



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

INDEPENDENT AUDITOR'S REPORT

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Acting Chairman
National Labor Relations Commission
Quezon City

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of the **National Labor Relations Commission (NLRC)**, which comprise the Consolidated Statement of Financial Position as at December 31, 2022, and the Consolidated Statement of Financial Performance, Consolidated Statement of Changes in Net Assets/Equity, Consolidated Statement of Cash Flows, Consolidated Statement of Comparison of Budget and Actual Amount for the year then ended, and Notes to Consolidated Financial Statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of NLRC as at December 31, 2022, and its consolidated financial performance, consolidated changes in net assets/equity, consolidated cash flows, and comparison of budget and actual amounts for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 4 – Cash and Cash Equivalents account of the financial statements. The Cash-Collecting Officer account includes funds to support the Trust Liabilities account, which are subject of ongoing litigation due to accountabilities of two former accountable officers, the uncertainty of collection of P39,574,995.41 may affect the payment of Judgment Awards or may prejudice the satisfaction of awards of prevailing parties in labor cases to which the funds are intended. Our opinion is not modified in respect of this matter.

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

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

Those charged with governance are responsible for overseeing the NLRC financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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


- Identify and assess the risk of material misstatements of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis of our opinion. The risk of not detecting a material misstatement resulting from fraud is higher for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or override of internal control.
- Obtain understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the NLRC's internal control.

- Evaluate appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

COMMISSION ON AUDIT


REBECCA M. SABUELBA
OIC-Supervising Auditor

May 22, 2023

EXECUTIVE SUMMARY

1. Introduction

The National Labor Relations Commission (NLRC) was created under Article 213 of Presidential Decree (PD) No. 442, known as the Labor Code of the Philippines (LCP) which took effect on November 1, 1974. It took over the functions of the Court of Industrial Relations (CIR) and the Ad Hoc NLRC established under PD No. 21.

The NLRC and the Regional Arbitration Branches (RABs) were reorganized by Republic Act (RA) No. 6715 enacted on November 1, 1989. It is attached to the Department of Labor and Employment (DOLE) for program and policy coordination.

The NLRC is mandated to promote and maintain industrial peace based on social justice by resolving labor and management disputes involving both local and overseas workers through compulsory arbitration and alternative modes of dispute resolution. Pursuant to Article 217 of the LCP, the Labor Arbiters shall have original and exclusive jurisdiction to hear and decide on the following cases involving all workers whether agricultural or non-agricultural:

- Unfair Labor Practice case;
- Termination disputes;
- If accompanied with a claim for reinstatement, those cases that workers may file involving wages, rates of pay, hours of work and other terms and conditions of employment;
- Claims for actual, moral, exemplary and other forms of damages arising from the employer-employee relationship;
- Cases arising from any violation of Article 264 of the LCP, including questions involving the legality of strikes and lockouts; and
- Except claims for Employees Compensation, Social Security, Medicare and Maternity Benefits, all other claims, arising from employer-employee relations, including those of persons in domestic or household services, involving an amount exceeding five thousand pesos (₱5,000.00) regardless of whether accompanied with a claim for reinstatement.

Aside from the aforementioned cases, the Labor Arbiters also have jurisdiction over the following:

- Claims arising out of an employer-employee relationship or by virtue of any law or contract involving Overseas Filipino Workers (OFWs) for overseas deployment, including claims for actual, moral, exemplary and other forms of damages¹;

¹Sec. 10 of RA No. 8042, otherwise known as Migrant Workers and Overseas Filipinos Act of 1995, as amended by RA No. 10022

- Wage distortion disputes²;
- Disputes over compromise settlements³; and
- Other cases as may be provided by law.

