagement to avoid problems of similar nature.

5. Funds amounting to P350 million transferred from the Department of Interior and Local Government (DILG) to SHFC for the construction of Micro Medium Rise Buildings (MMRBs) for Informal Settler Families (ISFs) remains idle due to the absence of Trust Agreement (TA) issued by DILG which paved the way for SHFC to invests the fund to Land Bank of the Philippines (LBP) High Yield Savings Account (HYSA). Likewise, the effectivity and validity of the Memorandum of Agreement (MOA) entered into by the Department of Social Welfare and Development (DSWD) with SHFC ended on July 16, 2016. However, the MOA was not renewed and the transferred fund amounting to P10.360 million remained unutilized, thus far from achieving its objectives to the detriment of the supposed member-beneficiaries (MBs).

DILG Transferred Fund

5.1 Section II paragraph 2.3 and 2.8 of the MOA entered into by DILG and SHFC dated June 27, 2016 provides that **SHFC**: xxx

> "2.3 *Treat the fund as Trust liability and ensure that the funds released by the DILG are properly utilized for the purpose for which the same are intended and not commingled with SHFCs corporate funds. xxx*
>
> *2.8 Remit the reflows arising from the said transfer to the National Treasury pursuant to the trust agreement with DILG, and other relevant accounting and auditing rules and regulations."*

5.2 Memorandum Order No. 57 dated August 2, 2013 directed the Secretary of DILG to immediately spearhead the transfer of ISF's in danger and high risk areas to decent housing sites, as may be applicable and pave the way for clearing of clogged waterways, pursuant to DILG mandate under Republic Act. No. 6975 and Executive Order no. 262, and the provision of Urban and Development and Housing Act of 1992.

5.3 Section II of the MOA entered into by and between the DILG Secretary and SHFC President, provides that DILG shall execute Trust Agreement with SHFC for the implementation of the project while SHFCs' responsibility is to process the construction of MMRBs under the HDH Program Guidelines, its implementing rules and regulations and other applicable procedural guidelines.

5.4 The project covers the interior and waterways of Manila including but not limited to the following:

a. Estero de San Miguel in Legarda;
b. Estero de San Miguel in P. Casal;
c. Estero de San Sebastian; and
d. Estero de Quiapo.

5.5 The MOA between DILG and SHFC provides that both parties shall at all times take all necessary action to cooperate with each other, perform their respective duties and assume their responsibilities in order to achieve the over-all objective of the Project. Further, both parties have agreed to work out a plan of action which will define the exact initiatives to be undertaken along with their respective outcomes, and which shall be reviewed regularly.

5.6 The P350 million funds was received and accepted by SHFC last September 28, 2016, however, in the absence of a TA to be executed by DILG, SHFC cannot immediately implement the project that will benefit its intended ISF beneficiaries.

5.7 Review of the records shows that the TA was not executed by DILG relative to the transferred amount of P350 million as of audit date, hence, SHFC not having started to process the MMRB construction, invested the transferred amount to LBP HYSA on the following dates:

Date Invested	Amount	Interest Rate	No. of Days	Maturity Date
Sept. 29, 2016	350,000,000	1.80%	32	Oct. 31, 2016
Nov. 2, 2016	350,476,000	1.80%	30	Dec. 2, 2016
Dec. 2, 2106	350,000,000	1.85%	61	Feb. 1, 2017
Feb. 1, 2017	350,877,722	1.70%	30	March 3, 2017

5.8 Upon maturity of the investments the total proceeds and the interest earned in the amount of P896,571.20 are credited back to SHFC-HDHP bank account upon maturity of HYSA and was transferred to a newly opened account of SHFC-HDHP II on December 2, 2016.

5.9 We noted that SHFC's investment of the P350 million fund transferred is not provided in the MOA.

5.10 Thus, the intended purpose of the transferred amount which is to benefit ISFs living along waterways and danger areas within Metro Manila to relocate and acquire decent and safer housing sites, has not started.

DSWD Transferred Fund

5.11 Article III and IV of the MOA dated October 5, 2015 states that:

"Article III – 1. Duties and Responsibilities of the DSWD:

1.1 *Within fifteen (15) working days from receipt of written request from SHFC for release of funds, transfer to SHFC the amount of TEN MILLION THREE HUNDRED SIXTY THOUSAND PESOS (P10,360,000.00) for the shelter assistance of 148 Informal Settler Families(ISF) victim of "Typhoon Sendong" in Cagayan de Oro City in the amount of Seventy Thousand Pesos (P70,000.00) per ISF (See list of identified MBs attached as Annex "A"). Provided however, that the list may be amended with consent of the Parties."*

"Article III -2. Duties and Responsibility of the SHFC:

2.1 Approve the lot acquisition of the Neighborhood Association for Shelter Assistance (NASA) or Community Mortgage Program Homeowners Association prior to the release of funds for housing assistance;

2.2. Issue Official Receipt for funds transferred by DSWD;

2.3 Deposit the amount with its authorized depository bank;

2.4 Ensure completion of the housing units within six (6) months from release of funds;" (Emphasis ours)

"Article IV - EFFECTIVITY AND PERIOD OF AGREEMENT

This Memorandum of Agreement (MOA) shall take effect upon signing hereof by the parties and shall remain valid and effective for the period ***July 2015 to July 2016 subject for renewal or upon completion of the project, whichever comes first****, unless otherwise revoked earlier by both parties".*

5.12 The MOA further provides that pursuant to Article VIII of Republic Act. No. 7279, otherwise known as the Urban Development and Housing Act, the SHFC shall assist legally organized associations of underprivileged and homeless citizens to purchase and develop a tract of land under the concept of community ownership under the Community Mortgaged Program (CMP). The primary objective of the program is to assist residents of blighted or depressed areas to own the lots they occupy, or where they choose to relocate to, and eventually improve their neighborhood and homes to the extent of their affordability.

5.13 The general objectives are:

a. To assist families with damaged houses to acquire decent shelter and restore their lives to normal; and

b. To assist families in hazard prone or unsafe areas to relocate to a better and safe place.

5.14 DSWD and SHFC agreed to assist CMP member-beneficiaries (MBs) who were affected by "*Typhoon Sendong*" to relocate them and build homes in safer and livable areas.

5.15 The **validity and effectivity of the MOA ended on July 16, 2016.** However, the P10.360 million funds transferred was received by SHFC only on **July 1, 2016** and acknowledge through SHFC Official Receipt No. 96489624 dated July 4, 2016. The full amount was deposited in the SHFC Take-out Fund account.

5.16 Verification showed that the MOA was not renewed after the validity and effectivity ended on **July 16, 2016** and the project was not yet started or completed as of audit date. It must be noted that Article III of the MOA provides that the fund was

transferred/released from DSWD after a written request to release the fund from SHFC with the list of identified MBs attached, hence, there's no reason for the delay in the implementation of the Project since the suppose MBs were already identified.

5.17 Thus, the P10.360 million funds transferred to SHFC remained un-utilized, thus far from achieving its objectives to the detriment of the suppose MBs.

5.18 **We recommended that Management:**

a. Coordinate immediately with DILG on the execution of the Trust Agreement to trigger the project implementation of its duties and responsibilities to achieve the over-all objective of the Project

b. Prepare documents for the construction of MMRBs under HDH Program;

c. Ensure that the funds released by DILG are properly utilized for the intended purpose only, not comingled with SHFC's corporate funds and to terminate its investment;

d. Coordinate with DSWD for the renewal of MOA which ended on July 16, 2016; and

e. Utilize the transferred funds to achieve its objectives, for the benefit of the suppose MBs.

5.19 Management commented that the non-execution of the TA is not the primary reason why the P350 million remains unutilized. The said amount was specifically intended for site development and building construction of the High Density Housing (HDH) project for Jesse M. Robredo Village Homeowners Association, Inc. The lot acquisition phase of the project which was approved by the SHFC Board on 11 May 2016, encountered delays primarily because of the administrative transition following the election period. The new management of the Privatization Management Office (PMO), the landowner of the property which is an attached agency of the Department of Finance (DOF), wanted to have a clearance/confirmation anew from the DOF Secretary before proceeding with the next steps. The said sale of the PMO property to SHFC was confirmed only on 5 December 2016. To date, the SHFC is waiting for PMO to submit the clean title considering that they are required to remove the encumbrances appearing at the back of the title before SHFC could fully pay them. On the other hand, the homeowner's association (HOA) has yet to submit its building construction and site development plans, including the development and building permits required under the Program. Despite the delay in the implementation of the land acquisition phase, SHFC is constantly reminding the HOA to submit these requirements in order for the project to proceed.

With respect to the status of the TA, they are negotiating with DILG to allow them to use a portion of the fund not exceeding 10% as subsidy to cover expenses related to community organizing, loan documentation, capacity building, taxes and permits as well as insurance of the said project. This 10% subsidy is in accordance with the HDH Guidelines and is being adopted in other HDH projects. They are also asking the DILG that trust fund should also cover the actual administrative cost of managing the fund like

salaries, equipment and cost of collection. In addition, they are requesting that a trustee fee equivalent to 25% of the actual administrative and operational cost be deducted from the trust fund.

Further, management commented that they have opened a separate dedicated savings account for the P350 Million fund. The HYSA placement was decided upon when the fund was idle because of the delay in the implementation of above cited project. The SHFC found it beneficial to invest the fund in short term placements of 30 to 60 days where any interest earned shall accrue to the fund.

To further comply with the COA instruction, they have terminated the HYSA upon its maturity on 03 March 2017.

5.20 Management also commented that five out of the fourteen Sendong projects are currently undergoing site development and house construction and will present to the Board on March 10, 2017 the policy and procedural reforms that will expedite the completion of the projects.

Out of the 148 beneficiaries by DSWD in the Memorandum of Understanding (MOU), only 53 MBs are still active members of the CMP HOAs. For the other MBs who are inactive, SHFC will work with the LGU in identifying possible informal settler families who can come in as eligible DSWD beneficiaries. If there are no qualified DSWD beneficiaries, then SHFC will return the unutilized fund to DSWD.

SHFC will immediately coordinate with DSWD for the renewal of the MOA which expired on July 16, 2016.

5.21 Management should facilitate the TOR on the agreement with DILG and proposed funding requirement for approval, if the TA is not the primary reason.

