

EXECUTIVE SUMMARY

A. Introduction

The National Labor Relations Commission (NLRC) was created under Article 213 of Presidential Decree No. 442, known as the Labor Code of the Philippines (LCP). The NLRC 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 disputes 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.

The adjudicatory powers of the NLRC are being exercised by the 101 Offices of Labor Arbiters in the NLRC-Regional Arbitration Branches (RABs) and the Commission Proper that sits in eight Divisions. The Commission Proper 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 Eight Division for appealed cases in the Mindanao area.

The Commission is composed of a Chairman, 23 Commissioners, 70 Commission Attorneys and 154 Labor Arbiters, of which 96 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 1,272 plantilla positions of which 1,092 are filled-up as of year-end leaving a balance of 180 unfilled positions. The NLRC Main and RABs Offices have 585 and 507 officers and employees, respectively. There are 40 employees on Job Order basis and one casual.

To carry out this 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 Main Office including the 1st to 6th Divisions and NCR Arbitration Branch (NCRAB). The 7th and 8th Divisions, the 15 RABs (I-XIII and CAR) and 10 Sub-RABs (1, 3 to 10 and 12) maintain separate set of books of accounts.

B. Operational Highlights

The NLRC reported the following major accomplishments under the following performance indicators in its Major Final Output on Labor Disputes Resolution Services for Calendar Year (CY) 2017:

Level	Target (cases/ Percentage)	Accomplishment	Percentage
1. Number of cases settled and/or decided			
RABs-Original Cases	40,000		
• Conciliation and Mediation		34,830	
• Compulsory Arbitration		12,961	
Sub-total	40,000	47,791	119.48
Commission Proper-Appealed Cases	10,500	10,423	99.27
Total	50,500	58,214	115.28
2. Percentage Increase in cases resolved through conciliation-mediation			
RABs	60 percent	72.88 percent	121.47
3. Percentage Increase in decisions affirmed by a higher authority			
	96 percent	97.39 percent	101.44

Level	Target (cases/ Percentage)	Accomplishment	Percentage
4. Percentage of cases decided within three months from filing of cases			
RABs	65 percent	74 percent	113.85
Commission Proper		93 percent	143.08

The NLRC posted an overall case output of 58,214 cases, 34,830 cases were disposed of through conciliation and mediation including 14,944 settled Referral for Assistance (RFA) under the Single-Entry Approach and 12,961 cases through compulsory arbitration by the RABs and 10,423 appealed cases by the Commission.

Under the Double-Barreled (Two-Cycle) 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 RABs settled 34,830 labor disputes and awarded a total of ₱5,360,610,236.66. Judgment Award benefitting a total of 45,182 number of workers presented as follows:

Regional Arbitration Branches (RABs)	No. of Settled Labor Disputes	No. of Workers Benefitted	Judgment Award
Mandatory conference under SEnA	14,944	20,912	2,092,125,383.80
Mandatory conference under Compulsory Arbitration	19,886	24,270	3,268,484,852.86
Total	34,830	45,182	5,360,610,236.66

Under the regular Compulsory Arbitration Services of the NLRC (RABs original Cases and Appealed Cases with the Commission Proper) which excludes the RFAs received thru SeNA, the following presents the accomplishment of the NLRC on labor cases that were disposed of/resolved in CY 2017 based on inflow of cases received including the beginning balances:

Regular Inflow and Outflow of Cases (Excluding SeNA)

Level	Beginning Balance (2017)	Total Cases Received regardless of age	Cases Handled	Cases Disposed (2017)	Percentage	Ending Caseload
RABs	8,204	34,181	42,385	32,847	77	9,538
Commission	658	10,402	11,060	10,423	94	637
Total	8,862	44,583	53,445	43,270	81	10,175

Out of 32,847 cases disposed of, 21,452 (65%) were resolved in favor of labor, and 11,395 (35%) in favor of management. Amount of judgment awards reached ₱5,261,213,111.70, benefitting 38,901 workers. Of the total amount awarded and workers benefitted, ₱3,268,484,852.86 was awarded through settlement, benefitting 24,270

number of workers involved, and ₱1,992,728,258.84 through decisions on the merit, benefitting 14,631 number of workers involved.

On appealed cases, the Commission Proper disposed 10,423, of which 7,074 (68%) were resolved in favor of labor and 3,349 (32%) in favor of management. Amount of judgment awards reached ₱4,002,972,305.54 benefitting 8,652 number of workers involved.

Judgment in Favor of Labor and Management

Level	Actual Case Disposed	Case Disposition in Favor of:			
		Labor (Employee)	Percentage	Management (Employer)	Percentage
RABs	32,847	21,452	65	11,395	35
Commission	10,423	7,074	68	3,349	32
Total	43,270	28,526	66	14,744	34

The NLRC also implemented the Project Speedy and Efficient Delivery of Labor Justice (SpeED), which prescribes the periods of deciding labor cases brought to the RABs and Appellate Level under its compulsory arbitration services. For the RABs, the PCT is nine months while for the appealed cases at the Commission Proper, the PCT is six months; and the First-In-First-Out Policy (En Banc Resolution No. 13-07) which requires minimum level of performance (quota system) (27 cases per month) and the aging of cases system (no more than 9-month old cases, First in First out (FIFO) policy).

Both the NLRC RABs and Commission Proper attained 95.87 percent or 41,643 disposed cases, out of 43,435 targeted cases to be disposed within the prescribed period/process cycle of nine months for the RAB and six months for the Commission Proper

Level	Target cases to be disposed within the prescribed period	Actual cases disposed within the prescribed period	Percentage
Regional Arbitration Branches (RABs) – Original Cases	33,009	31,271	94.73
Commission Proper – Appealed Cases	10,426	10,372	99.48
Total	43,435	41,643	95.87

C. Financial Highlights

The NLRC had a total appropriations of ₱1,220,063,878.00 under the General Appropriations Act (GAA) for Fiscal Year (FY) 2017 consisting of agency specific budget of ₱1,008,265,548.00 with automatic appropriations for Retirement and Life Insurance Premiums amounting to ₱46,505,442.00 and Special Purpose Funds for Pension and Gratuity Fund, Retirement Gratuity and Miscellaneous Personnel Benefits totaling ₱165,292,888.00. Total allotments received amounted to ₱1,218,024,811.00, with obligations incurred of ₱1,216,109,934.95, thus leaving a balance of ₱1,914,876.05.

Details of allotments, obligations incurred and unobligated balance including the cash allocations are shown below.

a. Appropriations, Allotments, Obligations Incurred and Balances

Sources of Funds	Appropriations	Allotment	Obligations Incurred	Unobligated Balance
Current Year's Appropriations				
1. Regular Funds				
Personnel Services (PS)	866,898,428.00	864,859,361.00	864,850,760.11	8,600.89
Maintenance and Other Operating Expenses (MOOE)	129,018,120.00	129,018,120.00	128,937,725.08	80,394.92
Capital Outlay	12,349,000.00	12,349,000.00	10,941,069.95	1,407,930.05
Sub-total	1,008,265,548.00	1,006,226,481.00	1,004,729,555.14	1,496,925.86
2. Other Releases-Special Purpose Funds				
Miscellaneous Personnel Benefit Funds	23,352,262.00	23,352,262.00	23,252,253.91	100,008.09
Pension and Gratuity Fund	141,940,626.00	141,940,626.00	141,622,683.90	317,942.10
Sub-total	165,292,888.00	165,292,888.00	164,874,937.81	417,950.19
3. Automatic Appropriations				
Retirement and Life Insurance Premiums	45,505,442.00	46,505,442.00	46,505,442.00	-
Sub-total	46,505,442.00	46,505,442.00	46,505,442.00	-
Total	1,220,063,878.00	1,218,024,811.00	1,216,109,934.95	1,914,876.05

b. Notice of Cash Allocation

Fund	Cash Allocation	Obligations Liquidated	Unutilized Balance	Reversion to National Treasury
101	1,206,412,369.00	1,081,405,598.58	125,006,770.42	125,006,770.42

The Agency's financial position and performance for CYs 2017 with comparative figures CY 2016 are as follows:

Particulars	2017	2016 (As Restated)
Financial Position		
Assets	2,137,692,203.46	1,916,071,370.11
Liabilities	2,063,363,430.03	1,853,731,784.14
Net Assets/Equity	74,328,773.43	62,339,585.97
Financial Performance		
Revenue	25,247,002.44	21,752,159.79
Less: Current Operating Expenses		
PS	1,079,492,356.35	884,421,187.19

Particulars	2017	2016 (As Restated)
MOOE	126,056,083.94	153,608,172.32
Financial Expenses	46,214.13	12,689.45
Non-Cash Expenses	7,709,723.73	7,022,905.29
Surplus (Deficit) from Current Operations	(1,188,057,375.71)	(1,023,312,794.46)
Net Financial Assistance/Subsidy	1,223,560,916.42	1,057,888,393.68
Gains	1,622,057.76	860,598.20
Other Non-Operating Income	238,963.21	-
Losses	(2,623.69)	(23,076.05)
Surplus (Deficit) for the Period	37,361,937.99	35,413,121.37

For CY 2017, the NLRC-Main and RABs reported total collections/receipts of nominal fees and charges of ₱29,407,726.91 from appeals, deposits, certifications, certified machine copies, filing and execution fees, interests on bank deposits, miscellaneous and other fees for the account of the National Government which was remitted in full to the National Treasury. The depository banks of NLRC for Trust/Fiduciary Fund accounts are the Land Bank of the Philippines (LBP) and the United Coconut Planters Bank (UCPB). The latter is accredited by the Department of Finance as a depository bank of National Government Funds under its Memorandum dated November 12, 2002 and Department Order No. 27-05 dated December 9, 2005. The table below presents the details of collected fees and charges:

Sources of Nominal Fees and Charges	Amount
Appeal Fees	2,680,125.31
Certification Fees and Clearance Fees	3,570,406.88
Interest Income	3,189,468.41
Filing and Legal Fees	7,395,540.35
Miscellaneous Fees	621.44
Sub-Total Service Income	16,836,162.39
Add: Other receipts	12,571,564.52
Total	29,407,726.91

D. Scope of Audit

The audit covered the review of accounts and operations of the NLRC's Main Office, eight Divisions, 14 RABs and 10 Sub-RABs for CY 2017. 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; (c) recommend agency improvement opportunities; and (d) determine the extent of implementations of prior years' audit recommendations.

E. Independent Auditor's Report on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements of the NLRC for CY 2017 for reasons stated in the attached Independent Auditor's Report and as discussed in Part II of this Report.

F. Significant Audit Observations and Recommendations

The following are the significant observations and recommendations, which were discussed with Management Officials concerned in an exit conference conducted on March 27, 2018 details of which are discussed in Part II of this Report:

1. The National Labor Relations Commission Regional Arbitration Branches (NLRC-RABs) resolved 43,270 cases out of 53,445 original cases handled for the year 2017, which exceeded the Agency's 40,000 commitment under the FY 2017 General Appropriations Act (GAA). Moreover, under the Project SpeED which sets a nine-month PCT for the RABs and six-month PCT for the Commission Proper to dispose the original and appealed labor cases, respectively, 95.87 percent of the 43,435 cases were disposed. On the appealed cases before the Court of Appeals, 5,642 or 97.39 percent of 5,793, were affirmed by the higher authority exceeding its 96 percent accomplishment target per GAA. (Observation No. 1)

We commended the high disposition rate of: (a) labor dispute resolution services in NLRC RABs VIII, NIR, IX and XII; (b) appealed cases by the Commission Proper; and (c) the Agency for achieving more than its 96 percent target of its appealed cases being affirmed by higher authority. We also recommended that Management continue to focus on its good performance for speedy disposition of labor cases.

For RABs III, IV and I that did not meet the Agency's overall target of 82 percent, we recommended that they exert more effort to achieve their targets.

2. The Cash in Bank-Local Currency, Current Account of the NLRC Main/NCRAB with balances totaling ₱1,238,366,813.63 was inaccurate due to unadjusted/unrecorded reconciling items both per books and per bank records resulting in a difference of ₱37,276,117.77 in their balances, thus negating the objectives of preparing the Bank Reconciliation Statement (BRS) set forth under Chapter 21, Section 3 of Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I. Also, the BRS submitted disclosed reconciling items/errors that were still unrecognized/unadjusted resulting to net overstatement of ₱49,128,708.05. (Observation No. 3)

We recommended that the Management of NLRC Main require the: a) Accountant to: (a.1) trace and reconcile the differences between the recorded book and bank balances; (a.2) promptly record all transactions affecting the cash accounts to ensure accurate financial reporting; (a.3) make representations with the depository banks for the timely submission of bank statements or secure copies of bank statements and/or enroll in the "We Access" service of the LBP to ensure the timely preparation and submission of the BRS; and (a.4) prepare and submit the monthly BRS for all bank accounts within 15 days after the end of each month. Take up the necessary adjustments for reconciling items and provide the banks with the copies of reconciliation statements to enable them to make the necessary corrections in the records; and b) Finance Director to assign additional Accounting personnel to handle, among others, the preparation of the monthly BRS to substantiate the reported balance of account Cash in Bank.

We also recommended that the Management of NLRC-RAB VIII instruct the Accountant to account properly the reconciling items by verifying the relevant bank records/documents from October 2017 and prior years to identify their nature. Once established, draw a JEV to adjust the particular accounts affected. Moreover, to avoid the recurrence of unidentified reconciling items and their accumulation, henceforth BRS have to be submitted on time.

3. The reported balance of Property, Plant and Equipment (PPE) was overstated by ₱1,777,299.02 due to the non-reclassification of purchased PPE items totaling ₱1,661,165.74 with acquisition cost below the threshold of ₱15,000.00 per item as semi-expendable inventories and failure to provide depreciation of ₱130,622.08 for procured Motor Vehicle. Likewise, the accuracy of reported PPE amounting to ₱8,445,600.49 was not established due to non-reconciliation between Property and Accounting records. Moreover, Property Acknowledgment Receipts (PARs) were not renewed or updated; thus, identifying the persons accountable for government property and cross referencing of property transferred from one accountable officer to another could not be facilitated. (Observation No. 8)

We recommended that the Management of NLRC 8th Division and the concerned NLRC-RABs undertake and require the following responsible officials/offices: (a) NLRC 8th Division Supply and Accounting Unit to properly reconcile their records and effect the necessary adjustments to reflect the correct balance of PPE and present fairly the financial statement and reports; (b) RAB III Supply and Accounting Unit to create a committee if necessary, or assign personnel to conduct periodic reconciliation between Accounting and Property records in order to immediately trace variances and make necessary adjustments; (c) RABs I, III and XI Accountants to prepare necessary adjusting journal entries to reclassify the items in the PPE into semi-expendable property,

pursuant to Section 10, Chapter 8, of the GAM, Volume I; (d) RAB IX Accountant to take up the depreciations and make the necessary adjusting entries in the books of accounts to show the correct balance of the PPE account in the financial statements; and (e) RABs III and IX Property Unit to conduct the regular physical inventory taking, maintain and update Property Cards and issue necessary PAR to personnel in custody of the PPE to account for the same and identify the person responsible for the property.

4. The reported balance of Trust Liabilities account totaling ₱1,377,357,490.48 of the NLRC Main and NLRC RAB VI could not be relied upon and its accuracy not determined due to: (a) difference of ₱17,110,719.83 between the Cash in Bank and Trust Liabilities account (b) incomplete subsidiary records maintained resulting in the unreconciled balance of ₱62,987,991.97 between the GL and SL records; (c) difference of ₱54,381,837.60 between the amount of trust liabilities per books and that appearing in the depository banks' balances; (d) non-monitoring of the status of prior years' collections/release/disbursement of both the execution and fiduciary funds; and (e) non-reconciliation of the accounting records for said trust fund with the Sheriffs' Report and Writ of Execution. (Observation No. 10)

We recommended that the Management of NLRC Main require: a) the Accounting Unit to: (a.1) keep an updated record of the status of the trust liabilities account, both the fiduciary and execution funds, pertaining to prior years' transactions; (a.2) reconcile the ₱1,309,031,691.35 outstanding balance of the trust liabilities account with the ₱1,254,649,853.75 confirmed bank balance and the reflected difference of ₱54,381,837.60; (a.3) maintain separate subsidiary records for the fiduciary and the execution fund; and (a.4) identify all the erroneous posting of trust liabilities/cash-in-bank account and adjust them in the books accordingly; and b) both the Accounting Unit and Research Information and Production Division (RIPD) see to it that records/reports of the fiduciary/execution fund lodged under trust liabilities account are reconciled with the Sheriffs' report.

We likewise recommended to the Management of NLRC RAB VI to submit the updated schedule of Trust Liabilities account and determine the amount intended for NLRC RAB VI, and Iloilo and make the necessary adjustment to segregate the two accounts.

5. Appreciation Gift totaling ₱930,000.00 paid to NLRC Main and NLRC-RABs NCR, III and VI employees who retired from the service were not among the authorized benefits sanctioned by existing rules and regulations as exemplified under COA Circular No. 2012-003. Moreover, salaries and wages in NLRC RABs III and VIII were overpaid by ₱120,245.05 due to the failure to deduct unauthorized leave of absences of the concerned officials and employees. (Observation No. 13)

We recommended that the Management of NLRC Main, RABs III and VI: (a) ensure that all NLRC officials and employees are paid only the allowances, incentives and other benefits expressly authorized by law, rules and regulations; and (b) cause the necessary refund of the ₱680,000.00 payments of retirements benefits made to NLRC retired officials and employees.

We also recommended that the Management of NLRC RABs III be more cautious in the processing of payments and demand refund of the overpayment; and require the Accountant to cause accurate processing of claims covering salaries and PERA, in effect, avoid the incurrence of excessive claims.

The foregoing audit observations and recommendations were communicated through Audit Observation Memoranda (AOM) and discussed with Management Officials in an Exit Conference conducted on March 27, 2018 and their comments were incorporated in this Report, where appropriate.

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

The total balances of suspensions, disallowances and charges as of December 31, 2017 amounted to ₱318,878.90, ₱1,047,194.47 and ₱1,025,639.48, respectively. The details of the settlement of suspensions, disallowances and charges are discussed in Part II of this Report.

H. Status of Implementation of Prior Years' Audit Recommendations

Out of the 90 prior years' audit recommendations, 78 of which were contained in the CY 2016 Consolidated Annual Audit Report (CAAR) and 12 unimplemented in the CYs 2014-2015 CAARs as of December 31, 2016, 43 were fully implemented, 35 were partially implemented, and 12 were not implemented. The details of prior years' recommendations are discussed in Part III of this Report.

Status of Implementation	Number of Recommendations	Percentage
Fully Implemented	43	48
Partially Implemented	35	39
Not Implemented	12	13
Total	90	100



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Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

INDEPENDENT AUDITOR'S REPORT

The Chairperson

National Labor Relations Commission
Banawe, Quezon City

Opinion

We have audited the financial statements of the National Labor Relations Commission (NLRC) which comprise the Statement of Financial Position as at December 31, 2017, and the Statement of Financial Performance, Statement of Cash Flows, Statement of Changes in Net Assets/Equity, Statement of Comparison of Budget and Actual Amounts for the year then ended, and Notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of the NLRC as at December 31, 2017, and its financial performance, cash flows, changes in net assets/equity, comparison of budget and actual amounts and notes to the financial statements for the year then ended, in accordance with the Philippine Public Sector Accounting Standards (PPSASs).

Basis for Qualified Opinion

As discussed in detail in Part II of the Report, the following audit observations affected the fair presentations of the financial statements of the NLRC, to wit:

1. Understated balances of Cash in Bank - Local Currency, Current Account and Trust Liabilities accounts by ₱13,916,844.98 due to non-restoration of stale checks which remained outstanding in the books for over seven years while unreleased checks totaling ₱331,301.30 were not reverted to Cash account as at year-end.
2. Inaccurate balance of Cash in Bank - Local Currency, Current Account totaling ₱1,238,366,813.63 due to unadjusted/unrecorded reconciling items both per books and per bank of ₱37,276,117.77, their nature being not determined, and non-updating of subsidiary records.

3. Overstated balance of Property, Plant and Equipment account by ₱1,777,299.02 due to the non-reclassification of purchased PPE items with acquisition cost below the threshold of ₱15,000 and failure to provide depreciation for procured motor vehicle.
4. Inaccurate balance of Trust Liabilities account totaling ₱1,377,357,490.48 due to:
(a) difference ₱17,110,719.83 between the Cash in Bank and Trust Liabilities account; (b) incomplete subsidiary records maintained resulting in the unreconciled balance of ₱62,987,991.97 between the General Ledger (GL) and Subsidiary Ledger (SL) records; and (c) ₱54,381,837.60 difference between the trust liabilities and the amount appearing in the depository banks' balances.

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 agency in accordance with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PPSASs, 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 Responsibilities for the Audit of the Financial Statements

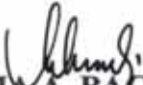
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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.

Our audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risk 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 agency'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 agency's internal control. Our 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.

COMMISSION ON AUDIT

By:


ALMA A. BACULI
State Auditor IV
Supervising Auditor

June 11, 2018



**STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR
FINANCIAL STATEMENTS**

The Management of National Labor Relations Commission is responsible for all information and representations contained in the accompanying Statement of Financial Position as of December 31, 2017 and the related Statement of Financial Performance, Statement of Cash Flows, Statement of Comparison of Budget and Actual Amounts, Statement of Changes in Net Assets/Equity and the Notes to Financial Statements for the year then ended. The financial statements have been prepared in conformity with the Philippine Public Sector Accounting Standards and generally accepted state accounting principles, and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

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


HAROLD M. CARBO
Accountant IV

28 March 2018
Date Signed


GERARDO C. NOGRALES
Chairman

28 March 2018
Date Signed

**NATIONAL LABOR RELATIONS COMMISSION
STATEMENT OF FINANCIAL POSITION
ALL FUNDS
AS AT DECEMBER 31, 2017**

	<u>Note</u>	<u>2017</u>	<u>2016 as Restated</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	6	P 2,036,882,226.19	P 1,827,926,738.87
Receivables	7	48,329,366.80	41,471,056.43
Inventories	8	3,341,127.75	2,664,348.80
Other Current Assets	9	7,617,129.20	6,397,955.52
Total Current Assets		<u>2,096,169,849.94</u>	<u>1,878,460,099.62</u>
Non-Current Assets			
Property, Plant and Equipment	10	35,943,698.94	34,059,012.70
Intangible Assets	11	2,393,395.60	250,644.00
Other Non-Current Assets	9	3,185,258.98	3,301,613.79
Total Non-Current Assets		<u>41,522,353.52</u>	<u>37,611,270.49</u>
Total Assets		<u>2,137,692,203.46</u>	<u>1,916,071,370.11</u>
LIABILITIES			
Current Liabilities			
Financial Liabilities	12	6,143,645.97	15,294,852.55
Inter-Agency Payables	13	19,960,481.47	13,034,369.08
Intra-Agency Payables		-	406,256.49
Trust Liabilities	14	1,984,867,526.68	1,804,293,355.58
Other Payables	15	52,391,775.91	20,702,950.44
Total Current Liabilities		<u>2,063,363,430.03</u>	<u>1,853,731,784.14</u>
Non-Current Liabilities			
Total Non-Current Liabilities		<u>-</u>	<u>-</u>
Total Liabilities		<u>2,063,363,430.03</u>	<u>1,853,731,784.14</u>
Total Assets less Total Liabilities		<u>74,328,773.43</u>	<u>62,339,585.97</u>
NET ASSETS/EQUITY			
Accumulated Surplus/(Deficit)	16	74,328,773.43	62,339,585.97
Total Net Assets/Equity		<u>P 74,328,773.43</u>	<u>P 62,339,585.97</u>

This statement should be read in conjunction with the accompanying notes.

**NATIONAL LABOR RELATIONS COMMISSION
STATEMENT OF FINANCIAL PERFORMANCE
ALL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Note</u>	<u>2017</u>	<u>2016 as Restated</u>
Revenue			
Service and Business Income	17 P	25,247,002.44	P 21,752,159.79
Total Revenue		<u>25,247,002.44</u>	<u>21,752,159.79</u>
Less: Current Operating Expenses			
Personnel Services	18	1,079,492,356.35	884,421,187.19
Maintenance and Other Operating Expenses	19	126,056,083.94	153,608,172.32
Financial Expenses	20	46,214.13	12,689.45
Non-Cash Expenses	21	<u>7,709,723.73</u>	<u>7,022,905.29</u>
Total Current Operating Expenses		<u>1,213,304,378.15</u>	<u>1,045,064,954.25</u>
Surplus/(Deficit) from Current Operations		<u>(1,188,057,375.71)</u>	<u>(1,023,312,794.46)</u>
Net Financial Assistance/Subsidy	22	1,223,560,916.42	1,057,888,393.68
Sale of Assets	23	238,963.21	-
Gains	24.1	1,622,057.76	860,598.20
Losses	24.2	<u>(2,623.69)</u>	<u>(23,076.05)</u>
Surplus/(Deficit) for the period	P	<u>37,361,937.99</u>	P <u>35,413,121.37</u>

This statement should be read in conjunction with the accompanying notes.

**NATIONAL LABOR RELATIONS COMMISSION
STATEMENT OF CHANGES IN NET ASSETS/EQUITY
ALL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

		Accumulated Surplus/ (Deficit)	
		<u>2017</u>	<u>2016 As Restated</u>
Balance at January 1	P	62,339,585.97	P 75,003,026.90
Add/(Deduct):			
Changes in accounting policy			-
Prior period errors			-
Other adjustments			(22,822,364.21)
Restated balance		<u>62,339,585.97</u>	<u>52,180,662.69</u>
Add/(Deduct):			
Changes in Net Assets/Equity for the Calendar Year			
Surplus/(Deficit) for the period		37,361,937.99	35,413,121.37
Adjustment of net revenue recognized directly in net assets/equity ¹		(27,956,505.95)	(24,574,690.13)
Others ²		2,583,755.42	(679,507.96)
Balance at December 31	P	<u>74,328,773.43</u>	P <u>62,339,585.97</u>

*1 - Net revenue deposited with the National Treasury (revenue including constructive receipt of income by Foreign Based Agencies and income remitted by agencies thru TRA)

*2 - Direct adjustments to Net Assets/Equity which are not of the agency to another directly charged to Accumulated

**NATIONAL LABOR RELATIONS COMMISSION
STATEMENT OF CASH FLOWS
ALL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Note</u>	<u>2017</u>	<u>2016 as Restated</u>
Cash Flows From Operating Activities			
Cash Inflows			
Receipt of Notice of Cash Allocation	P	1,348,567,686.84	P 1,161,777,965.81
Collection of Income/Revenues		29,407,726.91	21,710,009.81
Collection of Receivables		20,673.30	
Trust Receipts		2,454,338,988.63	1,803,032,063.01
Other Receipts		684,481.49	2,864,680.32
Adjustments - Inflow		144,589,661.39	17,339,074.00
Total Cash Inflows	25	<u>3,977,609,218.56</u>	<u>3,006,723,792.95</u>
Cash Outflows			
Remittance to National Treasury		29,004,613.49	24,574,690.13
Payment of Expenses		999,928,842.55	868,190,416.86
Purchase of Inventories		6,126,094.99	13,679,501.62
Grant of Cash Advances		15,489,569.98	10,867,350.18
Prepayments		875,910.07	276,970.21
Payment of Accounts Payable		2,364,341,194.48	1,704,788,814.65
Remittance of Personnel Benefit			
Contributions and Mandatory Deductions		196,977,878.54	167,831,188.09
Release of other inter-agency fund transfers		285,378.61	-
Reversal of Unutilized NCA		125,006,770.42	103,475,750.26
Adjustments		19,715,993.21	8,272,100.92
Total Cash Outflows	26	<u>3,757,752,246.34</u>	<u>2,901,956,782.92</u>
Net Cash Provided by (Used in) Operating Activities		<u>219,856,972.22</u>	<u>104,767,010.03</u>
Cash Flows from Investing Activities			
Cash Inflows			
Proceeds from Sale/Disposal of Property, Plant and Equipment		200,000.00	-
Total Cash Inflows		<u>200,000.00</u>	<u>9,185.00</u>
Cash Outflows			
Purchase/Construction of Property, Plant and Equipment		10,334,715.03	3,999,394.57
Purchase of Intangible Assets		2,142,751.60	-
Total Cash Outflows		<u>12,477,466.63</u>	<u>3,999,394.57</u>

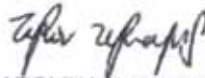
Net Cash Provided by (Used in) Investing Activities		<u>(12,277,466.63)</u>	<u>(3,990,209.57)</u>
Net Cash Provided by (Used in) Financing Activities		<u>-</u>	<u>-</u>
Increase (Decrease) in Cash and Cash Equivalents		207,579,505.59	100,776,800.46
Effects of Exchange Rate Changes on Cash and Cash Equ	28	1,375,981.73	3,677,840.31
Cash and Cash Equivalents, January 1	7	<u>1,827,926,738.87</u>	<u>1,723,472,098.10</u>
Cash and Cash Equivalents, December 31		<u><u>P 2,036,882,226.19</u></u>	<u><u>P 1,827,926,738.87</u></u>

This statement should be read in conjunction with the accompanying notes.


**NATIONAL LABOR RELATIONS COMMISSION
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT
ALL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Particulars	Budgeted Amounts		Actual Amounts on Comparable Basis	Difference Final Budget and Actual
	Original	Final		
RECEIPTS				
Services and Business Income	24,332,000.00	24,332,000.00	29,407,726.91	(5,075,726.91)
Total Receipts	24,332,000.00	24,332,000.00	29,407,726.91	(5,075,726.91)
PAYMENTS				
Personnel Services	861,164,673.92	1,078,696,758.00	1,075,367,093.17	3,329,664.83
Maintenance and Other	154,583,146.90	129,018,120.00	127,676,726.90	1,341,393.10
Capital Outlay	14,203,770.45	12,349,000.00	9,103,119.95	3,245,880.05
Total Payments	1,029,951,591.27	1,220,063,878.00	1,212,146,940.02	7,916,937.98
NET RECEIPTS/PAYMENT:	(1,005,619,591.27)	(1,195,731,878.00)	(1,182,739,213.11)	(12,992,664.89)

Prepared by:


MARIA CAROLINA N. CERVANTES
Acting Budget Officer

Certified Correct by:


HAROLD M. CARBO
Accountant IV

National Labor Relations Commission
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2017

1. General Information/Agency Profile

The Financial Statements (FSs) of the National Labor Relations Commission (NLRC) were authorized for issue on March 28, 2018 as shown in the Statement of Management Responsibility for Financial Statements signed by Chairman Gerardo C. Nograles.

The NLRC was created by virtue 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 attached the NLRC to the Department of Labor and Employment (DOLE) for program and policy coordination.

Further, RA No. 9347 which took effect on August 26, 2006, created three additional Divisions in the Commission and the Commission Attorney positions.

The NLRC Mandate

The NLRC is a quasi-judicial body tasked 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 disputes resolution.

Its avowed mission is to resolve labor disputes in the fairest, quickest, least expensive and most effective way possible.

Organizational Structure

The NLRC is composed of the following Offices:

1. Office of the Chairman
2. Office of the Executive Clerk of Court
3. Management and Administrative Department
4. Research and Legal Department
5. Commission Proper (First to Sixth Divisions based at Luzon, Seventh Division at Visayas, and Eighth Division at Mindanao)
6. The 15 RABs

The NLRC has 1,272 approved plantilla positions, 1,092 of which were filled positions as of December 31, 2017. The eight divisions are composed of 23 Commissioners, with Chairman Gerardo C. Nograles sitting as the Presiding Commissioner of the First Division. The 15 RABs consist of 101 Offices of Labor Arbiters and 45 Offices for other services with the Executive Labor Arbiter handling administrative supervisory functions.

The NLRC Jurisdiction

The adjudicatory powers of the NLRC are being exercised by the 101 Offices of Labor Arbiters in the NLRC-RABs and the Commission Proper that sits in eight divisions by virtue of RA No. 9347 for appealed cases.

The LCP enumerates and defines the jurisdiction of the NLRC.

The Arbitration Branch of the NLRC (Labor Arbiter) has original and exclusive jurisdiction under the LCP, as amended, on the following cases involving all workers, whether agricultural or non-agricultural:

1. Unfair labor practice cases;
2. Termination disputes;
3. 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;
4. Claims for actual, moral, exemplary and other forms of damages arising from employer-employee relations;
5. Except claims for employees compensation not included in the next succeeding paragraph, social security, medicare and maternity benefits, all other monetary claims arising from employer-employee relations including those of persons in domestic or household service, involving an amount exceeding ₱5,000.00, whether or not accompanied with a claim for reinstatement;
6. Cases arising from any violation of Article 264 of the LCP, including questions involving the legality of strikes and lockouts;
7. Wage distortion disputes in unorganized establishments not voluntarily settled by the parties pursuant to RA No. 6727;
8. Enforcement of compromise agreements when there is non-compliance by any of the parties pursuant to Article 227 of the LCP, as amended;

9. Money claims arising out of employer-employee relationship or by virtue of any law or contract, involving Filipino workers for overseas deployment, including claims for actual, moral, exemplary and other forms of damages as provided by Section 10 of RA No. 8042, as amended by RA No. 10022; and
10. Other cases as may be provided by law.

Appellate Body of the NLRC (Commission Proper)

The Commission Proper composed of Tripartite Sectoral representation per Division: the Government Sector as its Presiding Commissioner, and two members, one each from the Labor and Management Sectors have the jurisdiction to handle and review appealed cases from the RABs (Articles 217 and 263 of the LCP). The first six Divisions handle appealed cases from the National Capital Region (NCR) and other parts of Luzon (Regions I to V and CAR), the Seventh Division handles appealed cases at Visayas Region, and the Eighth Division for appealed cases at Mindanao area.