The adjudicatory powers of the NLRC are being exercised by the 113 Offices of Labor Arbiters in the NLRC RABs and the Commission Proper (CP) that sit in eight Divisions. The CP is a tripartite in representation. Each of the eight Divisions has three members with the Presiding Commissioner representing the government sector and the remaining two members representing the workers' and the employers' sectors. The first six Divisions handle appealed cases from the National Capital Region (NCR), and other parts of Luzon; the Seventh Division handles appealed cases in the Visayas Region and the Eighth Division, for appealed cases in the Mindanao area.

The Commission is composed of a Chairman, 23 Commissioners, 109 Commission Attorneys and 139 Labor Arbiters, of which 66 are in the NCR. It is presently headed by Chairman Gerardo C. Nograles, assisted by the Acting Executive Clerk of the Commission, Atty. Elenita F. Cruz, with the former having administrative supervision over the Commission, its regional branches and all its personnel, including the Executive Labor Arbiters and the Labor Arbiters.

The Commission has 1,295 approved plantilla positions, of which 1,155 are filled-up as of yearend, leaving a balance of 140 unfilled positions. The NLRC Central Office (CO) and RAB Offices have 333 officers and 506 rank and file employees. There are 44 employees on Job Order basis and one casual employee.

To carry out its mandate, the NLRC is authorized under Rule VI, Section 6 of the Rules of Procedures of the NLRC to collect cash and surety bond in an amount equivalent to the monetary award, exclusive of moral and exemplary damages and attorney's fees. The cash bonds and garnished amounts are treated as Trust Receipts and are deposited in an Authorized Government Depository Bank (AGDB) as an exemption from the provision of Executive Order (EO) No. 338 implemented by the Commission on Audit (COA), Department of Budget and Management (DBM) and Department of Finance (DOF) Joint Circular No. 1-97 dated January 2, 1997, which requires the transfer to the National Treasury of cash balances of fiduciary funds deposited in the AGDB. This authority is contained in a letter dated May 5, 2004 of the DBM Secretary informing the NLRC Chairman of the approval of the President of the latter's request for exemption.

The NLRC is adopting a partially decentralized system of accounting. One set of books of accounts is maintained for CO including the First to Sixth Divisions and NCR Arbitration Branch (NCRAB). The Seventh and Eight Divisions, other 14 RABs (I to XIII and CAR) and 10 Sub-RABs (I, III to X and XII) maintain separate set of books of accounts.

²Par. 5 of Art. 124 of the Labor Code

³Art. 233 of the Labor Code

2. Operational Highlights

The NLRC reported the following major accomplishments under the Performance Indicators in its Organizational Outcome on Labor Disputes Resolution Services for Calendar Year (CY) 2022:

Performance Indicators	Target	Accomplishment	Variance
	Percentage		
1. Percentage increase in cases resolved through conciliation-mediation	50	54.33	4.33
2. Percentage of original/appealed cases processed within nine months or 270 days/six months or 180 days	80	89.09	9.09
3. Percentage of decisions affirmed by a higher court	40	50.06	10.06
4. Percentage of cases resolved within three months from filing of case	94	98.91	4.91

The NLRC posted an overall case output for Compulsory Arbitration totaling 30,365 cases. On appealed cases, 10,789 were disposed by the Commission Proper (CP). Of the 80 percent overall target, the Regional Arbitration Branches (RABs) and CP were able to dispose 36,663 cases or an accomplishment rate of 89 percent.

Under the Mandatory Conciliation-Mediation Program, a program wherein the venue for settlement of all labor disputes is done and exhausted through the following: (a) mandatory conciliation-mediation prior to compulsory arbitration pursuant to the Single Entry Approach (SEnA) Rules of Procedure; and (b) mandatory conciliation-mediation during compulsory arbitration, pursuant to the CY 2011 NLRC Rules of Procedure, as amended. The NLRC settled 21,250 labor disputes with monetary award aggregating ₱1,933,880,674.71 which benefitted a total of 21,163 workers, details as presented below:

RABs	No. of Settled Labor Disputes	No. of Workers Benefitted	Monetary Award (In Pesos)
Mandatory conference under SEnA	4,754	7,248	633,969,830.94
Mandatory conference under Compulsory Arbitration	16,496	13,915	1,299,910,843.77
Total	21,250	21,163	1,933,880,674.71

Under the regular Compulsory Arbitration Services of the NLRC (RABs Original Cases and Appealed Cases with the CP), excluding the Request for Assistance (RFAs) received thru SEnA, the succeeding table presents the accomplishment of the NLRC on labor cases that were resolved/disposed of in CY 2022 based on inflow of cases received including the beginning balances:

Regular Inflow and Outflow of Cases (Excluding SENa)

Level	Beginning Balance (January 1, 2022)	Total Cases Received Regardless of Age	Cases Handled	Actual Cases Disposed (2021)	Percentage	Ending Caseload (December 31, 2022)
RABs	12,938	26,459	39,397	30,365	77	9,032
CP	885	10,990	11,875	10,789	91	1,086
Total	13,823	37,449	51,272	41,154	80	10,118

Out of 30,365 cases disposed, 17,481 or 58 percent were resolved in favor of labor (employee), and 12,884 or 42 percent in favor of management (employer). The amount of judgment awards reached ₱6.264 billion, benefiting 34,985 workers. Of the total amount awarded and workers benefited, ₱1.3 billion was awarded through settlement, benefiting 13,915 number of workers involved, and ₱4.964 billion through decisions on the merit, benefiting 21,070 number of workers involved.

On appealed cases, the CP disposed 10,789 cases, of which 7,791 or 72 percent were resolved in favor of labor (employee) and 2,998 or 28 percent in favor of management (employer). The amount of judgment awards reached ₱2.141 billion, benefiting 10,350 number of workers involved.

JUDGMENT IN FAVOR OF LABOR AND MANAGEMENT (Excluding SENa Settled)					
Level	Case Disposition	Case Disposition in Favor of:			
		Labor (Employee)	Percentage	Management (Employer)	Percentage
RABs	30,365	17,481	58	12,884	42
Commission	10,789	7,791	72	2,998	28
Total	41,154	25,272	61	15,882	39

In terms of comparative accomplishment, the RABs disposed of 30,365 or 77 percent of 39,397 cases handled in CY 2022, as compared to 24,262 or 65 percent of 37,200 cases handled in CY 2021. Thus, there was an increase of 25 percent accomplishment from the previous year.

With respect to the ending caseload, there was a decrease from 12,938 cases in CY 2021 to 9,302 cases in CY 2022, or a decrease of 3,636 case or 39 percent. In line with the 9,302 ending caseload of RABs by the end of CY 2022, 8,417 or 93 percent were newly-filed cases ("current" cases) or cases filed from April to December 2022 in accordance to the 9-month process cycle time of original cases.

Comparative Accomplishment of Regional Arbitration Branches (RABs)				
Comparative Years	Total Handled	Total Disposed		Ending Caseload
		No.	Percentage	
2021	37,200	24,262	65	12,938
2022	39,397	30,365	77	9,302

For the CP, in terms of total cases handled, the Commission disposed of 8,171 or 90 percent of 9,056 cases handled in CY 2021 as compared to 10,789 or 91 percent of 11,875 cases handled in CY 2022. Thus, there was an increase of 32 percent accomplishment from previous year.

The same holds true with respect to the ending caseload which has increased from 885 cases in CY 2021 to 1,086 cases in CY 2022, or a difference of 201 cases. Emphasis may be had that out of the 1,086 ending caseload of the CP in CY 2022, 1,079 or 99 percent were categorized as newly-filed cases ("current" cases) or cases filed from July to December 2022 following the 6-month process cycle time of appealed cases.

