

EXECUTIVE SUMMARY

RECEIVED	
NLRC-RIPD (PPMMI)	
BY: <u>my</u>	
DATE: <u>8/31/21</u>	

A. Introduction

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

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

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

- Unfair Labor Practice case;
- Termination disputes;
- If accompanied with a claim for reinstatement, those cases that workers may file involving wages, rates of pay, hours of work and other terms and conditions of employment;
- Claims for actual, moral, exemplary and other forms of damages arising from the employer-employee relationship;
- Cases arising from any violation of Article 264 of the LCP, including questions involving the legality of strikes and lockouts; and
- Except claims for Employees Compensation, Social Security, Medicare and Maternity Benefits, all other claims, arising from employer-employee relations, including those of persons in domestic or household services, involving an amount exceeding five thousand pesos (P5,000.00) regardless of whether accompanied with a claim for reinstatement.

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

The Commission is composed of a Chairman, 20 Commissioners, 101 Commission Attorneys and 139 Labor Arbiters, of which 60 are in the NCR. It is presently headed by

Chairman Gerardo C. Nograles, assisted by the Acting Executive Clerk of the Commission, Atty. Elenita F. Cruz, with the former having administrative supervision over the Commission, its regional branches and all its personnel, including the Executive Labor Arbiters and the Labor Arbiters.

The Commission has 1,295 authorized plantilla positions, of which 1,096 are filled-up as of yearend, leaving a balance of 199 unfilled positions. The NLRC Central Office (CO) and RAB Offices have 496 officers and 600 employees. There are 44 employees on Job Order basis and one casual employee.

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

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

B. Operational Highlights

The NLRC reported the following major accomplishments under the Performance Indicators in its Organizational Outcome on Labor Disputes Resolution Services for Calendar Year (CY) 2020:

Performance Indicators	Target	Accomplishment	Percentage
1. Percentage increase in cases resolved through conciliation-mediation	61%	(56%)	(91.80)
2. Percentage of original/appealed cases processed within nine months or 270 days/six months or 180 days	96%	85%	88.54
3. Percentage of decisions affirmed by a higher court	69%	43%	62.32
4. Percentage of cases resolved within three months from filing of case	98%	99%	101.02

The NLRC posted an overall case output for Compulsory Arbitration totaling 21,181 cases, of which 4,657 cases were disposed of through conciliation and mediation

under the Single-Entry Approach (SEnA) and 11,219 cases through compulsory arbitration by the RABs. On appealed cases, the CP resolved 6,835 cases.

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 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 15,876 labor disputes and awarded a total of ₱1,648,785,510.18 Judgment Award benefiting a total of 25,239 number of workers, details as presented below:

RABs	No. of Settled Labor Disputes	No. of Workers Benefitted	Judgment Award (in Pesos)
Mandatory conference under SEnA	4,657	13,514	233,882,050.56
Mandatory conference under Compulsory Arbitration	11,219	11,725	1,414,903,459.62
Total	15,876	25,239	1,648,785,510.18

Under the regular Compulsory Arbitration Services of the NLRC (RABs Original Cases and Appealed Cases with the CP), excluding the Request for Assistance (RFAs) received thru SEnA, the following presents the accomplishment of the NLRC on labor cases that were resolved/disposed of in CY 2020 based on inflow of cases received including the beginning balances:

Regular Inflow and Outflow of Cases (Excluding SEnA)

Level	Beginning Balance (January 1, 2020)	Total Cases Received Regardless of Age	Cases Handled	Actual Cases Disposed (2020)	Percentage	Ending Caseload (December 31, 2020)
RABs	11,201	20,067	31,268	21,181	68	10,087
CP	1,233	6,606	7,839	6,835	87	1,004
Total	12,434	26,673	39,107	28,016	72	11,091

Out of 21,181 cases disposed of, 12,822 or 61 percent were resolved in favor of labor (employee), and 8,359 or 39 percent in favor of management (employer). The amount of Judgment Awards reached ₱5.087 billion, benefiting 27,972 workers. Of the total amount awarded and workers benefited, ₱1.415 billion was awarded through settlement, benefiting 11,725 number of workers involved, and ₱3.673 billion through decisions on the merit, benefiting 16,247 number of workers involved.