1. Appellate Jurisdiction under LCP
 - a) Decisions of Labor Arbiters (Article 217 (b))
 - b) Decisions/Resolutions of the Regional Director or Hearing Officer (Article 129, paragraph 2)
2. Petitions for Injunction/Temporary Restraining Order (Article 218 (e))
3. Certified Labor Disputes (Article 263 (g))

Powers of the Commission

Article 218, Book V of the LCP provides the following powers of the Commission:

1. To promulgate rules and regulations governing the hearing and disposition of cases before it and its regional branches, as well as those pertaining to its internal functions and such rules and regulations as may be necessary to carry out the purposes of this Code (as amended by Section 10, RA No. 6715, dated March 21, 1989);
2. To administer oaths, summon the parties to a controversy, issue subpoenas requiring the attendance and testimony of witnesses or the production of such books, papers, contracts, records, statement of accounts, agreements, and others as may be material to a just determination of the matter under investigation, and to testify in any investigation or hearing conducted in pursuance of this Code;

3. To conduct investigation for the determination of a question, matter or controversy within its jurisdiction, proceed to hear and determine the disputes in the absence of any party thereto who has been summoned or served with notice to appear, conduct its proceedings or any part thereof in public or in private, adjourn its hearings to any time and place, refer technical matters or accounts to an expert and to accept his report as evidence after hearing of the parties upon due notice, direct parties to be joined in or excluded from the proceedings, correct, amend, or waive any error, defect or irregularity whether in substance or in form, give all such directions as it may deem necessary or expedient in the determination of the dispute before it, and dismiss any matter or refrain from further hearing or from determining the dispute or part thereof, where it is trivial or where further proceedings by the Commission are not necessary or desirable;
4. To hold any person in contempt directly or indirectly and impose appropriate penalties therefore in accordance with law.

A person guilty of misbehavior in the presence of or so near the Chairman or any member of the Commission or any Labor Arbiter as to obstruct or interrupt the proceedings before the same, including disrespect toward said officials, offensive personalities toward others, or refusal to be sworn, or to answer as a witness or to subscribe an affidavit or deposition when lawfully required to do so, may be summarily adjudged in direct contempt by said officials and punished by fine not exceeding five hundred pesos (P500) or imprisonment not exceeding five days, or both, if it be the Commission, or a member thereof, or by a fine not exceeding one hundred pesos (P100) or imprisonment not exceeding one day, or both, if it be a Labor Arbiter.

The person adjudged in direct contempt by a Labor Arbiter may appeal to the Commission and the execution of the judgment shall be suspended pending the resolution of the appeal upon the filing by such person of a bond on condition that he will abide by and perform the judgment of the Commission should the appeal be decided against him. Judgment of the Commission on direct contempt is immediately executory and unappealable. Indirect contempt shall be dealt with by the Commission or Labor Arbiter in the manner prescribed under Rule 71 of the Revised Rules of Court (as amended by Section 10, RA No. 6715, dated March 21, 1989); and

5. To enjoin or restrain any actual or threatened commission of any or all prohibited or unlawful acts or to require the performance of a particular act in any labor dispute which, if not restrained or performed forthwith, may cause grave or irreparable damage to any party or render ineffectual any decision in favor of such party: Provided, that no temporary or permanent injunction in any case involving or growing out of a labor dispute as defined in this Code shall be issued except after hearing the testimony of witnesses, with opportunity for cross-examination, in support of the allegations of a complaint made under oath, and testimony in

opposition thereto, if offered, and only after a finding of fact by the Commission, to the effect:

- a) That prohibited or unlawful acts have been threatened and will be committed and will be continued unless restrained, but no injunction or temporary restraining order shall be issued on account of any threat, prohibited or unlawful act, except against the person or persons, association or organization making the threat or committing the prohibited or unlawful act or actually authorizing or ratifying the same after actual knowledge thereof;
- b) That substantial and irreparable injury to complainant's property will follow;
- c) That as to each item of relief to be granted, greater injury will be inflicted upon complainant by the denial of relief than will be inflicted upon defendants by the granting of relief;
- d) That complainant has no adequate remedy at law; and
- e) That the public officers charged with the duty to protect complainant's property are unable or unwilling to furnish adequate protection.

2. Statement of Compliance and Basis of Preparation of Financial Statements

The Financial Statements (FSs) have been prepared in accordance with and comply with the *Philippine Public Sector Accounting Standards (PPSASs)* issued by the Commission on Audit per COA Resolution No. 2014-003 dated January 24, 2014.

The FSs were prepared on the basis of historical cost, unless stated otherwise. The Statement of Cash Flows was prepared using the direct method.

3. Summary of Significant Accounting Policies

3.1 Basis of Accounting

The FSs were prepared on an accrual basis in accordance with the PPSASs.

3.2 Cash and Cash Equivalents

Cash and cash equivalents comprise of cash on hand and cash in bank sourced from the receipt of subsidy from National Government and custodial funds. For the purpose of statement of cash flows, cash and cash equivalents consist of cash and deposits as defined above, net of outstanding bank overdrafts.

Collections and disbursements for fiduciary funds in foreign currencies are recognized in its prevailing exchange rate at the time of the actual deposit with

the agency depository bank and revalued every reporting date at its closing rate using the Exchange Rate Index of the Bangko Sentral ng Pilipinas (BSP).

3.3 Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of inventory is its fair value at the date of acquisition.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations.

3.4 Property, Plant and Equipment

Recognition

An item is recognized as property, plant and equipment (PPE) if it meets the characteristics and recognition criteria as PPE.

The characteristics of PPE are as follows:

- tangible items;
- are held for use in the production or supply of goods or services, for rentals to others, or for administrative purposes; and
- are expected to be used during more than one reporting period.

An item of PPE is recognized as an asset if:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost or fair value of the item can be measured reliably.

Measurement at Recognition

An item recognized as property, plant, and equipment is measured at cost.

A PPE acquired through non-exchange transaction is measured at its fair value as at the date of acquisition.

Cost includes the following:

- Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- Expenditure that is directly attributable to the acquisition of the items; and
- *Initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when item is acquired, or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.*

Measurement after Recognition

After recognition, all PPE are stated at cost less accumulated depreciation and impairment losses.

When significant parts of the PPE are required to be replaced at intervals, the Agency recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Likewise, when a major repair/replacement is done, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized as expense in surplus or deficit as incurred.

Depreciation

Each part of an item of PPE with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognized as expense unless it is included in the cost of another asset.

Initial Recognition of Depreciation

Depreciation of an asset begins when it is available for use such as when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management.

For simplicity and to avoid proportionate computation, the depreciation is for one month if the PPE is available for use on or before the 15th of the month. However, if the PPE is available for use after the 15th of the month, depreciation is for the succeeding month.

Depreciation Method

The straight-line method of depreciation shall be adopted unless another method is more appropriate for agency operation.

Estimated useful life

The NLRC uses the Schedule on the Estimated Useful Life of PPE by classification prepared by COA.

The Agency uses a residual value equivalent to at least five percent of the cost of PPE pursuant to COA Circular No. 2015-002 dated March 9, 2015.

Impairment

An asset's carrying amount is written down to its recoverable amount, or recoverable service amount, if the asset's carrying amount is greater than its estimated recoverable service amount.

Derecognition

The NLRC derecognizes items of PPE and/or any significant part of an asset upon disposal or when no future economic benefits or service potential is expected from its continuing use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the surplus or deficit when the asset is derecognized.

3.5 Leases

Operating lease - National Labor Relations Commission as a lessee

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

3.6 Intangible Assets

Recognition and Measurement

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

Intangible assets acquired separately are initially recognized at cost.

If payment for an intangible asset is deferred beyond normal credit terms, its cost is the cash price equivalent. The difference between this amount and the total payments is recognized as interest expense over the period of credit unless it is capitalized in accordance with the capitalization treatment permitted in PPSAS 5, Borrowing Costs.

Internally Generated Intangible Assets

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

Recognition of an Expense

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

Subsequent Measurement

The useful life of the intangible assets is assessed as either finite or indefinite. Intangible assets with a finite life are amortized over its useful life. An intangible asset with indefinite useful lives shall not be amortized.

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

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

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

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount

of the asset and are recognized in the surplus or deficit when the asset is derecognized.

Research and Development Cost

The NLRC expenses research costs as incurred. Development costs of an individual project were recognized as intangible assets when the NLRC can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition, intangible assets were carried at cost less any *accumulated amortization and accumulated impairment losses*.

Amortization of the asset begins when development is complete and the asset is available for use.

It is amortized over the period of expected future benefit.

During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

3.7 Changes in accounting policies and estimates

The NLRC recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy were applied prospectively if retrospective application is impractical.

The NLRC recognizes the effects of changes in accounting estimates prospectively by including in surplus or deficit.

The NLRC correct material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by:

- Restating the comparative amounts for prior period(s) presented in which the error occurred; or
- If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

3.8 Foreign currency transactions

Transactions in foreign currencies were initially recognized by applying the spot exchange rate between the function currency and the foreign currency at the transaction.

At each reporting date:

- Foreign currency monetary items were translated using the closing rate;
- Nonmonetary items that were measured in terms of historical cost in a foreign currency were translated using the exchange rate at the date of the transaction; and
- Nonmonetary items that were measured at fair value in a foreign currency were translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising (a) on the settlement of monetary items, or (b) on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements, were recognized in surplus or deficit in the period in which they arise, except as those arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation.

3.9 Revenue from non-exchange transactions

Recognition and Measurement of Assets from Non-Exchange Transactions

An inflow of resources from a non-exchange transaction, other than services in kind, that meets the definition of an asset were recognized as an asset if the following criteria were met:

- It is probable that the future economic benefits or service potential associated with the asset will flow to the entity; and
- The fair value of the asset can be measured reliably.

An asset acquired through a non-exchange transaction is initially measured at its fair value as at the date of acquisition.

Recognition Revenue from Non-Exchange Transactions

An inflow of resources from a non-exchange transaction recognized as an asset is recognized as revenue, except to the extent that a liability is also recognized in respect of the same inflow.

As NLRC satisfies a present obligation recognized as a liability in respect of an inflow of resources from a non-exchange transaction recognized as an asset,

it reduces the carrying amount of the liability recognized and recognize an amount of revenue equal to that reduction.

Measurement of Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions is measured at the amount of the increase in net assets recognized by the entity, unless a corresponding liability is recognized.

Measurement of Liabilities on Initial Recognition from Non-Exchange Transactions

The amount recognized as a liability in a non-exchange transaction is the best estimate of the amount required to settle the present obligation at the reporting date.

Taxes

Taxes and the related fines and penalties were recognized when collected or when these were measurable and legally collectible. The related refunds, including those that were measurable and legally collectible, were deducted from the recognized tax revenue.

Fees and fines not related to taxes

The NLRC recognizes revenues from fees and fines, except those related to taxes, when earned and the asset recognition criteria were met. Deferred income is recognized instead of revenue if there is a related condition attached that would give rise to a liability to repay the amount.

Other non-exchange revenues were recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

3.10 Employee Benefits

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

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

The NLRC recognizes expenses for accumulating compensated absences when these are paid (commuted or paid as terminal leave benefits). Unused entitlements that have accumulated at the reporting date are not recognized as

expense. Non-accumulating compensated absences, like special leave privileges, are not recognized.

4. Changes in Accounting Policies

The NLRC recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical. It recognizes the effects of changes in accounting estimates prospectively by including in surplus or deficit.

5. Prior Period Adjustments

Fundamental errors in prior years are corrected and recorded using the surplus or deficit account and the corresponding restatement of the account affected by the adjustment.

Particulars	Name of Accounts Affected	Amount (Over)Under	Net Effect for
			Accumulated Surplus/(Deficit) Beginning Balances January 1, 2017
Refund of Other Bonuses and Allowances of FY 2016	Cash in Bank - Local Currency Current Account (LCCA)	50,000.00	50,000.00
Understatement of salary, Bonuses and Other Compensation of FY 2016	Due to Officers and Employees	344,190.39	(451,790.48)
	Due to BIR	91,289.04	
	Due to GSIS	11,234.60	
	Due to Pag-IBIG	600.00	
	Due to Philhealth	2,250.00	
	Due from Officers and Employees	(2,226.45)	
Understatement of Rent Expense of FY 2016	Accounts Payable	47,909.42	(52,606.42)
	Due to BIR	4,697.00	
To adjust the misstatement of various liability accounts due to repetitive errors as well as interchanging of accounts used in recording financial transactions	Due to BIR	(117,900.28)	(1,158,664.29)
	Due to GSIS	1,092,099.85	
	Due to Pag-IBIG	3,162.74	
	Due to Philhealth	(3,812.50)	
	Due to GOCCs	42,583.96	
	Other Payables	(19,070.15)	
	Due from Officers and Employees	302.29	
	Due to Officers and Employees	161,298.38	
Overstatement of Office Supplies Expenses in FY 2016	Semi-Expendable Furniture and Fixtures	12,240.00	22,277.60
	Information and Communications Technology Equipment	1,272,460.80	
	Intangible Assets - Computer Software	215,684.00	
	Office Supplies Inventory	(1,478,107.20)	
	Trust Liabilities	2,114.38	
Understatement of Trust Liabilities in FY 2016	Trust Liabilities	2,114.38	(2,114.38)

Particulars	Name of Accounts Affected	Amount (Over)Under	Net Effect for Accumulated
			Surplus/(Deficit) Beginning Balances January 1, 2017
To adjust Interest Income for FY 2016	Cash in Bank - Local Currency, Savings Account (LCSA)	8,984.38	8,984.38
Errors in recording of RATA for the FY 2016	Cash in Bank - LCSA	(40,000.00)	166,976.43
	Due to Officers and Employees	245,526.93	
	Due to BIR	36,881.43	
	Due to GSIS	1,669.07	
To recognize Bank Service Charges from years 2012 to 2016	Cash in Bank - LCCA	(22,160.01)	(22,160.01)
To recognize unrecorded deposits from years 2012 to 2015	Cash in Bank - LCCA	329,538.51	329,538.51
To revert back to Other Property, Plant and Equipment all items reclassified as Other Assets	Other Leased Assets Improvements	669,458.03	669,458.03
	Office Equipment (Net of Accumulated Depreciation)	4,459,697.86	
	Information and Communications Technology Equipment (Net of Accumulated Depreciation)	13,231,954.16	
	Communication Equipment (Net of Accumulated Depreciation)	33,917.40	
	Motor Vehicles (Net of Accumulated Depreciation)	228,335.93	
	Furnitures and Fixtures (Net of Accumulated Depreciation)	560,630.71	
	Books (Net of Accumulated Depreciation)	2,141,424.91	
	Other Property, Plant and Equipment (Net of Accumulated Depreciation)	112,863.50	
	Other Assets (Net of Accumulated Depreciation)	(20,768,824.47)	
To revert back PPE items previously recognized as <i>Auditing Services</i>	Office Equipment Furniture and Fixtures	63,528.00 39,905.00	103,433.00
Overstatement of Salaries for FY 2016	Due from Officers and Employees	396,586.73	396,586.73
To recognize remittance of unused fund to Bureau of the Treasury	Cash in Bank - LCCA	(629,496.46)	(1,748,074.42)
	Cash in Bank - LCSA	(1,118,577.96)	
To recognize balance of LBP Payroll Account as of December 31, 2016	Cash in Bank - LCCA	631,496.46	631,496.46
To correct entry made pertaining to the deduction in the salaries	Receivables - Disallowances/Charges	500.00	8,200.00
	Due to GSIS	(7,700.00)	

Particulars	Name of Accounts Affected	Amount (Over)Under	Net Effect for Accumulated
			Surplus/(Deficit) Beginning Balances January 1, 2017
To recognize Liquidation of Cash Advance granted paid for the clearing and cutting of fallen coconut trees by typhoon Yolanda in RAB VIII office vicinity	Advances to Officers and Employees	(500.00)	(500.00)
To record Personal Economic Relief Allowance for the month of February 2016	Cash in Bank - LCCA	2,000.00	2,000.00
To recognize reversion of Unliquidated Cash Advance	Advances to Special Disbursing Officers	(780,333.43)	(780,333.43)
To recognize disallowance on Travel Expense	Receivables - Disallowances/Charges	600.00	600.00
To recognize additional payment and reclassification of prior years' expenses	Due to Philhealth Accounts Payable	(2,250.00) 186,550.00	(184,300.00)
To recognize cancellation of LBP MDS Stale Checks	Due to Officers and Employees Accounts Payable	412,000.00 1,821.87	(413,821.87)
To recognize remittance of Life & Retirement Premiums Government Share (GS)	Accounts Payable	196,378.06	(196,378.06)
Liquidation of Cash Advance on Training Expenses	Cash in Bank - LCCA	800.00	800.00
To recognize disallowed overpayment of the Loyalty Award	Receivables - Disallowances/Charges	5,000.00	5,000.00
To recognize net amount of unrecorded balance from previous years as per bank reconciliation	Cash in Bank - LCSA	3,661.70	3,661.70
Reclassification of unused payroll fund	Due to Officers and Employees	(2,565,804.50)	2,565,804.50
To record adjustments of PPEs to reflect the actual cost accounted for per PPE Ledger Card	Information and Communications Technology Equipment (Net of Accumulated Depreciation) Communication Equipment (Net of Accumulated Depreciation) Office Equipment (Net of Accumulated Depreciation) Motor Vehicles (Net of Accumulated Depreciation)	(12,658,949.56) 159,834.10 (4,399,290.30) (317,751.06)	(20,974,573.70)

Particulars	Name of Accounts Affected	Amount (Over)Under	Net Effect for Accumulated
			Surplus/(Deficit) Beginning Balances January 1, 2017
	Furnitures and Fixtures (Net of Accumulated Depreciation)	(723,038.52)	
	Books (Net of Accumulated Depreciation)	(2,258,881.83)	
	Other Property, Plant and Equipment (Net of Accumulated Depreciation)	(107,038.50)	
	Other Leased Assets Improvements	(669,458.03)	
Adjustment for the understatement of Petty Cash Fund	Petty Cash Fund	38,671.66	38,671.66
To correct misposted amount used in opening the LBP LCSA Payroll Fund	Cash in Bank - LCCA	(10,000.00)	(10,000.00)
To adjust additional recording of beginning balance of Office Supplies Inventory and Drugs and Medicine as of January 1, 2017.	Office Supplies Inventory Drugs and Medicine Inventory	1,478,107.20 2,367.32	1,480,474.52
Total			(19,511,353.54)

6. Cash and Cash Equivalents

Cash and Cash Equivalents are composed of the following:

Account	2017	2016
Cash on Hand	2,009,726.90	3,840,686.65
Cash in Bank – Local Currency, Current Account	1,968,613,511.60	1,776,647,953.65
Cash in Bank – Local Currency, Savings Account	1,012,118.91	1,008,734.78
Cash in Bank – Foreign Currency, Savings Deposit	53,554,157.89	41,158,127.74
Cash – Tax Remittance Advice	11,692,710.89	5,271,236.05
Total	2,036,882,226.19	1,827,926,738.87

- Petty Cash Fund in the amount of ₱250,830.43 is maintained under the imprest system, utilized to pay out petty expenses. Replenishments are directly charged to the appropriate expense account. In addition, undeposited collections at the end of the year under the account of Cash-Collecting Officers amounted to ₱1,758,896.47.

- Cash in Bank-Local Currency, Current Account (Fiduciary Fund) amounting to ₱1,968,613,511.60 consists of funds in custodia legis from cash bonds posted by the respondent-companies and garnishments/enforcement of monetary claims/judgment awards in labor cases (Articles 223 and 224, Labor Code of the Philippines, as amended) for proper disposition upon finality of decision and the issuance of order of release by the Commission. These are treated as trust receipts and are deposited at the Land Bank of the Philippines (LBP) and United Coconut Planters Bank (UCPB), the Authorized Government Depository Banks (AGDBs) pursuant to Department of Finance (DOF) Department Circular No. 01-2017 dated May 11, 2017.
- Cash in Bank – Local Currency, Savings Account in the amount of ₱1,012,118.91 represents the payroll account of the NLRC Central Office and NCR.
- Cash in Bank – Foreign Currency, Savings Deposit has an ending balance of \$1,072,735.17 as of December 31, 2017 revalued using the Foreign Currency Exchange Rate Index of the BSP at ₱49.923 or equivalent amount of ₱53,554,157.89. This account is maintained at UCPB for the monetary judgment awards denominated in US Dollars involving OFW cases.
- Cash – Tax Remittance Advice (TRA) represent constructive receipt of cash for TRA amounting to ₱11,692,710.89 at the end of the year.
- Presented in table below are breakdown of Cash and Cash Equivalents per Region/Office:

Particulars	2017	2016
Central Office and NCR	1,304,820,273.38	1,164,095,875.42
Seventh Division	4,752,377.13	3,293,982.36
Eight Division	3,757,882.19	3,752,144.27
Cordillera Administrative Region (CAR)	10,178,980.31	20,509,386.06
Regional Arbitration Branch I	22,324,773.99	29,255,343.76
Regional Arbitration Branch II	15,408,401.85	11,422,196.97
Regional Arbitration Branch III	119,155,086.52	95,743,797.69
Regional Arbitration Branch IV	203,597,717.66	152,216,329.84
Regional Arbitration Branch V	27,086,172.03	22,484,359.49
Regional Arbitration Branch VI	69,240,857.70	71,785,823.51
Regional Arbitration Branch VII	106,955,856.24	100,761,999.75
Regional Arbitration Branch VIII	6,093,629.30	5,005,703.54
Regional Arbitration Branch IX	12,485,147.44	10,900,371.46
Regional Arbitration Branch X	33,440,110.98	39,002,572.13
Regional Arbitration Branch XI	42,210,035.89	52,216,437.55
Regional Arbitration Branch XII	23,574,575.81	24,523,602.45
Regional Arbitration Branch XIII	31,800,347.77	20,956,812.62
Balance at December 31	2,036,882,226.19	1,827,926,738.87

7. Receivables

Account	2017	2016
Inter-Agency Receivables	5,091,414.99	83,934.06
Other Receivables	43,237,951.81	41,387,122.37
Total	48,329,366.80	41,471,056.43

7.1 Inter-Agency Receivables

Account	2017	2016
Due from National Government Agencies	5,088,993.78	81,512.85
<i>Due from Government-Owned and/or Controlled Corporations</i>	2,421.21	2,421.21
Total	5,091,414.99	83,934.06

Due from National Government Agencies account in the amount of P5,088,993.78 pertains to the following offices:

Office	Particulars	Amount
Central Office and NCR	Advance payment for common office supplies paid to the DBM-Procurement Service as of December 31, 2017	285,378.61
7 th Division	<i>Fund transfer for the implementation of the total cost for electrical rehabilitation project undertaken by DPWH thru MOA</i>	1,127,000.00
RAB II	Fund transfer to DPWH for the construction of Office Building	1,123,437.88
RAB VIII	Fund transfer to DPWH for the repair and rehabilitation of Office Building	2,549,000.00
RAB XI	Receivable from Bureau of Treasury pertaining to double remittance of LBP second quarter interest income for CY 2017 and balance from procurement service	4,177.29
Total		5,088,993.78

7.2 Other Receivables

Account	2017	2016
Receivables - Disallowances/Charges	1,120,720.21	1,177,900.51
Due from Officers and Employees	2,519,681.23	615,619.53
Other Receivables	39,597,550.37	39,593,602.33
Total	43,237,951.81	41,387,122.37

The Account Receivables – Disallowance/Charges arose from payments/disbursements disallowed in audit by the Commission on Audit in the following Offices:

Office	Amount	Aging		
		Less than 1 year	1 to 2 years	More than 2 years
Central Office	267,600.41	-	-	267,600.41
7 th Division	16,500.00	-	-	16,500.00
8 th Division	821,238.62	-	-	821,238.62
RAB VII	15,381.18	-	-	15,381.18
Total	1,120,720.21	-	-	1,120,720.21

Status of Disallowances and Charges:

- Central Office – demand letters had been sent to concerned officials and employees.
- 7th Division – request for write-off of the said account is yet to be approved by COA.
- 8th Division – the Management requested for the lifting of the disallowance to COA on January 14, 2003. This request is yet to be decided by COA.
- RAB VII – there is a pending request to write-off the balance of the said account.

The account Due from Officers and Employees amounting to P2,519,681.23 consists of cash advances granted for local travels, return of monetized leave without pay, the tax arrears of NLRC employees as a result of year-end tax adjustments in 2017, cash shortage booked up under this account and penalties charged to accountable employees due to late filing and remittance of withholding taxes to BIR.

Office	Amount	Aging		
		Less than 1 year	1 to 2 years	More than 2 years
Main and NCRAB	2,447,271.24	2,163,255.70	-	284,015.54
RAB I	11,747.88	11,747.88	-	-
RAB X	56,650.77	56,650.77	-	-
RAB XI	3,191.34	3,191.34	-	-
RAB XII	820.00	820.00	-	-
Totals	2,519,681.23	2,235,665.69	-	284,015.54

The account Other Receivables consists of the following:

Particulars	Amount	Year Occurred
Receivables with administrative or criminal charges filed:		
Reported Cancelled Checks but Fraudulently Encashed In the Bank	28,877,520.45	2001 to 2006
Reported deposits as per RCD but not credited by the bank as per Bank Statement	10,038,015.37	2006
Undeposited Collections of former Cashiers which form part of the Cash Shortages subject by the charges filed against them	659,459.59	2004 to 2006
Sub-total	39,574,995.41	
Overpayment in Trust Funds releases	90.07	2012
Overpayment of Salaries and Wages	8,193.49	2012
RAB X – Overpayment of cash advance	0.39	2016
RAB X – Overpayment to Suppliers	21.01	2016
RAB XI – Advance payment of inventory from private supplier.	14,250.00	2017
Total	39,597,550.37	

8. Inventories

Particulars	2017	2016
Carrying Amount, January 1, 2017	2,649,741.48	2,113,204.74
Procurement for 2017	6,076,060.13	14,869,757.88
Expensed During the Year except write down	(5,384,673.86)	(14,318,613.82)
Carrying Amount, December 31, 2017	3,341,127.75	2,664,348.80

The inventories consist of the following:

Office Supplies Inventory in the amount of ₱1,813,764.81 represents the office supplies procured and stored at the stockroom of the NLRC Supply Officer.

Accountable Forms, Plates and Stickers Inventory in the amount of ₱25,640.00 refers to the cost of Official Receipts on hand of the Supply Officer for issuance to the Cashiers of this Office upon their request.

Drugs and Medicines Inventory in the amount of ₱21,412.12 are the unissued first aid medicines that are found at the NLRC Clinic available for emergency first aid need of officials and employees which will be credited upon receipt of the monthly report of issued and utilized medicines.

Other Supplies and Materials amounted to ₱3,240.00 at the end of the year.

At the end of the year, inventory of Semi-Expendable Machinery and Equipment amounted to ₱677,734.82, while inventory of Semi-Expendable Furniture, Fixtures, and Books amounted to ₱799,336.00.

9. Other Assets

Particulars	2017		2016	
	Current	Non-Current	Current	Non-Current
Advances	666,554.67	-	287,770.67	-
Prepayments	1,060,123.67	-	759,733.99	-
Other Deposits	5,890,450.86	-	5,350,450.86	-
Other Assets	-	3,185,258.98	-	3,301,613.79
Total	7,617,129.20	3,185,258.98	6,397,955.52	3,301,613.79

a. Advances consist of the following:

- Advances to Special Disbursing Officer in the amount of ₱464,028.67 represents unliquidated cash advances as of December 31, 2017 granted to Disbursing Officers for payroll and for other specific activities.
- Advances to Officers and Employees in the amount of ₱202,526.00 is the unliquidated cash advances for travel expenses as of December 31, 2017.

b. Prepayments represent the unexpired portion of prepaid rent and prepaid insurance and other prepayments, broken down on the next page:

Account	2017	2016
Prepaid Rent	870,580.00	698,200.00
Prepaid Insurance	154,614.05	50,144.37
Other Prepayments	34,929.62	11,389.62
Total	1,060,123.67	759,733.99

c. Deposits pertain to security deposits required under the lease contract entered by NLRC Central Office, NCR, RAB VII, RAB XI and RAB XII.

Account	2017	2016
Other Deposits	5,546,480.86	5,084,480.86
Guaranty Deposits	343,970.00	265,970.00
Total	5,890,450.86	5,350,450.86

d. Other Assets consist of fully depreciated property, plant and equipment as of December 31, 2017.

10. Property, Plant and Equipment (PPE)

	Property, Plant and Equipment							TOTAL
	Land	Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Books	Lease Assets Improvements	Other Property, Plant and Equipment	Construction in Progress-Buildings and Structures	
Carrying Amount, January 1, 2017	539,400.00	10,580,410.41	18,816,061.02	2,130,511.09	56,972.24	96,055.34	-	32,219,410.10
Additions/Acquisitions	-	3,453,411.08	2,902,907.00	384,950.00	-	17,500.00	4,376,511.04	11,135,279.12
Adjustments	-	1,971,554.69	(1,248,337.26)	(394,452.38)	-	3,242.09		332,007.14
Total	539,400.00	16,005,376.18	20,470,630.76	2,121,008.71	56,972.24	116,797.43	4,376,511.04	43,686,696.36
Disposals	-	(2,823.69)	(30,450.00)	-	-	-	-	(33,273.69)
Depreciation	-	(3,242,921.87)	(4,335,790.13)	(102,662.19)	(19,126.57)	(9,222.97)	-	(7,709,723.73)
Carrying Amount, December 31, 2017	539,400.00	12,759,630.62	16,104,390.63	2,018,346.52	37,845.67	107,574.46	4,376,511.04	35,943,698.94
Gross amount	539,400.00	50,839,138.63	40,413,876.10	4,491,482.24	176,779.59	708,803.00	4,376,511.04	101,545,990.60
Accumulated Depreciation	-	(38,079,508.01)	(24,309,485.47)	(2,473,135.72)	(138,933.92)	(601,228.54)	-	(65,602,291.66)
Carrying Amount, December 31, 2017	539,400.00	12,759,630.62	16,104,390.63	2,018,346.52	37,845.67	107,574.46	4,376,511.04	35,943,698.94

- Additions/Acquisitions consist of procurement of the Agency in CY 2017 of PPE amounting to ₱11,135,279.12 which includes transfer of PPE from Central Office to Regional Arbitration Branches (RABs) amounting to ₱350,460.00.
- Adjustments refer to the reverted PPE previously reclassified as Other Assets per Audit Observation Memorandum (AOM) for year-end 2016 and other adjustments.
- During the year, RAB – Cordillera Administrative Region (CAR) disposed a motor vehicle with net book value of ₱30,450.00 while RAB II disposed some IT Equipment with net book value of ₱2,823.69.

11. Intangible Assets

Particulars	Computer Software	Development in Progress-Computer Software	Total Intangible Assets
<i>Carrying Amount,</i> January 1, 2017	250,644.00	-	250,644.00
Additions/Acquisitions	182,325.84	1,960,425.76	2,142,751.60
Total	432,969.84	1,960,425.76	2,393,395.60
Carrying Amount, December 31, 2017	432,969.84	1,960,425.76	2,393,395.60
Gross Amount	434,809.84	1,960,425.76	2,395,235.60
Accumulated Amortization	(1,840.00)	-	(1,840.00)
Carrying Amount, December 31, 2017	432,969.84	1,960,425.76	2,393,395.60

No Amortization of Intangible Assets was recognized for 2017.

12. Financial Liabilities

12.1 Payables

Account	2017	2016
Payables		
Accounts Payable	3,748,041.56	13,126,506.51
Due to Officers and Employees	2,395,604.41	2,168,346.04
Total	6,143,645.97	15,294,852.55

The Accounts Payable account consists of the unclaimed checks at the end of the year for MDS and Trust Fund accounts and the unpaid obligations for 2017.

Due to Officers and Employees are unpaid claims of officers and employees as of December 31, 2017.

13. Inter-Agency Payables

Account	2017	2016
Due to BIR	15,930,725.26	9,029,000.52
Due to GSIS	1,650,322.68	1,589,087.08
Due to Pag-IBIG	534,900.77	540,001.90
Due to PhilHealth	472,417.60	654,455.10
Due to NGAs	524,454.28	359,517.83
Due to GOCCs	847,660.88	862,306.65
Total	19,960,481.47	13,034,369.08

Due to BIR, GSIS, Pag-IBIG, and PhilHealth are withholding taxes and employees contributions deducted from payroll due for remittance by the NLRC to the agencies concerned.

The account Due to NGAs consists of unremitted collections for legal and research fund and other collections as of December 31, 2017.

The account Due to GOCCs represents the amount deducted from the salaries of employees for payment of their loan from Land Bank of the Philippines and National Home Mortgage and Finance Corporation.

14. Trust Liabilities

Particulars	2017	2016
Trust Fund	1,982,810,732.44	1,802,863,659.55
Execution Fund	2,056,794.24	1,429,696.03
Total	1,984,867,526.68	1,804,293,355.58

Trust Liabilities in the amount of ₱1,984,867,526.68 represents cash bonds posted by the respondents as the losing party and the garnishments for the satisfaction of monetary awards in labor cases held in trust for proper disposition to parties upon finality of the decisions of Labor Arbiters. The noted insufficiency of the Cash in Bank – Fiduciary Fund to back up these trust obligations of the Agency was due to the noted misappropriations of the former Cashiers which are the subject of the charges filed against them.

15. Other Payables

This account amounting to ₱52,391,775.91 represents the amount payable to National Labor Relations Commission Employees Association (NLRCEA) as well as amounts representing deposits for injunction bonds, injunction expense funds and appeal bonds posted by private parties or entities as of December 31, 2017.