6. Deficiencies were noted in the database for MBs of the CMP contrary to Sec. 16 (c) of Republic Act (RA) No. 7279 and Section 4 (6) of Presidential Decree (PD) No. 1445 and Corporate Circular No. CMP-001, Series of 1989, thus, the eligibility of the intended beneficiaries cannot be ascertained.

6.1 Sec. 16 of RA No. 7279, Otherwise known as the "Urban Development and Housing Act of 1992" provides that:

"To quality for the socialized housing program, a beneficiary:

a) xxx;
b) xxx:
c) Must not own any retail property whether in the urban or rural areas; and
d) xxx."

6.2 Section 4 (6) of P.D. 1445 states that;

"Claims against government funds shall be supported with complete documentation."

6.3 Under Section 6 of NHMC Corporate Circular No. CMP-001, series of 1989, Members of the Community Associations shall satisfy the following requirements:

6.1 If a member of the GSIS, SSS or HDMF, he must be a good member in good and active standing and must not have secured a housing loan from any of these institutions. xxx

6.2 If not an active member of any of the aforementioned institutions, he should issue an affidavit to this effect.

6.4 Review of the Master-list of the MBs of Community Associations under CMP disclosed that the database for CMP contains incomplete information of the member beneficiaries, summarized as follows:

Particulars	No.	Annex
Members without complete middle name	277,914	A
Members without birth date	123,488	B
Members with similar/same name (same first name, surname & middle initial)	4,494	C
No monthly income information	62,289	D

6.5 In the absence of the complete data required in the Masterlist, we cannot validate and ascertain the eligibility of the intended beneficiaries as prescribed by the foregoing issuances.

6.6 **We recommended that Management:**

a. Validate and complete the database of MBs to ascertain the eligibility of the intended beneficiaries who avail of the housing units under the CMP; and

b. Ensure proper coordination with other housing agencies to avoid double availment.

6.7 Management commented that, presently they are requiring this information in the improved Masterlist of Beneficiaries and Loan Apportionment (MBLA). Also, they are implementing the recommendation of the Commission on Audit (COA) concerning the validation of the information/data of member-borrowers and the coordination with the other housing agencies on the double availment during processing of new project application and before release of loan proceeds. For this, they have been using the database of Double Availers Monitoring System (DAMS) and the HUDCC Online Alpha Listing of Beneficiaries since the 2nd quarter of 2014. However, the validation from the said databases are limited by the following information contained therein.

a. **DAMS** contains list of CMP beneficiaries only;

b. CMP beneficiaries whose loans were processed and taken-out by NHMFC do not have complete information concerning their middle name, date of birth, and monthly income; and

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a. **DAMS** contains list of CMP beneficiaries only;

b. CMP beneficiaries whose loans were processed and taken-out by NHMFC do not have complete information concerning their middle name, date of birth, and monthly income; and

c. HUDCC Online Alpha Listing of Beneficiaries is not updated; the one we are using contains the data/information of beneficiaries from the different housing agencies (NHMFC, HGC, NHA, &SHFC) which was last updated in 2011.

6.8 Furthermore, the stated that considering the limitation of data/information that can be secured from such source/s, we experienced difficulty in doing a complete validation of intended beneficiaries to determine their eligibility detection of possible double availment.

6.9 Management also commented that to address this concern, their Information System Department (ISD) is currently developing the Operation Support Information System (OSIS), which contains detailed information about the CMP projects (i.e., taken-out, with approved Letter of Guaranty and currently in process), including information on CMP beneficiaries (i.e., full name, sex, birth date, household income, etc.) Said system is expected to aide them in the validation on the member-beneficiaries of new CMP applications/projects to avoid double availment. However, they noted that it only a part of the interim system that the Corporation is currently implementing, pending full implementation of the Information System Strategic Plan (ISSP). They are also in constant coordination with the HUDCC for an updated and enhanced database of beneficiaries of all government housing programs to establish the eligibility of CMP applicant-borrower to the Program.

ABOT KAYA PABAHAY FUND (AKPF)

7. There are lapses in management and implementation of AKPF which are contrary to the Trust Agreement entered into by and between the NHMFC and the SHFC resulting in the following deficiencies that expose SHFC to non-recovery of the loan exposure.

7.1 Section I of the Trust Agreement states that:

> "The Trustor hereby entrust, assigns, transfers and delivers unto the Trustee, outstanding balance of CMP funds and Mortgage Contract Receivables per project, xxx, **for the sole purpose of performing in herein TRUSTOR's behalf, the latter's power and functions with respect to the administration, management, development and implementation of CMP and AKPF Programs as well as other social housing functions of the TRUSTOR,** exclusively for the purpose provided under RA 7279 with respect to the CMP and RA 6846, for AKPF, both amended by RA 7835."

7.2 Audit of AKPF accounts disclosed the following deficiencies:

7.3 A total of 202 Transfer Certificates of Title (TCTs) remain unaccounted and undelivered by three developers who availed of the Developmental Loan Projects in violation of Section 3.02 of the Loan Agreement and Trust Receipts, thus, the risk that the TCT/s and Corporation loan exposure may not be recovered.

7.3.1 Section 3.02 (b) of the loan agreement further provides that:

"NHMFC will lend the certificate of title (TCT) to the borrower so that the same may be cancelled and replaced with individual titles corresponding to the smaller lots into which the land shall have been subdivided in accordance with the approved subdivision plan of the Land, provided that the annotation of the Real Estate Mortgage on the mother title shall be reproduced and carried over on each of the said individual titles. "

7.3.2 Trust receipts are the acknowledgment of the borrower on the TCT of the mortgaged property released for the purpose of cancellation and sub-sequent re-issuance of re-subdivided titles as well as the annotation of the corresponding lien at the back thereof. The purpose should be accomplished and returned within 30 working days from the date of acknowledgement receipt. The individualized annotated title serves as safeguard for SHFC of its loan exposure to developer and member borrowers.

7.3.3 Inventory of 202 TCTs under the **Acquired Assets** revealed that there were 202 unaccounted TCTs, as follows:

Projects	No. of TCTs/per Agreements	Released	Should be	TCTs in custody as of inventory July 22, 2016	Unaccounted
Villa Haniya Subd.	350	23	327	129	198
Evergreen Subd.	79	-	79	78	1
Cristina Homes II	84	-	84	81	3
Total unaccounted TCTs					**202**

7.3.4 Verification disclosed that the unaccounted TCTs was due to the Developers failure to return the TCTs as agreed in the Trust Receipts.

7.3.5 Thus, there is a remote possibility that the TCTs may be recovered and no consolidation of titles to NHMFC may take place which will result in the loss of funds in case of default.

7.4 Nine developers were able to avail of a loan amounting to P134.50 million under AKPF despite non-compliance with schedule of completion for the land development and housing construction contrary to the Section 4 (4.02) of Memorandum of Agreement and Section 2.02 of the Loan Agreement. Thus, a very low percentage of development and the return of investment on the loan exposure, after 19-21 years remains nil.

7.4.1 Memorandum of Agreement Section 4 Covenants (4.02) states that :

The proponent hereby covenants and agrees that;

*"it will develop the Land and subdivide the same into smaller lots strictly in accordance with the mutually approved plans and specifications and within the schedule of completion as provided in the Exhibit D of the Loan Agreement; it will complete the development/construction of the Project within the seventeen (17) months from the date of release of **initial proceeds of the loan**, xxx."*

In accordance with the Loan Agreement Section 2.02:

"NHMFC will conduct a periodic assessment of the project of gauge the updated value of the collateral. On the basis of adequate security, it will advice the borrower of the maximum loan release for the subject period. Correspondingly, the borrower avails of the subsequent drawdowns pursuant to the requirements outlined in this section.

7.4.2 Management conducted a Collateral Analysis in each loan drawdowns. Evaluations are based solely on the collateral surplus of the projects computed as follows:

Collateral Surplus:

	Collateral Value
Less:	Outstanding Obligation
	Collateral Surplus

Collateral Value:

	Rawland Value
Add :	Land Development Cost (% of completion x estimated cost)
Add :	Housing Development Cost (% of completion x estimated cost)
	Collateral Value

7.4.3 Review of the supporting documents on the Acquired Assets disclosed that management relied on the value of collateral regardless of the very low percentage of completion of the projects. Developers were able to availed 100% developmental loans aggregating to P134.50 million. Details below:

Projects	collateral surplus	Loan Releases	Date Releases	Land Development /1	Housing Development /2
1. Catbalogan City Homes (FHL Realty)		4,000,000	Oct-96	0.00%	0.00%
	9,556,234	6,000,000	Dec-96	28.34%	15.00%
	11,875,387	4,000,000	May-97	49.46%	16.43%
	8,068,753	4,000,000	Dec-97	56.39%	15.47%
	2,461,733	5,000,000	Aug-98	56.39%	15.47%
Total		***23,000,000***			
2. Cristina Homes (Truman Builders)		1,500,000	Jun-97	0.00%	0.00%
		2,000,000	Oct-97	42.78%	0.00%
		2,000,000	Oct-98	58.43%	5.84%
Total		***5,500,000***			
3. Villa Hinaya I (Bluejay Builders)		2,000,000	Nov-96		
	2,395,128	3,000,000	Dec-96	1919%	0%
	3,446,561	2,000,000	Feb-97	48.69%	5.86%
	4,539,137	2,000,000	Mar-97	60.55%	23.47%
Total		***9,000,000***			
4. Rivera Heights Subd. (JC Rivera Eng'g.)		9,000,000	Jan-98	0.00%	0.00%
	10,867,554	7,500,000	Mar-98	23.22%	0.00%
	9,923,497	5,500,000	Jun-98	43.49%	0.10%
Total		***22,000,000***			
5. Cristina Homes II (F.D. Magbitang)		6,000,000	3-Jul	0.00%	0.00%
		4,000,000	4-Mar	42.21%	0.00%

Projects	collateral surplus	Loan Releases	Date Releases	Land Development /1	Housing Development /2
	12,964,951	4,000,000	4-May	51.76%	9.00%
	7,731,710	4,000,000	5-Feb	55.14%	19.15%
Total		***18,000,000***			
6. Juel Country Homes (Juel Estate Land)		4,000,000	Feb-97	0.00%	0.00%
	1,181,066	4,000,000	Jul-97	22.64%	0.00%
	163,328	4,000,000	Nov-97	40.52%	8.52%
	807,979	1,000,000	Apr-98	55.00%	9.66%
Total		***13,000,000***			
7. Olympia Village (St. Raphael Const.)		1,500,000	Apr-97	0.00%	0.00%
	2,301,613	1,500,000	Sep-97	27.30%	0.00%
Total		***3,000,000***			
8. UPLB-Onapup Village (San Marco Realty)		2,700,000	Mar-98	0.00%	0.00%
	7,259,511	4,300,000	Apr-98	91.28%	22.04%
	6,395,305	2,000,000	Jul-98	91.28%	30.27%
Total		***9,000,000***			
9. Evergreen Subd. (BM Maglaqui Const.)		2,000,000	Jun-97		
	69,864	2,500,000	Dec-97	35.33%	0.00%
	2,564,905	1,500,000	Jul-98	48.75%	15.04%
Total		***6,000,000***			
10. La Vista Subdivision (P.S. Enterprise)		7,000,000	May-97	0.00%	0.00%
	39,262,221	7,500,000	Jun-97	19.45%	0.00%
	39,445,574	3,500,000	Aug-97	36.25%	4.21%
	43,993,426	3,000,000	Oct-97	49.70%	9.73%
		5,000,000	Mar-98		
Total		***26,000,000***			
Total		**134,500,000**			

/1 Land Development pertains to the site preparation, road construction, drainage/sewerage system, water distribution system and power system.
/2 Housing Development refers to housing construction.