On appealed cases, the CP disposed 6,835 cases, of which 5,034 or 74 percent were resolved in favor of labor (employee) and 1,801 or 26 percent in favor of management (employer). The amount of Judgment Awards reached ₱1.314 billion, benefiting 6,650 number of workers involved.

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 Process Cycle Time (PCT) is nine months, while for the appealed cases at the CP, the PCT is six months; the First-In, First-Out (FIFO) Policy (En Banc Resolution No. 13-07), which requires a minimum level of performance (quota system of 27 cases per month) and the aging of cases system (no more than 9-month old cases, FIFO Policy). Both the NLRC RABs and CP attained 85 percent or 23,907 disposed cases, out of 28,016 targeted cases to be disposed within the prescribed period/process cycle of nine months for the RAB and six months for the CP.

Moreover, the NLRC achieved and exceeded its target of 98 percent on the percentage of its decisions affirmed by a higher authority, one of which is the Court of Appeals. During CY 2020, 4,134 of its decided cases were appealed by the concerned parties to higher authorities. Of the said number of cases, 4,103 or 99 percent of its decisions were affirmed, an indication of the Commission's Labor Arbiters' diligence in their work performance.

C. Financial Highlights

The NLRC had an Agency-Specific Budget of ₱1,227,783,000.00 (net of adjustments) under the General Appropriations Act (GAA) for Fiscal Year (FY) 2020, which is augmented by budget releases of ₱16,966,000.00 from the Automatic Appropriations for Retirement and Life Insurance Premiums (RLIP), ₱283,219,033.00 from the Miscellaneous Personnel Benefits Fund (MPBF) and ₱154,342,379.00 from the Pension and Gratuity Fund (PGF). Total allotments received, including CY 2019 Continuing Appropriations of ₱37,843,815.00, amounted to ₱1,720,154,227.00, with obligations incurred of ₱1,719,565,475.06, thus leaving an unobligated balance of ₱588,751.94. Details of allotments, obligations incurred and unobligated balance are shown as follows:

Appropriations, Allotments, Obligations Incurred and Balances

Source	Adjusted Appropriations	Adjusted Allotments	Obligations Incurred	Unobligated Amount
(In PhP)				
Current Year's Appropriations				
1. Agency-Specific Budget				
Personal Services (PS)	1,059,278,500.00	1,059,278,500.00	1,143,727,974.45	(84,449,474.45)
Maintenance and Other Operating Expenses (MOOE)	165,999,500.00	165,999,500.00	165,993,342.89	6,157.11
Capital Outlay	2,505,000.00	2,505,000.00	2,503,986.40	1,013.60
Sub-total	1,227,783,000.00	1,227,783,000.00	1,312,225,303.74	(84,442,303.74)
2. Automatic Appropriations				
Retirement and Life Insurance Premium (RLIP)	16,966,000.00	16,966,000.00	16,400,560.85	565,439.15
Sub-total	16,966,000.00	16,966,000.00	16,400,560.85	565,439.15
3. Special Purpose Fund				
MPBF	283,219,033.00	283,219,033.00	198,769,558.55	84,449,474.45
PGF	154,342,379.00	154,342,379.00	154,326,236.92	16,142.08

Source	Adjusted Appropriations	Adjusted Allotments	Obligations Incurred	Unobligated Amount
	(In PhP)			
<i>Sub-total</i>	437,561,412.00	437,561,412.00	353,095,795.47	84,465,616.53
Prior Year's/Continuing Appropriations				
4. Agency Specific Budget				
PS	37,843,815.00	37,843,815.00	37,843,815.00	-
Total	1,720,154,227.00	1,720,154,227.00	1,719,565,475.06	588,751.94

The Agency's financial position and performance for CY 2020 with comparative figures for CY 2019 are as follows:

Particulars	2020	2019
	(In PhP)	
Financial Position		
Assets	3,286,955,473.98	2,982,797,238.10
Liabilities	3,203,904,611.52	2,905,288,282.92
Net Assets/Equity,	83,050,862.46	77,508,955.18
Financial Performance		
Revenue	15,163,928.46	27,014,882.02
Less: Current Operating Expenses		
PS	1,531,035,325.36	1,482,986,907.03
MOOE	157,968,151.16	153,090,834.12
Financial Expenses	15,974.35	29,138.78
Non-Cash Expenses	7,298,405.84	8,335,573.79
Total Current Operating Expenses	1,696,317,856.71	1,644,442,453.72
Surplus (Deficit) from Current Operations	(1,681,153,928.25)	(1,617,427,571.70)
Net Financial Assistance/Subsidy	1,713,300,376.79	1,648,397,886.72
Sale of Assets	18,580.00	70,232.25
Gains	79,784.32	253,076.25
Losses	(2,723,038.08)	(2,296,234.18)
Surplus (Deficit) for the Period	29,521,774.78	28,997,389.34

For CY 2020, the NLRC-CO and RABs reported total collections/receipts of nominal fees and charges of ₱15,163,928.46 from appeals, deposits, certifications, certified machine copies, filing fees, interests on bank deposits, miscellaneous and other fees for the account of the National Government (NG), which was remitted in full to the National Treasury.

D. Scope of Audit

The audit covered the review of accounts and operations of the NLRC-CO, eight Divisions, 15 RABs and 10 Sub-RABs for CY 2020. The audit was conducted to: (a) ascertain the level of assurance that may be placed on Management's assertions on the financial statements; (b) determine the propriety of transactions as well as the extent of compliance with applicable laws, rules and regulations; and (c) determine the extent of implementations of prior years' audit recommendations.

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 2020. As stated in the Independent Auditor's Report and discussed in detail in Part II of this Report, a total misstatement of ₱12,413,537.95 was found in Cash and Cash Equivalents, Inventories, Property, Plant and Equipment, and Liabilities accounts of the NLRC-CO and its RABs due to accounting errors and omissions, thus the accuracy, completeness, classification, existence and rights and obligations of said accounts cannot be relied upon, thereby affecting the fair presentation of the financial statements.

F. Summary of Significant Audit Observations and Recommendations

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

1. A total misstatement of ₱12,413,537.95 was found in the audit of Cash and Cash Equivalents, Inventories, Property, Plant and Equipment, and Liabilities accounts of the NLRC-CO and RABs due to accounting errors and omissions which significantly affected the fair presentation of its financial statements (FSs) as at December 31, 2020. (*Observation No. 1*)

We recommended that the Management:

Misstatements in Cash and Cash Equivalents Accounts

- a. recognize all reconciling items in the BRSs that require correction/adjustment in the books to reflect the correct balance of the Cash in Bank and other affected accounts;
- b. fast-track/facilitate the verification of the long-standing overstatement in the Cash in Bank (Fiduciary Award-LBP Trust account) in CO and NCRAB amounting to ₱13,562,529.63 and take up the necessary adjustments/corrections to reflect the correct balance of the said Cash in Bank account;
- c. make representation with the concerned bank to immediately correct the bank errors noted in the last BRSs; and
- d. prepare the necessary correcting entries to record the cancelled/unreleased commercial checks and undeposited collections to reflect the correct balance of the affected Cash and Cash Equivalents accounts.

Misstatements in Inventories Accounts

- e. RAB VIII direct the Accounting Unit to effect the necessary adjustments in order to reflect the correct balance of the Inventories account.

Misstatements in Property, Plant and Equipment Accounts

- f. RABs IX, XI and CAR recognize all corrections/adjustments in the books to reflect the correct balance of the PPE and other affected accounts.