16. Net Assets/Equity

This account consists of:

Particulars	2017	2016
Balance at January 1	62,339,585.97	75,003,026.90
Other Adjustments	-	(22,822,364.21)
Restated Balance	62,339,585.97	55,387,741.99
Surplus/(Deficit) for the period	37,361,937.99	35,413,121.37
Adjustments directly recognized in Net Assets/Equity	(27,956,505.95)	(24,574,690.13)
Others	2,583,455.42	(679,507.96)
Balance at December 31	74,328,773.43	62,339,585.97

17. Service Income

This account consists of collected fees and charges which are reverted to the National Treasury, the details of which are as follows:

Account	2017	2016
Appeal Fees	2,487,312.81	2,306,680.00
Clearance Fees	2,144,037.52	2,119,654.48
Certification Fees	1,263,813.92	1,237,629.00
Filing and Legal Fees	4,421,661.11	3,958,691.27
Other Service Income	10,995,270.61	8,781,649.01
Other Processing Fees	927,921.44	-
Interest Income	3,006,985.03	3,347,856.03
Total Service Income	25,247,002.44	21,752,159.79

18. Personnel Services

18.1 Salaries and Wages

Salaries and Wages represents payment to regular plantilla position personnel and casual employees. During the year, the Commission paid a total of ₱573,409,722.52 of salaries and wages.

Account	2017	2016
Salaries and Wages - Regular	573,305,774.01	480,906,019.27
Salaries and Wages - Casual/Contractual	103,948.51	87,608.57
Total	573,409,722.52	480,993,627.87

18.2 Other Compensation

This account consists of:

Account	2017	2016
Personnel Economic Relief Allowance (PERA)	25,666,434.74	24,048,415.85
Representation Allowance (RA)	29,675,385.08	28,728,830.95
Transportation Allowance (TA)	28,410,597.48	27,380,317.33
Clothing/Uniform Allowance	5,440,000.00	5,103,230.00
Productivity Incentive Allowance	455,500.00	579,518.05
Honoraria	152,000.00	70,600.00
Longevity Pay	9,256,684.15	6,534,823.65
Overtime and Night Pay Differentials	185,776.41	262,665.69

Account	2017	2016
Year End Bonus	95,259,276.70	78,288,634.45
Cash Gift	5,090,750.00	4,831,250.00
Other Bonuses and Allowances	53,541,132.99	19,259,625.10
Total Other Compensation	253,133,537.55	195,087,911.07

Personnel Economic Relief Allowance (PERA) represents the monthly allowance in the amount of ₱2,000.00 granted to each NLRC personnel pursuant to Section 4 (f) (i) of Senate and House Representative Joint Resolution No. 4, s. 2009 and the General Appropriations Act (GAA) for FY 2017.

Representation Allowance (RA) and Transportation Allowance (TA) are granted to authorized NLRC Officials as attached to their occupied positions and as authorized under the GAA for FY 2017 and NBC No. 546 dated January 17, 2013.

Clothing/Uniform Allowance represents payment for annual ₱5,000.00 clothing allowance per employee pursuant to the GAA for FY 2017.

Productivity Incentive Allowance represents payment of incentives of ₱2,000.00 per employee pursuant to Administrative Order No. 161 dated December 16, 1994 and National Compensation Circular Nos. 73 and 73-A dated December 27, 1994, and March 1, 1995.

Honoraria are payments to resource speakers in the conduct of in-house seminars and trainings. This also includes honorarium paid to members of Bids and Awards Committee (BAC) for each successful bid and award of contracts.

Overtime and Night Pay Differentials represent payment for overtime services of drivers and other duly authorized NLRC personnel.

Year-End Bonus and Cash Gift are granted to NLRC officials and employees pursuant to RA No. 6686, as amended by RA No. 8441.

Other Bonuses and Allowance are payments of Productivity Enhancement Incentives, Collective Negotiation Agreement Incentive and Performance Based Bonus in the amounts of ₱4,273,500.00, ₱26,141,720.08, and ₱23,125,912.91, respectively, as authorized under NBC 2010-3 and Executive Order No. 80.

18.3 Personnel Benefit Contributions

This account consists of government contributions for NLRC Officials and Employees, as follows:

Account	2017	2016
Retirement and Life Insurance Premiums	46,539,606.45	39,793,663.40
Pag-IBIG Contributions	1,272,959.09	1,196,600.00
PhilHealth Insurance Contributions	3,749,742.75	3,947,075.00
Employees Compensation Insurance Premiums	1,273,994.88	1,195,111.43
Total	52,836,303.17	46,132,449.83

18.4 Other Personnel Benefits

This account consists of the following:

Account	2017	2016
Pension Benefits - Civilian	70,469,365.80	49,089,696.00
Retirement Gratuity - Civilian	65,663,876.17	68,236,926.00
Terminal Leave Benefits	41,185,188.57	25,284,893.15
Other Personnel Benefits	22,794,362.57	19,595,683.30
Total	200,112,793.11	162,207,198.45

Pension Benefits – Civilian in the amount of ₱70,469,365.80 are the monthly pensions of retired Commissioners and Labor Arbiters pursuant to the Retirement Law of the Judiciary under RA No. 9347, as amended, Article 216 of the LCP and RA No. 9946.

Retirement Gratuity – Civilian in the amount of ₱65,663,876.17 are the retirement gratuity benefits paid to the NLRC Officials who have reached the retirement age under the regular retirement program for the government employees computed based on the provision of applicable retirement laws, rules and regulations.

Terminal Leave Benefits in the total amount of ₱41,185,188.57 are payments of accumulated leave credits of the NLRC Officials and employees who have retired from service computed based on the provisions of the Civil Service Commission Omnibus Rules on Leave Implementing Book V of EO No. 292.

Other Personnel Benefits represent payments for Monetization of Leave Credits, Loyalty Awards and Service Incentive Awards.

19. Maintenance and Other Operating Expenses

19.1 Traveling Expenses

Account	2017	2016
Traveling Expenses- Local	2,031,073.41	4,337,705.50
Traveling Expenses- Foreign	9,651.81	-
Total	2,040,725.22	4,337,705.50

Traveling Expenses – Local in the amount of ₱2,031,073.41 were expended for local and domestic travels of officials and employees of Central Office and National Capital Region Arbitration Branch in participating mid-year and year-end performance assessments and corporate planning activities, en banc sessions, attendance in seminars, trainings and conventions and reimbursements of transportation expenses of bailiffs and liaison officers.

Traveling Expenses – Foreign in the amount of ₱9,651.81 were incurred for the three-day Singapore Cooperation Course on International Dispute Resolution of the Supervising Administrative Officer.

19.2 Training and Scholarship Expenses

Account	2017	2016
Training and Scholarship Expenses	2,544,323.03	2,332,362.60
Total	2,544,323.03	2,332,362.60

Training and Scholarship Expenses in the amount of ₱2,544,323.03 are incurred during the conduct of various in-house trainings and seminars in line with the Agency's program on values enhancement and staff capability building.

19.3 Supplies and Materials Expenses

Account	2017	2016
Office Supplies Expenses	6,245,720.16	8,369,220.71
Accountable Forms Expenses	63,330.00	436,670.00
Drugs and Medicines Expenses	12,607.96	38,334.70
Fuel, Oil and Lubricants Expenses	1,593,023.36	1,604,038.72
Textbooks and Instructional Materials Expenses	-	622,165.00
Semi-Expendable Machinery and Equipment Expenses	214,023.52	604,532.63
Semi-Expendable Furniture, Fixtures, and Books	263,009.10	952,984.65
Other Supplies and Materials Expenses	272,391.48	363,982.84
Total	8,664,105.58	12,991,929.25

Office Supplies Expenses in the amount of ₱6,245,750.16 are consumptions of common office supplies used for the operational activity of the Agency.

Accountable Forms Expenses are the costs of government accountable forms such as Official Receipts, checks issued to the accountable officers at the Central Office and Regional Arbitration Branches.

Fuel, Oil and Lubricants Expenses in the amount of ₱1,593,023.36 represent fuel and gasoline expenses for NLRC vehicles used for general administrative services and the reimbursements of gasoline expenses of officials issued with government service vehicles who are not anymore entitled to Transportation Allowance as per COA Regulations and GAA for FY 2017.

19.4 Utility Expenses

Account	2017	2016
Water Expenses	1,291,446.28	4,086,051.65
Electricity Expenses	13,299,831.05	18,517,994.64
Total	14,591,277.33	22,604,046.29

19.5 Communication Expenses

Account	2017	2016
Postage and Courier Services	8,160,802.08	13,956,756.95
Telephone Expenses	4,603,752.00	6,390,613.40
Internet Subscription Expenses	1,296,069.38	1,240,077.19
Cable, Satellite, Telegraph and Radio Expenses	14,735.00	48,694.20
Total	14,075,358.46	21,636,141.74

Postage and Courier Services in the total amount of ₱8,160,802.08 are payments made to Philippine Postal Corporation and Airfreight 2100, Inc. for the cost of postage, stamps and delivery of all notices of hearings, decisions, orders, resolutions and other documents sent to parties in labor cases and other government offices.

Telephone Expenses in the amount of ₱4,603,752.00 are payments to PLDT and Bayantel for the telephone service lines as well as the reimbursement of authorized officials of their mobile expenses subject to the limitations set by the top management at the NLRC Central Office and Regional Arbitration Branches for the year.

Internet Expenses in the amount of ₱1,296,069.38 represent payments to internet connections of NLRC for its case monitoring and internet services for online submission of reports and online remittance of taxes.

19.6 Confidential, Intelligence and Extraordinary Expenses

Account	2017	2016
Extraordinary and Miscellaneous Expenses	23,725,293.33	24,223,786.58
Total	23,725,293.33	24,223,786.58

Extraordinary and Miscellaneous Expenses in the amount of ₱23,725,293.33 are reimbursements of expenses incurred by the Offices of Commissioners, Executive Clerk of Court IV, Director, Management and Administrative Department, Executive Labor Arbiters and Labor Arbiters pursuant to the GAA for FY 2017.

19.7 Professional Services

Account	2017	2016
Legal Services	85,450.00	91,150.00
Auditing Services	1,088,741.37	885,287.76
Consultancy Services	140,000.00	241,612.90
Other Professional Services	195,251.87	166,758.50
Total	1,509,443.24	1,384,809.16

Legal Services represent payments to appearance fees and expenses of legal staff that are appearing in court hearings for the NLRC.

19.8 General Services

Account	2017	2016
Janitorial Services	2,876,596.40	3,777,873.85
Security Services	9,145,503.69	9,899,225.95
Other General Services	3,313,665.90	3,449,727.84
Total	15,335,765.99	17,126,827.64

Other General Services are payments to emergency and contractual encoders and other services.

19.9 Repairs and Maintenance

Account	2017	2016
Repairs and Maintenance – Buildings and Other Structures	863,210.83	106,398.37
Repairs and Maintenance – Machinery and Equipment	461,623.32	572,752.69
Repairs and Maintenance – Transportation Equipment	482,780.44	1,602,517.59
Repairs and Maintenance – Furniture and Fixtures	395,492.95	450,797.45
Repairs and Maintenance – Leased Assets Improvements	73,820.40	2,476,040.94

Account	2017	2016
Repairs and Maintenance – Semi-Expendable Machinery and Equipment	167,747.00	-
Repairs and Maintenance – Semi-Expendable Furniture, Fixtures and Books	129,762.50	-
Repairs and Maintenance – Other Property, Plant and Equipment	1,655.00	1,299.75
Total	2,576,092.44	5,209,806.79

Repairs and Maintenance – Buildings and Other Structures were incurred for the repair of rooms occupied for office space at rented building.

Repairs and Maintenance – Transportation Equipment represent payments for regular maintenance of motor vehicles of NLRC.

Repairs and Maintenance – Leased Assets Improvements are incurred for the repairs of office space at rented building.

19.10 Taxes, Insurance Premiums and Other Fees

Account	2017	2016
Taxes, Duties and Licenses	105,380.87	647,003.08
Fidelity Bond Premium	220,424.13	203,195.36
Insurance Expenses	263,946.71	341,627.74
Total	589,751.71	1,191,826.18

Taxes, Duties and Licenses are payments to LTO registrations of NLRC motor vehicles and renewal of the licenses of NLRC firearms used by the security guards.

Fidelity Bond Premiums are payments of bond premiums to the Bureau of the Treasury for all NLRC Central Office and NCR bonded officers holding money and property accountabilities.

Insurance Expenses are payments to GSIS for the general insurance of NLRC properties.

19.11 Other Maintenance and Operating Expenses

Account	2017	2016
Advertising Expenses	282,093.60	213,098.40
Printing and Publication Expenses	565,034.43	566,552.56
Representation Expenses	1,554,257.96	1,761,822.90
Transportation and Delivery Expenses	114,548.31	706,628.02

Account	2017	2016
Rent/Lease Expenses	37,149,224.85	36,504,753.60
Subscription Expenses	226,838.00	238,329.00
Donations	61,988.15	-
Other Maintenance and Operating Expenses	449,962.31	525,139.69
Total	40,403,947.61	40,568,930.59

Advertising Expenses are expenses incurred in posting ads to newspapers for invitation to bid and publications of en banc resolutions and other policy issuances.

Printing and Publication Expenses represent expenses incurred in the printing of NLRC revised rules of procedure.

Representation Expenses are expenses incurred for in-house official meetings and conferences and outside office meetings and conferences with other government offices.

Transportation and Delivery Expenses are payments of cost of freight charges for shipment of case records and Plant Property Equipment from/to NLRC Central Office and the Regional Arbitration Branches.

20. Financial Expenses

This account represents bank charges paid during the year.

Particulars	2017	2016
Bank Charges	46,214.13	12,689.45
Total	46,214.13	12,689.45

21. Non-Cash Expenses

21.1 Depreciation

Particulars	2017	2016
Depreciation – Machinery and Equipment	3,242,921.87	3,530,605.88
Depreciation – Transportation Equipment	4,335,790.13	3,050,106.61
Depreciation – Furniture, Fixtures and Books	102,662.19	271,179.47
Depreciation – Leased Assets Improvements	19,126.57	26,515.22
Depreciation – Other PPE	9,222.97	21,211.86
Total Depreciation	7,709,723.73	6,899,619.04

Depreciation Expenses are computed using straight-line method after deducting the five percent residual value from the total acquisition cost over the useful life as prescribed by the Commission on Audit.

21.2 Amortization

Particulars	2017	2016
Amortization – Intangible Assets	-	1,840.00
Total Amortization	-	1,840.00

No Amortization of Intangible Assets was recognized for 2017.

21.3 Impairment Loss

Particulars	2017	2016
Impairment Loss	-	121,446.25
Total Impairment Loss	-	121,446.25

No Impairment Loss was recognized on the disposal of PPE for 2017.

22. Net Financial Assistance/Subsidy

Particulars	2017	2016
Notice of Cash Allocation (NCA)	1,206,412,369.00	1,050,705,108.00
Tax Remittance Advice	142,155,317.84	111,072,857.81
Total Subsidy from National Government	1,348,567,686.84	1,161,777,965.81
Reversion of Unutilized NCA	(125,006,770.42)	(103,889,572.13)
Net Financial Assistance/Subsidy	1,223,560,916.42	1,057,888,393.68

23. Other Non-Operating Income

Particulars	2017	2016
Other Non-Operating Income	238,963.21	-
Total	238,963.21	-

24. Net Gains/(Loss)

24.1 Gains

Particulars	2017	2016
Gain on Sale of Property, Plant and Equipment	169,550.00	-
Other Gains	1,452,507.76	860,598.20
Total	1,622,057.76	860,598.20

Other Gains consists of the following:

Particulars	Amount
Foreign Exchange Gain	1,375,981.73
Sale of Bid Documents	22,000.00
Sale of Valueless Record	54,526.03
Total	1,452,507.76

24.2 Losses

Particulars	2017	2016
Loss on Sale of Property, Plant and Equipment	2,623.69	23,076.05
Total	2,623.69	23,076.05

25. Cash Inflows from Operating Activities

25.1 Receipt of Notice of Cash Allocation

Particulars	2017	2016
Notice of Cash Allocation (NCA)	1,206,412,369.00	1,050,705,108.00
Tax Remittance Advice (Constructive Receipt of NCA)	142,155,317.84	111,072,857.81
Total	1,348,567,686.84	1,161,777,965.81

25.2 Collection of Income/Revenues

Particulars	Amount
Clearance Fees	2,866,436.04
Certification Fees	703,970.84
Appeal Fees	2,680,125.31
Filing Fees	7,395,540.35
Other Service Income	12,475,038.49
Interest Income	3,189,468.41
Proceeds from Sale of PPE	20,000.00
Other Gains	76,526.03
Miscellaneous Income	621.44
Total	29,407,726.91

25.3 Collection of Receivables

This represents collection of disallowances/charges and other receivables amounting to ₱20,673.30.

25.4 Trust Receipts

Particulars	2017	2016
Trust Fund	2,434,078,433.37	1,788,472,103.88
Execution Fund	20,260,555.26	14,559,959.13
Total	2,454,338,988.63	1,803,032,063.01

Trust Fund receipts consist of the following:

Regions	2017	2016
Central Office and NCR	1,369,858,152.22	1,209,061,847.57
7 th Division	2,394,461.25	-
8 th Division	2,625,778.27	4,734,199.55
CAR	14,104,662.50	18,404,358.38
RAB I	79,271,497.23	27,020,614.08
RAB II	25,151,148.45	20,385,066.01
RAB III	320,828,481.22	74,530,546.99
RAB IV	222,985,296.81	107,663,353.89
RAB V	52,316,854.25	17,792,145.63
RAB VI	66,805,855.44	70,635,528.67
RAB VII	122,263,641.42	92,530,442.86
RAB VIII	7,867,760.64	7,544,938.67
RAB IX	11,174,811.12	11,730,722.29
RAB X	59,951,233.69	39,495,793.06
RAB XI	27,604,777.60	54,534,540.75
RAB XII	26,690,198.41	22,162,181.18
RAB XIII	22,183,822.85	10,245,824.30
Total	2,434,078,433.37	1,788,472,103.88

Execution Fund receipts consist of the following:

Regions	2017	2016
Central Office and NCR	14,939,633.19	11,361,326.66
7 th Division	800.00	-
8 th Division	-	841.04
CAR	122,682.12	47,137.58
RAB I	419,349.90	159,972.73
RAB II	182,583.33	154,617.01
RAB III	1,298,931.30	449,893.78
RAB IV	979,662.91	622,046.60
RAB V	-	-
RAB VI	284,301.44	314,152.76
RAB VII	1,309,343.71	614,551.21
RAB VIII	169,340.96	103,619.87

Regions	2017	2016
RAB IX	25,505.82	47,643.42
RAB X	-	-
RAB XI	241,831.16	579,475.95
RAB XII	179,282.32	70,068.53
RAB XIII	107,307.10	34,611.99
Total	20,260,555.26	14,559,959.13

25.5 Other Receipts

Below are other collections of the Agency which relate to its operating activities.

Particulars	2017
Unused Petty Cash Fund	28,420.00
Refund of Overpayment of PS	72,057.50
Receipt of refund of cash advances for special purpose	358,089.11
Receipt of refund of cash advances to Officers and Employees	109,577.25
Settlement of COA Notice of Suspension	800.00
Other miscellaneous receipts	115,537.63
Total	684,481.49

25.6 Adjustments

This represents various adjustments made by NLRC for cancelled/lost/stale checks, demand drafts, debit memo and other adjustments.

Regions	2017	2016
Central Office and NCR	92,235,205.96	-
CAR	350,392.57	2,300,503.90
RAB I	2,041,877.09	1,181,179.12
RAB II	61,020.47	18,227.62
RAB III	380,114.25	-
RAB IV	25,409,601.86	6,156,267.05
RAB VI	1,499,729.27	1,249,709.04
RAB VII	7,640,092.26	2,199,328.81
RAB VIII	12,184,586.86	3,862,903.01
RAB X	101,369.17	10,396.45
RAB XI	1,721,109.62	239,130.88
RAB XII	-	121,428.12
RAB XIII	479,593.60	-
Total	144,104,692.98	17,339,074.00

26. Cash Outflows from Operating Activities

26.1 Remittance to National Treasury

During the year, total receipts of ₱29,004,613.49 representing collections of various legal fees, refunds of cash advances and other receipts were remitted to the Bureau of the Treasury by NLRC.

26.2 Payment of Expenses

Payment of Expenses refers to disbursements for Personnel Services (PS) and Maintenance and Other Operating Expenses (MOOE) of ₱897,122,829.64 and ₱102,806,012.91, respectively.

26.3 Purchase of Inventories

Cash purchases for office supplies, accountable forms, plates and stickers and drugs and medicines amounted to ₱6,126,094.99 during the year.

26.4 Grant of Cash Advances

Cash advances of ₱15,489,569.98 were granted during the year to officials and employees for travelling expenses, operating expenses, payroll, and special purpose/time-bound undertaking.

26.5 Prepayments

This represents advance payments for rent, insurance and other prepayments made by the agency with total amount of ₱875,910.07.

26.6 Payment of Accounts Payable

This refers to disbursements from trust accounts representing release of monetary judgment awards and refund of cash bond during the year, and remittances of legal research fees, documentary stamp tax, and other receipts collected by NLRC for other government agencies of ₱2,361,203,427.57 and ₱3,137,766.91, respectively.

26.7 Remittance of Personnel Benefit Contributions and Mandatory Deductions

This represents remittances during the year of personnel benefits and payroll deductions to GSIS, Pag-IBIG, PhilHealth, SSS and other financial institutions or organizations with a total of ₱196,977,878.54.

26.8 Release of Other Inter-Agency Fund Transfers

This represents the balance of advance payments to Procurements Service amounting to ₱285,378.61 for the procurement of various office supplies during the year.

26.9 Reversal of Unutilized NCA

Regions	Amount
Central Office and NCR	94,813,452.35
Seventh Division	6,498,218.90
Eighth Division	6,325,892.43
Cordillera Administrative Region (CAR)	685,665.42
Regional Arbitration Branch I	881,028.23
Regional Arbitration Branch II	338,791.57
Regional Arbitration Branch III	1,831,038.59
Regional Arbitration Branch IV	2,579,560.33
Regional Arbitration Branch V	660,154.57
Regional Arbitration Branch VI	887,370.05
Regional Arbitration Branch VII	3,088,731.50
Regional Arbitration Branch VIII	1,012,593.20
Regional Arbitration Branch IX	354,569.24
Regional Arbitration Branch X	1,094,384.62
Regional Arbitration Branch XI	2,323,990.77
Regional Arbitration Branch XII	1,371,095.68
Regional Arbitration Branch XIII	260,232.97
Total	125,006,770.42

26.10 Other Adjustments-Outflow

This pertains to adjustments resulting in a credit to cash such as reversal of entries made for unclaimed checks as of December 31, 2016, adjustments in compliance with COA recommendations and other adjustments. For the year 2017, these adjustments amounted to ₱19,715,993.21.

27. Effects of Exchange Rate Changes on Cash and Cash Equivalents

Particulars	Amount
Total amount in Dollar	\$ 1,072,735.17
Multiplied by: Exchange rate as of December 31, 2017	49.923
Total Amount in Peso	53,554,157.89
Less: Book Balance	52,178,176.16
Foreign Exchange Gain (Loss)	1,375,981.73

PART II

**OBSERVATIONS AND
RECOMMENDATIONS**

OBSERVATIONS AND RECOMMENDATIONS

Value for Money Audit

Efficient Resolution of Labor Disputes

1. **The National Labor Relations Commission Regional Arbitration Branches (NLRC-RABs) resolved 43,270 cases out of 53,445 original cases handled for the year 2017, which exceeded the Agency's 40,000 commitment under the FY 2017 General Appropriations Act (GAA). Moreover, under the Project Speedy and Efficient Delivery of Labor Justice (SpeED) which sets a nine-month process cycle time (PCT) for the RABs and six-month PCT for the Commission Proper to dispose the original and appealed labor cases, respectively, 95.87 percent of the 43,435 cases were disposed. On the appealed cases before the Court of Appeals, 5,642 or 97.39 percent of 5,793, were affirmed by the higher authority exceeding its 96 percent accomplishment target per GAA.**
 - 1.1 The NLRC is a quasi-judicial body tasked 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 other alternative modes of dispute resolution.
 - 1.2 The RABs Compulsory Arbitration involves the resolution of labor disputes in the fairest, quickest, and least expensive and most effective way possible. As provided in Section 4, Rule IV of the NLRC Rules of Procedure on the Disposition of Cases, subject to the provisions of Article 263 (g) of the Labor Code, as amended, when a case is assigned to a Labor Arbiter, the entire case and any or all incidents thereto shall be considered assigned to him/her; the same shall be disposed of in the same proceedings to avoid multiplicity of suits or proceedings.
 - 1.3 Labor dispute may be resolved thru amicable settlement during the mandatory conciliation-mediation conference, and if not, both parties shall submit their verified position papers to the Labor Arbiter in order to promulgate a decision.
 - 1.4 On the other hand, the Appellate Level involves the resolution of cases decided by the Labor Arbiters assigned at RABs in the Compulsory Arbitration that are appealed before the Commission Proper. Section 1 of Rule VI stipulates the Period of Appeals. Decision, awards or orders of the Labor Arbiter shall be final and executory unless appealed to the Commission by any or both parties within 10 calendar days from receipt thereof, and in case of decisions or resolutions of the Regional Director of the Department of Labor and Employment (DOLE) pursuant to Article 129 of the Labor Code, within five calendar days from receipt thereof.

- 1.5 Under the Performance Indicators of the NLRC as provided in the FY 2017 GAA, the Agency committed to resolve 40,000 cases under compulsory arbitration and to increase from 92 percent to 96 percent the percentage increase of its decisions affirmed by a higher authority, the Court of Appeals.
- 1.6 The NLRC also implemented the Project Speedy and Efficient Delivery of Labor Justice (SpeED). Under the Project SpeED, the NLRC prescribes the periods of deciding labor cases brought to the RABs and Appellate Level under its compulsory arbitration services. For the RABs, the PCT is nine months while for the appealed cases at the Commission Proper, the PCT is six months.
- 1.7 Moreover, NLRC En Banc Resolution No. 13-07, series of 2007 requires each Labor Arbiter of the RABs to observe the quota system (27 cases per month) and the aging of cases system [(no more than 9-month old cases, First in First out (FIFO) policy]. In case of failure to comply with this policy, the RATA of the Labor Arbiter is withheld and released only upon compliance with the quota and ageing system. If the Labor Arbiter fails to comply with the said performance standard for seven consecutive months, an administrative complaint will be filed before the Board of Inquiry (BOI) on the ground of gross neglect of duties.
- 1.8 Based on the submitted 2017 Performance Report for compulsory arbitration and appellate level by the Management, of the total 53,445 cases handled for the year, 43,270 or 81 percent were settled and decided, leaving an unresolved balance of 10,175 cases of which 165 or two percent, are pending cases beyond the nine and six-month PCT, as shown below:

2017 NLRC Accomplishment Report

Level	Beginning Balance	Total Cases Received For CY 2017	Total Cases Handled	Total Cases Disposed	Percentage	Ending Caseload
Commission Proper	658	10,402	11,060	10,423	94	637
RABs	8,204	34,181	42,385	32,847	77	9,538
Total	8,862	44,583	53,445	43,270	81	10,175

Commission Proper (1st to 8th Divisions)

6-Month Process Cycle Time	Actual	Percentage
1-3 months old (October to December 2017)	592	92.94
4-6 months old (July to September 2017)	42	6.59
Sub-Total	634	99.53
7-9 months old (June 2017 and earlier)	3	0.47
Total	637	100

Regional Arbitration Branches- Age of Ending Caseload

9-Month Process Cycle Time		Actual	Percentage
1-3 months old (October to December 2017)		5,819	61.01
4-6 months old (July to September 2017)		2,525	26.47
7-9 months old (April to June 2017)		1,032	10.82
Sub-Total		9,376	98.30
10 months old and above (March 2017 and earlier)		162	1.70
Total		9,538	100

- 1.9 In the reported inflow and disposition of cases of the NLRC RABs which included the beginning balances, total number of cases received and total disposed cases on the total caseload handled for the year 2017, Negros Island Region, RABs VIII, IX, and XII attained high disposition rates at 88, 93, 91 and 94, percent, respectively. While RABs III, IV and I had low disposition rates of 73, 71 and 67 percent, respectively, as shown below:

RABs Compulsory Arbitration Services and Cases Settled excluding SENa

RABs	Beg. Caseload 12/31/16 a	Received Cases CY 2017 b	Total Caseload CY 2017 c	Disposed Cases		Percentage		Balance 12/31/17
				Target d	Actual e	Target e/d	Actual e/c	
NCR	3,745	18,784	22,529	21,865	17,941	82	80	4,588
CAR	87	472	559	630	421	67	75	138
RAB I	134	557	691	518	396	76	57	295
RAB II	89	364	453	530	325	61	72	128
RAB III	449	1,796	2,245	1,730	1,520	88	68	725
RAB IV	1,484	2,435	3,919	2,682	2,665	99	68	1,254
RAB V	125	443	568	618	452	73	80	116
RAB VI	181	558	739	802	532	66	72	207
RAB NIR	395	976	1,371	1,574	1,121	71	82	250
RAB VII	606	2,763	3,369	3,124	2,683	86	80	686
RAB VIII	46	440	486	455	446	98	92	40
RAB IX	77	479	556	568	490	86	88	66
RAB X	252	1,532	1,784	1,640	1,403	86	79	381
RAB XI	248	1,161	1,409	1,600	977	61	69	432
RAB XII	118	868	986	1,034	916	89	93	70
RAB XIII	168	553	721	630	559	89	78	162
Totals	8,204	34,181	42,385	40,000	32,847	82	77	9,538

- 1.10 In the appellate level or Commission Proper, 94 percent or 10,423 cases were disposed of. Commendably, Third, Fifth and Seventh Divisions attained 100 percent disposition rate on their total cases handled, while the Sixth Division achieved 99.9 percent, as shown below:

Appealed Cases, Commission Proper

Commission Proper	Beg. Caseload 12/31/16 a	Received Cases CY 2017 b	Total Caseload CY 2017 c	Disposed Cases		Percentage		Balance 12/31/17
				Target d	Actual e	Target e/d	Actual e/c	
1 st Division	197	1,187	1,384	1,400	1,180	84	85	204
2 nd Division	54	1,410	1,464	1,400	1,359	97	93	105
3 rd Division	0	1,420	1,420	1,400	1,420	101	100	0
4 th Division	145	1,350	1,495	1,400	1,322	94	88	173
5 th Division	130	1,451	1,581	1,400	1,581	113	100	0
6 th Division	9	1,288	1,297	1,400	1,296	93	99.92	1

Commission Proper	Beg. Caseload 12/31/16 a	Received Cases CY 2017 b	Total Caseload CY 2017 c	Disposed Cases		Percentage		Balance 12/31/17
				Target d	Actual e	Target e/d	Actual e/c	
7 th Division	0	1,495	1,495	1,400	1,495	107	100	0
8 th Division	123	801	924	700	770	110	83	154
Total (1st-8th Division)	658	10,402	11,060	10,500	10,423	99	94	637

- 1.11 Additionally, under the Project SpeED both the NLRC RABs and Commission Proper attained 95.99 percent or 41,643 disposed cases, out of 43,384 targeted cases to be disposed within the prescribed period/process cycle as presented below:

Project SpeED			
Level	Target cases to be disposed within the prescribed period	Actual cases disposed within the prescribed period	Percentage
RABs – Original Cases	33,009	31,271	94.73
Commission Proper – Appealed Cases	10,426	10,372	99.48
Total	43,435	41,643	95.87

- 1.12 Audit inquiry revealed that the target for SpeED was computed based on the total caseload handled for the year less the ending currently filed cases. For RABs, the target of 33,009 was arrived at by deducting from the total caseload handled of 42,385 for the year, the 9,376 cases pending/received from March to December 2017. In the Commission Proper, the target of 10,426 was computed by deducting from the total caseload of 11,060, the 634 appealed cases filed from July to December 2017.
- 1.13 The high disposition of cases was attributed to the Project SPeED strategy and the policy of the Commission requiring each Labor Arbiter of the RABs to observe the quota system and imposing sanctions for non-compliance thereof as discussed in the preceding paragraphs.
- 1.14 Moreover, review of the NLRC accomplishment reports revealed that during the year, 5,793 of its decided cases were appealed by the concerned parties to higher authorities, which was the Court of Appeals. Of the said number of cases, 5,642 or 97.39 percent were affirmed. Thus, the NLRC achieved and exceeded its target of increasing to 96 percent, the percentage of its decisions affirmed by a higher authority, an indication that the Commission's Labor Arbiters have a very good verdict of decided cases.

Decisions affirmed by the Court of Appeal

Level	No. of Original Appealed Cases	Affirmed	Percentage
1st Division-Luzon (Quezon City)	752	742	98.67
2nd Division-Luzon (Quezon City)	767	758	98.83
3rd Division-Luzon (Quezon City)	736	727	98.78
4th Division-Luzon (Quezon City)	740	713	96.35
5th Division-Luzon (Quezon City)	782	756	96.68
6th Division-Luzon (Quezon City)	734	705	96.05
7th Division-Visayas (Cebu City)	785	760	96.82
8th Division-Mindanao (Cagayan de Oro)	497	481	96.78
Total	5,793	5,642	97.39

1.15 We commended the high disposition rate of: (a) labor dispute resolution services in NLRC RABs VIII, NIR, IX and XII; (b) appealed cases by the Commission Proper, and the Agency for achieving more than its 96 percent target of its appealed cases being affirmed by higher authority. We also recommended that Management continue to focus on its good performance for speedy disposition of labor cases.

1.16 For RABs III, IV and I that did not meet the Agency's overall target of 82 percent, we recommended that they exert more effort to achieve their targets.

Delayed disposition of Requests for Assistance under the Single- Entry Approach

2. Of the 1,582 labor disputes presented to NLRC RAB VI, Bacolod for SEnA in CY 2017, 1,205 or 76.17 percent were settled within the 30-day mandatory conciliation-mediation period, whereas, 377 cases or 23.83 percent were not disposed within the said period, contrary to DOLE Department Order No. 107-10 dated October 5, 2010.