Comparative Accomplishment of Commission Proper				
Comparative Years	Total Handled	Total Disposed		Ending Caseload
		No.	Percentage	
2021	9,056	8,171	90	885
2022	11,875	10,789	91	1,086

Further, the breakdown of CY 2022 aging of cases are as follows:

Regional Arbitration Branches AGE OF ENDING CASELOAD		
9-Month Process Cycle Time	Actual	Percentage
1-3 months old (October to December 2022)	4,437	49
4-6 months old (July to September 2022)	2,705	30
7-9 months old (April to June 2022)	1,275	14
10 months old and above (March 2022 and earlier)	615	7
Total	9,032	100

Commission Proper AGE OF ENDING CASELOAD		
6-Month Process Cycle Time	Actual	Percentage
1-3 months old (October to December 2022)	783	72
4-6 months old (July to September 2022)	296	27
7 months old and above (June 2022 and earlier)	7	1
Total	1,086	100

3. Financial Highlights

The NLRC had an Agency-Specific Budget of ₱1,304,645,775.22 (net of adjustments) under the General Appropriations Act (GAA) for Fiscal Year (FY) 2022, which was augmented by budget releases of ₱70,627,729.78 from the Automatic Appropriations for Retirement and Life Insurance Premiums (RLIP), ₱363,216,318.00 from the Pension and Gratuity Fund (PGF), ₱141,519,099.00 for the payment of personnel benefits, and ₱2,913,057.60 from Continuing Appropriations. Total allotments received amounted to ₱1,882,921,979.60, with obligations incurred of ₱1,882,833,546.78, thus leaving an unobligated balance of ₱88,432.82. Details of allotments, obligations incurred and unobligated balance are shown in the next page.

Appropriations, Allotments, Obligations Incurred and Balances

Source	Adjusted Appropriations	Adjusted Allotments	Obligations Incurred	Unobligated Amount
(In PhP)				
Current Appropriations				
1. Agency Specific Budget				
Personal Services (PS)	1,129,218,775.22	1,129,218,775.22	1,129,218,775.22	-
Maintenance and Other Operating Expenses (MOOE)	174,127,000.00	174,127,000.00	174,124,884.02	2,115.98
Capital Outlay (CO)	1,300,000.00	1,300,000.00	1,299,417.03	582.97
<i>Sub-total</i>	1,304,645,775.22	1,304,645,775.22	1,304,643,076.27	2,698.95
2. Automatic Appropriations				
PS	70,627,729.78	70,627,729.78	70,627,729.78	-
3. Special Purpose Fund				
PGF	363,216,318.00	363,216,318.00	363,216,316.73	1.27
Payment of Personnel Benefits	141,519,099.00	141,519,099.00	141,519,099.00	-
<i>Sub-total</i>	504,735,417.00	504,735,417.00	504,735,415.73	1.27
Prior Year's/Continuing Appropriation				
4. Agency Specific Budget				
MOOE	18,000.00	18,000.00	18,000.00	-
CO	2,895,057.60	2,895,057.60	2,809,325.00	85,732.60
<i>Sub-total</i>	2,913,057.60	2,913,057.60	2,827,325.00	85,732.60
Total	1,882,921,979.60	1,882,921,979.60	1,882,833,546.78	88,432.82

The Commission's financial position and performance for CY 2022 with comparative figures for CY 2021 are as follows:

Particulars	2022	2021 (As Restated)
(In PhP)		
Financial Position		
Assets	3,918,032,009.17	3,728,229,977.51
Liabilities	3,821,127,581.55	3,621,370,242.00
Net Assets/Equity	96,904,427.62	106,859,735.51
Financial Performance		
Revenue	25,375,616.22	18,587,768.97
Less: Current Operating Expenses		
PS	1,704,434,363.89	1,577,421,834.54
MOOE	160,689,920.60	165,808,415.55
Financial Expenses	52,996.72	24,429.44
Non-Cash Expenses	3,697,034.90	6,459,030.54
Total Current Operating Expenses	1,868,874,316.11	1,749,713,710.07
Surplus (Deficit) from Current Operations	(1,843,498,699.89)	(1,731,125,941.10)
Net Financial Assistance/Subsidy	1,864,321,492.00	1,775,395,702.90
Gains	3,749,615.73	3,788,422.50
Losses	(500.08)	(581,802.95)
Surplus (Deficit) for the Period	24,571,907.76	47,476,381.35