7.4.4 Repayments should have been taken from the sales proceeds of the residential units to be constructed on the property. However, with the current condition after 19-21 years the property remain undeveloped and cannot be disposed/sold out due to non compliance with the required physical accomplishment of the land development and house construction.

7.4.5 NHMFC also failed to imposed the provisions requiring compliance prior to release. Thus, recovery of loan exposure if not completed was nil since development of the project is contrary to Section 4 (4.02) of Memorandum of Agreement and Section 2.02 Loan Agreement.

7.5 The existence of third party claimants on the property mortgaged for a Subdivision and the foreclosed property of a Subdivision Projects cast doubts on the recovery of capital exposures amounting to P22.00 million and P26.00 million, respectively and on the legality of the rights/ownership of the property.

7.5.1 Section 3.02 states that:

(a) the mortgage shall be a first and superior lien and the property to be mortgage shall be free from any and all liens and encumbrances other than this mortgage. (emphasis ours)

7.5.2 ***Rivera Heights Subdivision***

a. Per Trust Receipt Agreement executed between NHMFC and J.C. Rivera as developer of Rivera Height Subdivision, the collateral of the Developmental Loan was covered by TCT No. 196001 which was released back to the developer for individualization into 757 TCTs and should be returned within fifteen (15 days).

b. Out of 757 TCTs, only 475 Titles were returned to NHMFC. On the validation of the balance of 282 TCTs, 242 Titles were given by J.C. Rivera to various suppliers as payment for the credit line and the 40 TCTs was declared missing.

c. Upon validation of SHFC on the TCT No. 19600 with the Registry of Deeds, they found out that on September 19, 2006, the Assessor's Office of Balanga, Bataan, sold the subdivided properties with corresponding individualized TCTs of TCT No. 196001 at public auction pursuant to Section 260 of the Local Government Code for delinquencies/nonpayment of realty tax from second quarter of 1998 to 2005.

Since there was no bidder, the property was sold to the Province of Bataan.

d. SHFC sent a letter on March 20, 2015 to the Provincial Legal Office expressing intent to repurchased the property covered by TCT No. 196001.

e. However, on October 1, 2015, the Chairman/Administrator of Authority for Freeport Area of Bataan (AFAB) expressed its opposition to the request of SHFC to repurchased the property since records showed that the OCT where TCT No. 196001 emanated was issued only on March, 1974 of more than three (3) years after issuance of Proclamation No. 740 s. 1970 and amended by Proclamation No. 900 s. 1971.

f. The area reserved under the proclamation was intended for the housing site purposes of the Free Trade Zone Authority (now AFAB) in Mariveles, Bataan, the disposal of the property needs the approval of the President of the Philippines.

g. Based on the site inspection/appraisal conducted by Trust Administration Department (TAD) dated February 4, 2016, Registry of Deeds of Bataan issued a certification that the Original Certificate of Title (OCT) T-185509 cannot be found or was presumed to be lost.

7.5.3 ***La Vista Subdivision***

a. In 1997, a Joint-Venture was entered into by P.S. Enterprises and the representative heir of the property with an aggregate area of 102,699 square meters covered by thirty one (31) TCTs located at San Rafael, Tarlac City.

The said joint venture authorized P.S. Enterprises to apply for a Developmental Loan Program of La Vista Subdivision. The amount of P26 million was approved

by the Board on May 23, 1997. The proceeds of the loan was released in four tranches to the representative of the Enterprise.

However, the Enterprise representative did not inform the owners of the lots whose loan was approved. According to the owners they were deceived by the said representative.

b. Last August 7, 2008, the property was foreclosed by SHFC with the loan amount of P26.513 million due to non-payment of its obligation. An Invitation to Bid and Notice of Sale was published announcing that the property was offered for sale on October 12, 2008 and again on January 25, 2009. Since there was no bidder, it was offered for negotiated sale on January 25, 2009 to the Organization of Socialized Housing Developers of the Philippines (OSHDP), Chamber of Real Estate and Builders Association (CREBA), Subdivision and Housing Developers Association (SHDA) and the Local Government Unit (LGU) where the property is located.

Two bidders offered to purchase the property, Fiesta Community Inc. (FCI) for the amount of P28.00 million and the owner for the amount of P27.61 million. Since the highest bidder is FCI, BAC Committee declared FCI as the winning bidder and awarded the property on "as is, where is" basis.

c. Validation of the collateral TCTs revealed that TCTs were annotated with ***LIS PENDENS.***

The affiant and Attorney-in-fact of landowners of the said property, filed an Affidavit of Adverse Claim dated June 23, 2014 stating that:

xxx

"NHMFC or SHFC has no right to offer the aforementioned parcels of land for sale or on auction at the public or third parties, since the mortgage is fatally defective, and without any force and effect, for lack of payment of the price of the land to the landowners since it was offered by the developer sometime or more or less in year 1997.

Incidentally, after the questionable mortgage and loan were allegedly released for the land development of the proposed site, without informing owners, to their surprise, there were non-compliance of the developer and the owners were not notified of any demand to foreclose or auction the property, in violation of due process."

d. Due to above noted deficiencies, there are doubts on the recovery of capital exposures and the legality of the rights/ownership on the property.

7.6 A total of 726 TCTs of acquired properties with loan amounting to P66 million were not consolidated in the name of the NHMFC notwithstanding the lapse of eight to 14 years after the expiration of one year redemption period, thus, resulting in the delay in the disposal of asset and exposing the property to further depreciation or deterioration.

7.6.1 Inventory of TCTs on July 22, 2016 showed that 726 TCTs were not in name of NHMFC and no Certification of Sale was found on hand, however, these accounts were recorded as Acquired Assets.

	Loan Amount	No. of TCTs	Mode of Acquisition	Date Acquired	No. of years w/out consolidation
Juel Country Homes	13.0 M	338	Dacion	05/02/02	14
UPLP-Onapup Village	9.0 M	173	Dacion	05/02/02	14
Olympia Village	3.0 M	54	Dacion	05/02/02	14
Villa Haniya Subdivision	9.0 M	129	Foreclosed	11/30/03	13
La Vista Cruz	26.0 M	31	Foreclosed	08/07/08	8
Evergreen Subdivision	6.0 M	1	Foreclosed	07/03/02	14
Total	**66.0 M**	**726**			

7.6.2 Thus, the non-consolidation of the 726 TCTs in the name of NHMFC will result in the delay of disposal of the properties and the recovery of the loan exposure. The property are also exposed to further depreciation/deterioration.

7.7 We recommended that Management:

a. Undertake immediate legal action to secure/recover the financial exposure on the abovementioned projects and update this office of the status of action taken considering the period that lapses;

b. Initiate disposal of acquired properties to prevent further deterioration and loss of funds; and

c. Determine the persons liable for the deficiencies noted and file appropriate administrative action for failure to perform their functions.

7.8 Management commented on the above lapses/deficiencies, as follows:

A. <u>For Villa Haniya Subdivision – 198 unaccounted TCTs</u>

7.8.1 Trust Receipt was issued by NHMFC/SPD on September 29, 1997 by the Proprietor/General Manager of Bluejay Builders and Supplies for the temporary release of one title (TAF 2820) with an area of 47,569 m^2 to effect unitization/individualization but the developer failed to return some of the titles after the lapse of the Trust Receipt.

7.8.2 Of the 350 individualization titles per agreement, only 152 titles were returned to NHMFC by the proponent. Of this, 23 titles were already released leaving a balance of 129 titles in custody of NHMFC. A total of 198 titles were not returned by the proponent.

7.8.3 Due to lapse of the Trust Receipts and issue of unreturned titles, this was endorsed to the NHMFC Vice President, Legal Group for appropriate legal action on January 26, 1999 by the then Manager of Special Projects Department. It appears

though that there was no further action taken on the issue until the responsibility of the account was turned over to SHFC by virtue of E.O. 272.

7.8.4 A check with LRA's on line validation of the whereabouts of the titles of Villa Haniya I will be undertaken immediately. If it will not be fruitful, however, we will verify the titles whereabouts with the Registry of Deeds of Lanao Del Sur if peace and order situation in the area permits.

B. For Evergreen Subdivision

7.8.5 SHFC-AKPF will verify with NHMFC and developer if the unaccounted title was submitted to NHMFC.

C. For Cristina Homes II Subdivision

7.8.6 The three (3) unaccounted titles are currently kept in the AKPFs vault for presentation to Registry of Deeds – Cabanatuan City for annotation of COS.

a. NHMFC granted a developmental loan to Assumpta Foundation, Inc. amounting to P13 million of which the mother title was annotated, however, the annotation was not carried over in the 87 remaining individualized titles.

The proponent's total repayments from 1996 to 2005 amounted to P9,275,712 through take-outs under CMP and HDMF funds leaving a principal balance of P3,724,288. A receivable from NHMFC representing payments for the take out of 43 units amounting to P3,559,585 will further reduce the principal balance to only P164,703.

The Trust Department will immediately annotate the individualized titles after which foreclosure proceedings will be initiated against Assumpta Foundation, Inc. for non payment of the loan.

b. For the nine (9) acquired properties, three were dacioned and six were foreclosed, while they are processing the transfer of titles to SHFC's name simultaneously they will proceed to re-appraisal and publication of these properties for public bidding except for three (3) projects namely: Rivera Heights Subdivision, Evergreen Subdivision, and Vista Cruz Subdivision.