2.1 Republic Act (RA) No. 10396 institutionalized the Single-Entry Approach (SEnA) of the Department of Labor and Employment (DOLE) and its attached Agencies. Pursuant to the said RA, the DOLE issued Department Order (DO) No. 151-16, Series of 2016, known as the "Single Entry Approach Implementing Rules and Regulations or SEnA IRR." DOLE Department Order No. 107-10 Series of 2010 was also issued for the purpose and provided the following:

- a. SEnA refers to an administrative approach to provide a speedy, impartial, inexpensive and accessible settlement procedure of all labor disputes or conflicts to prevent them from ripening into full blown disputes. Conciliation-mediation process shall be utilized as immediate intervention to effect amicable settlement among the differing parties.

- b. The 30-day mandatory conciliation-mediation period refers to the 30 calendar days maximum period within which to conduct the mandatory conciliation-mediation proceedings, and to refer the issue to the appropriate agency if unsettled, except:
 - b.1 Notices of strike/lockout or preventive mediation cases with the National Conciliation and Mediation Board (NCMB);
 - b.2 Applications for exemption from Wage Orders with the National Wages and Productivity Commission (NWPC);
 - b.3 Issues involving violations of: (i) Alien Employment Permit; (ii) Private Employment Agency Authority License; (iii) Working Child Permit and violations of RA No. 9231 (Anti-Child Labor Law); (iv) Registration under Department Order No. 18-A, Series of 2011, among others.
 - b.4 Violations of POEA Rules and Regulations involving:
 - (i) Serious offenses and offenses penalized with cancellation of license; and
 - (ii) Disciplinary actions against overseas workers/seafarers which are considered serious offenses or which carry the penalty of delisting from the POEA registry at first offense, among others.
- 2.2 The 30-day period is non-extendible except upon mutual agreement of the parties and there is a possibility for settlement. Such extension shall not exceed 15 calendar days.
- 2.3 For the CY 2017, one thousand five hundred eighty two (1,582) SEnA cases were disposed by the NLRC, RAB VI, 1,205 of which or 76.17 percent were settled within the 30-day mandatory conciliation-mediation period, while 377 cases or 23.83 percent were disposed after 30 days. It was also noted that of the 377 cases, 21 cases or 5.57 percent were disposed from 91 to 161 days which is beyond the 30-day mandatory conciliation-mediation period.
- 2.4 **We recommended that the Management strictly comply with DOLE Department Order No. 107-10 dated October 5, 2010, which prescribes the SEnA's 30-day mandatory conciliation-mediation period in the settlement of labor disputes/issues.**
- 2.5 The Management commented that the reasons or factors which attributed to the non-observance of the 30-day SEnA conciliation period are as follows:
 - a. Respondents are residents or have offices outside Region VI and there is no means of communication except by ordinary postal mails;

- c. Settlement period extended beyond 30 days, sometimes it took six months or more installment period but not reported as a settled case due to complainant's reservation to sign a settlement agreement, such as no payment yet but purely promises on a certain period of time;
 - d. Failure to serve notice of conference on time due to lack of process servers;
 - e. Meritorious postponement made by either parties, most often by respondents;
 - f. Inadvertence on the part of Clerk assigned on scheduling of SEnA Conference due to lack of personnel assigned to SEnA cases;
 - g. Non-availability of SEnA mediators/conciliators on the scheduled date of SEnA Conference; and
 - h. Other causes attributed to lack of personnel and funds for SEnA cases.
- 2.6 Management further explained that the RAB VI which has jurisdiction over Negros Occidental, Island of Panay and Guimaras, received an average of 180 to 200 SEnA cases a month. Yet, there was no fund allocation or personnel to attend to SEnA cases. Their receipt to report are additional jobs for NLRC personnel assigned thereat in addition to their usual tasks. The funds used to cater to the needs of SEnA cases, such as service of notices, supplies and other needs, were taken from the regular MOOE and other expenditures allotted to the operation of NLRC RAB VI as a quasi-judicial body. Thus, in a way, lack of personnel and fund allocation are included in the factors to such non-observance of the 30-day period.
- 2.7 Furthermore, the Executive Labor Arbiter issued an Office Memorandum No. 4, Series of 2018, re: Authority to Disburse and Replenish the Monthly Operation Expenses of ₱5,000.00 per month for NLRC, Aklan Extension Office to be observed by all concerned personnel in the whole Region VI. Earlier they also requested for additional personnel and fund allocation to address their dire needs in attending to SENA cases filed thru them.
- 2.8 With the issuance of the above-cited memo, the Management assured that NLRC RAB VI under the present leadership will always abide with DOLE Department Order No. 107-10 pursuant to the Audit Observation Memorandum (AOM) issued by COA dated March 20, 2018. The infraction of the 30-day mediation period as required by the Department Order may have been committed by the line personnel due to eagerness to settle and/or in honest belief of good faith, that they can extend the period for some meritorious circumstances of a case.

- b. Joint request or agreement of parties to reset hearing beyond the 30-day period due to greater possibility of settlement;
 - c. Settlement period extended beyond 30 days, sometimes it took six months or more installment period but not reported as a settled case due to complainant's reservation to sign a settlement agreement, such as no payment yet but purely promises on a certain period of time;
 - d. Failure to serve notice of conference on time due to lack of process servers;
 - e. Meritorious postponement made by either parties, most often by respondents;
 - f. Inadvertence on the part of Clerk assigned on scheduling of SEnA Conference due to lack of personnel assigned to SEnA cases;
 - g. Non-availability of SEnA mediators/conciliators on the scheduled date of SEnA Conference; and
 - h. Other causes attributed to lack of personnel and funds for SEnA cases.
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Financial and Compliance Audit

Unreconciled/Erroneous Treatment of Cash in Bank Accounts

3. **The Cash in Bank-Local Currency, Current Account of the NLRC Main/NCRAB with balances totaling ₱1,238,366,813.63 was inaccurate due to unadjusted/unrecorded reconciling items both per books and per bank records resulting in a difference of ₱37,276,117.77 in their balances, thus negating the objectives of preparing the Bank Reconciliation Statement (BRS) set forth under Chapter 21, Section 3 of Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I. Also, the BRS submitted disclosed reconciling items/errors that were still unrecognized/unadjusted resulting to net overstatement of ₱49,128,708.05.**
 - 3.1 The following are the law, rules and regulations which require the reconciliation of records for Cash in Bank accounts:
 - a. Section 74 of PD No. 1445 – The depositories shall report to the agency head, at the close of each month, the condition of the agency account outstanding in their books. The agency head shall see to it that reconciliation is made between the balance shown in the reports and the balance found in the books of accounts of the agency.
 - b. COA Circular No. 125A dated March 4, 1992 – Requires the preparation and submission of BRS by the Accountant to the Auditor within fifteen days after the end of each month.
 - c. Sound internal control for cash requires that a periodic reconciliation of bank accounts and control accounts be undertaken and reconciling items immediately corrected in order to ensure accuracy of bank balances appearing in the financial statements. It is only when both the books and bank records are reconciled that the reported cash balances are rendered accurate and reliable.
 - d. Section 3, Chapter 21, Volume I of the GAM provides that the BRS shall be prepared in order to: (a) check correctness of both the bank's and agency's/entity's records; (b) serve as a deterrent to fraud; and (c) enable the agency/entity or bank to take up charges or credits recognized by the bank or agency/entity but not yet known to the agency/entity or bank.
 - e. Likewise, Section 6 of the same Manual states that the Chief Accountant/Designated Staff shall prepare a JEV to recognize all reconciling items that require adjustment and correction in the books of accounts.

- 3.2 The Cash in Bank – Local Currency, Current Account of the NLRC Main and NCR consisted of two combo accounts and two current accounts with the United Coconut Planters Bank (UCPB), Banawe Branch and Land Bank of the Philippines (LBP), Quezon Avenue Branch and namely: a) Fiduciary Fund; and b) Execution Fund account. As at year end said accounts had an accumulated balance of ₱1,238,366,813.63.
- 3.3 Analysis of the account Cash in Bank – Local Currency, Current Account disclosed the following deficiencies:
- a. A discrepancy existed between the accounting and bank records in the amount of ₱37,276,117.77 as presented below:

Fund/ Depository Bank	Account No.	Amount		
		Per General Ledger	Per Bank	Variance
A. United Coconut Planters Bank (UCPB)				
Fiduciary	CA No. 00-146-001572-4	0.00	0.00	0.00
	S/A No. 10-146-109566-1	723,884,745.14	699,259,244.73	24,625,500.41
Execution	CA No. 20-146-000203-9	0.00	0.00	0.00
	SA 00-146-3182-5/20-146-000203-7	899,285.74	1,502,057.87	(602,772.13)
	Sub-total	724,784,030.88	700,761,302.60	24,022,728.28
B. Land Bank of the Philippines (LBP)				
Fiduciary	CA No. 0662-1034-70	296,124,740.56	296,124,740.56	0.00
	CA No. 0662-1011-84	217,458,042.19	204,204,652.70	13,253,389.49
	Sub-total	513,582,782.75	500,329,393.26	13,253,389.49
	Total	1,238,366,813.63	1,201,090,695.86	37,276,117.77

- b. The BRS as required under Chapter 21, Volume I of GAM for NGAs, was not submitted periodically by the Accounting Unit. Records show that the BRS covering transactions from January 2015 to December 31, 2017 were submitted on February 2018 only causing delays of about one to three years.
- c. Review of the BRS submitted also disclosed reconciling items/errors that were still unrecognized/unadjusted which overstated and understated the book balance by ₱198,537,926.82 and ₱149,409,218.77, respectively, or a net overstatement of ₱49,128,708.05. Except for the stale checks totaling ₱13,916,844.98 and interest income of ₱82,431.46, the reconciling items have no supporting documents and data were either incomplete or not available thus, cannot be verified.

Particulars	Amount		Net Overstatement (Under-statement)
	Overstatement	Understatement	
A. UCPB CA/SA 00-146-001572-4/00146-109566-1			
Staled Checks		13,469,756.35	(13,469,756.35)
Credit Memo (CYs 2009-2016)		721,584.76	(721,584.76)
Debit Memo (CYs 2009-2016)	2,340,284.73		2,340,284.73
Error in recording which Understated Book Balance (2009-2016)		134,688,357.57	(134,688,357.57)
Error in recording which Overstated Book Balance (2009-2017)	182,635,112.46		182,635,112.46
Interest Income (2009)		82,431.46	(82,431.46)
Sub-Total	184,975,397.19	148,962,130.14	36,013,267.05
B. UCPB CA/SA 00-146-3182-5/20-146-000203-9			
Stale Checks		137,948.49	(137,948.49)
Sub-Total	-	137,948.49	(137,948.49)
C. LBP CA No. 0662-1011-84			
Stale Checks		309,140.14	(309,140.14)
Error in recording which Overstates Book Balance	13,562,529.63		13,562,529.63
Sub-Total	13,562,529.63	309,140.14	13,253,389.49
Total	198,537,926.82	149,409,218.77	49,128,708.05

d. Bank reconciling items since 2009, on the other hand, included errors totaling ₱283,685.60 which the Accounting Unit failed to monitor if the same were already adjusted by the bank.

Particulars	Amount
A. UCPB CA/SA 00-146-001572-4/00146-109566-1	
Various errors which understated balance (no data)	166,192.41
Sub-Total	166,192.41
B. UCPB CA/SA 00-146-3182-5/20-146-000203-9	
Various errors which Overstated Book Balance (no data)	22,848.10
Various errors which understated balance (no data)	94,645.09
Sub-Total	117,493.19
Total	283,685.60

- 3.4 Management admitted that even they cannot rely on the accuracy of the submitted BRS. They only submit it for compliance but the data reported are unverified. They alleged that it will take time before they can provide the supporting documents and data needed since those errors and reconciling items occurred as early as 2009.
- 3.5 The above-mentioned errors and other deficiencies, which contributed to the existing differences in the Cash in Bank accounts balances between the NLRC Main/NCRAB accounting records and LBP/UCPB bank records totaling ₱37,276,117.77 rendered the ₱1,238,366,813.63 reported Cash in Bank-Local Currency, Current Account balances of the NLRC Main/NCRAB unreliable.

- 3.6 In NLRC RAB VIII, Cash in Bank- Local Currency, Current Account maintained with the DBP showed a balance of ₱2,697,280.11 as at year-end. Audit disclosed that BRS were not submitted on time. Likewise, reconciling items amounting to ₱22,790.18 noted in the October 2017 BRS remained unadjusted per books as of year-end as their nature was not identified and are undocumented.
- 3.7 **We recommended that the Management of NLRC Main require the:**
- a. **Accountant to:**
 - a.1. **trace and reconcile the differences between the recorded book and bank balances;**
 - a.2. **promptly record all transactions affecting the cash accounts to ensure accurate financial reporting;**
 - a.3. **make representations with the depository banks for the timely submission of bank statements or secure copies of bank statements and/or enroll in the “We Access” service of the LBP to ensure the timely preparation and submission of the BRS; and**
 - a.4. **prepare and submit the monthly BRS for all bank accounts within 15 days after the end of each month. Take up the necessary adjustments for reconciling items and provide the banks with the copies of reconciliation statements to enable them to make the necessary corrections in the records.**
 - b. **Finance Director to assign additional Accounting personnel to handle, among others, the preparation of the monthly BRS to substantiate the reported balance of account Cash in Bank.**
- 3.8 **We also recommended that the Management of NLRC RAB VIII - instruct the Accountant to account properly the reconciling items by verifying the relevant bank records/documents from October 2017 and prior years to identify their nature. Once established, draw a Journal Entry Voucher (JEV) to adjust the particular accounts affected. Moreover, to avoid the recurrence of unidentified reconciling items and their accumulation, henceforth BRS have to be submitted on time.**
- 3.9 The Management of NLRC-Main/NCRAB commented that the Accountant promised to check and verify the unadjusted difference between the bank records and the books in CY 2018. The Combo bank accounts will be disclosed in the Notes to Financial Statements as of year-end.

- 3.10 The Management of NLRC-RAB VIII claimed that they found difficulty tracing the prior years' records to identify the causes of the disclosed unadjusted reconciling items accordingly due to damaged or lost documents as a result of Typhoon Yolanda in CY 2013. Investigation for this had already commenced but held in abeyance as focus was currently given to more pressing matters of the Agency.

Unadjusted Stale and Unreleased Checks

- 4. The Cash in Bank-Local Currency, Current Account and Trust Liabilities in NLRC-Main/NCRAB were both understated by ₱13,916,844.98 due to non-restoration of stale checks which remained outstanding in the books for over seven years. Moreover, in NLRC-RAB XIII, unreleased checks totaling ₱331,301.30 as at year-end were not reverted to the Cash account as prescribed in Section 56, Chapter 19, Volume I of the GAM.**

- 4.1. Sections 44, Chapter 6, Volume I of the GAM for NGAs provides the Accounting for Cancelled checks -

Checks may be cancelled when they become stale, voided or spoiled. The depository bank considers a check stale, if it has been outstanding for over six months from date of issue or as prescribed. A stale, voided or spoiled check shall be marked cancelled on its face and reported as follows:

- Voided, spoiled or unclaimed stale checks with the Cashier shall be reported as cancelled in the List of Unreleased Checks that will be attached to the RCI;
- New checks may be issued for the replacement of stale/spoiled checks in the hands of the payees or holders in due course, upon submission of the stale/spoiled checks to the Accounting Division/Unit. A certified copy of the previously paid DVs shall be attached to the request for replacement. A JEV shall be prepared to take up the cancellation. The replacement check shall be reported in the RCI.

- 4.2. Section 56, Chapter 19, Volume I of the GAM provides:

xxx All unreleased checks at the end of the year shall be reverted back to the cash accounts. A JEV shall be prepared to recognize the restoration of the cash equivalent to the unreleased checks and the recognition of the appropriate liability/payable account. The accounting entry for the restoration of the unreleased check to the cash account shall be a debit to "Cash in Bank, Local Currency Current" account with credit to the appropriate liability account. There shall be

no physical cancellation of the checks. The JEV supporting such restoration shall form part of the supporting document to the financial statements to be submitted to COA at year end.

- 4.3. Review of the NLRC-Main/NCRAB accounting records disclosed that checks totaling ₱13,916,844.98 had not been claimed by the concerned payees and were outstanding for over seven years. As such, they became stale checks. However, these were not cancelled and adjusted or reverted to the pertinent cash and trust liability accounts. The non-reversion thereof resulted in the understatement of year-end balances of both the Cash in Bank-Local Currency, Current Account and Trust Liabilities account by the same amount.
- 4.4. Moreover, the Cashier's report on unreleased checks showed a discrepancy with the reported outstanding checks appearing in the BRS as of December 31, 2017 submitted by the Accounting Unit. There is no proof to show that the reported unreleased/unclaimed checks were reviewed or that the Accounting Unit and Cashier Section reconciled the same with those reported in the Report of Checks Issued (RCI).
- 4.5. At the NLRC-RAB XIII, review of the financial reports disclosed that LBP and Philippine Veterans Bank (PVB) checks totaling ₱331,301.30 remained unreleased to the payees as at December 31, 2017. These checks were drawn against the Trust Fund accounts maintained by the Agency for payment of cash bond and judgment award.
- 4.6. The Accountant is cognizant of the guidelines, yet the same has not been observed since the GAM took effect in CY 2015. Nonetheless, she assured that year-end financial statements will be revised to effect said adjustments.
- 4.7. **We recommended that the Management of:**
 - a. **NLRC Main/NCRAB require the Accountant to:**
 - a.1. **draw the necessary JEV to adjust/revert to the accounts Cash in Bank-Local Currency, Current Account and Trust Liabilities the stale checks totaling ₱13,916,844.98 that have been long outstanding for over seven years; and**
 - a.2. **see to it that the report of Unclaimed Checks is properly reviewed/checked as to accuracy and completeness as reported in the RCI.**

b. NLRC RAB XIII - direct the Accountant to make the necessary adjustments to reflect the correct balances of the Cash and Trust Liabilities accounts in the financial statements and ensure that the pertinent guidelines on the treatment of unreleased checks as prescribed in Section 56, Chapter 19, Volume I of GAM is observed.

4.8. The Management of the NLRC-Main committed to verify and issue the necessary JEVs for the cancellation of the outdated/stale checks. Management of NLRC RAB XIII already recorded the necessary adjusting entries and assured to properly observed the proper treatment of unreleased check as required in the GAM.

Deficiencies in the Collection and Reporting System of Fiduciary Fund and Other Fees and Charges

5. **Order of Payments (OP) for the collection of Fiduciary Fund and other fees were issued by the Cashier instead of the Accounting Unit as required in Section 40, Chapter 5, Volume I of the GAM for NGAs; thus, segregation of accounting and cashiering functions, a requirement to good internal control was not adhered to. Likewise, the Assessment Form (AF) as basis for the issuance of OP showed no proof that it was verified by the Cashier as to accuracy of the computed amounts, the nature of the fees assessed and the AF was either not signed or, if signed, neither the office where it was prepared nor the name/designation of the signee were identified. Moreover, there is no centralized records maintained from the issuance of the AF and OP to the payment thereof, which are useful in facilitating the accounting, monitoring and management of collections. While at the NLRC RAB X collections amounting to ₱448,259.80 for both the General and Trust Funds were not deposited intact daily by the Collecting Officer as provided in COA Memorandum No. 2013-004,**

5.1. Memorandum Circular (MC) No. 04-01 dated April 2, 2013, which was issued in view of the over-the-counter collection facility of Fiduciary/Trust and General Fund of NLRC with the United Coconut Planters Bank (UCPB) prescribes the collection procedures from the preparation of the Assessment Form (AF) to the reporting of daily collections/deposits.

5.2. The assessment of fees is based on En Banc Resolution No. 14-13 (series of 2013) dated October 11, 2013.

5.3. Section 1.B.3 of the NLRC MC No. 04-01 assigns to the Cashier's Office the responsibility of issuing the OP, which states as follows:

issuance to the Payor of a Pre-Numbered Order of Payment (OP) and Payment Slip Form (PSF) which shall be assigned same number as that of OP in three (3) copies by the Cashier upon receipt of the AF.(underscoring supplied)

- 5.4. The said MC is contrary with the provisions of Section 40, Chapter 5, Volume I of the GAM for NGAs, which provides that the Order of Payments is prepared by the Accounting Division/Unit and it will be the basis of the Collecting Officer/Cash/Treasury Unit/Daily Collecting Officer in receiving cash/check from payor.
- 5.5. The issuance of the OP by the Cashier's Office in NLRC-NCRAB was affirmed thru validation of record provided to the Audit Team. The Cashier supposedly shall be responsible in monitoring all NLRC collections though these are all deposited directly to the bank (UCPB) in view of the over the counter collection facility. It is also the responsibilities of the Cashier to monitor collections and prepare reports of daily collections and deposits.
- 5.6. The Audit Team had also identified the following lapses in the preparation and issuance of the AF and OP for collections under the Fiduciary and the General Fund:
 - a. The OP was issued by the Cashier's Office in the absence of proofs to show that the AF was verified by the Cashier as to accuracy and reliability of the computed amounts as well the nature of the fees assessed. It was either not signed, or if signed, the Office where the AF was assessed and the name/designation of the signee were not identified. According to the Cashier, he has no basis to check the authenticity of the AF prepared since it was forwarded to him without any supporting documents. Thus, there is no basis to determine the persons responsible in the assessment/preparation of the AF and the issuance of the OP.
 - b. There are no official designations of Agency personnel assigned to issue/prepare the AF. Divisions/Commissioners Office involved in the review, issuance of decisions and awards of judgment are likewise the ones preparing and issuing the AFs. There are Offices wherein all personnel are assigned to prepare the AF.
 - c. Records/reports necessary in the monitoring of the collection and reporting process from the preparation/issuance of the AF and the OP, respectively, were not maintained.
- 5.7. The above-mentioned information and the maintenance of records and reports are necessary in the monitoring of the collection process from the assessment up to the deposits of the funds held in trust and for income derived from the regular operations of the Agency.
- 5.8. Item C of MC No. 04-01, which designates the Sheriffs/Asst. Sheriffs as persons responsible for the preparation of AF on garnishments and proceeds from levied property as enforcement of the monetary judgment awards in the Decision/Resolution/Order of the Commission was not necessary as the

amounts of garnishments and awards are already stated in the writ of execution embodied in the dispositive portion of the NLRC Decision.

- 5.9. Due to the above-enumerated lapses, internal control over the collection process is weak as there are no: (i) proper identification of signatories and their official designations in the preparation of AF to pinpoint accountability and responsibility; (ii) segregation between accounting and cashing functions in the preparation of OP and payment thereof; and (iii) reporting and monitoring system to facilitate the accounting and management of collections.
- 5.10. At NLRC-RAB X, financial statements at year-end showed an outstanding balance of Cash, Collecting Officer account in the amount of ₱448,259.80. It indicates that collections were not deposited intact daily or on the following day because cash collections were left in the hands of the Cashier/Collection Officer at the end of the day. Verification revealed that some collections were collected two or three days before the end of the month and were not deposited a day after the first banking day.

5.11. We recommended that the Management of:

a. NLRC-Main:

- a.1. transfer to the accounting office the issuance of the OP in compliance with the GAM for NGAs;
- a.2. see to it that the AF issued are properly reviewed/evaluated and checked as to accuracy, reliability and validity not only in the computation but also the nature of the fees assessed;
- a.3. establish a centralized unit that will be responsible for the billings, recording, reporting and monitoring of collections of the Fiduciary Fund as well as the General Fund, for proper control; and
- a.4. ensure that Offices responsible in the litigation, enforcement of orders/decisions/ awards are no longer involved in the assessment and preparation of the AF;

b. NLRC-RAB X agreed to require the Cashier to deposit collections intact within the prescribed period.

- 5.12. The Management commented that they will review the process on the collection of trust fund and study the applicability of the audit recommendations considering the following:

- a) Monetary judgment awards are dependent upon the decision rendered on labor cases by the Labor Arbiter/ Commissioner. It is peculiar from other nominal fees being collected since it cannot be based on a fixed amount.
- b) Under the present system, computation of the judgment awards is being prepared and certified by the Labor Arbitration Associate and or by the Computation Unit.
- c) Confidentiality of case records and the draft of decisions for computation.

Unliquidated Cash Advances

6. **Unliquidated current year's cash advances (CAs) totaling ₱511,262.00 accumulated at the NLRC Main/NCRAB books as at year-end due to non-compliance with the reglementary period for their liquidation as required by COA Circular No. 97-002 while prior years' CAs amounting to ₱128,679.43 and ₱1,849.24 recorded as Advances to Officers and Employees (OEs) and Special Disbursing Officers (SDOs), respectively, remained unsettled for about 17 years, thus casting doubts on their existence and validity. Erroneous posting of CAs as Advances to SDOs instead of OEs in the amount of ₱14,650.76, likewise, overstated and understated said accounts, respectively, by the same amount. Moreover, unutilized special purpose cash advance of ₱3,938.00 granted to the Cashier of NLRC-RAB II was not refunded at year-end.**
 - 6.1 COA Circular No. 97-002 dated February 10, 1997 provides the rules and regulations regarding the granting, utilization and liquidation of Cash Advances, among which, are:
 - no additional cash advance shall be allowed to any official or employee unless the previous cash advance given to him is first settled or a proper accounting thereof is made (Item No. 4.1.2);
 - A CA shall be reported on as soon as the purpose for which it was given has been served ((Item No. 4.1.3); and
 - When a CA is no longer needed or has not been used for a period of two (2) months, it must be returned or refunded immediately. (Item No. 5.7)
 - 6.2 As regards the liquidation of cash advances the same Circular states that:
 - a. Official Travel – Within 30 days after the return of the official/employee concerned to his official station for local travel and within 60 days after the return of the official/employee concerned to the Philippines in case of foreign travel;

- b. Special purpose – as soon as the purpose of the cash advance has been served.
- 6.3 Verification of advances granted to SDO/OE of the NLRC Main/NCRAB for the CY 2017 showed a total of ₱3,023,662.88 advances granted for travelling and for special activities/purposes. There was partial settlement on the CAs of ₱2,512,400.88 thus, leaving an outstanding balance of ₱511,262.00 as of year-end. The amount includes advances for travelling expense of NLRC personnel that was settled beyond the 30 days reglementary period provided under COA Circular No. 97-002.
- 6.4 There was a delay in the submission of documents, while the liquidation of the CAs was approved/granted in the absence of the refund of the excess/unused CA. Failure on the part of the officials concerned to refund the excess cash advance resulted in the improper recording of the actual expenses incurred in a given period of time that will result in the understatement and/or overstatement of expense/asset account. The practice of not returning at once the excess cash advances exposes government funds to possible risk or misuse of the funds.
- 6.5 Further analysis of the year-end balance of Advances to Officers and Employees (OE)/Special Disbursing Officers (SDOs) amounting to ₱202,526.00 and ₱464,028.67, respectively, or a total of ₱666,554.67 disclosed that the amounts of ₱128,679.43 advances to SDOs and ₱1,849.24 advances to OEs are of doubtful validity as these remained unsettled/outstanding in the books of the NLRC Main/NCRAB for about 17 years. The said prior period outstanding amounts represent CAs granted to NLRC officers and employees for regular operating expenses, payrolls, and various activities of which there are no available details or record that will properly account the outstanding balance appearing in the books as of year-end.
- 6.6 The Audit Team also noted the following deficiencies:
- a. Account Advances to Special Disbursing Officers was understated by ₱14,650.00 and Advances to Officers and Employees account was overstated by the same amount due to erroneous recording of transactions pertaining to the latter instead of recording the same as advances to SDOs.
 - b. Non-maintenance of subsidiary records required under Sections 27 and 32, Chapter 6, Volume I of the GAM, that resulted in the unreconciled balances between the quarterly report of Schedule of Cash Advances submitted by the Accounting Unit and the Subsidiary Ledger (SL) maintained by the Agency with discrepancy of ₱15,514.84.

- 6.7 Due to the deficiencies noted, the reported Advances to SDOs/OEs of ₱128,679.43 and ₱1,849.68, respectively, were of doubtful validity and existence, thus adversely affecting the fair presentation of the financial statements as at year-end.
- 6.8 Also, analysis of account Advances to Officers and Employees of NLRC RAB II disclosed that a special purpose cash advances amounting to ₱3,938.00 was granted to the Cashier but remained unutilized for three months and not refunded as at year-end, contrary to Section 5.7 and 5.8 of COA Circular No. 97-002 dated February 10, 1997.
- 6.9 **We recommended and Management agreed to:**
- a. NLRC Main:**
- a.1. require the Accounting Division to install necessary controls in the granting/settlement/monitoring of CAs and see to it that:**
- a.1.1. CAs are settled within the timeframe provided under Section 5.2 of COA Circular No. 97-002; and**
- a.1.2. subsidiary records are properly maintained and regular reconciliation with the General Ledger is done accordingly.**
- a.2. stop the practice of approving/allowing partial settlement of CAs especially for CAs granted to Officers and Employees (OE) for local travels; and**
- a.3. exert extra effort in order to check/verify the CAs that is of doubtful validity and remained outstanding in the books for 17 years.**
- b. NLRC RAB II**
- b.1. adhere to the provision of COA Circular No. 97-002 relative to the grant, utilization and liquidation of cash advances. If the cash advance is no longer needed, require the Cashier to return or refund immediately said amount to the Collecting Officer.**
- 6.10 The Management of NLRC Main commented that demand letters were sent on January 31, 2018 to concerned employees with outstanding CAs. As of March 27, 2018, only two employees have not refunded their cash advances in full. With regards to the identified deficiencies in recording/posting of CAs, the necessary adjustments were made under JEV No. 2018-03-130 dated March 22, 2018.

- 6.11 The Management of NLRC RAB II commented that the cash advance was already utilized for some repairs done in the office in January 2018 as evidenced by the Liquidation Report dated February 8, 2018.

Deficiencies in Inventory Management

7. **The accuracy and existence of Inventory accounts amounting to ₱1,912,013.20 were not established due to a) non-maintenance of Stock Cards and the issuances of inventories were not supported with Requisition and Issue Slips and Report of Supplies and Materials Issued in NLRC NCRAB and CAR; b) discrepancy in the balance of inventory per physical count and Supplies Ledger Card in NLRC RAB-II; and c) failure to conduct physical count in NLRC RAB-VI. Moreover, Inventory Custodian Slips (ICS) were not issued by the Supply Officer of RAB IX, thus, accountability over semi-expendable properties was not established.**

- 7.1 Chapter 8, Volume I of the GAM for NGAs, provide the following rules on inventory management:

- a. Section 17 enumerated the Records, Forms and Reports to be prepared and/or maintained. Among these are:

- Requisition and Issue Slips (RIS) - shall be used by the end-user to request issue of supplies and materials that are carried on stock. It is also used by the Property and/or Supply Division/Unit to indicate availability or non-availability of items requisitioned and/or to record issues of item/s requisitioned.
- Report of Supplies and Materials Issued (SC) – shall be used to record all receipts and issues of supplies and the balance in quantity at any time. It shall be maintained by the Property and/or Supply Division/Unit for each item in stock.
- Supplies Ledger Card (SLC) – shall be used to record materials received, issued and the balance both in quantity and amount at any time. It shall be maintained by the Accounting Division/Unit for each kind of supplies and materials.
- Report of Supplies and Materials Issued (RSMI) – shall be used by the Property and/or Supply Custodian based on the RIS and shall be used by the Accounting Division/Unit as basis in preparing the JEV to record the supplies and materials issued.
- For check and balance, the Supply Officer shall submit the Report on the Physical Count of Inventories (RPCI) and shall be

used to report the physical count of supplies by type of inventory as of a given date. It shows the balance of the inventory items per stock cards and per count and shortage/overage, if any. The report shall be submitted to the COA Auditor concerned not later than July 31 and January 31 of each year for the first and second semesters, respectively.

- b. To establish accountability over semi-expendable property, Section 11 requires that ICS shall be issued to end-user of Semi-expendable Property. Accountability shall be extinguished upon return of the item to the Property and Supply Division/Unit or in case of loss, upon approval of the relief from property accountability.