5. Scope of Audit

The audit covered the review of accounts and operations of the NLRC for CY 2022, except RAB VI, for which the Audit Team have not yet transmitted the corresponding Management Letter. The audit was conducted to: (a) ascertain the level of assurance that may be placed on Management's assertions on the financial statements; (b) determine the propriety of transactions as well as the extent of compliance with applicable laws, rules and regulations; and (c) determine the extent of implementations of prior years' audit recommendations.

6. Independent Auditor's Report on the Financial Statements

The Auditor rendered an unmodified opinion on the fairness of the presentation of the financial statements of the NLRC for CY 2022. As stated in the Independent Auditor's Report and discussed in detail in Part II of this Report, a total misstatement of ₱7,700,054.76 was found in Cash and Cash Equivalents, Inventories and Property, Plant and Equipment accounts of the NLRC-CO and its RABs due to accounting errors and omissions as well as deficiencies in the presentation and disclosure of accounts in the Notes to the Financial Statements (FS), and other accounting deficiencies. However, these are considered not material to affect the fair presentation of the FSs.

7. Summary of Significant Audit Observations and Recommendations

The following are the significant observations and recommendations as discussed in Part II of this Report:

FINANCIAL AUDIT

A. ACCOUNTING ERRORS AND OMISSIONS

1. The total misstatements of ₱7,700,054.76 found in the audit of Cash and Cash Equivalents, Inventories, and Property, Plant and Equipment (PPE) accounts of the NLRC Central Office (CO) and Regional Arbitration Branches (RABs) due to accounting errors and omissions, as well as other accounting deficiencies, are considered departure from the International Public Sector Accounting Standards (IPSASs) but not material to affect the fair presentation of the Commission's FSs for the year ended December 31, 2022. (*Observation No. 1*)

We recommended and the Management agreed to:

Misstatements in Cash and Cash Equivalents Accounts

- a. recognize all corrections/adjustments in the books to reflect the correct balances of the Cash and Cash Equivalents account and other affected accounts(CO and NCRAB, RABs II, III,IV, IX and CAR);

- b. submit and implement a specific action plan to fast track/facilitate the verification of the long-standing overstatement in the Fiduciary Award (LBP Trust) (0662-1011-84) account (CO and NCRAB);
- c. direct the Cashier to prepare the schedule of unreleased checks at year-end in subsequent periods for reference of the Acting Accountant for the adjustment of their records (RAB IX);
- d. make representation with the concerned bank to immediately correct the bank errors noted in the last bank reconciliations statements (BRSs) (CO and NCRAB);

Misstatements in Inventories Accounts

- e. direct the Accountant-Designate to make the necessary correcting entries to reflect the accurate balances of the affected Inventories account (RABs V and IX);

Misstatement in Property, Plant and Equipment Accounts

- f. recognize all corrections/adjustments in the books to reflect the correct balances of the PPE and other affected accounts (RABs II, V, VIII and IX);

Misstatements in Expenses Accounts

- g. strictly observed proper recording of transactions using appropriate accounts (RABs V and VIII);

B. OTHER ACCOUNTING DEFICIENCIES

Deficiencies affecting the reliability of Inventories account balances

- h. direct the concerned offices to immediately recognize Expense when the inventories are distributed to the end-users (CO and NCRAB);
- i. direct the Supply Division to update the SCs in order to avoid negative/abnormal balances (CO and NCRAB);
- j. ensure strict compliance with the implementing guidelines provided under Section 4 of COA Circular No. 2022-004 and direct the Accounting and Supply Division to prepare and maintain all forms prescribed in the annexes of COA Circular No. 2022-004 covering all semi-expendable properties issued in the current and previous years and to ensure timely update for complete recording, monitoring and

safeguarding of semi-expendable properties. (RABs VII and IX and Seventh Division);