D. Rivera Heights Subdivision

7.8.7 On the claim of the Authority for Freeport Area of Bataan (AFAB) by virtue of Proclamation No. 740 s. 1970 and amended by Proclamation No. 900 s. 1971, SHFC will continue to pursue legal/recovery efforts on the property or find another property/ies of J.C. Rivera that may serve as substitute collateral.

E. La Vista Cruz Subdivision

7.8.8 The adverse claim was purposely annotated by the former landowner (redemption period had lapsed) just so SHFC have difficulty in disposing the property which is now subject of a case filed in the Ombudsman against the Board and Management filed by the same former landowner after the Board decided to disapprove

the negotiated sale in her favor, hence, they cannot initiate disposal of the property because of the pending case arising from the previous attempt to sell.

7.8.9 NHMFC's policy then was to save on the huge registration expenses and the attempt to sell everything on an "as-is, where-is" basis. In the *dacion en pago* guidelines, the proponent were given two years to repurchase the ceded properties. After the lapse of two years, no registration was undertaken by NHMFC, hence, the task and concomitant cost were left to SHFC. With the lapse of time, considerable penalties/surcharges were incurred, thus, a substantial impact on the trust fund will accrue if registration is pursued at this point. However, registration and eventual consolidation will still be pursued based on COA recommendation, with hope that recovery may be achieved when properties are finally disposed or sold.

7.8.10 The Trust Administration Department (TAD) is now in the process of transferring these properties to SHFC's name. As part of the process, SHFC has already updated the payments of realty taxes being one of the requirements. Management already secured some documentary requirements such as tax declarations, certificates of no improvement and tax clearances. After which these will be submitted to BIR together with the payments of Capital Gains Tax and Documentary Stamp Tax.

8. A member of the Board of Directors whose appointment ended on December 31, 2016 and for re-appointment was allowed to avail the SHFC Vehicle Acquisition Assistance Program which is contrary to Section 8 (d) and 13 (b) of Executive Order No. 24 dated February 10, 2011 and COA Circular 2012-003 dated October 29, 2012, constituting irregular disbursements, thus, not beneficial to the interest of the government.

8.1 Section 8 (d). Compensation Structure of EO No. 24 – The compensation of members of the Board of Directors/Trustees shall have the following components:

a. xxx;
b. xxx;
c. xxx; and
d. Salaries, Allowances, Benefits and other Bonuses shall not be allowed unless specifically authorized by law or Charter and approved by the President, provided that the total of foregoing compensation and per diems shall not exceed the limits stipulated under Sections 9 and 10 hereof.

Section 13. Compliance –

"b) The Board of Directors/Trustees of all Non-chartered GOCCs, including all subsidiaries, are hereby directed to pass Board resolutions adopting or reiterating the provisions contained in the Executive Order to govern the compensation and reimbursable expenses of the members of the Board of Directors/Trustees in their respective corporation."

8.2 Further, the GCG letter reply dated September 13, 2016 on the clarification made by the previous Audit Team Leader, "whether the grant of car loan to non-salaried members of the Board of Directors is to be considered as incentive" states that pursuant

to Section 23 of R.A. No. 10149, the Governance Commission issued Memorandum Circular No. 2012-02(Re-Issued) which established the interim rules governing the compensation of Board of Directors of GOCCs. The rules therein were written pursuant to E.O. No 24 as one of the legal basis. Furthermore, upon approval of E.O. No. 203, s. 2016, the Governance Commission issued GCG M.C. No. 2016-01. In both Memorandum Circulars, the Governance Commission states that the compensation of GOCC Board of Directors is limited to (1) per diems; and (2) Performance-Based Incentives (PBI) only. Car loans extended to Board of Directors do not form part of the Compensation System of the Appointive Directors of GOCC Governing Board of Directors.

8.3 Review of Car Loan receivables for CY 2016 disclosed availments of vehicles under the SHFC Vehicle Acquisition Assistance Program No. 169, Series of 2009, in the amount of P1.2 million under the name of a Board of Director on February 22, 2016, which appointment ended on December 31, 2016 and currently waiting for the official re-appointment letter as Board of Directors.

8.4 AOM No. SHFC-CM-2016-04(15) was issued last February 29, 2016 on the same audit observations noted by the previous Audit Team on the availment of vehicles under the SHFC Vehicle Acquisition Assistance Program No. 169, Series of 2009, by the two Board of Directors in the total amount of P1.825 million.

8.5 Moreover, the OR and CR in custody of the Chief of Division, Procurement, Admin Department, as a security of the car loan were not annotated/encumbered under the name of SHFC by the Registry of Deeds(RD).

8.6 The car loan granted to the Board of Directors constitute irregular disbursements thus, becomes due and demandable, and is deemed not beneficial to the interest of the government.

8.7 **We recommended that Management:**

a. Require the members of the Board who availed SHFC Vehicle Acquisition Assistance Program No. 169, Series of 2009, to refund the amount of car loan granted to conform with the provisions of Section 8(d) of E.O. No. 24, otherwise, the same will be disallowed in audit;

b. Request the Board of Directors to pass amendments on SHFC Board Resolution no. 169, series of 2009 adopting or reiterating the provisions contained in EO No. 24 governing the compensation and reimbursable expenses of the members of the Board of Directors/Trustees; and

c. Require the annotation of OR and CR by the RD to ensure the recovery of its loan exposure, and cancel the same upon full payment of the loan.

8.8 Management commented that they have sought the opinion of the Governance Commission for GOCC's (GCG) on the matter, copy of which letter is enclosed for the auditor's reference. As can be recalled, a similar AOM was issued by the COA Auditor on 29 February 2016 which triggered a GCG letter to COA dated 13 September 2016.

Our latest letter to GCG on the matter is in effect a request for reconsideration on the earlier issued opinion.

8.9 They shall inform the auditor of GCG's reply immediately upon the receipt of the same and forward our reply/plan of action to COA after consulting the Board, taking into account both COA and GCG's positions on the matter.

9. The garnishment of P71.03 million on the SHFC Peso Time Deposit with the Development Bank of the Philippines is contrary to Section 4 (1) of Presidential Decree (PD) No. 1445, Section 1 of Rule II and Section 2 of Rule VIII of the 2009 Revised Rules of Procedure (RRP) of the Commission on Audit (COA) dated September 15, 2009.

9.1 *Section* 4 (1) of PD No. 1445 provides that:

"No money shall be paid out of any public treasury or depository except in pursuance of an appropriation law or other specific statutory authority."

Section 1 of Rule II of 2009 RRP of COA states that:

"Section 1. ***General jurisdiction.*** *- The Commission on Audit shall have the power, authority, and duty to examine, audit and settle all accounts pertaining to the revenues and receipts of, and expenditures or uses of funds and property, owned or held in trust by, or pertaining to the Government, or any of its subdivisions, agencies, or instrumentalities, including government-owned and controlled corporations with original charters, and on a post-audit basis: (a) xxx; (b) xxx; (c) other government-owned or controlled corporations and their subsidiaries; and (d) xxx.*

The Commission shall have exclusive authority subject to the limitations in Article IX of the Constitution, to define the scope of its audit and examination, establish xxx, or uses of government funds and properties.

Specifically, such jurisdiction shall extend over but not be limited to the following cases and matters:

1. xxx;
2. Money claims due from or owing to any government agency; xxx
3. In coordination with appropriate legal bodies, collection of indebtedness found to be due a government agency in the settlement and adjustment of its accounts by the Commission."

Section 2 of Rule VIII of 2009 RRP of COA states that:

"Section 2. ***Money claim.*** *- A money claim against the government shall be filed directly with the Commission Secretary in accordance with the following:*

Petition. *- A claimant for money against the Government, whose claim is cognizable by the Commission Proper, may file a petition. The party*

Our latest letter to GCG on the matter is in effect a request for reconsideration on the earlier issued opinion.

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***Petition.** - A claimant for money against the Government, whose claim is cognizable by the Commission Proper, may file a petition. The party*

seeking relief shall be referred to as "Petitioner" and the government agency or instrumentality against whom a claim is directed shall be referred to as "Respondent". Xxx.

Contents of Petition. *- The petition shall contain the personal circumstances or juridical personality of the petitioner, a concise statement of the ultimate facts constituting his cause of action, a citation of the law and jurisprudence upon which the petition is based and the relief sought. Xxx.*

Filing of Petition. *- The petition shall be filed with the Commission Secretary, a copy of which shall be served on the respondent. Xxx.*

Order to Answer. *- Upon the receipt of the petition, the Commission Secretary shall issue an Order requiring respondent to answer the petition within fifteen (15) days from receipt thereof*

Answer. *- Within fifteen (15) days from receipt of the said Order, the respondent shall file with the Commission Secretary an Answer to the petition. The answer shall be accompanied by certified true copies of documents referred to therein together with other supporting papers. Xxx.*

Reply. *- Petitioner may file a Reply, copy furnished the respondent, within fifteen (15) days from receipt of the Answer.*

Comment by Concerned Offices. *- Money claims, except court-adjudicated claims, shall first be assigned by the Commission Secretary to the appropriate Central or Regional Office, for comment and recommendation prior to referral to the Legal Services Sector for preparation of the decision and formal deliberation by the Commission Proper."*

9.2 Our review of the Cash in Bank-Time Deposit account revealed that a total amount of P71.030 million was garnished with DBP's Managers Check No. 0001578719 dated April 01, 2016 deposited under the name of the National Conciliation and Mediation Board (NCMB) in favor of SOHEAI with Official Receipt No. 9457634 dated April 04, 2016 in lieu of urgent Exparte Motion from Labor Case per JEV No. 2016040118 dated April 30, 2016. Further, our validation disclosed that no money claim was filed with the Commission Secretary to support said garnishment contrary to Section 2 of Rule VIII of RRP of COA.

9.3 Note 27 to financial statements of the SHFC for the calendar year 2015 disclosed that the Social Housing Employees Association, Inc. (SOHEAI), a bona fide employees' union, has a money claim against SHFC in a labor case filed with the Office of the Panel of Voluntary Arbitrator (OPVA), Department of Labor and Employment (DOLE), docketed as Case No. AC-973-RCMB-NCR-LVA-024-01-19-2014 entitled, SOHEAI versus SHFC, regarding the discontinued benefits under the Collective Bargaining Agreement and the State of the Nation Address Bonus with an estimated amount of P70.228 million. The OPVA has already issued a Notice of Decision dated May 12, 2015 in favor of SOHEAI

as well as a Writ of Execution on September 21, 2015 directing the garnishment of the amount from the SHFC funds.