7.2 The Audit Teams of the NLRC-Main Office and following NLRC RABs noted various deficiencies that affected the accuracy and existence of recorded inventory accounts:

RAB	Deficiencies Noted	Account Balances
NCR	Stock Cards were not maintained and RIS and RSMI were not used by the NLRC NCRAB supply officer to account for the receipt and issuance of supplies and <i>materials received from NLRC Main</i> , which also resulted in the non-determination of the property accountability for the supplies and materials issued to the Supply Officer	853,037.30
CAR	Stock Cards were not maintained and RSMIs were not submitted by the Supply Officer to the Accounting Unit to account for the receipt and issuance of office supplies; thus, the balance of Office Supplies Inventory of ₱23,680.47 and the amount of Office Supplies Expenses of ₱84,099.07 were not reliable.	23,680.47
II	The balance of Office Supplies Inventory of ₱39,748.97 per physical count did not tally with the SLC of ₱9,866.81, resulting in an understatement of the Inventory account and overstatement of Accumulated Surplus/Deficit by ₱29,882.16, respectively.	9,866.81
V	The Agency failed to prepare and submit the RPCI for <i>the first semester ending June 30, 2017 and the second semester ending December 31, 2017</i> as required in the GAM, thus the reliability of the Inventory account as of December 31, 2017 amounting to ₱1,025,428.62 could not be ascertained.	1,025,428.62
Total		1,912,013.20

- 7.3. The Audit Team also noted that Supply/Property Officer Designate of NLRC RAB IX did not update/issue ICS to the end-users of semi-expendable properties, thus, renders it difficult to trace accountability over the issued items.
- 7.4 We recommended that the Management of the NLRC Main and the concerned NLRC-RABs require the:
- a. NLRC Main and RAB CAR - Supply officer of NLRC RAB-NCR and CAR to properly account the materials and supplies issued by NLRC-Main under his custody by maintaining and/or submitting the Stock Cards, Report of Supplies and Materials Issued (RMSI) together with the Requisition and Issue Slip (RIS), and Report on the Physical Count of Inventories (RPCI)
 - b. RAB II - the Accountant to reconcile the SLCs with the SCs/RPCI of the supply Office regularly to ensure the fair presentation of the Office Supplies inventory in the financial statements;
 - c. RAB V - the Supply Officer (SO) to prepare and submit RPCI for the first and second semester of CY 2017 and, henceforth SO reconcile the RPCI with the SLC and SC maintained by the Accounting and Supply Units, respectively, and to submit the same to the COA Auditor not later than July 31 and January 31 of each year for the first and second semesters, respectively; and
 - d. RAB IX – the Supply and Property Officer-Designate to prepare and/or renew the ICS to support the issuance of semi-expendable properties to end-users in accordance with the provision of GAM for NGAs to establish their accountabilities.
- 7.5 The Management gave the following comments:

Office	Comments
Main/ NCRAB	<p>The Management will issue a Memorandum requiring the Supply Officer to properly account all the supplies and materials released/issued to him in CY 2017, and to comply with the maintenance of SCs and RSMIs.</p> <p>Effective 2018, the issuance of supplies and materials of NCRAB is being handled by the Supply and Property Unit at Central Office.</p>

Office	Comments
NLRC-RABs	
CAR	Management informed that it will instruct the concerned employees to prepare and submit the required reports in accordance with the GAM.
II	The Accountant-Designate and Acting Supply Officer will reconcile their records to determine the cause of <i>understatement of office supplies for the fair presentation of Office Supplies Inventory account in the Statement of Financial Position of NLRC RAB II.</i>
V	Acting Administrative Officer V stated through her reply letter that the delay in their report was due to the ongoing <i>reconciliation of the said inventories with the Accounting records.</i> However, they have submitted the finalized report to the Audit Team on February 20, 2018 and they will comply with the proper date of submission of the next succeeding RPCIs. The letter was submitted to the Audit Team during the exit conference.
IX	Management agreed to implement the recommendation for the good of the Agency.

Deficiencies in Property Management

8. **The reported balance of Property, Plant and Equipment (PPE) was overstated by ₱1,777,299.02 due to the non-reclassification of purchased PPE items totaling ₱1,661,165.74 with acquisition cost below the threshold of ₱15,000.00 per item as semi-expendable inventories and failure to provide depreciation of ₱130,622.08 for procured Motor Vehicle. Likewise, the accuracy of reported PPE amounting to ₱8,445,600.49 was not established due to non-reconciliation between Property and Accounting records. Moreover, Property Acknowledgment Receipts (PARs) were not renewed or updated; thus, identifying the persons accountable for government property and cross referencing of property transferred from one accountable officer to another could not be facilitated.**

- 8.1 Proper accounting for transactions affecting PPE accounts, periodic reconciliation of accounting and property records, conduct of physical count, and disposal of unserviceable properties are governed by the following provisions of Chapter 10, Volume I of the GAM for NGAs:

- The cost of an item PPE shall be recognized as asset if, and only if,
 - a) it is probable that the future economic benefits or service potential associated with the item will flow to the entity;
 - b) the cost or fair

value of the item can be measured reliably; c) beneficial ownership and control clearly rest with the government; d) the asset is used to achieve government objectives; and e) it meets the capitalization threshold of ₱15,000.

- Section 21, on Issuance of PPE. Based on approved RIS, the Supply and/or Property Custodian shall prepare the PAR to support the issuance of property to end-user. The PAR shall be renewed at least every three years or every time there is a change in accountability or custodianship of the property.
- Section 42, Accounting and Property records to be maintained for PPE. The Chief Accountant shall maintain Property, Plant and Equipment Ledger Card (PPELC) for each category of PPE. For check and balance the Property and Supply Office shall likewise maintain PC for PPE in their custody to account for the receipt and disposition of the same.

8.2 Moreover, Section 10, Chapter 8 provides that tangible items below the capitalization threshold of ₱15,000 shall be accounted for as semi-expendable property.

8.3 Audit of the PPE accounts disclosed the following:

- a. the PPE account balance of NLRC-RABs I, III, IX and XI was overstated by ₱1,777,299.02 due to:

RABs	Deficiencies Noted	Amount
I	Tangible items with acquisition cost below the capitalization threshold of P15,000.00 were recorded under the PPE accounts instead of semi-expendable property	699,428.80
III		317,540.00
XI		644,196.94
Sub-total		1,661,165.74
IX	The Accountant failed to recognize depreciation for Motor Vehicle valued at ₱967,575.00, contrary to Section 67, Volume I of GAM for NGAs thus the expense account was understated while the PPE account was overstated.	116,133.28
Sub-total		116,133.28
Total		1,777,299.02

- b. The accuracy of recorded PPE accounts in NLRC 8th Division and NLRC-RAB III totaling ₱8,445,600.49 was not established due to non-reconciliation of Property records or the Report on the Physical Count of Property, Plant and Equipment (RPCPPE) and the amount as reported in the Accounting records as presented in the next page.

Office	Deficiencies Noted	Account Balances
NLRC 8th Division	PPE account balances in the total amount of ₱6,610,933.69 did not tally with the amount per RPCPPE of ₱6,371,968.69, or a net discrepancy of ₱238,965.00, due to failure to conduct periodic reconciliation.	6,610,933.69
RAB III	Unreconciled variance of ₱101,404.65 between balances of Information and Communications Technology and Office Equipment accounts per Property records of ₱1,936,071.45 and per books of ₱1,834,666.80.	1,834,666.80
Total		8,445,600.49

- c. Further, PARs for PPE items in NLRC-RABs III and IX were not renewed every three years and/or updated contrary to Section 21, Volume I of the GAM, thus, the conduct of inventory-taking, identification of persons responsible for government property and cross-referencing of property transferred from one accountable officer to another could not be facilitated.

8.4 **We recommended that the Management of NLRC 8th Division and the concerned NLRC-RABs undertake and require the following responsible officials/offices:**

- a. **NLRC 8th Division Supply and Accounting Unit to properly reconcile their records and effect the necessary adjustments to reflect the correct balance of PPE and present fairly the financial statement and reports;**
- b. **RAB III Supply and Accounting Unit to create a committee if necessary, or assign personnel to conduct periodic reconciliation between Accounting and Property records in order to immediately trace variances and make necessary adjustments;**
- c. **RABs I, III and XI Accountants to prepare necessary adjusting journal entries to reclassify the items in the PPE into semi-expendable property, pursuant to Section 10, Chapter 8, of the GAM, Volume I;**
- d. **RAB IX Accountant to take up the depreciations and make the necessary adjusting entries in the books of accounts to show the correct balance of the PPE account in the financial statements;**
- e. **RABs III and IX Property Unit to conduct the regular physical inventory taking, maintain and update Property Cards and issue**

necessary PAR to personnel in custody of the PPE to account for the same and identify the person responsible for the property.

8.5 Management gave the following comments:

Office	Comments
8 th Division	Reconciliation will be made immediately between Accounting and Property records since these items were inadvertently not yet recorded in the Property records.
NLRC-RABs	
I	The Property Officer had already started the conduct of inventory and reclassification of the Property, Plant and Equipment items to semi-expendable property. The Agency has also relied that they will comply with the audit recommendations and stated that adjustments in the Accounting books will be reflected for the year 2018. Plan for the physical count of PPEs has also been made.
III	The Accountant committed to reconcile the records, reclassify the affected items to their proper accounts and make necessary adjusting/correcting entries in FY 2018.
IX	Management was amenable with the audit observation and the Accountant agreed to immediately make the necessary corrections in the books of accounts.
XI	Management committed to effect the adjustment in CY 2018.

Errors/Deficiencies in recording/reporting liabilities (NLRC Main)

9. **The accounts Due to GSIS and Due to GOCCs account had unreliable balances of ₱1,637,633.83 and ₱819,722.69, respectively, due to prior years' unreconciled balance of ₱1,588,824.94 for Due to GSIS and accumulated amount of ₱819,722.69 for Due to GOCCs as the Accounting Unit is still verifying its records. Moreover, errors and interchanging the accounts used in the posting of CY 2017 transactions in both accounts overstated the Due to GSIS by ₱4,873.76, understated the Due to GOCCs by ₱15,305.81 and also either overstated or understated other related accounts.**

9.1 Section 4, Chapter 19, Volume I of the GAM for NGAs on Financial Reporting provides that the "Responsibility for the fair presentation and reliability of financial statements rests with the management of the reporting agency, particularly the head of finance/accounting office and the head of entity or his authorized representative.

- 9.2 Reliability means that reliable information is free from material error and bias and can be depended on by users to represent faithfully that which it purports to represent or could reasonably be expected to represent while Faithful representation means that information to represent faithfully transactions and other events, it should be presented in accordance with the substance of the transactions and other events, and not merely their legal form. (GAM-Section 6, Chapter 19)
- 9.3 Sections 5 and 7 of RA No. 8291, known as the "Government Service Insurance Act of 1977" provide the rules on GSIS deductions and remittances thereof, as follows:
- it shall be mandatory and compulsory for all employers to include the payment of contributions in their annual appropriations. Penal sanctions shall be imposed upon employers who fail to include the payment of contributions in their annual appropriations or otherwise fail to remit the accurate/exact amount of contributions on time or delay the remittance of premium contributions to the GSIS. The heads of offices and agencies shall be administratively liable for non-remittance or delayed remittance of premium contributions to GSIS. (Section 5)
 - agencies which delay the remittance of any and all monies due to the GSIS shall be charged interest as may be prescribed by the Board but not less than two percent (2%) simple interest per month. Such interest shall be paid by the employers concerned. (Section 7)
- 9.4 Review of accounting records and analysis of the accounts disclosed errors in recording/posting transactions as summarized below:
- *Due to GOCCs -*
 - a. Salary deductions of NLRC contractual/regular personnel for remittance to the United Coconut Planters Bank (UCPB) were erroneously recorded as Due to GOCC instead of Other Payables. While deductions for remittance to the Land Bank of the Philippines (LBP) and the Social Security System (SSS) were erroneously recorded as Other Payables instead of Due to GOCCs. As a result, the accounts Due to GOCCs and Other Payables were understated and overstated, respectively, by ₱4,577.61.
 - b. The erroneous posting/recording of the cash advances for salaries of NLRC employees covered by two Liquidation Reports resulted in the understatement of the four liability accounts and overstated Accumulated Surplus/Deficit:

JEV Nos. (both dated 7/31/2017)	Particulars	Accounts Affected (Over)/Understated				
		Accumulated Surplus/ Deficit	Due to BIR	Due to GOCC	Due to Pag-IBIG	Other Payables
2017-07-323-B	Salaries of Job Order employees assigned in NLRC GAS and NCR for the period June 16-30, 2017.	(12,450.62)	4,725.62	4,125.00	1,500.00	2,100.00
2017-07-323-B	Salaries of Job Order employees assigned in NLRC COA for the period June 16-30, 2017.	(2,757.57)	1,257.57	1,100.00	400.00	
Total		(15,208.19)	5,983.19	5,225.00	1,900.00	2,100.00

- *Due to GSIS*

c. errors in the recording and posting of deductions and remittances:

Particulars	Accounts Affected (Over)/Understated				
	Due to GSIS	Due to GOCCs	Due from Officers/ Employees	Due to OE	Accumulated Surplus
Remittance of GSIS Premium that was recently credited to Due to OE per AOM 2017-001(2016) since it was due for refund to Lilia Savari but eventually remitted to GSIS	1,464.64			(1,464.64)	
Salary deductions totaling P5,503.20 intended for GSIS Real Estate Loan and GSIS Low Cost Housing Loan erroneously credited as Due to GOCCs was adjusted twice in the books, thus, overstating Due to GSIS and understating Due to GOCCs	(5,503.20)	5,503.20			
Withheld from the salary of Cynthia Resurreccion, which was both remitted to GSIS and refunded to her	500.00		500.00		
Unadjusted amount withheld in the salary of Sherwin Sindayen which was dropped from the payroll	(1,330.65)				1,330.65
Due to GSIS for the salary of Heidi B. Sanchez over recorded by P4.55	(4.55)				4.55
Net Under/(Over)statements	(4,873.76)	5,503.20	500.00	(1,464.64)	1,335.20

9.5 The errors in recording/posting of the above-mentioned transactions either understated and overstated the following accounts:

Accounts	Understatement	Overstatement
Due to GSIS		4,873.76
Due to GOCC	15,305.81	
Other Payables		2,477.61
Due to BIR	5,983.19	
Due to Pag-IBIG	1,900.00	
Receivables	500.00	
Due to Officers/Employees		1,464.64
Accumulated Surplus/Deficit		13,872.99

- 9.6 Additionally, amounts totaling ₱35,778.59 which were withheld from the salary of various employees were not yet remitted to the GSIS and/or refunded to the concerned payees, which jeopardized the interests of the personnel concerned.

Particulars	Amount
Unremitted for the month of November (salary differential)	1,955.76
Unremitted for the month of November	33,822.83
Total	35,778.59

- 9.7 It was also noted that for the years 2013 to 2017, records showed that deductions were regularly remitted to the concerned GOCCs except for the amount of ₱819,722.69 which accumulated in previous years, which according to the Accounting Unit are still subject for verification. Moreover, of the ₱1,637,633.83 outstanding balance of Due to GSIS account at year-end, ₱1,588,824.94 pertained to unreconciled/unremitted balance of from prior years' GSIS deductions and remittances. Management stated that the balance reflected was caused by erroneous posting/misclassification of accounts and that they are still verifying further the nature of said balances.

- 9.8 **We recommended that the concerned officials of the Accounting Unit:**

- a. **prepare and record in the books adjusting entries for the erroneous recording and posting of transactions for the accounts Due to GOCCs and Due to GSIS and other affected accounts;**
- b. **conduct a detailed analysis of the prior years' outstanding balances to determine the nature of these balances;**
- c. **recover the amount of P500.00 refunded to Ms. Cynthia Resurrecion since the same was already remitted to the GSIS; and**
- d. **remit to the concerned GOCCs and GSIS all amounts withheld and due for remittance, otherwise refund the same to the concerned employees.**

- 9.9 **We also reiterated our previous year's recommendation that they exercise due care in recording transactions and using the correct accounts as prescribed in the pertinent provision of GAM, Volume III.**

- 9.10 The Management commented that in compliance with the audit recommendation, except for the affected accounts related to the GSIS premium of Labor Arbiter Lilia Savari which is being verified if adjusting entry is still necessary, JEV Nos. 2018-02-091-F, 2018-03-125 and 2018-03-132 dated February 28, 2018, March 20 and 23, 2018, respectively, were prepared to correct the noted deficiencies in audit.

- 9.11 With regard to unremitted GSIS premiums, the Management informed the Audit Team that the GSIS premiums of Joel Lustria were included in the remittance for December 2016 and that GSIS deductions amounting to ₱1,955.76 of separated employees will be included in the remittance of premiums and deductions for March 2018 while those of new employees amounting to ₱33,823.03 were remitted in January and February 2018. The delayed remittance of deductions from the new recruits was due to delayed processing of their GSIS registration numbers.

Lapses in reporting of Trust Liabilities

10. **The reported balance of Trust Liabilities account totaling ₱1,377,357,490.48 of the NLRC Main and NLRC RAB VI could not be relied upon and its accuracy not determined due to: (a) difference of ₱17,110,719.83 between the Cash in Bank and Trust Liabilities account (b) incomplete subsidiary records maintained resulting in the unreconciled balance of ₱62,987,991.97 between the GL and SL records; (c) difference of ₱54,381,837.60 between the amount of trust liabilities per books and that appearing in the depository banks' balances; (d) non-monitoring of the status of prior years' collections/release/disbursement of both the execution and fiduciary funds; and (e) non-reconciliation of the accounting records for said trust fund with the Sheriffs' Report and Writ of Execution.**

- 10.1 As of December 31, 2017, the NLRC Main has recorded a total of ₱1,309,031,691.35 funds held-in-trust which consist of:

Fund	Nature of the Fund	Purposes
Fiduciary Fund	Cash bonds posted by the respondents and garnishments for the satisfaction of monetary awards in labor cases for proper disposition to parties upon finality of the decision of Labor Arbiters.	Granted to the winning parties upon issuance of Final Release Orders from the NLRC Labor Arbiter/ Commissioner
Execution Fees	Fees/charges imposed against the losing party (part of the Agency's regular income treated as trust fund)	Used in the regular operation of the Agency, for travelling expenses in particular of NLRC sheriffs and bailiffs

- 10.2 The trust fund accounts affect the Cash in Bank and the Trust Liabilities accounts. All collections pertaining to the funds are debited to Cash in Bank and credited to Trust Liabilities accounts, while disbursements/release of the fund are debited to Trust liabilities and credited to Cash in Bank accounts. The present set up covers all receipts and disbursements of the trust fund account for the fiduciary and execution fees.

- 10.3 Analysis of the Trust Accounts revealed the following deficiencies:
- a) *The Trust Liabilities and the corresponding Cash in Bank accounts had a difference of ₱17,110,719.83.*

- 10.4 The difference between the Cash in Bank and Trust Liabilities account is presented as follows:

Accounts	Amount per General Ledger
Trust Liabilities	1,309,031,691.35
Cash in Bank	1,291,920,971.52
Difference	17,110,719.83

- 10.5 The recorded Trust Liabilities did not contain detailed information on the *nature of the trust liabilities and the amounts specifically recorded under the fiduciary fund and execution fund.*
- 10.6 Also, per our confirmation with the depository banks, the total funds deposited with them amounted to ₱1,254,649,853.75 only, or a difference of ₱54,381,837.60 compared to the reported trust liabilities account per books of ₱1,309,031,691.35. Details follow.

Trust Liabilities per books	1,309,031,691.35
Account balances per bank records	
• Fiduciary	
UCPB	CA No. 00-14600174-4 699,259,244.73
LBP	CA No. 0662-1034-70 296,124,740.56
LBP	CA No. 0662-1011-84 204,209,652.70
UCPB-Dollar	
Account	SA No. 1146-3003542 53,554,157.89
Sub-Total	1,253,147,795.88
• Execution Fee	CA No.20-14600203-9 1,502,057.87
Cash Total for Trust Liabilities per bank	1,254,649,853.75
Difference	54,381,837.60

- 10.7 It appeared that there were no sufficient funds for judgment awards to cover *the execution of decided labor cases brought to NLRC. Thus, the possibility that social justice for these labor cases could not be fully served.*
- b) *Complete subsidiary records were not maintained resulting in the unreconciled balance of ₱62,987,991.97 between the GL and the subsidiary records.*
- 10.8 Records showed that the trust receipts are collected/deposited in four bank depository accounts with the LBP and UCPB for Judgment Awards/Cash

Bond. The GL and SL balances as summarized in the next page, however showed a total discrepancy of ₱62,987,991.97.

Bank Account		Amount		Difference
Name	Number	GL	SL	
UCPB	CA No. 00-146-001572-4	723,884,745.14	949,812,073.25	70,197,412.45
LBP	CA No. 0662-1034-70	296,124,740.56		
LBP	CA No. 0662-1011-84	217,458,042.19	229,187,258.98	(11,729,216.79)
UCPB-Dollar Acct	SA No. 1146-3003542	53,554,157.89	49,034,361.58	4,519,796.31
Total		1,291,021,685.78	1,228,033,693.81	62,987,991.97

- 10.9 The two depository accounts with LBP were maintained since 1971, while UCPB served as the official depository account for the funds held in trust effective February 2009.
- 10.10 Although there was a separate depository account with UCPB for the Fiduciary and Execution Fees, receipts of and disbursements from these funds are incorporated in one report. It was noted that no subsidiary records are maintained for the fiduciary and the execution fund that will identify/fully account the transaction for each fund.
- 10.11 The non-maintenance of complete subsidiary records for the fiduciary and execution fund, resulted in the difference of ₱242,176,341.21 between the GL and SL balances of ₱1,291,920,971.52 and ₱1,228,033,693.81, respectively.
- 10.12 Likewise, the reported balance of Trust Liabilities account of NLRC RAB VI amounting to ₱68,325,799.13 consisting of cash bonds received from employers as deposit for judgment awards were not supported with schedules of subsidiary balances contrary to sound accounting practices, thus the validity of said account could not be ascertained.
- c) Transactions and periodic records of the Trust Funds were not monitored or kept tracked since its establishment while accounting records thereof was not reconciled with the Sheriffs' Report and Writ of Execution monitored by the Research Information and Production Division (RIPD).*
- 10.13 The Accounting Unit was unable to monitor regularly the status of prior years' trust fund transactions as to amount collected/released/dispursed as well as the balance of the fund, resulting to its accumulation.
- 10.14 Moreover, there are no records to show that the ₱1,309,031,691.35 trust fund account maintained by the Accounting Unit has been reconciled with the Sheriffs' Report and the Writ of Execution issued by the Labor Arbiters as monitored by the RIPD.

10.15 Due to the identified lapses, the accuracy of the reported Trust Liabilities account of ₱1,309,031,691.35 cannot be ascertained, thus, adversely affecting the fair presentation of the financial statements as of year-end.

10.16 We recommended that the Management of NLRC Main require:

a. the Accounting Unit to:

a.1. keep an updated record of the status of the trust liabilities account, both the fiduciary and execution funds, pertaining to prior years' transactions;

a.2. reconcile the ₱1,309,031,691.35 outstanding balance of the trust liabilities account with the ₱1,254,649,853.75 confirmed bank balance and the reflected difference of ₱54,381,837.60;

a.3. maintain separate subsidiary records for the fiduciary and the execution fund; and

a.4. identify all the erroneous posting of Trust Liabilities/Cash in Bank account and adjust them in the books accordingly.

b. both the Accounting Unit and the RIPD see to it that records/reports of the fiduciary/execution fund lodged under Trust Liabilities account are reconciled with the Sheriffs' report.

10.17 We likewise recommended that the Management of NLRC RAB VI submit the updated schedule of Trust Liability account and determine the amount intended for NLRC RAB VI, and Iloilo and make the necessary adjustment to segregate the two accounts.

10.18 Management commented on the above findings and recommendations

RABs	Comments
Main	A separate set of books for Trust Fund will be set up in CY 2018 by the Accountant. Also, aging of the trust liabilities account will be maintained in order to identify the status of the funds held in trust since it was established.
VI	The Management mentioned that they have already started identifying the accounts in three banks in Bacolod for the preparation of schedules. After which, reconciliation will also start with Sub-RAB Office in Iloilo.

Unclaimed/Dormant Cash Bond/Judgment Award

11. Cash bond in NLRC RAB III and Judgment Awards in NLRC RAB XIII amounting to ₱9,304,041.68 and ₱106,001.00, respectively, which remained unclaimed for over ten years and considered dormant, were not deposited as Trust to the BTr, as provided for in Rule XI, Section 2 of NLRC 2011 Rules of Procedures; thus, the government was deprived of its use.

11.1 Rules XI, Section 2 of the 2011 NLRC Rules of Procedures, as amended states:

Section 2. Execution by MOTION OR BY Independent Action - Pursuant to Art. 224 (now 230) of the labor code, as amended, a decision or order may be executed on motion within five (5) years from the date it becomes final and executory. After the lapse of such period, the judgment shall become dormant, and may only be enforced by an independent action before the regional Arbitration Branch or origin and within a period ten (10) years from date of its finality.

11.2 Judgment awards shall be released to winning parties upon motion for the issuance of an Order of Release filed by the winning party. Unclaimed judgment award shall be reverted to the BTr after the prescriptive period of 10 years without claimants.

11.3 Audit of Cash in Bank - Local Currency, Current Account in NLRC RAB III disclosed that the balance of ₱9,304,439.59 deposited with the LBP represented unclaimed cash bond that remained dormant for more than 10 years, contrary to the provisions of COA Circular No. 97-001 dated February 5, 1997.

11.4 Verification of the Schedule of Trust Liabilities – Judgment Award in NLRC RAB XIII showed an unclaimed Judgment Award in the total amount of ₱1,023,085.34 as of December 31, 2017. It was noted that ₱106,001.28 out ₱1,023,085.34 or 10.4 percent remained unclaimed for more than 10 years and considered dormant, as summarized below.

Age	Amount	Remarks
1 year and below	770,958.36	Maybe executed on motion
Above 1 to 5 years	125,473.65	
Above 5 to 10 years	20,652.05	Dormant, but may be enforced by an independent action
Above 10 years	106,001.28	Dormant, filing of an independent action has prescribed, to be reverted to the BTr.
Total	1,023,085.34	

- 11.5 Interview with the concerned personnel revealed that these claimants were already informed by sending them letters to their last known address. There were responses received from some claimants but the others were returned. They hypothesized that these claimants may have transferred to other places in the Philippines or abroad or may have passed away. Further, added that they opted not to deposit said collections to the BTr for reason that claimants may appear to the office any moment and will demand payment.
- 11.6 Moreover, the Executive Labor Arbiter intends to publish in the newspaper of general circulation the list of unclaimed judgment awards that had not prescribed yet. This is to facilitate information dissemination for the claimants to file a motion to release or an independent Action for the execution of judgment award, whichever is appropriate.
- 11.7 The foregoing deficiency occurred due to lack of regular monitoring of the status of the case as well as non-maintenance of updated records in the whereabouts of each claimant.
- 11.8 As a result, the non-remittance of the dormant cash bond and judgment awards to the BTr deprives the government of other beneficial use of the said funds.
- 11.9 **We recommended that the Management of NLRC RAB III remit to the BTr as Trust the unclaimed cash bonds and the Management of NLRC RAB XIII to:**
- a. **instruct the Accountant and Cashier to immediately deposit or remit to the BTr the amount of ₱106,001.28 which is already considered dormant and filing of an independent action has already prescribed;**
 - b. **ensure to publish the list of judgment awards in the newspaper of general circulation for those judgment awards that may still be executed as a result of the filing of an independent action and furnish a certified photocopy of the publication to the Audit Team.**
 - c. **Henceforth, regular monitoring shall be undertaken to guarantee the prompt release of Judgment Awards to the claimants and prevent the incurrence of dormant judgment awards.**
- 11.10 The Management of NLRC RAB XIII commented that they will have to wait for the final guidelines to be issued by the Central Office. Meanwhile, the Agency is conducting an inventory of cases with unclaimed Judgment Awards.

Deficiencies in Handling Petty Cash fund

12. **Expenses amounting to ₱8,280.00 charged against the Petty Cash Fund (PCF) of NLRC Main/NCR PCF Custodian were either unnecessary or not within the intended purpose for which it was drawn, thus their incurrence violates the rules on the grant of cash advances and failure of the accountable officer to secure duly approved Petty Cash Voucher (PCV) upon release of fund to third party, resulted in an unaccounted PCF amounting to ₱10,516.01. Moreover, payments for petty operating expenses in NLRC RAB I were made thru reimbursement while in NLRC RAB IX, transportation expenses of concerned personnel charged against PCF were not supported with locator slips of the concerned agency personnel, thus their regularity/propriety was not determined.**
 - 12.1 Section 4 of COA Circular No. 2012-003 dated October 29, 2012, which provides the guidelines on the prevention and disallowance of irregular, unnecessary, excessive, extravagant and unconscionable expenditures (IUEEUE), defines unnecessary expenditures as expenditures that are not supportive of the implementation of the objectives and mission of the agency relative to the nature of its operation.
 - 12.2 Item 4.1.7 of COA Circular No. 97-002 dated February 10, 1997 provides that the cash advance shall be used solely for the specific legal purpose for which it was granted.
 - 12.3 Section 14, Chapter 16, Volume 1 of the GAM provides that all cash payments shall be covered by duly approved DVs/payrolls/PCVs. Also, Section 14 (f) and (g) requires that only duly appointed or designated disbursing officer may perform disbursing functions, and that transfer of cash advance from one accountable officer (AO) to another shall not be allowed.
 - 12.4 At the NLRC Main records, expenses amounting to ₱8,280.00 charged against the PCF were either unnecessary or not within the intended purpose for which it was drawn, thus, their incurrence violates the rules on the grant of cash advances and failure of the accountable officer to secure duly approved PCV upon release of fund to third party resulted in an unaccounted PCF amounting to ₱10,516.01.
 - 12.5 Review of transactions and reports pertaining to the PCF revealed the following:
 - a. NLRC Main/NCRAB - The PCF Custodian was granted a cash advance amounting to ₱85,000.00. The amount is used to defray expenses to be incurred for the scheduled Year-End Performance Assessment and Corporate Planning Exercises. Records showed that expenses amounting to ₱8,280.00 charged against the PCF were either unnecessary or not

within the intended purpose for which the cash advance was drawn; thus, its incurrence violates the rules on the grant of cash advances.

Dates	PCV #	Payee	Particulars	Amount	Remarks
7/24/2017	17-07-110	Amalia L. Cclino	Expenses for meals incurred during the Retirement Celebration program for Mr. Emilio Santos	3,800.00	Not an official expense but should be charged from either the RATA or EME of concerned sponsoring officials
				3,200.00	
9/8/2017	17-09-127	Jonathan Peter Del Rosario	Reimbursement of expenses for meals during fun run	150.00	Special Order authorized a payment for registration only.
	17-09-128	Herminio Yambao		220.00	
9/13/2017	17-09-130	Ma. Theresa De Paz Mary Rose Hibo		600.00	
				156.00	
				154.00	
Total				8,280.00	

Moreover, the result of the cash count disclosed that ₱20,944.00 in currency was found on hand while ₱53,539.99 consisted of cash items; thus, the amount of P10,516.01 was not accounted for. The PCF Custodian explained that the amount of ₱10,000.00 was issued to other personnel tasked to procure materials and emergency supplies needed in the said activity. Since the event just ended the day before the cash count, liquidations of ₱10,000.00 was not yet submitted, thus not found in the AOs position during the cash count. Also, Reimbursement Expense Receipt (RER) amounting to ₱300.00 was only received by the AO after the cash count; thus, it was not included as cash items.

- b. At NLRC RAB I, it had been a practice of the Agency that payment of petty operating expenses was charged to the personal fund of the Property Officer and eventually reimbursed to him contrary to Section 14, Chapter 6, Volume I of the GAM, thus exposed the risk of paying unnecessary expenses and eliminated the proper establishment of Petty Cash Fund.
- c. At NLRC RAB IX, transportation expenses amounting to ₱15,840.00 paid through PCF were not supported with locators slips, contrary to the provisions under COA Circular No. 2012 – 001 dated June 14, 2012 and Section 4, Paragraph 6 of PD No. 1445; thus, the validity, legality, and propriety of the transactions cannot readily be ascertained.

12.6 We recommended that the Management of:

- a. **NLRC Main - charge from program funds and/or cash advances only those expenses that are official in nature or within the intended purpose of the cash advances and direct the:**

- a.1. concerned officials who authorized the payment of the said expenses to refund the same and charge these either to their RATA or discretionary funds;
 - a.2. PCF Custodian to refrain from transferring the cash advances granted to him to another person, in compliance with Section 14 (g) of the GAM and to secure vouchers signed by the person who received the cash every time there was a transfer of funds from him; and
 - a.3. PCF Custodian and the Accountant to review the required supporting documents before affixing their signatures in the PCVs and in Box A of the disbursement voucher to avoid possible suspension and/or disallowance in audit.
- b. RAB I - advise the Supply/Property Officer to refrain from the practice of paying petty operating expenses and to establish Petty Cash Fund for the purpose.
 - c. RAB IX - require the PCF Custodian and the Accountant to review properly the required supporting documents before affixing their signatures in the PCVs and in Box A of the disbursement voucher to avoid possible suspension and/or disallowance in audit.

12.7 Management of the concerned NLRC RABs commented as follows:

RABs	Comments
I	Management already notified the Supply/Property Officer to stop drawing from his personal money for payment of petty expenses and Petty Cash Fund was already established since August 2017.
IX	Management was amenable to the audit observation and advised the PCF Custodian and the Accountant to strictly adhere to COA rules and regulations.

Unauthorized and Overpaid Expenses

- 13. Appreciation Gift totaling ₱930,000.00 paid to NLRC Main and NLRC-RABs NCR, III and VI employees who retired from the service were not among the authorized benefits sanctioned by existing rules and regulations as exemplified under COA Circular No. 2012-003. Moreover, salaries and wages in NLRC RABs III and VIII were overpaid by ₱120,245.05 due to the failure to deduct unauthorized leave of absences of the concerned officials and employees.

a. *Payment of Unauthorized Retirement Benefits – ₱930,000.00*

13.1 Sections 3.2 of COA Circular No. 2012-003 dated October 29, 2012 re: *Updated Guidelines for the Prevention and Disallowance of Irregular, Unnecessary, Excessive Extravagant and Unconscionable Expenditures*, which are presented in Annex "A" thereof, provides cases/situations that are considered "Irregular" Expenditures or Uses of Government Funds and Property. Among those expenditures are:

3. Payment of compensation or benefits to government personnel under the following circumstances:

3.3 Financial assistance granted to retiring employees which constitutes supplementary pension/retirement benefit plans prescribed by law (Avelina B. Conte and Leticia Boiser- Palma vs. COA, G.R. No. 116422 dated November 4, 1996). xxx

3.5 Additional retirement benefits which are beyond that allowed under existing retirement laws (COA Decision No. 2006-030 dated April 11, 2006).

13.2 The NLRC anchored the payment of Appreciation Gift and Transition Allowances to NLRC retirees on the following:

Reference		Particulars	Issued by/ Registered
No.	Date		
1. CNA between NLRCEA and the NLRC	6/13/2016	Based on Section 9, Article IV - Appreciation Gift and Transition Assistance to Retirees of the CNA agreement between NLRCEA and the NLRC	Registered with the CSC
2. AO No. 03-02 (s. of 2017)	3/09/2017	Authority on the granting of appreciation gift and transition allowance to retiring NLRC employees based on the length of service rendered in the government	Chairman Gerardo C. Nograles

13.3 Under NLRC AO No. 03-02 series of 2017, the amounts of incentive benefits granted to the retirees were dependent on the length of service that each retiree had served the government as indicated below.