- k. instruct the end-users and/or the Supply/Property Officer to use the Requisition and Issue Slip (RIS) in requesting and issuing office supplies, respectively, to properly support the RSMI and ascertain the accuracy of the reported issuances of office supplies (RAB I);
- l. require the Inventory Committee to submit the Report on Physical Count of Inventories (RPCI) within the period prescribed in par. (E), Appendix 66, of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume II (CO and NCRAB);
- m. require the Inventory Committee and the Accounting Division to reconcile, verify and adjust any discrepancies in the items reported in the RPCI based on Section C of Appendix 66, Volume II of the GAM for NGAs (CAR);
- n. require the Property/Supply Division to transfer those unserviceable items from the RPCI-Semi-Expendable Property, Plant and Equipment as of December 31, 2022 to Inspection and Inventory Report of Unserviceable Property (IIRUSP), and submit to the Disposal Committee for proper disposal (CAR);
- o. henceforth, require the Accounting and Property/Supply Divisions to regularly update the required Accounting and Property/Supply Records (CAR);
- p. establish a policy on the estimated useful life (EUL) of each semi-expendable property (SEP) category and submit and/or furnish the Audit Team with a copy thereof (RABs IX and XI);

Deficiencies affecting the reliability of Advances account balances

- q. exert more efforts to demand from the concerned Accountable Officers (AOs) the immediate settlement of their accountabilities, including the filing of claims against their fidelity bond, if any (CO and NCRAB);
- r. in case all remedies have already been exhausted:
 - i. assess the eligibility of the dormant, unliquidated, and unsupported cash advances recorded in the books, except that of the AO whose criminal case is still pending in the RTC of Quezon City, for possible write-off pursuant to the procedures

- ii. **prescribed in COA Circular 2016-005 dated December 19, 2016; prepare all the necessary working papers/documentation in support of the results of verification and analysis of the unliquidated cash advance amounting to ₱109,239.18 to establish the validity thereof;**
- iii. **in the event that further verification and analysis constantly yield negative results, consider requesting for write-off (CO and NCRAB);**

Deficiencies affecting the reliability of PPE account balances

- s. **direct the Property/Supply Officer of RAB IV to:**
 - i. **prepare the Report on Physical Count of PPE (RPCPPE) in the prescribed format, taking into account the instructions provided in the GAM for NGAs, Volume II, and provide copies to the Acting Accountant and to the Audit Team on the prescribed period;**
 - ii. **update the Property Cards (PCs) and (PARs) for all issued PPEs;**
- t. **direct the Accountant to maintain PPELCs and/or depreciation lapsing schedules and submit to the Audit Team for further verification (RAB IV);**
- u. **direct the Accountant and the Property Officer to coordinate with each other in order to regularly reconcile their respective reports to ensure correctness and reliability of the amounts stated therein (RAB IV);**

Deficiencies affecting the reliability of the Liabilities account balances

- v. **direct their respective Accounting Division to update the subsidiary records and/or other supporting schedules to identify reconciling items, minimize/eliminate the discrepancies noted and reflect the correct balance in support of the General Ledger (GL) balance of the Trust Liabilities account;**
- w. **designate additional personnel to assist the Accountant in completing the verification of the SL balances of Trust Liabilities against the respective case records to determine accuracy of the balances and whether these represent outstanding/ unpaid trust liabilities (RAB I);**
- x. **reconcile the balances of the Trust Liabilities account with the related Cash in Bank accounts to establish the correct balance of trust**

liabilities and the available cash for disbursement to execute the Judgment Awards (CO and NCRAB, and RABs I and V);