9.4 On November 11 and 13, 2015, DBP filed a Manifestation/Comment and Supplemental Manifestation/Comment, respectively, to set aside the Order dated October 28, 2015 and a new Order be issued directing Complainant to file the claim before COA in accordance with applicable laws, rules and regulations and settled jurisprudence on the matter. However, on December 2, 2015, SOHEAI filed a complaint for indirect contempt against the DBP officers for not complying on OPVA's Order to deliver the check and deposit the same to the cashier, NCMB – Central Office.

9.5 It should also be noted that under the Supreme Court Administrative Circular No. 10-2000 issued on October 25, 2000 captioned "*Exercise of Utmost Caution, Prudence and Judiciousness in the Issuance of Writs of Execution to Satisfy Money Judgments Against Government Agencies and Local Government Units*" provides that:

> *"Xxx. Disbursements of public funds must be covered by the corresponding appropriation as required by law. The functions and public services rendered by the State cannot be allowed to be paralyzed or disrupted by the diversion of public funds from their legitimate and specific objects, as appropriated by law.*
>
> *Moreover, it is settled jurisprudence that upon determination of State liability, the prosecution, enforcement or satisfaction thereof must still be pursued in accordance with the rules and procedures laid down in P. D. No. 1445, otherwise known as the Government Auditing Code of the Philippines (Department of Agriculture v. NLRC, 227 SCRA 693, 701-02 [1993] citing Republic vs. Villasor, 54 SCRA 84 [1973]). All money claims against the Government must first be filed with the Commission on Audit which must act upon it within sixty days. Rejection of the claim will authorize the claimant to elevate the matter to the Supreme Court on certiorari and, in effect, sue the State thereby (P. D. 1445, Sections 49-50)."*

9.6 The amount garnished represent a portion of collection from the borrowers deposited at DBP.

9.7 **We recommended that Management submit a copy of money claim filed with the Commission including its supporting documents to support the P71.03 million garnished amount.**

9.8 Management commented that on December 11, 2015, SHFC had informed the Office the Auditor of the status of this case especially on the actions taken by the SHFC Board by requesting the OGCC (SHFC's legal counsel) to file pleading before the Court of Appeals (CA) to issue a TRO against the OPVA's order to DBP to release the garnished amount. On April 13, 2016, SHFC updated status of the SOHEAI's case particularly on the issuance of contempt order against DBP officers and the release of a check in favor of the National Conciliation and Mediation Board (NCMB). Hence, SHFC had consistently and persistently tried to legally prevent the release of the garnished amount to SOHEAI.

9.9 Management further stated that based on Section 1 and 2 of the COA Rules and Procedures on who is the proper party that should file the money claim, it should be the SOHEAI, as the petitioner, that should file the money claim with COA. Conversely, SHFC would have been the **respondent** in the said case. As such, SHFC is not the real party in interest to file the money claim with COA. Upon inquiry, SOHEAI failed to file any money claim with COA.

10. Status of Suspensions, Disallowances and Charges

10.1 The total audit suspensions, disallowances and charges and settlements as at December 31, 2016 are shown below:

Particulars	Balance, 1/1/2016	Issued This Period	Settlement This period	Balance, 12/31/2016
Notice of Suspension (NS)	*4,105,500	71,030,478	-	71,030,478
Notices of Disallowance (ND)	1,630,000	*4,105,500	522,000	5,213,500
Notice of Charge	-	-	-	-

* NS maturing into ND

10.2 The NS issued for the year pertains to the garnished peso time deposit at DBP including bank charges amounting to P71.030 million enforced by an Urgent Exparte Motion from case AC-973-RCMB-NCR LVA-024-01 titled SOHEAI vs. SHFC. The NS will mature into an ND on March 22, 2017.

10.3 ND amounting to P1,630,000 and P4,105,500 has become final and executory under Notice of Finality of Decision (NFD) dated June 29, 2016 for the additional cash gift and October 26, 2016 for the grocery subsidy, respectively and under COE dated October 17, 2016 for the additional cash gift only. Notice of Settlement on Suspension, Disallowances and Charges (NSSDC) Nos. 2016-01 to 18 dated October 14, 2016 were issued in settlement for this period.

PART III –

STATUS OF IMPLEMENTATION OF PRIOR YEARS'AUDIT RECOMMENDATION

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Out of 57 audit recommendations for both SHFC and AKPF embodied in the prior years' Annual Audit Report, 12 were fully implemented, 37 were partially implemented and eight were not implemented.

A. Social Housing Finance Corporation

Observations and Recommendations	Actions Taken
2015 and 2014	
1. The undistributed collections (UC) in the total amount of P372.63 million and P344.15 million in CYs 2015 and 2014, respectively, remained unposted/unapplied to Loan Installment Receivable (LIR) and other affected accounts due to the absence of policy on the proper and timely allocation of UC to the appropriate borrowers' accounts, thus, overstating the LIR account and understating the affected accounts as at December 31, 2015 by the same amounts, thereby adversely affecting the fair presentation of the account balances in the financial statements.	
We reiterated our prior years' audit recommendations that Management:	
2015	
a. Conduct a continuous reconciliation of accounts to minimize the accumulation of UC; and	Recommendations a and b were not implemented. The amount of UC accounts increased by P67.713 million from CY 2015 to CY 2016.
b. Adjust the LIR and the affected accounts, accordingly	
2014	
c. Formulate the guidelines for the proper and timely allocation of undistributed collections to the appropriate accounts;	Partially implemented. Management directed the concerned employees to strictly implement Corporate Circular No. 09-012.
d. Fast track the completion of the Restructured Loan Module to address the timely allocation of UC account; and	Partially implemented. Posting and reconciliation of collections from this account is

Observations and Recommendations	Actions Taken
	ongoing. Total collection of P31.87 million as of December 31, 2015 was significantly reduced to only P10.36 million in 2016 or 67.50% lower than 2015 level. The observations and recommendations were reiterated in Observation No.1 of this report.
e. The Information Systems and Finance and Controllership Departments to undertake set of activities to ensure that the developed program procedures on restructured loan processing would reduce the amount of "Undistributed Collections" and the proper posting and recording of loan amortization payments to the member-beneficiaries subsidiary ledger.	Partially implemented. An interim collection system has been developed by the Information Systems Department (ISD).
<u>2015</u> 2. The physical balance of inventory accounts differs by P2.025 million against the general ledger (GL) balance, contrary to the provisions of Section 58 of Presidential Decree (PD) No. 1445 and Section 15 of PAS 1 – Presentation of Financial Statements, thus, casting doubt on the accuracy and reliability of the account balance as at December 31, 2015.	
We recommended that Management:	
a. Reconcile the discrepancy between the GL balance and the results of the physical inventory count and prepare adjusting entries, if necessary; and	Partially implemented. FCD already effected some of the adjustments made as a result of the reconciliation with the GSD.
b. Prepare the monthly RAAF to facilitate the reconciliation with the balance presented in the financial statements.	Partially implemented. Reconciliation with Procurement Service Department of Budget and Management (PS DBM) on the remaining amount of discrepancy for the office supplies inventory is on-going and awaiting PS DBM confirmation.

Observations and Recommendations	Actions Taken
	The recommendations are hereby reiterated.
3. The Grocery Subsidy benefit was not included in the total taxable income received by SHFC employees and officers contrary to Section 2.78.1 (B)(11) of the Bureau of Internal Revenue (BIR) Revenue Regulations No. 2-98 dated April 17, 1998, as amended, resulting in the total withholding tax (WT) deficiency on compensation amounting to P3.072 million for taxable year 2015 and BIR compromise penalty and interest, both of an undetermined amount, to be paid by the persons responsible for failure to withhold and remit said amount to the BIR.	
We recommended that Management:	
a. Adjust the WT due to the correct amount and collect immediately the corresponding WT deficiency from the concerned SHFC officers and employees; and	Recommendations a and b were not implemented. FCD and other concerned units will be in close coordination with COA Auditor and BIR to discuss and resolve the matter on or before end of 2nd quarter of 2017.
b. Request a BIR Officer from the Revenue District which has the jurisdiction over SHFC to compute for the compromise penalty and interest for the unremitted amount and charge the same against the persons responsible for the failure to withhold and remit the said amount to the BIR.	We hereby reiterated said recommendations.
4. Amortization/payments required under the pertinent provisions of the Implementing Rules and Regulations (IRR) for the SHFC Vehicle Acquisition Assistance (SVAA) Program by the Officers-Availees were not monitored resulting in the delay of collection and non-recovery of the loan exposures. Further, availment of vehicles by the members of the Board of Directors under the Program is contrary to Section 8(d) and 13(b) of Executive Order (EO) No. 24 dated February 10, 2011.	
We recommended that Management:	
a. Exercise immediately the remedies provided under the SHFC Board Resolution	Partially implemented.