	Length of Service		Amount
	NLRC and DOLE	Other Government Agencies	
1. Less than 10 years		10	10,000.00
2. Less than 10 years		15	15,000.00
3. 10 years		15	20,000.00
4. 10 years		16 to 20	25,000.00
5. 10 years		21 to 25	30,000.00

Length of Service		Amount
NLRC and DOLE	Other Government Agencies	
6. 10 years	26 to 30	35,000.00
7. 10 years	Over 31	40,000.00

13.4 Further, the AO provides that: “The Administrative Division, through its Human Resource and Development Unit, prepares and submit report or list of retirees, their corresponding government length of service and the number of years served in the DOLE or NLRC and his entitlement to this incentive.” Further, it was stated in the AO that: “The Service Incentive previously authorized for retirees will be discontinued and deemed replaced by this Incentive.”(underscoring supplied)

13.5 For CYs 2016 to 2017, the following personnel were paid Appreciation Gift for retirees:

Office	Date	Check/ADA No.	Payee	Amount
NLRC Main/ RAB NCR	1/28/2016	ADA- 16-01-016	Evangelista, Ramon	10,000.00
	1/28/2016	ADA- 16-01-016	Mallari, Nilda	10,000.00
	1/28/2016	ADA-16-01-016	Villena, Numeriano	10,000.00
	5/19/2016	ADA- 16-05-097	Adevoso, Elizabeth	10,000.00
	5/19/2016	ADA -16-05-097	Rosos, Nicia	10,000.00
	6/10/2016	ADA -16-06-113	Lopez, Helen	10,000.00
	6/10/2016	ADA -16-06-113	Mercado, Erlinda	10,000.00
	9/23/2016	ADA -16-09-193	Javier, Salome	10,000.00
	9/23/2016	ADA -16-09-193	Malapad, Elisa	10,000.00
				30,000.00
	10/25/2016	ADA -16-10-222	Cuales, Perlita	40,000.00
	10/25/2016	ADA -16-10-222	Maraan , Elma	40,000.00
	12/16/2016	ADA- 16-12-269	Bergula, Leticia	40,000.00
	2/15/2017	ADA- 17-02-028	Dela Luna, Danilo	10,000.00
	3/16/2017	ADA- 17-03-55	Guerrero, Veneranda C.	40,000.00
	3/16/2017	ADA -17-03-55	Panganiban, Fedriel S.	40,000.00
	3/16/2017	ADA- 17-03-55	Baltazar, Normelita	40,000.00
	3/16/2017	ADA- 17-03-55	Ortizo, Eduardo	25,000.00
	4/17/2017	ADA- 17-04-80	Caragayan, Remedios	35,000.00
	4/17/2017	ADA -17-04-80	Lazo, Lagrimas	40,000.00
	5/17/2017	ADA -17-05-99	Dela Rosa, Consuelo, V.	40,000.00
	6/22/2017	ADA- 17-06-133	Paradero, David T.	10,000.00
	8/18/2017	ADA- 17-08-178	Dizon, Fortunato	40,000.00
8/18/2017	ADA -17-08-178	Pahamotang, Eulalia	40,000.00	
8/18/2017	ADA- 17-08-178	Santos, Emilio	40,000.00	
9/14/2017	ADA- 17-09-193	Julve, Bernardino	40,000.00	
	<i>Sub-total</i>		<i>680,000.00</i>	
RAB III	2/16/17	Chk. - 25559425	Norma G. Reyes	40,000.00
	3/29/17	Chk. - 2559462	Atty. Mariano L. Bactin	35,000.00
	9/19/17	Chk. -9900000019	Jacobo Abril	35,000.00
	9/19/17	Chk. -9900000020	Delfindela Cruz	40,000.00
	<i>Sub-total</i>		<i>150,000.00</i>	

Office	Date	Check/ADA No.	Payee	Amount
RAB VI	3/24/2017	ADA-17-03-0021	Felipe Dondoyano	30,000.00
	9/8/2017	Chk.-99017	Rick Lester Philip Paredes	40,000.00
	11/13/2017	ADA-17-11-0071	Orville P. Baloyo	30,000.00
	<i>Sub-total</i>			<i>100,000.00</i>
Total				930,000.00

- 13.6 The amount granted to retiring NLRC employees and officials as cash incentives in recognition of their valuable years of service and as transition allowance during the processing of their retirement benefits, was irregular as exemplified in Section 3.2 of COA Circular No. 2012-003, stating among other that said benefits are considered supplementary and additional retirement benefits which are not among those authorized by existing retirement laws.
- b. Overpaid Salaries and wages totaling ₱120,245.05 were incurred in NLRC RABs III and VIII due to failure in deducting unauthorized leave of absences of the concerned officials and employees.*
- 13.7 Section 50 of Omnibus Rules on Leave states that an official/employee who is absent without approved leave shall not be entitled to receive his salary corresponding to the period of his unauthorized leave of absence.
- 13.8 In addition, Section 5.1 of DBM Budget Circular No. 2009-3 states that the Personal Economic Relief Allowance (PERA) of personnel who incurred absences without approved leaves of absence or on leave of absence without pay during the month shall be computed on the basis of the number of days worked with basic pay. For each working day, the PERA shall be ₱90.91, computed by dividing ₱2,000.00 per month by 22 working days per month.
- 13.9 The personnel concerned of the NLRC RAB III did not make the necessary verification in the processing and approval of disbursements that resulted in the overpayment of salaries of one NLRC employee in the total amount of ₱115,240.04.
- 13.10 In our review and evaluation of the agency payroll, we noticed that an Agency personnel received full salary even when on leave without pay. The recipient now deceased, was the approving officer of the application for leave and at the same time certified in the DV that the expense was necessary, lawful and incurred under her supervision. It appeared that said official concealed the fact that since March 2017 she no longer had leave credits, thus continuously received her full salary.
- 13.11 The agency personnel in charge of the processing and approval of the payments relied completely with the certification of the payee without checking the regularity and correctness of the payments resulting in the

overpayment of salaries totaling ₱115,240.04 hence, loss of government funds. Breakdown is shown below:

CY 2017 Month	No. of Days	Amount Received Per Month	Should be	Overpayment
March	15	36,532.00 2,000.00	24,908.18 1,363.64	11,623.82 636.36
April	11	36,532.00 2,000.00	18,266.00 1,000.00	18,266.00 1,000.00
May	6	36,532.00 2,000.00	9,963.27 545.45	26,568.73 1,454.55
June	12	36,532.00 2,000.00	19,926.55 1,090.91	16,605.45 909.09
July	6	36,532.00 2,000.00	9,963.27 545.45	26,568.73 1,454.55
August	4	16,158.58 1000.00	6,642.18 363.64	9,516.40 636.36
Total		209,818.58	94,578.54	115,240.04

- 13.12 At NLRC RAB VIII, either the PERA or both the salaries and PERA of employees were not deducted from the following claimants that did not file leaves of absences or who have unauthorized leaves, in violation of Section 50 of the Omnibus Rules on Leave Book V of EO No. 292 and DBM Budget Circular No. 2009-3 dated August 18, 2009, thus resulting in excessive claims totaling ₱5,005.01 as shown below.

Name of Employee	2017 Payroll Period Covered	Period of Unauthorized Leave Not Deducted	No. of days		Amount that should have been deducted	
			PERA	Salary	PERA	Salary
Carlito M. Guimoc	February	December 22, 2016	1		90.91	
	May	2017 April 24-25, 27-28	4	2	363.64	1,671.36
Alma Adobo M.	February	January 16 and 27	1/2, 1/2		90.91	
	May	April 17	1		90.91	
	June	May 2,3,8,15 and 19	5 1/2		500.00	
	July	June 2,15,16 and 23	3		272.73	
	September	August 3, 8, 11, 17, 30 and 31	6 1/2		590.91	
	October	September 8, 13, 14, 19, 20,22, and 28	8 1/2		772.73	
Noland E. Yu	May	April 18	1	1	90.91	470.00
Total					2,863.65	2,141.36

13.13 We recommended that the Management of:

a. NLRC Main, RABs III and VI to:

- a.1. ensure that all NLRC officials and employees are paid only the allowances, incentives and other benefits expressly authorized by law, rules and regulations;**

a.2. cause the necessary refund of the ₱680,000.00 payments of retirements benefits made to NLRC retired officials and employees.

b. NLRC RABs III and VIII to:

b.1 be more cautious in the processing of payments and demand refund of the overpayment; and

b.2 require the Accountant to be careful and conduct the necessary verification for accurate processing of claims covering salaries and PERA to avoid the incurrence of excessive claims.

13.14 Management commented on the above findings and recommendations as follows:

Office	Comments
NLRC-Main	<p>The granting of Appreciation Gift and Transition Assistance to retirees is pursuant to the following: (a) Section 9, Article IV of the Collective Negotiation Agreement (CNA) between the NLRC Management and NLRCEA which was duly registered and approved by the CSC on May 18, 2016; (b) NLRC Administrative Order (AO) No. 03-02 dated March 09, 2017; (c) AO No. 136 and AO No. 64 issued by DOLE on April 30, 2012 and February 02, 2016, respectively.</p> <p>In compliance with the audit recommendation, the Management suspended/stopped the granting of the said benefits effective December 2017.</p> <p>Further, the NLRC would like to appeal to COA to lift the recommendation to refund the ₱680,000.00 payments to the retiree-awardees considering that they are no longer in the service.</p>
RAB III	<p>Refunds for the overpayment have been made and to date the outstanding total overpayment is only ₱26,001.57. Every collection effort has been made and no further collection is foreseen as the person liable was already dead. Thus, as a solution the NLRC RAB-III has requested to NLRC-Main Office for the write-off of non-collectible accounts.</p>
RAB VI	<p>The Accountant informed that they have already requested the NLRC-Main to provide guidelines in giving Service Incentive Awards for those retiring/deceased employees. However, the Accountant of the NLRC-Main informed that this was also an audit finding and since there was no basis or guidelines to</p>

Office	Comments
	support the giving of said incentive, an AOM was issued and the Auditor recommended to stop the practice.
RAB VIII	Management acknowledged the deficiency. They also informed the Audit Team about having able to comply with the proposed recommendation for the observation including the settlement in full of the noted excessive claims as of December 2017.

Non-compliance with law, rules and regulations

14. Non-compliance with the provisions of pertinent rules and regulations affecting the Agency's operations and financial transactions rendered doubtful the accuracy and integrity of financial information, as well as transparency, accountability and public monitoring.

14.1 Audit and evaluation of financial transactions and operations of NLRC-Main and the NLRC RABs disclosed the following deficiencies, which are contrary to pertinent rules and regulations:

Offices	Deficiencies Noted	Rules and Regulations
NLRC Main	NLRC officials who were signatories and counter signatories of checks issued and approval of DVs were not properly bonded, thus reduces the amount of fidelity fund that would be available for replacing defalcations, shortages, unrelieved losses in their accounts and the payment of fees and costs incidental to any civil proceedings brought against them to recover sums paid on their account	Section 4.3.3 Treasury Circular No. 02-2009 dated August 06, 2009
	Fiduciary Fund were recorded as trust liabilities under the General Fund instead of maintaining the same under Trust Receipts (Cluster 07). Likewise, the Accounting Unit did not submit a separate Quarterly Report of Revenue and Other Receipts (QRROR) for income and receipts for the Fiduciary Fund from the Report for the income for the GF.	Chapter 2, Section 13 and Chapter 5, Section 42, Volume I, of the GAM for NGAs
RAB VI	The accountable officer was not able to prepare the Report of Accountability for Accountable Forms (RAAF) to report on the result of the physical count of all accountable forms in his custody, thus negating the usefulness of the required	Chapter 8, Section 17(k), Volume I of the GAM

Offices	Deficiencies Noted	Rules and Regulations
	report and casting doubts on the reliability, accuracy and existence of the accountable forms at a given period.	
RAB XIII	<ul style="list-style-type: none"> • Property and Supply Officer Designate was designated as Head of the BAC Secretariat, who is in-charge of procurement • Accountant prepares the payrolls instead of the personnel employee 	Chapter 3 of the National Guidelines on Internal Control System (NGICS)
RAB XIII	The Expanded Modified Direct Payment Scheme (ExMDPS) in the settlement of all Accounts Payable, was not implemented by NLRC RAB XIII as all its disbursements for CY 2017 in the total amount of ₱4,852,726.68 were still paid in checks. Of the 318 Disbursement Vouchers (DVs) processed for payment, only 75 or 24 percent were paid thru ADA-LDDAP, while 243 or 76 percent were paid thru checks.	DBM Circular Letter No. 2013-16 dated December 23, 2013

14.2 We recommended and the Management of the following offices agreed:

a. NLRC Main –

- a.1. secure the fidelity bonds of the the signing and countersigning officials;**
- a.2. direct the Accounting Unit to record the Trust Receipts/Fiduciary Fund in a separate set of books including the submission of a separate QRROR for such funds in order to comply with the GAM for NGAs.**

b. RAB VI – direct the Cashier to prepare monthly the RAAF and submit the same to the COA Auditor so that all accountable forms can be duly accounted for.

c. RAB XIII – require the Accountant and the Cashier to effect direct payment methods in settling accounts payable and comply with the provisions of said DBM Circular.

14.3 We also recommended that the Management of RAB XIII:

- a. make representations at NLRC Central Office to augment the number of plantilla positions in the Regional Office, due to necessity;**

- b. **review the current functions/workloads of the present employees and issue a Special Order to employees/s determined to have lesser workloads to act as the Personnel Officer and the BAC Secretariat, respectively; and**
- c. **strengthen the effectiveness of the Agency's internal control system by properly segregating incompatible duties to different employees to reduce risk of fraud and errors.**

14.4 The Management of NLRC Main commented that the collections of Trust/Fiduciary Fund were reported separately in the QRROR. Trust/Fiduciary Fund is reported under Item D (Custodial Funds) of the said report while collections for General Fund is reported under Item A (Collection of Non-Tax Revenues). They also use separate Journals in reporting disbursements from General Fund and Trust Fund. For CY 2018, the Agency has already separated the JEV, General Journal and Special Journals of the two funds. Considering the number of accounts with unreconciled prior period balances, they would like to request from COA to allow them to continue reporting these funds under a single Financial Statements for All Funds until they have verified and adjusted the said accounts.

14.5 The Management of NLRC-RAB XIII commented that Special Order No. 12 dated February 9, 2018 was issued designating an employee other than those of the Accounting Unit as Payroll Clerk. However, as to the issue on the designation of the Supply Officer as Head of the BAC Secretariat, the Office is still evaluating the personnel's individual functions in order to determine who is qualified to be designated as Head of BAC Secretariat.

Delayed Submission of Financial Reports

15. Delays in the submission of the required financial reports/documents such as quarterly financial statements and supporting schedules; liquidation reports and its supporting documents, and bank reconciliation statements, among others, which is contrary to existing law, rules and regulations hindered the timely review and analysis of such reports and in determining the reliability and fair presentation of the accounts in the financial statements, as well as the timely correction of errors in the submitted financial reports, if any.

15.1 Section 122 (1) of PD No. 1445 requires the submission by the Management of the financial reports/documents and provides that:

Whenever deemed necessary in the exigencies of the service, the Commission may under regulations issued by it require the agency heads, chief accountants, budget officers, cashiers, disbursing officers, administrative or personnel officers, and other responsible

officials of the various agencies to submit trial balances, physical inventory reports, current plantilla of personnel, and such other reports as may be necessary for the exercise of its functions.

- 15.2 Likewise, The Rules and Regulations on the Settlement of Accounts (RRSA), as prescribed under COA Circular No. 2009-006 dated September 15, 2009, provide the responsibilities of the Agency Head and Accountant:

Section 7.1.1. – “The head of the agency, who is primarily responsible for all government funds and property pertaining to its agency, shall ensure that: (a) the required financial and other reports and statements are submitted by the concerned agency officials in such form and within the period prescribed by the Commission; xxx and (d) appropriate actions are taken on the deficiencies noted as contained in the AOM.” (underscoring supplied)

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

- a. the reports and supporting documents submitted by the accountable officers are immediately recorded in the books of accounts and submitted to the Auditor within the first ten (10) days of the ensuing month; (underscoring supplied)
- b. the financial records are made accessible at reasonable hours to the Auditor or his authorized representatives when needed;”

- 15.3 As observed in the previous year’s audit, financial reports such as the following were not submitted within the deadlines set by the above rules and regulations.

Financial Report/ Records	Office	2017 Submitted Reports		Unsubmitted 2017 Reports	
		Period Covered	No of Months Delayed	Period Covered	No of Months Overdue
Liquidation Reports (LR)	Main	January-December	1 month		
Financial and Accomplishment Report (FAR) 1		April- December	5-8		
FAR 2			6-8		
FAR 4		January - December	6-8		
FAR 5			6-8		
RSMI			2-7		
Trial Balance	X			January-December	1-12
Quarterly FSs	Main	none		January - June	1-12
	X	January - June	1 month	July- December	1-5
JEV	NLRC-	January- August	none	none	1-12
BRS	Main	January - June	7 months	July-December	2 months
	VI (UCPB)	January - May		June- December	1-6

Financial Report/ Records	Office	2017 Submitted Reports		Unsubmitted 2017 Reports	
		Period Covered	No of Months Delayed	Period Covered	No of Months Overdue
	VI (LBP)	none		Jan- December	1-12
	IX	January - August		September- December	1-3
	X	January - March	4 months	April- December	1-8

15.4 It is emphasized that any continued delay in and repeated non-compliance with the submission of financial reports in accordance with the foregoing regulations may subject the persons responsible thereof to administrative sanctions pursuant to the provisions of Section 122 of PD No. 1445, which states that:

(2) Failure on the part of the official concerned to submit the documents and reports mentioned herein shall automatically cause the suspension of payment of their salaries until they shall have complied with the requirements of the Commission.

(3) No appropriation authorized in the General Appropriations Act shall be available to pay the salary or any official or employee who violates the provisions of this section, without prejudice to any disciplinary action that may be instituted against such official or employee.

15.5 Moreover, the following documents were not submitted by the concerned RABs:

RABs	Deficiency
I	Twenty-eight Trust Fund (TF) Disbursement Vouchers (DV) for the month of March 2017 were not submitted.
II and III	Purchase Orders/Contracts together with their supporting documents were not submitted within the prescribed period, which practice runs counter with the provisions of COA Circular No. 2009-001 dated February 12, 2009 thus, preventing the timely review and evaluation of the agreements entered into by the Agency.
XI	The Accounting Unit failed to submit 256 paid DVs and their supporting documents with an aggregate amount of ₱22,747,711.39

15.6 The non/delayed submission of the above required financial reports hindered the Audit Team in the timely review and analysis of such reports and in determining the reliability and fair presentation of the accounts in the financial statements, as well as the timely correction of errors in the submitted financial reports, if any.

15.7 We recommended that the Management require the Accountants and other responsible officials of NLRC-Main and the concerned NLRC RABs to comply strictly with the prescribed submission of the financial reports and documents to the Office of the Auditor to facilitate the complete review and audit of accounts and to affirm the reliability of the Management's assertion on the existence/occurrence, validity, accuracy and completeness of the recorded transactions.

15.8 The Management gave the following comments:

Office	Comments
NLRC Main	<p>The Management regularly submits financial records and reports to COA, including the following: a) Annual Financial Report of NLRC Main/NCRAB on February 14, 2018; b) Bank Reconciliation Statements (BRS) for CY 2017 at various dates; c) Monthly RSMI for CY 2017 at various dates.</p> <p>While other financial reports mentioned in the AOM which were not furnished to the COA, are religiously submitted to DBM. They affirmed delay in the submission of the financial reports which cannot be avoided due to volume of transactions handled by the Accounting Section, and considering the number of accounts with unreconciled balances in prior years' transactions.</p>
RAB I	An Office Memorandum was issued ordering and directing Mr. Palma to submit the Trust Fund DVs, which were the subject of the AOM. The concerned personnel submitted bank certifications regarding the checks issued corresponding the subject vouchers.
RAB IX	The LBP, Zamboanga Branch was delayed in releasing the bank statements from two to four months, thus, BRS cannot be prepared and submitted within the prescribed period. However, they will always make follow-ups with the Bank personnel assigned for the release of these statements.
RAB X	The delayed submission was brought about by late receipt of bank statement, but they promised to comply with the timelines of the submission.
RAB XI	They will submit the lacking 256 DVs to COA on the first week of March 2018

Auditor's Rejoinder

- 15.9 The Audit Team of NLRC-Main informed that financial reports and their supporting documents are submitted to the COA for review and analysis. The transactions for trust fund, the bank records in particular, however, were not religiously submitted for verification since CY 2009. Likewise, due to deficiencies noted in the submission of reports like the signature of the Accountant, the records/reports have to be returned, including the BRS for Trust Fund covering July 2009 to December 2013. It was only on February 15, 2018 that the BRS for Trust Fund was submitted covering the period from January 2015 to December 2017.

Incomplete Documentary Requirements of Disbursements in NLRC Main

16. **The disbursements of NLRC funds thru List of Due and Demandable Accounts Payable-Advice to Debit Accounts (LDDAP-ADA) totaling ₱33,750,558.83 covering the period January 2016 to September 2017 were not supported with Official Receipts or other acceptable evidence acknowledging receipt of payments by its creditors, contrary to the provisions of COA Circular No. 2012-001 and Section 53, Chapter 6, Volume I of the GAM, thus rendering the propriety of the disbursements doubtful.**

Likewise, the DV, Obligation Request and Status (ORS) and other supporting documents lack the necessary details such as reference number, date, fund cluster and other data required under the GAM and Section 7.1.2.1 of DBM Circular Letter No. 2013-16, thus making it difficult to reconcile the information contained in the LDDAP-ADA with those in the DVs, ORS and other supporting documents.

- 16.1 The LDDAP-ADA is a mode of settlement of accounts payable due to creditors/payees of all National Government Agencies and their Operating Units (OUs) as prescribed DBM Circular Letter Nos. 2013-16A and 2013-16B dated February 6, 2014 and February 25, 2014, respectively, amending DBM Circular Letter No. 2013-16 dated December 23, 2013.
- 16.2 Scrutiny of the payments of regular NLRC funds thru the LDDAP-ADA disclosed that these were not supported with Official Receipts (ORs) or other acceptable evidence acknowledging receipt of payments by the payee/creditor as required under Section 53, Chapter 6 of the GAM, which provides that "the Cash/Treasury Unit shall monitor the receipt of the validated LDDAP-ADA from the MDS-GSB and the issue of OR or other acceptable evidence of receipt of payments by the creditors/payees".

16.3 The details of the paid expenses are presented below:

Nature of Expenses	Payees	2016	2017	Total
Security Services	168 Security Inc.	1,370,399.44	7,518,676.46	8,889,075.90
Janitorial Services	Triple 7 Manpower Services, Inc.	402,013.78	1,877,892.93	2,279,906.71
Electricity Expenses	MERALCO	453,430.47	676,202.32	1,129,632.79
	Mission Commercial Corporation	267,364.44	591,786.28	859,150.72
Telephone Expenses	PLDT	1,809,561.39	1,676,161.35	3,485,722.74
Rent/Lease Expenses - Equipment	Wondercopy Marketing	23,820.00	224,899.10	248,719.10
Rent/Lease Expenses - Buildings and Structures	PPSTA	2,429,264.00	6,118,792.62	8,548,056.62
	Mission Commercial Corporation	828,739.80	1,546,980.96	2,375,720.76
Water Expenses		47,042.16	84,076.05	131,118.21
	Edna M. Fabila	-	61,929.60	61,929.60
Other Payables	NLRC-EA	684,282.53	4,197,325.57	4,881,608.10
Internet Subscription Expenses	Comclark Network & Technology Corp.	262,500.00	295,312.50	557,812.50
Subscription Expenses	Amalia C. Hernandez	92,100.48	93,368.64	185,469.12
Other Supplies and Materials Expenses	Philcopy Corporation	-	116,635.96	116,635.96
Total		8,670,518.49	25,080,040.34	33,750,558.83

16.4 Further review of the payments made revealed that Box C or the Status of Obligation portion of the ORS was not filled up by the Budget Unit while the following information on the DVs were not completely filled up, particularly those of the creditors:

- Mode of payment
- TIN/Employee No
- Address
- Box B: Accounting Entry:
 - Account titles;
 - UACS Code and
 - amounts of debit and/or credit
- Certification of the Accountant in Box C
- Box E: Receipt of payment
 - Check/ADA No./Date
 - Bank Name and Account Number
 - Signature/Date
 - Printed Name
 - JEV No./Date
 - OR No./Date/Others

16.5 In the payment of expenses through LDDAP-ADA, Section 7.1.2.1 of DBM Circular Letter No. 2013-16 requires the NGAs/OUs to: "Take extra effort in

providing information, i.e. creditor's name, bank account number/branch based on the validated Letter of Introduction. The NGA/OU shall ensure that the mirror image approach re: creditor's name is adopted to avoid cases of typographical error and subsequent delays in crediting the fund xxx."

- 16.6 Box E of the DV showed no details as to Check/ADA No./Bank Name and Account Number; no signature date and printed name of the person who received the payment. This data will be reconciled with the duly certified LDDAP-ADA submitted to the bank. The incomplete filling up of Box E of the DV hinders the verification of whether the creditors/bank account number etc. are the same with the reported information in the LDDAP-ADA.
- 16.7 The non-submission of ORs or any proof that the payments were duly received by the creditors and the absence of the required information on the DVs/ORS renders the propriety of the disbursements doubtful.
- 16.8 **We recommended that the Management closely monitor the payment of the Agency's obligation to its creditors/payees through LDDAP-ADA and see to it that:**
 - a. **the required information in the DVs and ORS are properly and completely indicated; and**
 - b. **payments are properly supported with ORs and or other acceptable evidence of receipt of payment by its creditors/payee as provided under the GAM.**
- 16.9 The Cashier submitted to the Audit Team the required ORs in the total amount of ₱29,867,893.88. The Cashier requested the remaining ORs from the concerned suppliers.

No insurance coverage for government property

17. **The recorded PPE of NLRC-RAB VIII amounting to ₱558,575.76 were not covered with property insurance, thus exposing the properties to risk of non-indemnification in case of loss or damage.**
 - 17.1 Section 5 of RA No. 656 states that every government, except a municipal government below first class, is hereby required to insure its properties, with the Government Service Insurance System (GSIS) against any insurable risk and pay the premiums thereon, which, however, shall not exceed the premiums charged by private insurance companies.
 - 17.2 Section I of the Administrative Order No. 141 dated August 12, 1994, states that "All heads, Presidents, General Manager, Board Members, Directors or Trustees of privatized corporations, including the proponents/implementers of BOT projects, shall insure with or secure insurance or bonds from

Government Service Insurance Systems (General Insurance Groups) on or of all properties, assets, contracts or agreements, causes or rights or action or other insurable interests as this term is defined in PD No. 1814 (PD No. 612 as amended) otherwise known as the Insurance Code, and /or Administrative Order No. 33 issued by the President on August 25, 1987, at least to the extent of the interest of the Government.”

- 17.3 The Agency’s records for PPE as at year-end posted a total amount of ₱558,575.76 comprising of the hereunder items:

Particulars	Amount
Office Equipment	246,599.76
Information and Communication Technology Equipment	179,380.00
Furniture and Fixtures	132,596.00
Total	558,575.76

- 17.4 During the audit, the Management was requested to submit an insurance policy covering the Agency’s insurable properties but to no avail. Said circumstance led to the disclosure of existing uninsured properties belonging to the Agency.
- 17.5 The failure of the Agency to have all its serviceable properties covered with property insurance under the General Insurance Fund of the GSIS would result to non-indemnification in case of loss or damage of said assets.
- 17.6 **We recommended that the Management strictly insure all its insurable properties with the GSIS which shall commence with the preparation by the Supply Officer of an updated inventory list of all insurable properties to ready it for submission in turn to the GSIS. Moreover, fund allocations shall be provided for this purpose.**
- 17.7 Management averred that it was not able to pay insurance for its office buildings and deferred payment in view of the fact that they were in the process of having the building reconstructed. For CY 2018, they have already committed to prepare the inventory list for eventual coverage by a property insurance with the GSIS.

Gender and Development

18. **The amount of ₱7,570,858.66 utilized in CY 2017 by NLRC Main and seven NLRC RABs for Gender and Development (GAD) related programs and activities was not covered by a well-defined GAD Plan and Budget (GPB) and funds allocated were way below the five percent requirement under Section 30 of the Fiscal Year (FY) 2017 General Appropriations Act (GAA). Likewise, the Management did not provide details of the programs and activities accomplished as well as the expenses incurred, which prevented further**

evaluation/validation of the projects/activities implemented by the GAD program.

- 18.1 Section 30 of the General Provisions of RA No. 10924, the GAA for FY 2017, on Programs and Projects Related to Gender and Development provides as follows:

All agencies of the government shall formulate a Gender and Development (GAD) Plan designed to address gender issues within their concerned sectors or mandate and implement applicable provisions under R.A. No. 9710 or the Magna Carta of Women, Convention on the Elimination of All Forms of Discrimination Against Women, the Beijing Platform for Action, the Philippine Plan for Gender-Responsive Development (1995-2025), and the Philippine Development Plan (2011-2016).

The GAD Plan shall be integrated in the regular activities of the agencies, which shall be at least five percent (5%) of their budgets. For this purpose, activities currently being undertaken by agencies which relate to GAD or those that contribute to poverty alleviation, economic empowerment especially of marginalized women, protection, promotion and fulfillment of women's human rights, and practice of gender-responsive governance are considered sufficient compliance with said requirement. Utilization of the GAD budget shall be evaluated based on the GAD performance indicators identified by said agencies.

- 18.2 Section 6.1 of Philippine Commission on Women-National Economic Development Authority-Department of Budget and Management (PCW-NEDA-DBM) Joint Circular (JC) No. 2012-01 dated April 05, 2012 provides that:

At least five percent (5%) of the total agency budget appropriations authorized under the annual GAA shall correspond to activities supporting GAD plans and programs. The GAD budget shall be drawn from the agency's maintenance and other operating expenses (MOOE), capital outlay (CO), and personal services (PS). It is understood that the GAD budget does not constitute an additional budget over an agency's total budget appropriations.

- 18.3 The preparation and submission of the annual GPB and Annual GAD Accomplishment Reports (GAD AR) shall be guided by JC No. 2012-01 as well as other guidelines on GAD Planning and Budgeting that may be issued by the appropriate oversight agencies.

- 18.4 During the year, NLRC has a total appropriation of P978,036,000.00 under the FY 2017 GAA. The GAA provides that at least five percent of the

Agency's total budget, shall be allotted for GAD-related activities or plan, equivalent to ₱48,901,800.00. As reported however, not all the NLRC-RABs allocated funds for GAD or reported their accomplishments. The reported GAD Fund budget provided by the NLRC Main and the following RABs and the amounts utilized for GAD related activities are shown below.

Office	Appropriation per GAA	GAD Budget and Utilization as Reported			
		Budgeted amount	%	Utilized Amount	%
Main/NCRAB	647,374,000	100,000.00	0.43	6,558,488.72	1.25
7 th Division		2,639,233.94		1,462,574.90	
8 th Division		80,639.20		80,639.20	
NLRC-RABs					
CAR	18,762,000	488,131.11	2.60	488,131.11	2.60
II	22,290,000	207,749.00	0.93	105,200.00	0.47
V	17,461,000	312,050.00	1.79	83,000.00	0.48
VII	46,477,000	21,000.00	0.05	21,000.00	0.05
IX	18,637,000	159,505.93	0.86	159,505.93	0.86
X	25,660,000	33,062.50	0.13	33,062.50	0.13
Total	796,661,000	4,041,371.68	0.51	8,991,602.36	1.13

- 18.5 Based on the above data, although the NLRC Main/7th and 8th Divisions/ NCRAB and RABs CAR, II, V, VII, IX and X had provided budgets for GAD-related activities, the amounts allocated did not reach five percent of their respective appropriations required under the FY 2017 GAA. Also, the ₱8,991,602.36 spent for GAD related activities was not backed up by a well-defined GPB as the allocated amount was ₱4,041,371.68 only.
- 18.6 Moreover, while NLRC-RAB I and XI reported to have utilized ₱12,200.00 and ₱50,631.20, they did not provide on the total allocated funds for the Program.
- 18.7 RABs III and VI were not able to comply with the creation of GAD Focal Point System (GFPS) necessary in the preparation of GAD Plan and Budget and its accomplishments. This year RAB XIII created its GFPS, but various GAD activities were not conducted due to lack of program committees and manpower.
- 18.8 The Audit Teams also noted the following observations:

Office	Observations
Main/ NCRAB	GAD was not covered with approved plans and programs required under Section 6.1 of PCW-NEDA-PCW JC No. 2012-01 and Section 30 of the GAA for FY 2017. Likewise, the documents that provide details of the programs and activities accomplished as well as the expenses incurred were not

Office	Observations
	submitted, thus, prevented their evaluation/validation by the Audit Team.
NLRC RABs	
III	The Management did not prepare a GAD Plan and Budget for the year 2017 and was not able to comply with the creation of GAD Focal Point System (GFPS) necessary in the preparation of GAD Plan and Budget and its accomplishments
VI	The Agency was not able to include in its CY 2017 annual budget funding for GAD and was not able to comply with the creation of GFPS necessary in the preparation of GAD Plan and Budget and its accomplishments
XI	The Agency conducted only one GAD activity, gender awareness, which was already conducted in CY 2015. Almost a decade of GAD implementation has passed and yet the RAB is still in the initial phase of Gender Sensitivity Awareness.
XIII	During the year, the Agency created its GFPS, but various GAD activities were not conducted due to lack of program committees and manpower.