Misstatements in Liabilities Accounts

- g. RAB IX prepare correcting entries to record the amount of goods and services already delivered and accepted in the Accounts Payable account; and
 - h. Seventh Division adjust the recorded liabilities without services rendered and recognize liabilities in the books of accounts only when goods are delivered and services are rendered.
2. Variances between accounting records and supporting schedules/documents due to lack of reconciliation, existence of dormant account balances, non-preparation/submission of supporting documents/schedules and unsubstantiated adjusting entries affected the reliability, accuracy and completeness of the reported balances in Cash and Cash Equivalents, Receivables, Inventories, Other Current Assets, PPEs and Liabilities accounts, with deficiencies in the aggregate amount of ₱2,791,269,215.06. (Observation No. 2)

We recommended that the Management:

Cash and Cash Equivalents

- a. direct the NCRAB Cashier to submit the "Missing OPs". Henceforth, require him to submit RCDs duly reviewed and supported with copies of ORs and OPs to the Accounting Division to facilitate the recording of trust liabilities particular to each labor case;
- b. CO and NCRAB require the Accountant to investigate the discrepancy of ₱249,360.73 noted between the RCDs prepared by the respective Cashiers and the entries made in the CRJ and GL, and prepare the corresponding adjusting entries;

- c. CO and NCRAB, and RAB I require the Petty Cash Fund Custodian to report all unreplenished Petty Cash Fund expenses together with supporting papers at the end of the year to the Accounting Division/Unit to recognize the expenses incurred for the period to which they relate, in accordance with Section 54, Chapter 19, Volume I of the GAM for NGAs;
- d. Executive Labor Arbiter of RAB III direct the personnel concerned to exert more efforts in gathering the necessary documents/records to update the SLs pertaining to the Cash in Bank-LCCA-UCPB and Cash in Bank-LCCA-LBP, amounting to ₱9,305,644.04 and ₱742,273.58, respectively, for proper accounting thereof and fair presentation of the FSs of the Agency. For the dormant account, coordinate with the NLRC-CO Accounting Department for the proper management/accounting treatment thereof;
- e. RAB X determine the composition of the dormant bank account balance. Thereafter, coordinate with the NLRC-CO Accounting Department for the proper treatment of the dormant accounts pertaining to deposits for Judgment Awards;
- f. CO issue guidelines to be followed by all RABs for the management/treatment of dormant/non-moving bank account deposits that pertain to claims on Judgment Awards and their eventual transfer/remittance of the balances to a NLRC Special/Trust Account with the National Treasury purposely for the dormant unsettled trust liabilities;

Receivables

- g. CO and NCRAB periodically submit to the Audit Team an updated status of the cases filed with the courts, together with all the supporting documents; and submit information on any action undertaken or contingency plan of the Management on the possible recovery of the trust fund while awaiting the Court's decision;
- h. RAB I ensure compliance with Section 111(2) of PD No. 1445 and instruct the Accountant to revert back the derecognized Due from Officers and Employees in the amount of ₱11,747.88 without supporting documents. Henceforth, ensure submission of supporting documents to substantiate the derecognition from the Agency's books of accounts; and report the amount of receivable due from the dismissed official to the NLRC-CO, for possible settlement out of his leave credits or thru direct payment;

- i. CO and NCRAB direct the Accounting Unit to maintain SLs for Other Receivables account, in compliance with the requirement of paragraph 2, Section 114 of PD No. 1445;

Inventories

- j. RABs VIII, XI and XIII direct their Accounting Units to initially record purchased inventories under the appropriate Inventories account provided in the Revised Chart of Accounts in Volume III of the GAM for NGAs unless, said inventories have been issued immediately to end-users;
- k. RAB CAR direct the personnel in the Supply and Accounting Units to update regularly the SCs and SLCs, respectively;
- l. RAB XI require the Supply Officer and Bookkeeper to use RISs and RSMIs as among those reports required in the proper recording of issuance of inventories, as prescribed in the GAM for NGAs;
- m. RAB VIII direct the Accountant to make adjustments in the books for the misclassified Inventories accounts and to refer to the Revised Chart of Accounts under Volume III of the GAM for NGAs to properly classify transactions;