Observations and Recommendations	Actions Taken
No. 169 on the Officer-Availee who are already in default of his/her loan amortization;	To update the accounts, Human Resource and Development Division (HRDD) sent letters and conduct personal visits to the loan availee which resulted to cash payments and issuance of PDC.
b. Require the two members of the Board of Directors to refund the amount of P1.825 million to comply with the provisions of Section 8(d) of EO No. 24;	Not Implemented.
c. Request the Board of Directors to pass amendments on SHFC Board Resolution No. 169, series of 2009 adopting or reiterating the provisions contained in EO No. 24 governing the compensation and reimbursable expenses of the members of the Board of Directors/Trustees;	Not Implemented. A Notice of Suspension will be issued requiring the submission of the clarification with GCGD.
5. Due to the absence of database on members-beneficiaries (MBs) who availed of the HDH Program, SHFC is not able to verify compliance with Section 16 (c) of RA No. 7279 and Section 6 (b.2) of Corporate Circular No. HDH 14-001, series of 2013, thus adversely affecting SHFC's attainment of its program objective.	
We recommended that Management:	
a. Expedite the database build-up for MBs of the HDH Program;	Partial implementation for recommendations a, b and c.
b. Validate and take appropriate action on the double grant and the deficiencies noted in MBs' information; and	There is an on-going database build-up for MBs of the HDH Program.
c. Coordinate with other housing agencies to ensure that double availment is avoided.	
<u>2014</u>	
6. The total variance of P377.80 million between the general and subsidiary ledger (GL/SL) balances of Loan Installment Receivables-Current and Past Due is contrary to Sections 111 and 114 of Presidential	

Observations and Recommendations	Actions Taken
Decree (PD) No. 1445, thus, casting doubt on the validity and reliability of the account balances as of December 31, 2014.	
We reiterated our prior years' audit recommendation in CY 2012 that Management expedite the reconciliation of the GL and the MBs SL balances to ensure validity and reliability of the account balances.	Partially implemented. Management is awaiting completion of the new loan management system which shall be used in the processing the necessary documentation to support the one-time adjustment to be made.
7. Absence of individual SL and the presence of abnormal/negative balance of the Insurance Receivable (IR) account totalling P88.16 million and P0.529 million, respectively, are contrary to Sections 111 and 114 of PD No. 1445, thus, casting doubt on the reliability of the account balance as of December 31, 2014.	
We recommended that Management:	
a. Coordinate with NHMFC for the transfer of individual SL supporting the IR account;	Partially implemented. Due to the limitation of the existing system and the transferred ledger balance from NHMFC was based on estimates.
b. Review and analyze the account to determine whether there are still valid claims and prepare adjusting entry, if necessary; and	Partially implemented. FCD, in coordination with ISD is already reviewing the accounts to determine the detailed breakdown.
8. Actual expenditures for Personal Services exceeded the DBM-approved Corporate Operating Budget (COB) for CY 2014 by P10.85 million contrary to Section 9 of Executive Order (EO) No. 7 dated September 8, 2010. Thus, the excess of P10.85 million constitutes irregular expenses as defined under COA Circular No. 2013-003.	
We recommended that Management to submit justification on the excessive grant of the other allowances and benefits.	Partially implemented. In view of the disallowance on the said amounts under ND No. 2015-

Observations and Recommendations	Actions Taken
	04(2014) and ND No. 2016-01(2014) dated November 13, 2015 and March 31, 2016, respectively, collection/deduction schemes were designed taking into account the affordability level of concerned employees and will be implemented starting February 2017, subject to approval of the Commission on Audit pursuant to Section 2 of the Rules and Regulations on Settlement of Accounts(RRSA).
9. Payments made on Discretionary fund amounting to P0.632million are contrary to Section 41 of FY 2014 General Appropriations Act (GAA) or Republic Act (RA) No. 10633 and Budget Circular 2014-03.	
We recommended that Management refund the PEI granted to agency-hired including consultants contrary to Section 41 of FY 2014 General Appropriations Act (GAA) and Budget Circular 2014-03.	Partially implemented. No definite date on when to fully collect the remaining uncollectible because some of the recipient employees are already resigned or no longer connected with the Agency.
2013	
10. The absence of policy and/or guidelines on the effective administration of collection/recovery strategies on the said accounts and the insufficiency of measures initiated/undertaken by Management to recover the assets in the total amount of P3.422 billion transferred from National Home Mortgage Finance Corporation (NHMFC) in 2005 expose the Social Housing Finance Corporation (SHFC) to non-recovery of the corporate funds. Payments are not posted to the respective member beneficiaries (MBs) loan ledger rendering the balance of individual account inaccurate.	
We recommended that Management, through the Accounting and Legal Departments, to formulate policy and/or guidelines on the effective administration of collection/recovery	Partially implemented. Management shall continue to implement the guidelines on the

Observations and Recommendations	Actions Taken
strategies for past due and items in litigation accounts for approval of the Board and accelerate the immediate implementation of the System to determine the actual outstanding principal balance based on the member beneficiaries (MBs) loan ledgers.	one year updating scheme, extension of the restructuring program for accounts with arrears 60 months and above (approved by the Board in March 2016) including the revised guidelines on substitution approved in November 2016. The Operations Group shall continue to implement other collection strategies like sending out demand letters and issuance of individual SOA to delinquent accounts.
11. The variance of P999.70 million between the balances of Assets held in Trust-NHMFC and Trust liabilities – NHMFC casts doubt on the reliability of the account balances and contrary to Section 111 of PD 1445 and the principles of fair presentation of the Conceptual Framework for Financial Reporting.	
We recommended that Management require the Accounting Department to review and reconcile the difference of P999.70 million between the Assets held in trust-NHMFC and to prepare the necessary adjusting entries to correct the variance noted.	Partially implemented. FCD will initiate the coordination among concerned agencies. The amount was reduced to P6,758,510 or 99 percent lower than the original variance.
12. CMP loans amounting to P1.328 million were granted twice to 24 same beneficiaries with take-out dates from 2007 to 2012 contrary to Section 6.2.2 of SHFC Corporate Circular No. 11-017 series of 2011, thus constitutes irregular transaction as defined under COA Circular 2012-003 (3.1) dated October 29, 2012.	
We recommended that Management:	
a. Require the Accreditation Department to exercise due care in the evaluation of eligibility requirements of applicant and in the processing of the CMP loan applications to ensure attainment of the objective of the Program and compliance with its implementing	Partial implemention for recommendations a, b, c and d. OSIS was developed by the Information Systems Department (ISD) to assist the Project

Observations and Recommendations	Actions Taken
rules and regulation; b. Instruct the Information System Department, in close coordination with the Asset Management Department, to immediately design, develop and install an Inquiry or Screening Application Program; c. Investigate and file appropriate charges against the officers and employees responsible/liable or determined to be liable for the granting of double CMP loans to member-beneficiaries. Impose sanctions to the beneficiaries in accordance with Section 15.3 of SHFC Corporate Circular No. 2011-017; and d. Immediately demand the full payment of the second loans granted to subject beneficiaries and rescind the second lease purchase agreement for violation of the terms and conditions of the contract.	Development Division of the created Hubs/Branches in detecting possible double or multiple loan availments of member beneficiaries. The Internal Audit Department (IAD), in their Department Action Plan (DAP) for CY 2016, conducts names validation, on-site validation and random post audit of 2016 taken out projects to ensure compliance of concerned units with the corporation's policy that loans are given only once to qualified borrowers. Quarterly reports are submitted to the Office of the President so that Management can immediately take action on findings noted by Internal Audit Department.
13. Absence of supporting documents to substantiate the Guaranty deposits payable in the amount of P702,888 received from the NHMFC in 2005 casts doubt on the accuracy and validity of the account balance.	
We recommended that Management require the Accounting Department to submit the documents that will substantiate the Guaranty deposits payable of P702,888.36 and prepare adjusting entries, where necessary.	Partially implemented as of Dec. 31, 2015. No updates submitted on the P147,246.85 awaiting reply from NHMFC as previously reported.
14. Total variance of P222,103 between the Inter-agency payable accounts and the amount remitted in 2014 casts doubt on the accuracy and reliability of the account as at December 31, 2013 and contrary to PFRS Conceptual Framework.	
We recommended that Management:	
a. Regularly monitor the amount withheld and the remittances to avoid discrepancy; and b. In case of failure to remit within the	Partial implemention for recommendations a and b as of December 31, 2015.

Observations and Recommendations	Actions Taken
prescribed period, require the persons responsible/accountable to pay the corresponding interest and penalties required by the concerned government agency/corporations.	Unaccounted amount of P30,160.30 was still for reconciliation but no updates are submitted as of Dec. 31, 2016.
2012	
15. The corporation does not have policies and procedures on Business Disaster and Recovery Plan which could result in major information technology service interruption on key business functions and processes.	
We recommended that Management formulate policies and procedures for Business Disaster and Recovery Plan and provide an off-site backup for storing the data and computer programs to minimize the probability of information technology service interruption.	Partially implemented as of December 31, 2015. No updates on the result of National Computer Center evaluaion of ISSP as of Dec. 31, 2016.
16. The absence of validation procedures between the Abstract of Collections prepared by the Community Associations and the actual money on hand prior to receipt of collections resulted in discrepancies and delay in the posting of collections to the member-beneficiaries subsidiary ledgers.	
We recommended that Management transfer the input data process or data encoding of the CA's Abstract of Collections (AOCs) from the Finance and Controllership Department to AMDs to ensure the data accuracy, completeness and validity of the Abstract of Collections and prevent erroneous or invalid AOCs. Provide a module at the regional/satellite offices with sufficient control features for automatic or real-time posting of collections to the member-subsidiary ledgers.	Partially implemented as of December 31, 2015. No updates on the actions undertaken as reported previously.

B. Abot-Kaya Pabahay Fund

Observations and Recommendations	Actions Taken
2015	
17. The proceeds of the developmental loan granted for the development of Villa Alejandrea Subdivision totalling to P30.500 million for the benefit of project beneficiaries was not properly implemented contrary to Section 4.02(a) of the Memorandum of Agreement (MOA) between the NHMFC and its proponent.	
We recommended that Management: a. Conduct further investigation and inquiry on the report dated February 11, 2005 submitted by the Joint Inspection Team; and	Partial implemention for recommendations a and b as of December 31, 2015.
b. Determine the person/s liable for the deficiencies noted and file the appropriate administrative and criminal action on their failure to perform their function, where warranted.	No updates submitted on the investigation of SHFC's Investigating Team, as reported previously.
2014	
18. There are 127 missing Condominium Certificate of Titles (CCTs) with a total loan value of P10.590 million on the AKPF LR-Past due contrary to Section 58 of PD No. 1445, thus casting doubt on the existence of the corporate exposure.	
We recommended that Management:	
a. Determine the person/s liable for the missing CCTs; and	The two recommendations were not implemented.
b. Hold them administratively and criminally liable for their failure to perform their function. Any additional cost that the Corporation would incur for the reissuance of title shall be on their account.	Further verification disclosed that the total loan releases amounted to P13 million, including the amount released to the former developer and assumed by the new developer, despite the non-annotation of Real Estate Mortgage on the TCT of the Subdivision contrary to the REM Agreement.