18.9 The inability of the NLRC and the NLRC-RABs Managements to provide documents showing the details of the GAD related activities and accomplishments as well as the expenses incurred for the program, prevented the Audit Team from further evaluating the propriety of said expenses and the veracity or effectiveness of the alleged GAD accomplishments.

18.10 **We recommended that the Management:**

- a. **prepare a well-defined GPB that identifies programs, projects and activities that promote gender-responsive governance to address gender issues and concerns not only of the agency but also its clientele with a budget of not less than five percent as required under the GAA and submit the same to the PCW for endorsement to the DBM;**
- b. **submit the necessary documents to evaluate the GAD Accomplishment Report and the expenses related to their implementation using the guidelines of PCW-NEDA-DBM Joint Circular No. 2014 -1 as well as other guidelines on GAD Planning and Budgeting that may be issued by the appropriate oversight agencies; and**

- c. **monitor the implementation of GAD program and activities to ensure the utilization of the five percent GAD budget.**
- d. **RABs III and VI - to create their GFPS to prepare annual GPB and implement it as required.**

Senior Citizens and Persons With Disability

- 19. **Except for some activities and projects undertaken by the NLRC Main/ NCRABs and RABs II, V and X for the benefit of senior citizens and the differently-abled persons, the Agency was not able to formulate plans and programs for them as required under Section 31 of the General Provisions of the FY 2017 GAA; thus, the concerns of the senior citizens and persons with disabilities such as facility of mobility, safety and welfare were not properly addressed.**

- 19.1 Section 31 of RA No. 10924, the GAA for FY 2017, provides that:

Section 31 – Programs and Projects Related to Senior Citizens and Persons with Disability. All agencies of the government shall formulate plans, programs and projects intended to address the concerns of senior citizens and person with disability, insofar as it relates to their mandated functions, and integrate the same in their regular activities.

Moreover, all government infrastructures and facilities shall provide architectural features, designs or facilities that will reasonably enhance the mobility, safety and welfare of persons with disability pursuant to Batas Pambansa Blg. 344 and RA No. 7277.

- 19.2 Review of the CY 2017 programs of the NLRC revealed that in NLRC RAB X and RAB Sub-Office training/activity on Integration of Pregnant Women, Senior Citizens and Persons with Disabilities were conducted. The Management of NLRC 7th Division was also able to designate bench/sofa for pregnant women, senior citizens and persons with disabilities in their respective office. In RAB V, they conducted arbitration cases/SEnA for elderly/senior citizens and PWD clients at the ground floor of the building.
- 19.3 On the other hand, except for the installation of signages by NLRC-Main and NCR and NLRC RAB II within their vicinity to serve as a guide to senior citizens, persons with disability and pregnant women, no other programs and projects related to Senior Citizens and Persons with Disability as required by the FY 2017 GAA were formulated.

- 19.4 We recommended that the Agency comply with the requirements of the GAA of each year for formulating plans, programs and projects intended to address the concerns of Senior Citizens and Differently-abled Persons and integrate the same in the Agency's operations.

Compliance With Tax Laws

20. The NLRC Main and its RABs had deducted or withheld the appropriate taxes due from agency personnel and suppliers/contractors and remitted them immediately to the Bureau of Internal Revenue (BIR) in accordance with Executive Order (EO) No. 651.

20.1 EO No. 651 dated February 16, 1981 requires every government office or agency to show full and faithful compliance with the tax laws and regulations and serve as a model to the paying public. Such directive was reiterated under BIR Revenue Regulations 1-87 dated April 2, 1987 and BIR Revenue Memorandum No. 8-2003 dated March 3, 2001.

20.2 The following are the NLRC Main and its Regional Offices' compliance relative to tax laws on withholding taxes:

Office	Total Tax Withheld				Total Remittance	Balance
	From Suppliers	From compensation	Judgment Awards	Total		
Main and NCRAB	4,196,187.61	90,026,608.94	8,117,867.28	102,340,663.83	102,340,663.83	-
7 th Division	97,661.53	7,050,492.91	-	7,148,154.44	7,148,154.44	-
8 th Division	441,573.18	5,931,057.85	-	6,372,631.03	6,372,631.03	-
RAB CAR	78,449.66	1,478,912.28	-	1,557,361.94	1,557,361.94	-
RAB I	123,361.87	1,279,611.87	12,597.42	1,415,571.16	1,402,973.74	12,597.42
RAB II	20,347.13	1,082,457.37	-	1,102,804.50	1,017,013.09	85,791.41
RAB III	197,121.57	2,469,607.89	-	2,666,729.46	2,666,729.46	-
RAB IV-A	114,975.02	4,521,848.13	-	4,636,823.15	4,636,823.15	-
RAB V	69,028.81	1,578,015.31	-	1,647,044.12	1,647,044.12	-
RAB VIII	9,394.36	1,144,034.11	416,269.42	1,569,697.89	1,569,697.89	-
RAB IX	74,355.93	1,008,967.02	-	1,083,322.95	1,083,322.95	-
RAB X	122,418.44	2,990,385.44	-	3,112,803.88	3,112,803.88	-
RAB XI	81,293.07	129,044.44	3,202,930.16	3,413,267.67	3,413,267.67	-
RAB XII	82,806.34	2,541,689.88	-	2,624,496.22	2,624,496.22	-
RAB XIII	43,570.72	1,209,208.13	157,393.22	1,410,172.07	1,179,859.80	230,312.27
Total	5,752,545.24	124,441,941.57	11,907,057.50	142,101,544.31	141,772,843.21	328,701.10

20.3 The total unremitted balance of P328,701.10 as of December 31, 2017 were remitted in January 2018.

20.4 The NLRC-RABs VI and VII similarly complied as shown below.

RABs	Observations
VI	For CY 2017, the Agency had withheld taxes totaling ₱4,711,353.91 from the payments of NLRC-RAB personnel compensation and benefits, suppliers and other sources and were all remitted during the year.
VII	<i>The Agency withheld taxes totaling ₱7,128,857.61 from the CY 2017 payment of salaries and benefits of its employees, services rendered and procurement of supplies and materials from various suppliers while the amount of P1,304,529.41 were remitted as of December 31, 2017. The unremitted amount of ₱5,824,328.20 represented taxes withheld in December 2017 and was remitted on January 3, 2018</i>

20.5 **We recommended that the Management We recommend that the Management in NLRC Main and RABs to continue the practice of withholding taxes and the prompt remittance thereof.**

Compliance with RA No. 8291 or the GSIS Act of 1997

21. **Except for the failure of the: (a) NLRC RAB VI to prioritize the deduction of GSIS salary loan amortization from the salaries of its personnel; and (b) NLRC Main to remit the amount of ₱35,778.59 deducted in November 2017, the NLRC and its RABs complied with the requirements on the withholding and remittances of GSIS contributions in 2017 pursuant to RA No. 8291.**

21.1 Section 47 of the General Provisions of the GAA, FY 2017 (RA No. 10964) provides, among others, that:

Deductions from salaries and other benefits accruing to any government employee, chargeable against the appropriations for Personnel Services, may be allowed for the payment of an individual employee's contributions or obligations due the following, and in the order of preference stated below:

- (a) The BIR, PHILHEALTH, GSIS and HDMF;
- (b) Non-stock savings and loan associations and mutual benefits associations duly operating under existing laws and cooperatives which are managed by and/or for the benefit of government employees;
- (c) Associations or provident funds organized and managed by government employees for their benefit and welfare;

- (d) GFIs authorized by law and accredited by appropriate government regulating bodies to engage in lending;
- (e) Licensed insurance companies; and
- (f) Thrift banks and rural banks accredited by the BSP.

21.2 Relative thereto, Section 14 of the Revised Implementing Rules and Regulations of GSIS Act of 1997 (RA No. 8291) states, thus:

14.2. The government agency shall also deduct from the fixed monthly compensation of the employee the loan amortizations (consolidated loans, policy loan, emergency loan, housing loan and other loans), premium payments (optional, pre-need and other non-life insurance) and other amounts due the GSIS.

14.3. The said amounts shall be remitted to the GSIS within the first Ten (10) days of the calendar month following the month when the deductions were effected, accompanied by supporting lists in the form prescribed by the GSIS.

21.3 The NLRC Main and its Regional Offices compliance of GSIS Act of 1997 are as follows:

Office	GSIS Deductions				Total	Amount Remitted	Balance Unremitted
	Life/Retirement Premium		Employees Compensation	Employees/Loans/Repayments/Amortization			
	Employee Share	Government Share					
Main and NCRAB	21,723,359.26	27,422,549.33	694,887.14	14,366,261.80	64,207,057.53	64,171,278.74	35,778.79
7th Division	1,970,844.74	2,512,809.57	55,197.72	-	4,538,852.03	4,538,852.03	-
8 th Division	1,926,176.30	2,482,893.27	55,397.72	-	4,464,467.29	4,464,467.29	-
RAB CAR	517,388.32	655,338.32	21,799.81	-	1,194,526.45	1,194,526.45	-
RAB II	459,859.23	600,196.69	23,000.00	1,278,573.55	2,361,629.47	2,361,625.10	4.37
RAB III	864,172.60	1,110,028.50	37,464.31	-	2,011,665.41	2,011,665.41	-
RAB IV-A	1,232,554.98	1,547,748.50	47,500.00	1,698,149.67	4,525,593.15	4,510,229.50	15,723.65
RAB V	561,242.04	720,978.50	25,992.69	-	1,308,213.23	1,308,213.23	-
RAB VIII	1,563,457.56	602,653.77	20,872.36	-	2,186,983.69	2,186,983.69	-
RAB IX	465,175.14	606,186.57	22,491.15	-	1,093,852.86	1,093,852.86	-
RAB X	904,402.10	1,153,513.83	38,192.86	-	2,096,108.79	2,096,108.79	-
RAB XI	994,685.39	1,271,130.54	37,200.00	1,550,289.74	3,853,305.67	3,853,305.67	-
RAB XIII	502,292.29	656,383.87	24,791.54	1,093,111.50	2,276,579.20	2,276,579.20	-
Total	33,685,609.95	41,342,411.26	1,104,787.30	19,986,386.26	96,119,194.77	96,067,687.96	51,146.81

21.4 The NLRC RABs VI, VII and XII also complied as follows:

RABs	Observation
VI	The Agency deducted monthly the GSIS contributions of its personnel totaling ₱3,228,243.24 for CY 2017 and fully remitting the same to the GSIS as of December 31, 2017.

RABs	Observation
VII	For CY 2017, the Agency deducted from the salaries of its employees GSIS premiums from the salaries of its employees and the remittances of these deductions to the GSIS in accordance with RA No. 8291. During the year, the total amount deducted for Life and Retirement Premium amounted to ₱3,334,106.08 and remitted the same amount as of December 31, 2017.
XII	The Agency regularly remitted the mandatory deductions, contributions to the Government Service Insurance System (GSIS). For CY 2017, the amount of ₱2,983,342.58 was deducted and were all remitted as of December 31, 2017.

- 21.5 Records also showed that the amount totaling ₱35,778.79 withheld in November 2017 from the salary and salary differential of various NLRC-Main/NCR employees were not yet remitted to the GSIS as of December 31, 2017, which jeopardized the interests of the personnel concerned. On the other hand, the unremitted balance Of ₱15,723.65 in NLRC-RAB IV-A pertain to withheld amount of from step increment of Agency personnel and salaries of two new employees, the remittance of which will be made upon update of their records and as soon as their GSIS registration numbers are available, respectively.
- 21.6 In NLRC RAB VI, audit disclosed two instances wherein GSIS sent demand letters to the agency reminding them of their obligations to deduct and remit GSIS contributions and obligations in accordance with sections 14.2 and 14.3 of RA No. 8291 and likewise reminding them to settle all remittances for loans.
- 21.7 It was confirmed from the Acting Accountant that there were instances wherein GSIS loans were not deducted from employees' compensations as per their request; thus, GSIS deductions were not given preference contrary to Section 47 of the General Provisions of GAA, FY 2017 (RA No. 10964). Possible legal action by GSIS against concerned officials of the agency could not be discounted if the agency continues this practice.
- 21.8 **We recommended that the Agency continue the practice of withholding and prompt remittance of GSIS premium contributions and government share to the GSIS pursuant to RA No. 829.**
- 21.9 **We also recommended that the Management of:**
- a. **NLRC Main to remit to GSIS all amounts withheld and due for remittance, otherwise refund the same to the concerned employees; and**

b. **NLRC RAB VI - require the Acting Accountant to comply with Section 47 of the General Appropriations Act, Series of 2017 (RA No. 10964) in prioritizing deductions from salaries and other benefits; and Sections 14.2 and 14.3 of RA No. 8291 in handling deductions and remittances with GSIS.**

21.10 Management of NLRC Main/NCR commented that GSIS deductions amounting to ₱1,955.76 of separated employees will be included in the remittance of premiums and deductions for March 2018 while those of new employees amounting to ₱33,823.03 were remitted in January and February 2018. The delayed remittance of deductions from the new recruits was due to delayed processing of their GSIS registration numbers.

21.11 During the staff meeting, it was resolved by the Management of NLRC-RAB VI and the individual employees concerned, that as they still have existing loans from LBP, DBP and Postal Bank, they pleaded to pay their GSIS loan after they fully paid their loans with one of the banks.

Compliance with RA 9679 in the Proper Reduction of Pag-IBIG Fund Contribution and Loan Amortizations

22. **For CY 2017, the Pag-IBIG premium contribution and loan amortization of NLRC Main and its RABs employees have been deducted and remitted promptly together with the corresponding government share amounting to ₱7,091,104.22 in accordance with the provisions of RA No. 9679.**

22.1 Republic Act No. 9679 provides that:

Section 23 – Remittance of Contributions – (a) It shall be the duty of every employer, private or public, to set aside and remit the contributions required under this Act in accordance with a mechanism determined by the Board of Trustees.

(b) Every employer required to set aside and remit such contributions as prescribed under this Act shall be liable for their payment, and nonpayment shall further subject the employer to a penalty of three percent (3%) per month of the amounts payable from the date the contributions fall due until paid.

22.2 Except for the other NLRC-RABs where the Regional Audit Teams had not reported any observation on the compliance of their audited agencies, the NLRC Main and RABs NCR, II, III, XI and XIII reported to have properly withheld and remitted the Pag-IBIG Fund contributions including the Government Share and Short-Term Loan Amortizations in compliance with RA No. 9679. Details of which are presented as follows:

Pag-IBIG Premiums and Loan Deductions							
Office	Contributions			Employees/ Loans/ Repayments/ Amortization	Total	Amount Remitted	Balance Unremitted
	Employee Share	Government Share	Pag-IBIG II				
Main/ NCRAB	1,251,375.20	693,800.00	544,500.00	2,666,524.59	5,156,199.79	5,156,199.79	-
RAB II	107,359.09	22,959.09		492,472.81	622,790.99	622,790.99	-
RAB III	102,008.64	37,500.00			139,508.64	139,508.64	-
RAB XI	237,472.88	37,200.00		636,716.92	911,389.80	911,389.80	-
RAB XII	No breakdown given				746,057.71	746,057.71	-
RAB XIII	109,179.65	24,700.00		432,176.08	566,055.73	566,055.73	-
Total	1,807,395.46	816,159.09	544,500.00	4,227,890.40	7,395,944.95	7,395,944.95	-

- 22.3 The RAB XII also complied with the HDMF Law on remittance of Pag-IBIG contributions as deductions for CY 2017 totaling ₱746,057.71 were remitted on time with the HDMF.

Status of Settlements of Audit Suspensions, Disallowances and Charges

23. The total unsettled suspensions, disallowances and charges as of December 31, 2017 are as follows:

Audit Action	Beginning Balance	Issued this period (Jan. 1 to Dec. 31, 2017)	Settlement This Period (Jan. 1 to Dec. 31)	Ending Balance (As of Dec. 31)
Audit Suspensions	318,878.90	79,856.35	79,856.35	318,878.90
Audit Disallowances	1,105,359.26	13,382.53	71,547.32	1,047,194.47
Audit Charges	-	1,025,639.48	0.00	1,025,639.48
Total	1,407,738.16	1,118,878.36	151,403.67	2,375,212.85

- 23.1 At the NLRC Main, Notices of Charge (NCs) amounting to ₱1,025,639.48 were issued to NLRC Sheriffs who failed to remit to the Agency their collection of execution fees from the NCMB Main Office.
- 23.2 Other RABs reported no balances of suspensions, disallowances and charges as reflected in the Statement of Audit Suspensions, Disallowances and Charges (SASDC) for the period ended December 31, 2017.
- 23.3 Notice of Disallowances issued prior to the effectivity of the 2009 RRSA are required to be monitored and enforced in accordance with Section 28 of the same RRSA. In NLRC Main and NCR, total NDs issued prior to RRSA has a beginning balance of ₱1,790.95 and were all settled during the year, leaving a zero balance.

PART III

**STATUS OF IMPLEMENTATION OF
PRIOR YEARS' AUDIT
RECOMMENDATIONS**

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the 78 audit recommendations in CY 2016, 42 were fully, 28 partially implemented and eight were not implemented. As to the audit recommendations contained in the CY 2015 and prior years' CAARs, only those that were not reiterated in Part II of the CY 2016 CAAR and those not fully implemented as of December 31, 2016 are included herein. Details of the results of validation on the implementation of the recommendations are presented below:

Observations and Recommendations	Ref.	Management Action	Result of Auditor's Validation
<p>1. Of the 50,034 original cases handled for the year 2016 by the National Labor Relations Commission Regional Arbitration Branches (NLRC RABs), 41,830 were disposed of exceeding the Agency's 38,700 target provided in its Performance Indicator under the FY 2016 General Appropriations Act (GAA). Likewise, under the Project Speedy and Efficient Delivery of Labor Justice (SpeED) which set the nine months process cycle time (PCT) for RABs and six months PCT for the <i>Commission Proper to</i> dispose of original and appealed labor cases, respectively, of the 42,247 cases that needed to be disposed of, 98.71 percent accomplishment rate was achieved. Moreover, of the 6,161 appealed cases before the Court of Appeals, 6029 or 98 percent were affirmed exceeding its 92 percent</p>	<p>2016 CAAR Para graph 1</p>		

Observations and Recommendations	Ref.	Management Action	Result of Auditor's Validation
<p>accomplishment rate per GAA commitment</p> <p>We commended the high disposition rate of labor dispute resolution services in NLRC RABs VIII, X and XII and the Agency for achieving more than its 92 percent target of its appealed cases being affirmed by higher authority. We also recommended that Management continue to focus on its good performance for speedy disposition of labor cases.</p>		<p>The Management adopted strategic policies towards speedy disposition of cases and effective execution of judgement. The ISO certified process on monitoring of performance of Labor Arbiters, RABs and the Commission is strictly being implemented and continually enhanced to ensure attainment of performance targets.</p>	<p>Fully Implemented</p>
<p>2. Due to various errors in recording collection of NLRC Main Office, the reported asset, liability and Accumulated Surplus/ Deficit accounts were understated by P82,768.81, P20,152.84 and P62,615.97, respectively, in violation of the pertinent provisions of the Government Accounting Manual (GAM), Volume 1. Likewise, the Accountant did not submit monthly Bank Reconciliation Statements (BRS) which prevented the immediate detection of discrepancies between the book and the bank records and to draw promptly the adjusting entries thereon. Moreover, the Accountable Officer of NLRC, Sub-Regional</p>	<p>2016 CAAR Para- graph 2</p>		

Observations and Recommendations	Ref.	Management Action	Result of Auditor's Validation
<p>Arbitrations Board (Sub-RAB) VI did not deposit intact and regularly their collections contrary to Section 69 (1) of Presidential Decree (PD) No. 1445, thereby exposing the same to risks of loss and misuse.</p> <p>We recommended that the Management require the concerned officials of the Accounting Unit of NLRC-Main Office to:</p> <p>a. prepare monthly bank reconciliation statement;</p> <p>b. exercise due care in recording transactions using the proper accounts as prescribed in the pertinent provisions of Volumes I and III of the GAM;</p> <p>c. prepare the appropriate adjusting journal entries to correct the aforementioned errors; and</p>		<p>The accounts as prescribed under GAM are now being implemented.</p> <p>The Agency have already adjusted the affected accounts under JEV No. 2017-04-136-F, dated 07 April 2017.</p>	<p>Not Implemented</p> <p>BRS for CYs 2016 and 2017 were submitted only on 2/15/2018. The submitted BRS were incomplete and <i>unreliable due to undocumented and unsupported schedules.</i></p> <p>Partially Implemented</p> <p>The Audit Team has identified accounts that are not properly classified and recorded as prescribed under the GAM.</p> <p>Partially Implemented</p> <p>Verification of the adjusting entries recorded disclosed that other errors noted in</p>

Observations and Recommendations	Ref.	Management Action	Result of Auditor's Validation
<p>d. analyze thoroughly the accounts in the financial statements to ensure reliability thereof.</p> <p>We likewise recommended to the NLRC RAB VI that the Accountable Officer must deposit the collection intact and regularly as required by PD No. 1445.</p>		<p>There is an on-going analysis being made by the Chief Accountant, Finance Division NLRC.</p>	<p>the CY 2016 Report were not fully corrected in the CY 2017 NLRC book of accounts.</p> <p>Partially Implemented</p> <p>In CY 2017 there are still observations on the keeping of accounts that needs management's attention/action.</p> <p>Not Implemented</p> <p>Not all collections were deposited immediately and/or on the next banking day.</p>
<p>3. The Cash in Bank-Local Currency, Current Account (Execution Fund) of the NLRC Main Office was misstated as it reported an abnormal negative balance of ₱144,556.13 due to incomplete reports submitted, inaccurate bank reconciliation statements, discrepancies on the results of bank confirmation and insufficient documentation of bank transactions.</p> <p>We recommended that the Management require the Accountant to:</p>	<p>2016 CAAR Paragraph 3</p>		

Observations and Recommendations	Ref.	Management Action	Result of Auditor's Validation
<p>a. effect adjustments as a result of the bank reconciliation made for each month as required in Section 7, Chapter 21, Volume I of the GAM to come up with the corrected balance of the account;</p> <p>b. exercise due care in recording transactions to ensure the reliability of the financial statements; and</p> <p>c. submit monthly Bank Reconciliation Statements.</p>		<p>Adjusting entries for reconciling items were recorded under JEV No. 2017-04-136-I dated 07 April 2017.</p> <p>The BRS as of December 31, 2016 for the Execution Fund with a balance of ₱1,480,427.75 has already been submitted to COA.</p>	<p>Partially Implemented</p> <p>JEVs to adjust the identified stale checks were not prepared and effected in the books.</p> <p>Partially Implemented</p> <p>Errors in recording cash transactions are still noted in CY 2017.</p> <p>Partially Implemented.</p> <p>The BRS were submitted with incomplete supporting documents and schedules necessary to verify the same.</p>
<p>4. The reported balance of Cash in Bank-Local Currency, Savings Account of the NLRC Main had an accumulated balance of ₱2,110,472.22 as excess transferred payroll funds were perpetually retained instead of reverting the same to the Bureau of Treasury (BTr). Moreover, the balance did not reconcile with the ₱1,220,875.81 balance per bank resulting in a discrepancy of ₱889,596.41 due to failure</p>	<p>2016 CAAR Para- graph 4</p>		

Observations and Recommendations	Ref.	Management Action	Result of Auditor's Validation
<p>of the Accounting Division to prepare monthly bank reconciliation statements, <i>thus, the accuracy and existence of the reported account balance could not be established.</i></p> <p>We recommended that the Management require the Accounting Unit to:</p> <p>a. revert to the BTr all excess funds transferred to the CiB-LCSA account including the amount used for JO Service Incentives;</p> <p>b. verify and analyze the unreconciled balance of ₱889,596.41 and prepare adjusting entries to recognize all reconciling items that require adjustment and correction in the books of accounts; and</p> <p>c. prepare and submit promptly monthly BRS for all Bank Accounts maintained by the Agency.</p>		<p>In compliance with the audit recommendation, the accumulated balance of UCPB Bank Account No. 10146-003529-6 was remitted to the BTR June 21 2017.</p> <p>The Management is still in the process of verifying and analyzing the unreconciled balance of ₱889,596.41.</p>	<p>Fully Implemented.</p> <p>Remitted as per JEV No. 2017-06-240 dated June 22, 2017 and 2017-06-239-A dated June 23, 2017 as verified</p> <p>Not Implemented</p> <p>The nature of the reconciling items for the ₱889,596.41 <i>unreconciled balance</i> has not been identified/verified, thus, no adjusting entries were recorded in the books.</p> <p>Not Implemented</p> <p>BRS for CYs 2016 and 2017 were submitted only in CY 2018</p>
<p>5. Interest income amounting to ₱9,104.38, net of tax, for the UCPB Account Number 10-146-003529-6 of the NLRC Main Office was not recognized in the books and was not remitted to the Bureau of the</p>	<p>2016 CAAR Para- graph 5</p>		

Observations and Recommendations	Ref.	Management Action	Result of Auditor's Validation
<p>Treasury contrary to Section 5 of General Provisions of the FY 2016 General Appropriations Act.</p> <p>We recommended that the Management require the transfer of the interest earned in the UCPB Account to the account of the National Treasurer of the Philippines and instruct the Accounting Unit to record in the books of accounts the interest income earned.</p>		<p>The amount of ₱9,104.38 representing interest income earned from UCPB Trust fund Account under C/A No. 10146-003529-6. was remitted to the BTr on June 21, 2017</p> <p>This was covered by JEV No. 2017-04-136-G, dated April 7, 2017.</p>	<p>Fully Implemented</p> <p>Copy of JEV was received by COA and the Management complied with the Auditor's recommendation.</p>
<p>6. Liquidation of CAs granted to AOs for purposes of travelling expenses were delayed ranging from five to seven months, thus, expenses are recorded beyond the period these were incurred. Likewise, cash advances totaling ₱813,833.68 granted before CY 2006 remained unliquidated due to dismissal of accountable employees who committed irregularities in the office. Moreover, regular operating expenses totaling to ₱191,664.67 of the Regional Arbitration Board (RAB) – XIII were paid out of cash advance instead of directly paying the supplier. Further, these cash advances erroneously recorded in the books as debit to Trust Liabilities-</p>	<p>2016 CAAR Para- graph 6</p>		

Observations and Recommendations	Ref.	Management Action	Result of Auditor's Validation
<p>Execution Fund (EF) instead of Advances to Special Disbursing Officer <i>which affects the fairness of presentation of the accounts in the financial statement.</i></p> <p>We recommended that the Management of:</p> <p>a. NLRC-Main send demand letters to AOs including those separated/resigned personnel with outstanding cash advances to submit their liquidation reports and require the:</p> <ul style="list-style-type: none"> • Accounting Unit to: <ul style="list-style-type: none"> ➢ monitor regularly the outstanding cash advances and require the prompt settlement by the AOs of their cash advances pursuant to COA Circular Nos. 97-002 and 2009-002; and ➢ update their Subsidiary Ledgers (SLs) so as to submit accurate reports and to immediately determine those with outstanding cash advances; and 		<p>The NLRC Management sent demand letters to concerned AOs requesting them to liquidate their outstanding cash advances, otherwise, they will deduct the amount from their <i>respective salaries</i></p> <p>The Chief Accountant sees to that all outstanding CAs are regularly monitored. Also, the required Quarterly Schedule of Outstanding CAs are now prepared and submitted on a regular basis.</p> <p>The maintenance of subsidiary records for CAs is now being prioritized by the Accounting Division.</p>	<p>Partially Implemented</p> <p>The demand letters were sent for cash advances granted recently. No demand letters were sent for those that have been outstanding for a long period of time due to difficulty in tracing their addresses.</p> <p>Partially Implemented</p> <p>There are NLRC officials and employees with refunds who failed to settle immediately their CAs as required by the COA Circular.</p> <p>Partially Implemented</p> <p>Verification showed that the SLs did not tally with the GL due to unverified cash advances.</p>

Observations and Recommendations	Ref.	Management Action	Result of Auditor's Validation
<p>• <i>HRMO to prepare a Certification to be signed by the Chairman of NLRC that the salaries pertaining to the unliquidated cash advance intended for the NLRC employees were actually received; and that the payroll were lost due to the immediate dismissal of the AO.</i></p> <p>b. RAB XIII to:</p> <ul style="list-style-type: none"> • limit the granting of cash advances to AO by paying directly the supplier covering regular expenses; and • direct the Accountant to: <ul style="list-style-type: none"> ➢ adhere to the provision of COA Circular No. 2012-01 on the submission of supporting documents needed for payment and liquidation of cash advances; and ➢ record properly the transaction by using appropriate accounts as prescribed in the Revised Chart of 		<p>The Management has already submitted the required certification to COA on June 29, 2017 and recognized the adjustment for the cash advance under JEV No. 2017-06-248A.</p> <p>The Accountant was directed to regulate/limit the granting of cash advances by paying <i>directly the suppliers</i> through checks covering regular expenses and adhere to the provision of COA Circular 2012-002 on relevant supporting documents needed for its liquidation.</p> <p>The accountant was also directed to properly <i>record the transaction</i> by using proper accounts prescribed in the Revised Chart of Accounts.</p>	<p>Fully Implemented</p> <p>The Management has complied with the Auditor's recommendation.</p> <p>Partially Implemented.</p> <p>There are no other supporting schedules on how the amount of ₱780,333.43 Advances to Special disbursing Officers (SDOs) was adjusted under Accumulated Surplus/Deficit.</p> <p>Fully Implemented</p> <p>The Management has complied with the Auditor's recommendation.</p> <p>Fully Implemented</p> <p>The Accountant has complied with the Auditor's recommendation.</p> <p>Fully Implemented</p> <p>The Accountant has complied with the Auditor's recommendation.</p>

Observations and Recommendations	Ref.	Management Action	Result of Auditor's Validation
Accounts under GAM vol. III			
<p>7. Prepaid Rent and Accounts Payable amounting to P58,200.00 and P130,368.00 respectively, in the RAB III books of accounts have remained inactive/ dormant for the past seven years, thus, affecting the fair presentation of the said accounts.</p> <p>We recommended that the Management immediately make a follow up on the status of the case with the Legal Department of the NLRC so that proper adjustment/correction on the affected accounts in the books could be made for the fair presentation of the agency's financial statements.</p>	<p>2016 CAAR Para- graph 7</p>	<p>Both the NLRC RAB III and the lessor have agreed to offset the deposit and improvements made to the office from the <i>unpaid rental</i>.</p>	<p>Fully Implemented</p> <p>The Management has complied with the Auditor's recommendation.</p>
<p>8. The reported balance amounting to P81,512.85 of the account Due from National Government Agencies could not be relied upon due to unreconciled prior years' difference of P141,703.91 between agency records and the Procurement Service of the Department of Budget Management.</p> <p>We recommended that the Management require the:</p>	<p>2016 CAAR Para- graph 8</p>		

Observations and Recommendations	Ref.	Management Action	Result of Auditor's Validation
<p>a. accountant and the Supply Officer to conduct periodic reconciliation of their records on deliveries made by DBM-PS to ensure updated and accurate records; and</p> <p>b. supply Officer to monitor closely the status of deliveries and make necessary follow up for the delivery of items paid under Agency Procurement Request.</p>		<p>The Supply Officer's records are now reconciled with the accounting records.</p> <p>The Supply Officer maintains regular monitoring report on the status of advances and deliveries of supplies and materials from the DBM-PS.</p>	<p>Fully Implemented</p> <p>The Management has complied with the Auditor's recommendation.</p> <p>Fully Implemented</p> <p>The Management has complied with the Auditor's recommendation.</p>
<p>9. The reported balance of Inventory accounts of the NLRC Main Office and four NLRC-RABs totaling ₱1,544,656.43 was inaccurate due to several deficiencies such as recording of issuances not duly supported with RSMI and other evidence of issuance, non-reconciliation between accounting and property records, non-maintenance of Supplies Ledger Cards (SLC), and erroneous recording of accounts which resulted to the understatement of PPE, intangible assets and Accumulated Surplus accounts, among others.</p> <p>We recommended that the Management require the:</p>	<p>2016 CAAR Paragraph 9</p>		

Observations and Recommendations	Ref.	Management Action	Result of Auditor's Validation
<p>a. Accountant to:</p> <ul style="list-style-type: none"> • conduct a thorough <i>verification on the</i> noted deficiencies and prepare the necessary journal entries to correct them; • maintain SLCs to record all receipts and issuances; • coordinate and reconcile with the Supply Officer the accounting and property records; • verify, investigate, and adjust immediately all discrepancies noted between the physical and book inventories; and • record only issuances based on the submitted RSMIs which are duly supported with the requisition and issue slips 		<p>The Management is <i>conducting a thorough</i> verification of deliveries and issuances of supplies and materials to determine the correct amount of inventory and to reconcile it with the Accounting records and adjust the same for any discrepancy.</p> <p>The Accounting Unit had started to maintain SLCs in 2016.</p>	<p>Partially Implemented</p> <p>There are still noted deficiencies and no JEVs were prepared to correct them.</p> <p>Fully Implemented</p> <p>The Accountant has complied with the Auditor's recommendation.</p> <p>Partially Implemented</p> <p>Reconciliation is still ongoing.</p> <p>Partially Implemented</p> <p>Reconciliation is ongoing.</p> <p>Fully Implemented</p> <p>The Accountant has complied with the Auditor's recommendation.</p>
<p>b. Supply Officer to:</p> <ul style="list-style-type: none"> • submit regularly the RSMI to the 		<p>The Supply Officer is now preparing the</p>	<p>Partially Implemented</p>