- y. maintain subsidiary records for the recording of receipt and disbursements out of the collected execution fees (CO and NCRAB);
- z. reconcile prior years' records and prepare complete Subsidiary Ledgers (SL) for the Trust Liabilities account (RAB V);
- aa. reconcile the SLs with the corresponding Aging Schedules and prepare the journal entry vouchers (JEVs) for the identified errors/ommissions (RAB IX);
- bb. re-establish contact with the claimants of dormant cash bonds/awards thru service of notices to the last known addresses of the claimants;
- cc. assess trust liabilities that have become final and executory, considered dormant and with remote possibility of collection thereof by the payee. Thereafter, formulate a policy to be presented to the Permanent Committee for the proper disposition on the maintenance of trust funds which have become dormant, pursuant to DOF-DBM-COA Joint Circular No. 4-2012 dated September 11, 2012 (CO and NCRAB);

Deficiencies affecting the reliability of Revenues account balances

- dd. direct the Acting Accountant to observe proper use of accounts in recording transactions, in accordance with the 2019 Revised Chart of Accounts (RAB V);

Deficiencies affecting the reliability of various account balances

- ee. provide complete and adequate disclosures in the Notes to FS relative to the accounts presented in the FS which are considered significant to users of financial information in their understanding of the Commission's financial operations and decision-making (CO and NCRAB, RABs IV and IX);
- ff. require the Acting Accountant to correct the deficiencies noted and immediately furnish the Audit Team copies of the correction/adjustments/revisions made in relation thereto (RAB IV);
- gg. direct the Budget Officer Designate and the Acting Accountant to properly follow the procedures in the preparation of the SCBAA as

provided in the pertinent provisions of the GAM for NGAs (RAB IX); and

hh. strictly comply with the submission of financial reports/documents within the period prescribed (RABs IV, V, X and XII).

OTHER AUDIT AREAS

2. Almost all of the total allotments received by the Commission for the Calendar Year (CY 2022) amounting to ₱1,882,921,979.60 was utilized during the year, with a total obligated balance of ₱1,882,833,546.78, leaving a marginal amount of ₱88,432.82 unutilized as of year-end. (*Observation No. 2*)

We commended the Management for attaining a budget utilization rate of almost a hundred percent for CY 2022.

3. Despite the challenges imposed by the pandemic, the Management's strict implementation of its clear-cut policies and strategies for the Labor Arbitration Program resulted in the achievement of all four targeted output/outcome performance indicators in the FY 2022 GAA. Further, more cases were disposed of in FY 2022 totaling 41,154 as compared with 32,433 in FY 2021, thereby showing steady progress that is closer to the Agency's pre-pandemic resolved case output of more than 50,000 labor cases. (*Observation No. 3*)

We commended the Commission's strict implementation of its clear-cut policies and strategies for the prompt resolution of labor cases which resulted in the Commission's achievement of all the four targeted GAA performance indicators for CY 2022.

The foregoing audit observations and recommendations were communicated through Audit Observation Memoranda (AOMs) and discussed with Management officials in an Exit Conference conducted on June 6, 2023 and their comments were incorporated in this Report, where appropriate.

8. Status of Settlement of Audit Suspensions, Disallowances and Charges

The total balances of suspensions, disallowances and charges as of December 31, 2022 amounted to ₱721,697.40, ₱1,825,582.22 and ₱325,604.46, respectively. The details of the settlement of suspensions, disallowances and charges are discussed in Part II of this Report.

9. Status of Implementation of Prior Years' Audit Recommendations

Out of the 83 prior years' audit recommendations, which were contained in the CYs 2019, 2020 and 2021 CAARs, 53 were fully implemented while 30 were not implemented

as of December 31, 2022, of which 18 were reiterated in Part II of this Report. The details of prior year's recommendations, excluding those that were reiterated, are discussed in Part III of this Report.

Status of Implementation	Number of Recommendations	Percentage
Implemented	53	81.54
Not Implemented	12	18.46
Total	65	100.00