Observations and Recommendations	Actions Taken
	We hereby reiterated the said recommendations.
2013	
19. The NHMFC/SHFC did not act on the Notice of Delinquent Real Property Taxes issued by the Office of the Provincial Treasurer of a concerned Local Government Unit on a property valued at P22 million mortgaged as collateral for a loan and impose the sanctions on the borrower/accountable officials as prescribed under the Loan Agreement. Thus, the recovery of the Corporate exposure is remote, doubtful and uncertain.	
We recommended that Management:	
a. Submit status of the actions taken by Management for the recovery of the property;	Partial implemention for recommendations a, b and c as of December 31, 2015
b. Investigate and file appropriate charges against the officers and employees responsible/liable or determined to be liable for failure to act on on the Notice of Delinquent Real Property Taxes, leading to the failure of the Corporation to recover its exposures; and	Management has no updates regarding the negotiation of repurchase property.
c. Require all the persons liable to pay for the amount of loan plus interest and penalties due thereon and all the expenses incurred for the recovery of the subject property.	
20. Acquired assets account still included the 31 TCTs valued at P27.598 million already covered by the Comprehensive Agrarian Reform Program (CARP). A total of 1,409 TCTs of the acquired assets AKPF valued at P89.653 million are not yet transferred/registered in its name notwithstanding the lapse of one to 14 years resulting in the delay on the disposition of the properties and non-recovery of the loan exposures.	
We recommended that Management prioritize the transfer/registration of the 1,409 TCTs in	Partially implemented as of December 31, 2015.

Observations and Recommendations	Actions Taken
the name AKPF to facilitate disposal in the event of sale because the properties cannot be disposed unless the TCTs are under the name of AKPF-SHFC; and	Management has no updates submitted as of Dec. 31, 2016.
2012	
21. Abot-Kaya Pabahay Fund developmental loans totaling P97.719 million remained non-performing from 2 years to 18 years but no foreclosure action was initiated or more aggressive collection measures adopted that could affect the recovery of corporate exposure.	
We recommended that Management initiate foreclosure action or adopt more aggressive collection measures, if warranted, on long outstanding receivables in order to quickly recover corporate exposure. Also, establish guidelines on the disposition of non-performing assets to prevent accumulation thereof.	Partially implemented as of December 31, 2015. No updates were submitted on the status of the foreclosure proceedings of the non-performing developmental loans as of December 31, 2016.
2011	
22. Ocular inspection on selected CMP take-out projects revealed non-compliance by the borrowers and community associations on significant provisions of the guidelines for on-site land acquisition.	
We recommended that Management:	
a. Require the member-beneficiaries of the CA to terminate the sub-lease agreements to conform to the terms and conditions of the lease purchase agreement entered into by the CA and the member beneficiaries.	Partially implemented for recommendations a, b and c as of December 31, 2015. Management has no updates as of December 31, 2016.
b. Require the CA to issue official receipts in the acceptance of payments from member-beneficiaries and keep up-to-date the subsidiary ledgers of member-beneficiaries.	
c. Impose sanctions provided under Section 10.2 of SHFC Circular No. 11-017 series of 2011 on member-beneficiaries who are considered in default for violating the	

Observations and Recommendations	Actions Taken
terms and conditions of the purchase agreement.	
2010	
23. The remaining 50 per cent of loan proceeds payable to 167 landowners had been long outstanding ranging from one to 19 years due to the delay in the transfer of title in the name of the community associations thus, real estate mortgage agreements and the deed of assignments could not be annotated in the Transfer Certificate of Titles. It exposes the Corporation to the risk that subject properties may be alienated to third parties who are not properly notified of the lien or encumbrance on the real property with an aggregate amount of P232.120 million.	
We recommended that Management:	
a. Enforce strictly the present policy of the Corporation to undertake the remaining documentation including the transfer of title in the name of the community association and annotation of real estate mortgage in favor of SHFC in case transfer of title is not made within the 90 days maximum period for transfer. The related expenses to be incurred are to be charged against the remaining balance of the loan proceeds. Also, there must be rigid review of the documents submitted before approval of the initial release; and	Partially implemented for recommendations a and b as of December 31, 2015. Management has no updates as of December 31, 2016.
b. Revisit, review and if necessary, amend the present policy allowing only the partial release/payment of the loan proceeds. No release of loan proceeds is to be made prior to the transfer of the title to the CA to protect the interest of the Corporation.	

PART IV –

ABOT-KAYA PABAHAY FUND

ABOT-KAYA PABAHAY FUND
SOCIAL HOUSING FINANCE CORPORATION (as Trustee)
AMORTIZATION SUPPORT AND DEVELOPMENTAL FINANCING COMPONENTS
STATEMENTS OF FINANCIAL POSITION
December 31, 2016 and 2015
(In Philippine Peso)

	Note	2016	2015
ASSETS			
Current assets			
Cash	3	**299,772,785**	296,481,253
Receivables	4	**8,028,378**	20,750,017
		307,801,163	317,231,270
Non-current assets			
Long-term receivables, net	5	**84,876,698**	108,348,174
Acquired assets	6	**169,753,490**	139,973,318
Property and equipment, net		**219,116**	246,587
		254,849,304	248,568,079
TOTAL ASSETS		**562,650,467**	565,799,349
LIABILITIES AND FUND BALANCE			
Liabilities			
Inter-agency payables	7	**9,055,360**	10,056,213
Other current liabilities	8	**98,269**	24,284
		9,153,629	10,080,497
Non-current liabilities			
Deferred income on sale of acquired assets		**-**	2,469,872
			2,469,872
TOTAL LIABILITIES		**9,153,629**	12,550,369
FUND BALANCE		**553,496,838**	553,248,980
TOTAL LIABILITIES AND FUND BALANCE		**562,650,467**	565,799,349

The Notes on Pages 74 to 78 form part of these financial statements.

ABOT-KAYA PABAHAY FUND
SOCIAL HOUSING FINANCE CORPORATION (as Trustee)
AMORTIZATION SUPPORT AND DEVELOPMENTAL FINANCING COMPONENTS
STATEMENTS OF INCOME AND EXPENSES
For the Years Ended December 31, 2016 and 2015
(In Philippine Peso)

	2016	2015
INCOME		
Interest income - special savings	**5,223,189**	4,477,397
Interest income - sale of acquired assets	**1,934,163**	2,457,322
Interest income - developmental loan	**2,092**	34,002
Interest income - regular savings	**15,631**	10,570
Other income - penalty and overpayment	**4,108**	5,667
	7,179,184	6,984,958
ADMINISTRATIVE AND OPERATING EXPENSES		
Salaries and wages	**5,675,643**	4,755,283
Taxes, licenses and fees	**722,319**	377,810
Trustee fee	**256,100**	282,974
Other personnel benefits	**-**	275,000
Rent expenses	**233,325**	233,325
Janitorial services	**16,430**	-
Security services	**96,026**	-
Travelling expenses	**152,330**	136,496
Professional services	**-**	112,456
Utility expenses	**90,834**	107,752
Advertising expense	**-**	75,000
Communication expenses	**75,660**	70,606
Other office equipment	**19,689**	-
Office supplies expense	**7,713**	-
IT supplies and materials expenses	**19,815**	40,644
Printing/binding/reproduction	**39,850**	36,668
Business development expense	**-**	24,000
Depreciation	**27,472**	20,595
Training and seminar	**3,500**	18,000
Gasoline, oil and lubricant	**7,650**	-
Fidelity bond premium	**7,500**	7,500
Other personnel services	**-**	4,680
Transportation expenses	**1,364**	-
Loss on sale of Acquired Asset		
Miscellaneous expense	**28,808**	38,338
	7,482,028	6,617,127
INCOME BEFORE TAX	**(302,845)**	174,287
INCOME TAX EXPENSE		
Final income tax - special savings	**1,044,638**	895,479
Final income tax - regular savings	**3,126**	2,114
	1,047,764	897,593
NET INCOME (LOSS)	**(1,350,609)**	(529,762)

The Notes on Pages 74 to 78 form part of these financial statements.

ABOT-KAYA PABAHAY FUND
SOCIAL HOUSING FINANCE CORPORATION (as Trustee)
AMORTIZATION SUPPORT AND DEVELOPMENTAL FINANCING COMPONENTS
STATEMENTS OF CHANGES IN FUND BALANCE
For the Years Ended December 31, 2016 and 2015
(In Philippine Peso)

	Note	Total
Balance at December 31, 2014		553,778,742
Net loss		(529,762)
Balance at December 31, 2015		553,248,980
Balance at December 31, 2015		553,248,980
Net loss		(1,350,609)
Cancellation of CTS		1,598,467
Balance at December 31, 2016	**9**	**553,496,838**

The Notes on Pages 74 to 78 form part of these financial statements.

ABOT-KAYA PABAHAY FUND
SOCIAL HOUSING FINANCE CORPORATION (as Trustee)
AMORTIZATION SUPPORT AND DEVELOPMENTAL FINANCING COMPONENTS
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2016 and 2015
(In Philippine Peso)

	Note	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Installment sales receivable, current		**5,908,759**	8,470,752
Interest income received		**2,987,091**	7,287,623
Installment sales receivable, current		**2,247,867**	-
Accounts receivable		-	649,500
Refund of cash advance		**63,035**	-
Miscellaneous income/other income		-	39,669
Payment of personal services		**(4,808,926)**	(4,476,411)
Payment if cash advance		**(105,050)**	-
Payment of operating expenses		**(838,527)**	(1,425,119)
Payment of taxes		**(1,183,344)**	(966,060)
Payment of foreclosure expenses		**(10,773)**	-
Payment of trustee fee		**(256,100)**	(282,974)
Payment of realty tax		**(2,281,026)**	(1,218,553)
Payment of insurance		-	(7,500)
Miscellaneous expense		**(150)**	-
Net cash provided by operating activities		**1,722,856**	8,070,927
CASH FLOWS FROM INVESTING ACTIVITIES			
Capitalized cost		-	(243,993)
Acquisition of property, plant and equipment		**1,568,676**	(229,243)
Net cash provided by investing activities		**1,568,676**	(473,236)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**3,291,532**	7,597,691
CASH AND CASH EQUIVALENTS, BEGINNING		**296,481,253**	288,883,562
CASH AND CASH EQUIVALENTS, END	3	**299,772,785**	296,481,253

The Notes on Pages 74 to 78 form part of these financial statements.

ABOT-KAYA PABAHAY FUND
SOCIAL HOUSING FINANCE CORPORATION (as Trustee)
AMORTIZATION SUPPORT AND DEVELOPMENTAL FINANCING COMPONENTS
NOTES TO FINANCIAL STATEMENTS
(All amounts in Philippine Peso unless otherwise stated)

1. GENERAL INFORMATION

The Abot-Kaya Pabahay Fund (AKPF) was created under Republic Act (RA) No. 6846 under the trusteeship of the National Home Mortgage Finance Corporation (NHMFC) and was amended under RA No. 7835. The Fund shall be used exclusively for enhancing affordability of low-cost housing by low income families thru the amortization support component and by providing developmental financing for low-cost housing projects.