Observations and Recommendations	Ref.	Management Action	Result of Auditor's Validation
<p><i>Accountant so that issuances are promptly recorded by the latter; and</i></p> <ul style="list-style-type: none"> <i>comply with the prescribed form under the GAM in the preparation of the RSMI and RPCI; and</i> <p>c. The Accountant and the Supply Officer to regularly reconcile their records.</p>		<p><i>Report of Supplies and Materials Issued (RSMI) using the prescribed form under GAM.</i></p> <p>The Supply Officer already using the prescribed form under the GAM in the preparation of the RSMI and RPCI</p> <p>The Accountants and Supply Officers of NLRC RAB V is in the process of reconciling their records.</p> <p>RAB VIII: Accountant and Supply Officer reconciled the difference of ₱1,847.05 and were able to make the adjustments regarding the identified discrepancies. Accountant is now maintaining SLCs.</p>	<p>There are still delays in the Submission of RSMI.</p> <p>Fully Implemented</p> <p>The Supply Officer has complied with the Auditor's recommendation.</p> <p>Partially Implemented</p> <p>Reconciliation in NLRC RAB V is still on-going.</p>
<p>10. The reported balance of Property, Plant and Equipment (PPE) accounts was understated by ₱22,960,505.42 and correspondingly overstated Other Assets and understated Accumulated Surplus/ Deficit by ₱20,825,409.68 and ₱2,135,095.74, respectively, due to errors committed, such as: (a) transfer of PPE to Other Assets account; (b) non-</p>	<p>2016 CAAR Para- graph 10</p>		

Observations and Recommendations	Ref.	Management Action	Result of Auditor's Validation
<p>recording/ misclassification of procured capital assets; (c) unrecorded disposed assets; and (d) recording of issuances as expenses. Moreover, the integrity of property custodianship was not established due to incomplete physical count, unreconciled accounting and property records and absence of or un-updated subsidiary records.</p> <p>We recommended that the Management of the NLRC Main and the concerned RABs undertake and require/direct the responsible officials/offices the following:</p> <p>NLRC MAIN</p> <p>a. Accountant to –</p> <ul style="list-style-type: none"> • prepare and record adjusting journal entries to: ➤ revert back to the PPE accounts all items reclassified as Other Assets, including unserviceable properties not disposed of; 		<p>NLRC Main have already adjusted the accounts recommended for adjustment under JEV No. 2017-04-136-J, dated April 7, 2017. Copy of the adjusting entries was submitted to COA on April 11,2017.</p>	<p>Fully Implemented</p> <p>The Accountant has complied with the Auditor's recommendation.</p>

Observations and Recommendations	Ref.	Management Action	Result of Auditor's Validation
<p>➤ record all procured PPE items not previously recognized as PPE; and</p> <p>➤ correct the issuance which was recorded as expenses; and</p> <p>• exercise due care in the recording of financial transaction to ensure the accuracy and reliability of financial reports;</p> <p>b. Property Unit to conduct complete physical count of all PPE accounts and submit the corresponding Report of Physical Count of Property Plant and Equipment (RPCPPE) copy furnished the Audit Team</p> <p>NLRC Main and RAB VII</p> <p>a. Accounting Units to maintain Property Plant and Equipment Ledger Cards (PPELCs); and</p>		<p>The Management had already instructed to conduct physical count and prepare property card for PPEs.</p> <p>NLRC Main and RAB VII have already implemented the</p>	<p>Fully Implemented</p> <p>The Accountant has complied with the Auditor's recommendation.</p> <p>Fully Implemented</p> <p>This is covered by an adjusting entry that was furnished in April 2017.</p> <p>Fully Implemented</p> <p>The Accountant is now extra careful in the recording of the accounts that will greatly affect the reliability and accuracy of the financials reports.</p> <p>Partially Implemented</p> <p>As of year-end, the NLRC Management was not able to submit the required RPCPPE.</p> <p>Fully Implemented</p> <p>The Agency complied with the Auditor's recommendation.</p>

Observations and Recommendations	Ref.	Management Action	Result of Auditor's Validation
<p>b. Property Units to-</p> <ul style="list-style-type: none"> • submit RPCPPE, copy furnished the Audit Team; • maintain updated PCs for each PPE items to monitor acquisition/issuance and dispositions; <p>NLRC Main, RABs V and VI</p> <p>Accounting and Property Units – conduct periodic reconciliation of their records.</p> <p>RAB-CAR</p> <p>Accountant to prepare and record the following adjusting entries to-</p> <ul style="list-style-type: none"> • reclassify to ICT Equipment account the undisposed Other Assets; and • derecognize Other Assets and the corresponding 		<p>preparation of RPCPPE, PPELC and PCs.</p> <p>NLRC Main and RAB VII have already implemented the preparation of RPCPPE,</p> <p>NLRC Main and RAB VII have already implemented the preparation of PCs</p> <p>RAB-CAR have already disposed its obsolete and unserviceable properties and the same was derecognized in its book through JEV No. 01-2017-03-080 dated March 31, 2017.</p> <p>The affected PPE accounts was adjusted under JEV No. 01-2017-</p>	<p>Partially Implemented</p> <p>The Management of NLRC RAB VII failed to submit the RPCPPE due to unavailability of some documents</p> <p>Not Implemented</p> <p>Property Officer failed to maintain updated record of PC.</p> <p>Partially Implemented</p> <p>Reconciliation is ongoing.</p> <p>Fully Implemented</p> <p>The report on the disposal of the ICT Equipment was the basis in the adjustment of the affected property account.</p> <p>Fully Implemented</p>

Observations and Recommendations	Ref.	Management Action	Result of Auditor's Validation
<p>Accumulated Surplus/Deficit accounts for properties already disposed of.</p> <p>RAB II</p> <p>Management to utilize of the parcel of land allotted to them at the Regional Government Center in order that the same will not be reverted back to the RDC and to save the amount used in paying rental expenses.</p> <p>NLRC 8th Division</p> <p>Management to designate a secured area to serve as garage vehicles, especially after office hours and during weekends and holidays.</p>		<p>03-080 dated March 31, 2017, as a result of their disposal</p> <p>Construction of RAB II building is on-going</p> <p>Management of 8th Division to make an arrangement with the police station for the use of their parking area</p>	<p>The Agency complied with the Auditor's recommendation.</p> <p>Fully Implemented</p> <p>The Agency complied with the Auditor's recommendation.</p> <p>Not Implemented</p> <p>No agreement was made yet between the police station and the management of NLRC 8th Division.</p>
<p>11. Intangible Assets and Accumulated Surplus/Deficit accounts were understated by ₱1,449,506.00 and ₱215,684.00, respectively, while Other Assets was overstated by ₱1,233,822.00 due to erroneous recording of accounts Intangible Assets as Other Assets with the carrying amount of ₱1,233,822.00.</p>	<p>2016 CAAR Para- graph 11</p>		

Observations and Recommendations	Ref.	Management Action	Result of Auditor's Validation
<p>We recommended that the Management of NLRC Main require the Accountant to adjust in the books of account the understatement of Intangible Assets-Computer Software and Accumulated Surplus/Deficit amounting to P1,449,506.00 and P215,684.00, respectively and the P1,223,822.00 overstatement of Other Assets.</p>		<p>The NLRC Main will verify and adjust the affected accounts.</p>	<p>Not Implemented</p> <p>No record of adjustments of the affected accounts as of this writing.</p>
<p>12. The properties of RAB XIII with the total acquisition cost of P961,455.13 were not insured with the General Insurance Fund of the Government Service Insurance System (GSIS), thus exposing the properties to risk of not being indemnified for any damage to or loss of properties due to fire, earthquake, storm or other unforeseen events contrary to RA No. 656, amended</p> <p>We recommended that the Management of RAB XIII direct the Property Officer- Designate to prepare the list of all insurable properties and have there be insured under the Property Insurance Fund of the GSIS as prescribed.</p>	<p>2016 CAAR Para- graph 12</p>	<p>The properties of NLRC-RAB XIII are now insured with the GSIS</p>	<p>Fully Implemented</p> <p>The Agency complied with the Auditor's recommendation.</p>

Observations and Recommendations	Ref.	Management Action	Result of Auditor's Validation
<p>13. Various liability accounts were misstated and Accumulated Surplus/Deficit was overstated by ₱1,153,243.39 due to repetitive errors as well interchanging of accounts used in recording financial transaction in violation of the pertinent provisions of the GAM, Volumes I to III.</p> <p>We recommended that the Management of NLRC Main require the concerned Accountant to:</p> <p>a. analyze thoroughly the accounts and be guided by the pertinent provisions of the GAM, Volumes I and III to ensure the accuracy and reliability of the reported account balances in the financial statements;</p> <p>b. exercise due care in the recording of financial transactions to avert repetitive errors; and</p> <p>c. prepare the appropriate adjusting journal entries to correct the errors;</p>	<p>2016 CAAR Para- graph 13</p>	<p><i>Due to GSIS</i> The Agency has adjusted the affected accounts under JEV No. 2017-04-136-B, dated April 07, 2017.</p>	<p>Partially Implemented</p> <p>There are still errors identified in the audit of the CY 2017 transactions</p> <p>Partially Implemented</p> <p>There are still errors identified in the audit of the CY 2017 transactions</p> <p>Fully Implemented</p> <p>JEVs were verified and the Agency complied with the Auditor's recommendation.</p>

Observations and Recommendations	Ref.	Management Action	Result of Auditor's Validation
<p>We also recommended that the Accountant of RAB VI prepare the schedule of Trust Liabilities and reconcile the total amount with the GL balance.</p>		<p><u>Due to GOCCs</u> The Agency has adjusted the affected accounts under JEV No. 2017-04-136-C, dated April 07, 2017.</p> <p><u>Due to Officers and Employees</u> This was adjusted in the books under JEV No. 2017-04-136-C, dated April 7, 2017.</p> <p>RAB VI already reconciled the discrepancies in compliance with the Auditor's recommendation.</p>	<p>Fully Implemented</p> <p>The Agency complied with the Auditor's recommendation.</p>
<p>14. Purchases made by RAB XIII, other than common-use supplies, were not indicated in the approved Annual Procurement Plan (APP) for CY 2016 contrary to Section 7.2 and 7.4 of RA No. 9184 and its Revised Implementing Rules and Regulations (IRR), thus the procured items may not be the actual needs of the agency, further resulting to uneconomical operations.</p> <p>We recommended that the Management instruct the agency officials concerned to prepare the APP in accordance with the guidelines set forth in</p>	<p>2016 CAAR Para- graph 14</p>	<p>RAB XIII has already complied with the audit recommendation.</p>	<p>Fully Implemented</p> <p>The Agency complied with the Auditor's recommendation.</p>

Observations and Recommendations	Ref.	Management Action	Result of Auditor's Validation
<p>Section 7, Rule II of the IRR of RA No. 9184, taking into consideration the different PAPs to ensure that the supplies, materials and equipment needed in the operation of the Agency are included in the programmed procurement at any given calendar year.</p>			
<p>15. The NLRC Main failed to observe the provisions of Section 52, General Provision of RA No. 10717, GAA of FY 2016 by allowing its employee to received net monthly salary of as low as ₱96.97 to ₱3,499.98. which could not cope with the employee's needs for monthly expenses.</p> <p>We recommended that the Management:</p> <ul style="list-style-type: none"> • adhere strictly to provision of Section 52, General Provision of RA No. 10717 on the net take home pay of each employee of not lower than ₱3,500.00 monthly; and • effect control measures to maintain the required minimum net pay of employees such as attaching a routing slip to a loan application/ request 	<p>2016 CAAR Para- graph 15</p>	<p>The Agency has devised a routing slip in processing the application of loans in order to ensure that the net take home pay of NLRC employees will</p>	<p>Fully Implemented</p> <p>The Agency complied with the Auditor's recommendation.</p> <p>Fully Implemented</p> <p>The Agency complied with the Auditor's recommendation.</p>

Observations and Recommendations	Ref.	Management Action	Result of Auditor's Validation
<p>duly signed by the person in charge of the payroll informing the lenders whether the net pay of employees is still sufficient/not sufficient to accommodate further deductions from their salaries prior to the grant of loan and/or requests for deduction of loan amortizations.</p>		<p>not fall below the minimum threshold required under GAA.</p>	
<p>16. Service Incentive amounting to ₱227,500.00 was granted to Job Orders of the NLRC Main and sourced from the balance of the UCPB Payroll Account that was originally intended for payment of salaries of regular employees was contrary to Item No. 3 of Budget Circular (BC) No. 2016-7 dated December 1, 2016.</p> <p>We recommended that the Management strictly comply with the 6 Line Items in granting the CNA and provide basis why grant should not be disallowed in audit.</p>	<p>2016 CAAR Para- graph 16</p>	<p>The Management has remitted the amount to the BTr less the amount allowed under Administrative Order No. 02 dated 31 January 2017. The AO which was issued by the President of the Republic of the Philippines authorizes the grant of gratuity pay to JO personnel of ₱2,000,00.</p>	<p>Fully Implemented</p> <p>Records showed that NLRC was able to remit the amount of ₱184,500.00 (net of ₱2,000.00) to the BTr dated July 14, 2017.</p>
<p>17. Failure of NLRC RAB VII Personnel-in-Charge to deduct from the leave</p>	<p>2016 CAAR Para-</p>		

Observations and Recommendations	Ref.	Management Action	Result of Auditor's Validation
<p>credits (LC) the equivalent day for tardiness/under-time and to reflect correctly the equivalent day thereof resulted to unreliable leave credit balances in violation of Section 34 of the Omnibus Rules of Leave, hence, the risk of possible loss of government funds.</p> <p>We recommended that Management require the Leave Credit In-Charge to reflect adjustments in the leave cards and be careful in recording in order not to commit the same mistake, thus, not to prejudice the employees of the agency or not to incur losses of government funds.</p>	<p>graph 17</p>	<p>Management of RAB VII made adjustments as required</p>	<p>Fully Implemented</p> <p>The Agency complied with the Auditor's recommendation.</p>
<p>18. Non-compliance to the provisions of pertinent laws, rules and regulations affecting the agency's operations and financial transactions rendered doubtful the accuracy and integrity of financial information as well as the efficiency of operations.</p> <p>We recommended that the Management undertake the following actions:</p> <p>RAB III Direct the personnel concerned to</p>	<p>2016 CAAR Paragraph 18</p>	<p>The AOs of RAB III are now properly bonded.</p>	<p>Fully Implemented</p>

Observations and Recommendations	Ref.	Management Action	Result of Auditor's Validation
<p>immediately apply or renew the bonds of the Accountable Officers (AOs) to protect government funds and properties against possible loss or misappropriation. We also recommended that Management strictly comply with the requirements of law and be more responsible in the application thereof.</p> <p>RAB IV</p> <p>a. The AO/Collecting Officer (CO) maintain a cashbook for Cash, Collecting Officer to record the collections received (Debit column) and deposits (Credit column), and the balance (Balance column) daily. The CO shall reconcile the cashbook balance (Balance column) with the cash on hand daily. The AO/CO may record the collections individually or the total collection for the day depending on the volume of the transactions.</p> <p>b. The Executive Labor Arbiter instruct the Special Collecting/Disbursing Officer and AO-I/Acting</p>		<p>RAB IV is in the process of reconciling its records in compliance with the audit recommendation.</p>	<p>The Agency complied with the Auditor's recommendation.</p> <p>Partially Implemented</p> <p><i>The reconciliation of the Cashier's records is still ongoing.</i></p> <p>Partially Implemented</p> <p><i>The reconciliation of records is ongoing.</i></p>

Observations and Recommendations	Ref.	Management Action	Result of Auditor's Validation
<p><i>Accountant to update and reconcile their corresponding records regularly to determine the condition of the agency account. The agency may require a more frequent reconciliation for proper monitoring and control of their financial condition.</i></p> <p>RAB VII</p> <p>The concerned personnel of the Region are requested to:</p> <p>a. submit Approved Applications for Leave of the employees or submit an explanation of justification in case of no Approved Application for Leave.</p> <p>b. ensure that disbursement vouchers for salaries are supported with complete documents; and</p> <p>c. deduct from the salary of the employees the corresponding days of absence without the approved leave in conformity with Section 50 of the Omnibus Rules on Leave.</p>		<p>RAB VII submitted the approved Application for Leave as required.</p>	<p>Fully Implemented</p> <p>The Agency complied with the Auditor's recommendation.</p> <p>Fully Implemented</p> <p>The Agency complied with the Auditor's recommendation.</p> <p>Fully Implemented</p> <p>The Agency complied with the Auditor's recommendation.</p>

Observations and Recommendations	Ref.	Management Action	Result of Auditor's Validation
<p>RAB VIII</p> <p>Require all concerned <i>personnel regarding the use of proper forms and complete adherence to prescribed procedures for disbursements as provided in the GAM for NGAs. This is to ensure proper processing of DVs and complete documentation of transactions which shall eventually facilitate the attainment of easier, complete and accurate reporting including the maintenance of adequate financial records.</i></p>		<p>The Accountant has fully <i>complied the use of the prescribed accounting forms (such as Index of Payments (IP) and Notice of Obligation Request and Status Adjustment (NORSA) and has implemented such other audit recommendation included therein.</i></p>	<p>Fully Implemented</p> <p>The Agency complied with the Auditor's recommendation.</p>
<p>RAB IX</p> <p>The Acting Accountant to review the required supporting documents to <i>a particular transaction prescribed under COA Circular No. 2012-001 dated June 14, 2012, before affixing her signature in Box A of the disbursement voucher to avoid possible suspension and/or disallowance in audit.</i></p>		<p>The RAB IX Management is adopting the review of the necessary supporting documents.</p>	<p>Partially Implemented</p> <p>There are disbursements that are not fully supported with complete documentations.</p>
<p>RAB XII</p> <p>Provide adequate, safe and secured storage/stockroom for post-audited disbursement vouchers, <i>various</i></p>		<p>RAB XII provided an adequate, safe and secured storage/stockroom for use by the</p>	<p>Fully Implemented</p> <p>The Agency complied with the Auditor's recommendation.</p>

Observations and Recommendations	Ref.	Management Action	Result of Auditor's Validation
<i>documents/records and reports over which the Commission on Audit has legal custody.</i>		COA effective May 3, 2017.	
<p>19. Payments amounting to P8,355,754.56 were made despite the lack of documentary requirements contrary to Section 4(6) of PD No. 1445 and pertinent provisions of COA Circular No. 2012-001, thus, the propriety and regularity of the transactions cannot be immediately established.</p> <p>We recommended that Management take the following corrective measures:</p> <p>NLRC 7th Division</p> <ul style="list-style-type: none"> • Require the Property Officer to submit immediately the copy of the Pre- and Post-Repair Inspection Reports for the transaction listed above to avoid suspension/disallowance in audit; • Require the disbursing officer to ask the payee to issue either official receipt or acknowledgement receipt to acknowledge receipt of the payment 	2016 CAAR Para- graph 19	<p>The required documents were submitted by the 7th Division in compliance with the audit recommendations issued.</p>	<p>Fully Implemented</p> <p>The Agency complied with the Auditor's recommendation.</p> <p>Fully Implemented</p> <p>The Agency complied with the Auditor's recommendation.</p>

Observations and Recommendations	Ref.	Management Action	Result of Auditor's Validation
<p>RAB VII</p> <p>Require the disbursing officer to ask the payee to issue either official receipt or acknowledgement receipt to acknowledge receipt of the payment.</p> <p>RAB XII</p> <ul style="list-style-type: none"> • Require the Bookkeeper, Cashier to strictly adhere to the rules and regulations requiring that claims against government funds should be supported with complete documentations; • Require the Cashier to exercise extra diligence to ensure that all claims for payments are duly approved/signed by authorized official before issuing the check /ADA for payment; and • Require the Cashier to certify/sign the correctness of the Report of Checks Issued (RCI) before submitting them to the Office of the Audit Team. 		<p>The Management submitted the required documents</p>	<p>Fully Implemented</p> <p>The Agency complied with the Auditor's recommendation.</p> <p>Fully Implemented</p> <p>The Bookkeeper and cashier complied with the Auditor's recommendation.</p> <p>Fully Implemented</p> <p>The Cashier has complied with the Auditor's recommendation.</p> <p>Fully Implemented</p> <p>The Cashier has complied with the Auditor's recommendation.</p>

Observations and Recommendations	Ref.	Management Action	Result of Auditor's Validation
<p>RAB XIII</p> <p>Instruct the Accountant to strictly adhere with the documentary requirements for government transactions as prescribed in COA Circular No. 2012-001 dated June 14, 2012 and strengthen the internal control system over the handling of various government claims.</p>		<p>The Management of RAB XIII is not preparing BURS in the disbursement of Trust fund since the budget officer of the Main Office does not use the same as their procedure do not require it as they are observing Quality Management System - ISO enrolled process which prescribes the specific procedures to follow pertaining to this kind of transaction.</p>	<p>Fully Implemented</p> <p>The Audit Team is satisfied with the explanation of the Agency.</p>
<p>20. Delayed/Non-submission of financial reports on time caused unnecessary delay to evaluate and determine the regularity, validity, completeness and accuracy of recorded transactions contrary to the existing laws and COA rules and regulations.</p> <p>We recommended that the Management require the Accountants and other responsible officials of the Regional Offices to:</p> <p>a. comply strictly with the prescribed submission of financial reports and documents to the Office of the Auditor to facilitate the complete review and audit of accounts and</p>	<p>2016 CAAR Para- graph 20</p>	<p>Management had already submitted the required reports.</p>	<p>Partially Implemented</p> <p>There are reports that were submitted beyond the reglementary period.</p>

Observations and Recommendations	Ref.	Management Action	Result of Auditor's Validation
<p>affirm the reliability of the Management's assertion on the existence/ occurrence, validity, accuracy and completeness of the recorded transactions; and</p> <p>b. take appropriate action against officials and employees responsible for such deficiencies pursuant to Section 122 of PD No. 1445.</p>			<p>Not Implemented</p> <p>No appropriate action had been filed so far against the responsible NLRC personnel.</p>
<p>21. Of the 14 RABs of the NLRC, only eight and one Commission-Division were able to program and implement activities on Gender and Development (GAD) Program for CY 2016, while there were no GAD plan and budget (GPB) allocation for the implementation of the program for RABs I, II, III, IV, and XIII contrary to Section 35 of the general provision of RA No.10717 (GAA CY 2016) and Joint Circular No. 2004-1 of the Department of Budget and Management (DBM), National Economic and Development Authority (NEDA) and Philippines Commission on Women(PCW), thus, depriving its officer and employees of the benefits</p>	<p>2016 CAAR Para- graph 21</p>		

Observations and Recommendations	Ref.	Management Action	Result of Auditor's Validation
<p>that they can derive regarding the gender equality and economic empowerment of women.</p> <p>We recommended that the Management of the RABs:</p> <p>a. formulate and identify significant programs, projects and activities that would promote gender-responsive governance to address gender issues and concerns not only of the agency but also to its clientele;</p> <p>b. strictly comply with the provisions of the GAA DBM/NEDA/ PCWJCN0.2012-01 on the preparation and submission of GPB and corresponding GAD accomplishment reports; and</p> <p>c. For RABS, I, III, IV, XII and XIII to create their GFPS to prepare annual GPB and implement it as required.</p>		<p>The Management formulated a plan, program and projects for GAD for 2017 in compliance with the audit recommendation.</p> <p>For CY 2016, they have provided COA with a copy of NLRC GAD Accomplishments.</p>	<p>Partially Implemented</p> <p>Only NCRAB, RABs CAR, I, II, V, VIII, IX and X were able to formulate GAD plan and mainstream it with the regular program and activities of the agency</p> <p>Partially Implemented</p> <p>Expenditures for GAD activities is less than 5 percent of the required budget of NLRC.</p> <p>Partially Implemented</p> <p>NLRC-RABs III was not able to create its GFPS.</p>
<p>22. The NLRC Main and the RABs were not able to formulate plans and programs that will address the concerns of senior citizens and persons with disability and to integrate the same in their regular activities contrary to</p>	<p>2016 CAAR Paragraph 21</p>		

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<p>Section 35 of the General Provisions of RA No. 10717, the GAA for FY 2016; thus, the concerns of the senior citizens was not property addressed and he mobility, safety and welfare of persons with disability were not reasonably enhanced.</p> <p>We recommended that the Management integrate in its regular activities, the plan, programs and projects intended to address the concerns, particularly on the facilities to enhance the mobility, safety and welfare of the elderly and differently-abled persons.</p>			<p>Partially Implemented</p> <p>Except for RABs V and VIII that implemented programs for senior citizens and PWDs and for the signage and priority lanes signages by NLRC-Main and NCR and NLRC RAB II for their use, no concrete planned projects/ activities were formulated by NLRC.</p>
<p>23. Out of the ₱1,077,073,661.40 Trust Liabilities account balance representing payables for fiduciary trust, the amount of ₱297,109,537.35 was not supported with Schedules/Statement for Judgment Awards, Execution Fund and other related fund, and SLs were not updated to reconcile and verify the correctness of the GL balance at year-end. Likewise, in RAB III, IV-A, VI, XI, and XII, Trust Liabilities were doubtful</p>	<p>2015 CAAR Para- graph 7</p>		

Observations and Recommendations	Ref.	Management Action	Result of Auditor's Validation
<p>due to: a) lack of supporting records/documents; b) un-reconciled Cash in Bank LCCA and Trust Liabilities account; c) existence of stale checks; d) unremitted interest income from Trust Fund,, and e) over-released amounts due to the error in computation and over deposit of collections.</p> <p>We recommended that Management require:</p> <p>a. the Main and NCRAB, to a) prepare and submit the supporting schedules of the Trust Liabilities account for account maintained with the LBP; b) maintain and reconcile the SLs with the GL balance of the account to correct/update the account stated in the books and prepare the necessary adjusting entries for the cleared accounts; and c) reconcile its records with the inventory list of cases submitted by the Labor Arbiters to come up with the account balances duly supported with valid claimants;</p> <p>b. RAB No. IV-A- require the Accountant to reconcile the</p>		<p>The Subsidiary Ledger for trust fund deposits with LBP are being verified and updated.</p>	<p>Partially Implemented</p> <p>The Management had not yet submitted the schedules since they are still in the process of updating and verifying their subsidiary ledger for trust fund deposit with LBP.</p> <p>Partially Implemented</p>

Observations and Recommendations	Ref.	Management Action	Result of Auditor's Validation
<p>difference between the Other Payables account and the Cash in Bank-LCCA to correct the balances.</p> <p>c. RAB XI Accountable Officer to immediately withdraw and remit the total interest earned to the BTr</p> <p>d. the RAB XII to: i) exhaust all possible means to contact the claimants of the judgment awards, appeal/cash bonds, garnished sum, sheriff's fee and other of similar nature such as sending notices to the last known addresses of the claimants or publish the names in newspapers of wide circulation and if unsuccessful, revert the funds to the National Treasury and ii) effect adjusting entries to correct the over release of judgment awards due to errors in computation and to recognize the over deposit.</p>		<p>Efforts to exhaust all possible means to contact the claimants had already been done.</p> <p>With regards to the adjusting entries, RAB XII had already discussed it with NLRC Central Office and will adjust the account once the issue is resolved in the Commission Proper.</p>	<p>The Agency is still reconciling the Trust Liabilities and Cash in bank accounts.</p> <p>Fully implemented</p> <p>The interest earned already remitted to the BTr.</p> <p>Partially Implemented</p> <p>The Management had a hard time reaching out the claimants of the dormant accounts.</p> <p>RAB XII had not yet effect the adjusting entries and still awaiting instruction from the Central Office</p>
<p>24. Audit Observations on various recurring expenses in the total amount of ₱16,434,277.54 and</p>	<p>2015 CAAR Paragraph 8</p>		

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<p>reports to be submitted to COA Audit Team by RABs showed lack of requirements/ compliance with the rules and regulations on government transactions.</p> <p>We recommended that Management require the RABs to comply with the rules and regulations on procurement of government transactions and reports to be submitted on time to COA Office.</p>		<p>The Management instructed the accountant and head of concerned offices to comply with the Audit requirements of COA.</p>	<p>Partially Implemented</p> <p>There are identified RABs that were not able to comply with the Auditor's recommendation.</p>
<p>25. The Cash in Bank – LCCA per books of ₱797,790,108.65 and bank confirmed balance of ₱808,660,965.82 maintained with the Land Bank of the Philippines (LBP) and United Coconut Planters Bank (UCPB) was not reconciled to date resulting to a difference of ₱10,864,795.15, thus affecting the reliability of the book balance as of December 31, 2014. Further, no Subsidiary Ledger for accounts with the LBP was provided as required under the GAM.</p> <p>RAB No. VIII</p> <p><i>Unidentified/Undocumented</i> reconciling items totaling ₱22,790.18 in the BRS as of December 31,</p>	<p>2014 CAAR Pages 50-53</p>		

Observations and Recommendations	Ref.	Management Action	Result of Auditor's Validation
<p>2014 and the reported balance for Cash in Bank, LCCA, DBP account amounting to ₱7,135,264.97 remained doubtful at year end. Likewise, BRSs were not prepared and submitted within the reglementary period.</p> <p>We recommended that Management of:</p> <p>a. Main and NCRAB, require the Accountant to prepare and provide the SLs for LBP Fiduciary account in compliance with Section 403 of the GAAM Volume II and reconcile the GL balance of the Cash In Bank-LCCA with that recorded/ stated in the individual SL balance of individual bank account composing the account;</p> <p>b. RAB No. VIII, instruct the Accountant to work back on the accounts to be able to identify as well as document those reconciling items so that adjustments could immediately be recorded in the books for fair presentation of the financial statements,</p>		<p>Subsidiary records is now being maintained for the Trust Fund account.</p> <p>The Accountant availed all the possible remedies in order to identify and adjust the reconciling items totaling ₱22,790.18. Unfortunately, she was unable to reconcile the amount because all the documents relative thereto were lost during the Super Typhoon</p>	<p>Partially Implemented</p> <p>The SLs are being maintained but not updated, thus reconciliation with the GL could not be made.</p> <p>The recommendation is reiterated in Part II of the Report.</p> <p>Not implemented</p> <p>There are no adjustments made on the unreconciled difference of ₱22,790.18 as of year-end.</p>

Observations and Recommendations	Ref.	Management Action	Result of Auditor's Validation
<p>specifically the Cash in Bank-LCCA and related accounts.</p>		<p>Yolanda.</p>	
<p>26. Unadjusted/unreconciled differences of liability accounts and unsupported by Schedules/Statements</p> <p>RAB No. III</p> <p>Accounts Payable amounting to P130,368.00 remained outstanding for over two years, resulting in the overstatement of the liabilities account contrary to Section 98 of PD No. 1445. Moreover, a portion of agency's Other Payables- Cash Bonds amounting to P10,063,854.76 could not be established for lack of supporting records and documents; hence, its accuracy and validity could not be ascertained</p> <p>RAB VIII</p> <p>Unidentified/Undocumented reconciling items. The accuracy and reliability of Trust Liabilities totaling P6,959,269.16 is doubtful due to incomplete data of the attached supporting schedules. No other reports were submitted to support these payables, such as Decided cases or Status Report of cases filed and judgment awards granted which are</p>	<p>2014 CAAR pages 54-58</p>	<p>The NLRC Management is on the process of creating guidelines for the unclaimed bonds/awards which will be disseminated to RABs. For the meantime, RABs are encouraged to review their listing and create their own internal guidelines on how notices be furnished to the claimants before it</p>	

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<p>necessary to audit the accounts.</p> <p>a. RAB No. III, (a) require the Labor Arbiters to conduct inventory of all pending cases in their salas and submit the complete list and status of cases to facilitate the maintenance and updating of the complete record of all cases; and (b) require the Acting Accountant to reconcile records with the inventory list of cases submitted by the Labor Arbiters to come up with the account balances duly supported with valid claimants;</p> <p>b. RAB No. VIII – prepare a status report on the cases filed by respondents-employers to determine the actual amount payable to them.</p> <p>c. RAB Nos. III, IV-A, VII, VIII and NCR to create a Committee to look into the status of prior years' cases filed and prepare a report thereon to enable the Accountant to come up with the correct balances duly supported</p>		<p>will be finally remitted to the National Treasury.</p> <p>This account was endorsed to the Legal Department in the Central Office, hence necessary representation to them will be made the soonest possible time for the reversion of this account.</p> <p>Errors in the treatment of reconciling items and in the recognition of transactions caused the discrepancy between the Cash accounts and the related liability accounts.</p> <p>RAB VIII already created a committee that will look into the status of prior year's cases files to come up with <i>corrected balances</i></p>	<p>Partially Implemented</p> <p>Inventory of pending cases is ongoing.</p> <p>Reconciliation of the two accounts still ongoing.</p> <p>Not Implemented</p> <p>No status report was submitted yet for verification</p> <p>Partially implemented</p> <p>A Memorandum, furnished the Auditor, was issued creating the committee to look into the cases.</p>

Observations and Recommendations	Ref.	Management Action	Result of Auditor's Validation
<p><i>with valid claimants to avoid accumulation of the amount which remained idle in the depository bank.</i></p>			
<p>27. RAB No. VI-Accounts payable amounting to P46,732.25 aged two years and above were not reverted to the Net/Asset Equity account</p> <p>We recommended that Management require the concerned officers of RAB VI to comply with the rules and regulations on government transactions.</p>	<p>2014 CAAR pages 58-61</p>		<p>Not Implemented</p> <p>The amount not yet reverted to the Net Asset/Equity</p>
<p>28. The account Receivables-Disallowances and Charges of the 8th Division totaling P821,238.62 as of December 31, 2014 remained unsettled for more than ten years in violation of Section 10.4 of COA Circular No. 2009-06, dated September 15, 2009.</p> <p>We recommended that Management require the Regional Accountant-Designate to submit the necessary supporting documents needed to the Office of the Auditor for the possible adjustment of this account in the books of the agency.</p>	<p>2014 CAAR pages 64-65</p>	<p>The supporting documents necessary in the adjustment of the unsettled accounts is being secured by the NLRC Management</p>	<p>Not Implemented</p> <p>As of this writing, there are no records provided that will support the adjustments affecting unsettled accounts.</p>