Other Current Assets

- n. CO and NCRAB exert more efforts to demand from the dismissed Accountable Officers the immediate settlement of their accountabilities, including the filing of claims against their fidelity bond, if any; and, in case all remedies have already been exhausted, assess the eligibility of the dormant unliquidated unsupported recorded cash advances and that of Mr. Sanota for possible write-off, in accordance with the procedures prescribed in COA Circular No. 2016-005 dated December 19, 2016. Prepare all the necessary working papers/documentation in support of the results of verification and analysis of the unliquidated undetermined cash advance amounting to ₱109,239.18 to establish the validity thereof. In the event that further verification and analysis constantly yield negative results, consider requesting for write-off;

Property, Plant and Equipment

- o. RAB VII direct the Accountant to record the transferred PPE to LGU; in the absence of documents, direct the Property Officer to exert extra effort to trace/locate the documents on the transfer of PPE to LGU during CY 2018; and direct the Accountant and

Property Custodian to regularly reconcile their records (every quarter), to avoid discrepancies;

- p. RAB VII and XI request from request from the NLRC-CO a copy of its JEV relative to the property transfers to the RABs, copy furnish the Audit Team. Thereafter, prepare a JEV to record the receipt of the transferred property;
- q. RAB VIII direct the Accounting Unit to prepare and maintain PPELCs for each item of the Agency's PPE; and prepare and submit the RPCPPE as of December 31, 2020 to determine the physical existence of the PPE which would corroborate the reliability of the PPE account balance as per Accounting records;
- r. RAB XI issue a memorandum to the Bookkeeper and Supply Officer, instructing them to ensure that the RPCPPE is reconciled with the financial statements and the Agency's books of accounts before submitting them for approval of the Inventory Committee and the Head of the Agency; and issue a memorandum to all members of the Inventory Committee, instructing therein to review and ensure the correctness, completeness and accuracy of the RPCPPE and to affix their signatures therein;
- s. RAB VI conduct a complete physical count of PPE annually; prepare RPCPPE as at December 31 of each year using the prescribed form which shall be certified correct by the Inventory Committee Chair and Members, approved by the Head of Agency, and verified by the COA Representative; and furnish the Audit Team a copy of the RPCPPE not later than January 31 of the following year in accordance with Section 38, Chapter 10, Volume I of the GAM for NGAs;
- t. RAB CAR direct the Property Officer to include all PPE items in the RPCPPE and submit to the Audit Team an updated RPCPPE every January 31 of each year; and issue the corresponding PAR to end-users;
- u. RAB I ensure compliance with Section 79 of PD No. 1445 on the disposal of the unserviceable properties, by instructing the Property Officer and the Accountant to: conduct complete inventory-taking for the one-time cleansing of the PPE accounts of the Agency, in accordance with COA Circular 2020-006 dated January 31, 2020; and prepare the necessary documents for the disposal; and dispose the unserviceable properties in accordance with the guidelines under COA Circular No. 89-296 and NBC Circular No. 425 (Manual on Disposal of Government Property);

- v. Seventh Division constitute a Disposal Committee to decide on the proper mode of disposal of the unserviceable properties reported in the IIRUP; and direct the Property Officer to immediately dispose the unserviceable properties, to prevent further deterioration, once the Disposal Committee has decided on the mode of disposal;
- w. RABs I and II recognize the correction/adjustment in the books to reflect the correct balance of the PPE and other affected accounts;