In October 2005, the AKPF was transferred to the newly created Social Housing Finance Corporation (SHFC), a wholly-owned subsidiary of the NHMFC by virtue of Executive Order (EO) No. 272 which was signed and approved by the President of the Republic of the Philippines on January 20, 2004.

2. SIGNIFICANT ACCOUNTING POLICIES

The Fund uses the commercial accounting system wherein the recording of financial transactions is centralized in the Finance Department. The Fund submits monthly summary of transactions duly reviewed, certified and approved by its responsible officers to the Finance and Controllership Department for journal entry voucher preparation and recording in the books of accounts.

2.1 Property and equipment

Property and equipment are carried at cost less accumulated depreciation. Significant improvements and accessories are capitalized while cost of maintenance and repairs is treated as expense.

In adherence with the New Government Accounting System, AKPF uses the straight-line method of depreciation where a residual value equivalent to ten percent of the total cost is applied. Straight-line depreciation results in constant charge over the useful life if the asset's residual value does not change. This method is applied consistently from period to period. Depreciation of an asset begins when it is available for use.

2.2 Income and expense recognition

The Fund uses the accrual basis of accounting. All expenses are recognized when incurred and reported in the financial statements in the period to which they relate. Accrual of income on developmental loans is computed up to the term of the loan.

3. CASH AND CASH EQUIVALENTS

This account consists of the following:

	2016	2015
Cash in bank – LBP 1	**3,743,099**	1,348,097
Cash in bank – LBP 2	**4,028,986**	3,132,456
Investment in HYSA (LBP), BSP – Special Deposit Account (SDA)	**292,000,700**	292,000,700
	299,772,785	296,481,253

4. RECEIVABLES

This account consists of the following:

	2016	2015
Installment sales receivable – current	**7,537,034**	19,863,023
Interest receivable – BSP-SDA	**491,344**	115,794
Accounts receivable	**-**	750,000
Advances to officers and employees	**-**	21,200
	8,028,378	20,750,017

The Installment sales receivable – current account represents the amortization due for the current year from the sale of acquired assets.

5. LONG – TERM RECEIVABLES

This account consists of the following:

	2016	2015
Past due receivables – developmental loans	**45,381,801**	34,791,950
Items in litigation – developmental loans	**52,511,616**	63,101,467
	97,893,417	97,893,417
Allowance for doubtful accounts	**(24,473,354)**	(24,473,355)
	73,420,063	73,420,062
Installment sales receivable – long-term	**11,456,635**	34,928,112
	84,876,698	108,348,174

5.1 Past due receivables – developmental loans

This account represents the loans granted to developers with outstanding balance after the 24 and 36 months drawdown.

5.2 Items in litigation – developmental loans

This account represents developmental loans granted to developers which were endorsed to the Legal Department for legal action.

Rivera Heights Subdivision (JC Rivera Engineering) account was foreclosed by the local government unit (LGU) of Bataan on November 29, 2007 due to non-payment of realty taxes. This account was endorsed to the Legal Department on June 24, 2007 due to the unreturned 282 titles. A meeting with the Bataan Provincial Legal Officer Atty. Joey Angeles was conducted on February 9, 2015 to pursue negotiation on the repurchase of the subdivision. However, the negotiation did not push through because of the claim of the Authority for Freeport Area of Bataan (AFAB) on the property by virtue of Proclamation No. 740 s. 1970 and amended by Proclamation No. 900 s. 1971. An initial meeting was held on September 9, 2016 to discuss the issue. The Legal Department of AFAB will do their study on the case and the LGU-Bataan will see what could be the most possible solution based on AFABs decision.

Meanwhile, the Villa Alejandrea Subdivision account was endorsed to the Legal Department due to missing owner's copy of Transfer Certificate of Title (TCT) No. T-274150, in the name of Spouses Dante R. Cabauatan, which was mortgaged as collateral. However, the e-copy of said title is in the Fund's possession. The proprietor, Mr. Arlene L. Ayroso, submitted another property to SHFC covered by TCT No. 284306 in his name on September 30, 2005 with an area of 97,545 square meters.

Based on the joint site inspection/verification report dated February 11, 2005 undertaken by NHMFC, the property referred to as Villa Alejandrea Subdivision is not the same property posted as collateral to the developmental loan granted by NHMFC to the project proponent for the development of the project.

6. ACQUIRED ASSETS

This account pertains to properties acquired from settlement of accounts through "dacion en pago" for three projects namely: Juel Country Homes, UPLB-ONAPUP Village and Olympia Village; and seven foreclosed projects namely: La Vista Cruz Subdivision, Villa Haniya Subdivision, Evergreen Subdivision, Cristina Homes 1, Cristina Homes 2, Villa Rita Subdivision and Catbalogan City Homes and two projects with cancelled Contract to Sell namely: Malinoville and Villa Felipe Heights Subdivision.

The appeal filed for the reconsideration of the 31 TCTs of La Vista Cruz Subdivision covered by the Comprehensive Agrarian Reform Program, an order was rendered by the Secretary of Agrarian Reform in favor of SHFC.

7. INTER-AGENCY PAYABLE

This account consists of the following:

	2016	2015
Due to LGUs	**4,914,446**	6,690,638
Due to SHFC	**4,140,914**	3,365,575
	9,055,360	10,056,213

7.1 Due to SHFC

This account represents personal services and other administrative expenses advanced by SHFC.

7.2 Due to LGUs

This account represents unpaid real property taxes on projects of the Fund.

8. OTHER CURRENT LIABILITIES

This account consists of the following:

	2016	2015
Due to BIR	-	1,125
Accrued income tax payable – High Yield Savings Account (HYSA)/Special Savings Account (SSA)	**98,269**	23,159
	98,269	24,284

8.1 Due to BIR

Represents the taxes withheld from the payments of employees compensation, origination fees, honoraria, taxes withheld at source and on government money payments including the provision for corporate income tax for CY 2015.

8.2 Accrued income tax payable

Accrued income tax payable represents taxes withheld from interest income on investment in high-yield savings account with Landbank of the Philippines, Special Savings Account and Peso Time Deposit (PTD) with DBP.

9. FUND BALANCE

	2016	2015
Balance, December 31	**553,496,838**	553,248,980

This includes the reversal entry due to cancellation of contracts to sell of Malinoville Subdivision (Soninsa Brokerage and Realty Services) and Villa Felipe Heights Subdivision (RA Deleon).

PART V - Annex

Annex A

Contracting Party	Site Development and Building Construction Loan Agreement	Loan Releases		Drawdown	Percentage of Completion as Dec.31, 2016		Total	% of required accomplishment	% of loan drawndown over approved loan amount	
		Date	Amount		site dev.	building const.				
Aniban Ng Lehitimong Paninirahan ng Ligtas sa Sakuna (ALPAS 1) Homeowners Association, Inc.	194,086,699.32	9-Mar-15	29,113,004.90	mobilization	5.11%	79.06%	84.17%	93.00%	80.24%	12.76%
		8-Jul-15	15,936,908.10	1st						
		27-Oct-15	8,596,036.17	2nd						
		14-Dec-15	7,080,610.30	3rd						
		19-Jan-16	6,204,075.10	4th						
		23-Mar-16	12,401,780.04	5th						
		12-May-16	26,673,734.61	6th						
		23-Nov-16	45,631,626.98	7th						
		20-Dec-16	4,095,000.00	mobilization						
		Total	155,732,776.20							
Pascualer Ville ISF Homeowners Association, Inc.	357,706,800.00	5-Oct-15	53,656,019.99	mobilization	4.79%	77.88%	82.69%	86.28%	77.00%	9.28%
		29-Dec-15	24,462,466.92	1st						
		11-Mar-16	21,391,842.38	2nd						
		13-Jun-16	19,878,126.83	3rd						
		27-Jul-16	44,650,615.55	4th						
		3-Oct-16	27,499,357.05	5th						
		14-Dec-16	83,898,648.01	6th						
		Total	275,437,076.73							
Responsableng Samahang Pampayanan (RSP) Phase 1 HOAI	545,322,987.50	26-Aug-15	81,798,448.08	mobilization	4.26%	21.06%	25.31%	79.42%	33.99%	45.43%
		11-Feb-16	38,479,536.53	1st						
		11-May-16	9,729,445.14	2nd						
		15-Jul-16	14,676,479.41	3rd						
		19-Sep-16	4,261,055.85	4th						
		29-Dec-16	36,388,214.15	5th						
		Total	185,333,179.16							
Hopeville Phase 2 HOAI	149,625,000.00	5-Sep-16	22,443,750.00	mobilization	0.00%	0.00%	0.00%	not yet started	15.00%	
Kapitbahayan Blue Meadows HOAI	186,000,000.00	29-Jul-16	15,600,000.00	mobilization	3.77%	11.54%	15.31%	11.11%	19.87%	-8.76%
		14-Dec-16	21,356,047.33	1st						
		Total	36,956,047.33							
MWHAC	337,260,600.00	1-Aug-16	50,589,090.00	mobilization	0.00%	0.00%	0.00%	not yet started	15.00%	
Benjamin Village 8 de Muzon HOAI	508,451,500.00	7-Jun-16	76,267,725.00	mobilization	12.11%	8.11%	20.22%	43.67%	30.16%	13.51%
		1-Aug-16	45,379,583.20	1st						
		14-Nov-16	31,725,266.34	2nd						
		Total	153,372,574.54							
Gloria Ville HOAI	141,750,000.00	28-Dec-16	21,262,500.00	mobilization	0.00%	0.00%	0.00%	not yet started	15.00%	
Sandigan ng Maralitang Pilipino (SMP) HOAI	259,865,000.00	11-Jul-16	38,979,750.00	mobilization	0.00%	0.00%	0.00%	not yet started	15.00%	
Ciudad de Strike HOAI	523,878,940.00	15-Jul-16	78,581,841.00	mobilization	0.73%	14.40%	15.13%	11.11%	26.35%	-15.24%
		28-Dec-16	59,434,821.96	1st						
		Total	138,016,662.96							
Gumamela Neighborhood Association Housing Cooperative	421,800,000.00	14-Sep-16	63,270,000.00	mobilization	0.00%	0.00%	0.00%	not yet started	15.00%	
Total	3,625,747,526.82		1,141,393,406.92							