Liabilities

- x. RAB I update the SLs to include the identified reconciling items which will minimize/eliminate the discrepancies noted and reflect the correct balance supporting the GL of the Trust Liabilities account; require the Accountant to analyze the composition of the Trust Fund and deposit any unremitted execution fees/deposit fees/interest income to the NLRC-CO/BTr/BIR; cause the payment/remittance to the proper parties; and coordinate with the NLRC-CO for the proper management/treatment of the long outstanding excess cash balances;
- y. RAB V require the Acting Accountant to reconcile the balance of the SLs and GL for the Trust Liabilities account, pursuant to Section 6(e), Chapter 19, Volume I of the GAM for NGAs;
- z. CO and NCRAB, and RAB I reconcile the balances of the Trust Liabilities account with the reciprocal Cash in bank accounts to establish the correct balance of trust liabilities and the available cash for disbursement to execute the Judgment Awards;
- aa. CO and NCRAB maintain and update Schedules of Trust Liabilities complete with aging and details for each case based on subsidiary records; and include in the Notes to FS the necessary disclosures such as, but not limited to, composition, aging and balances of the Trust Liabilities as represented by the Cash Bonds and Fiduciary Awards and Execution Fees;
- bb. RAB VI require the concerned personnel to complete the inventory of all pending cases in coordination with Labor Arbiters and submit the updated schedule of Trust Liabilities account duly reconciled with the GL controlling figure;
- cc. RAB IX direct the Accounting Unit to prepare and maintain the necessary SLs of its Trust Liabilities account, as prescribed under

Appendix 6, Volume II of the GAM for NGAs out of the schedules maintained; and

- dd. CO and NCRAB maintain a separate Trust Liabilities SL for the recording of collected Execution Fees and expenses paid out of the Execution Fund; and require the Accountant and the Accounting personnel concerned to submit the necessary documents supporting the adjusting entries made thru JEV No. 2020-12-476 dated December 31, 2020 under the Due to GSIS, Due to Pag-IBIG and Due to PhilHealth accounts to ascertain its propriety and validity.**
3. Of the total allotments received amounting to ₱1,720,154,227.00, ₱1,719,565,475.06 or 99.97 percent was obligated, leaving the remaining balance of ₱588,751.94 or only 0.03 percent unutilized. However, deficiencies in the preparation and submission of budgetary reports and the supporting schedules were observed such as: (a) errors in reporting appropriations and allotments resulting in understatement of the total adjusted appropriations by ₱37,843,815.00 and obligated amounts more than the appropriations and allotments received; (b) discrepancies between the amounts recorded in the Registries of Allotments, Obligations and Disbursements (RAODs) and Statement of Appropriations, Allotments, Obligations, Disbursements and Balances (SAAODB); (c) non-compliance with the forms for RAODs prescribed in Volume II of the GAM for NGAs; and (d) non-submission of reports/records and other documents to support the amounts reported in the SAAODB. (*Observation No. 3*)

We recommended that the Management cause the correction of errors noted in the appropriations and allotments reported in the SAAODB; regularly maintain and update RAODs to facilitate and efficiently monitor, account and report budget utilization at any given year; prepare registries using the prescribed format in Volume II of the GAM for NGAs; and submit the budget reports/records and other documents mentioned in par. 3.12, Part II of this Report for further audit.

4. Only the output indicator for appealed cases affirmed before higher authorities with a target of 98 percent was achieved with accomplishment rate of 99 percent, while targets for the three outcome/output performance indicators in the FY 2020 GAA for the implementation of the Agency's Labor Arbitration Program were not attained due to the implementation of Alternative Work Arrangements (AWA) with only skeletal workforce which reduced office hours during the COVID-19 pandemic outbreak. Only (a) 56 percent decrease, as against the target of 61 percent increase in the cases resolved through conciliation-mediation was accomplished; (b) 85 percent of original or appealed cases, as opposed to the 96 percent target, were decided within the nine-month process cycle time (PCT) for the RABs and six-month PCT for the Commission Proper (CP); and (c) 43 percent of cases, which is below the

69 percent target, were resolved within three months from filing thereof. (Observation No. 8)

Although majority of the targets on the outcome/output indicators for the implementation of the Labor Arbitration Program was not achieved in CY 2020, we still commended the Agency for exerting efforts to carry on with the implementation of its programs despite the challenges caused by the Pandemic in CY 2020. However, we recommended that the Management:

- a. apply the target outcome/output indicator as a factor in reporting the accomplishment on the Double-Barreled Conciliation-Mediation Program based on the percentage increase in cases resolved which requires the comparison between the number of cases resolved through conciliation-mediation in the previous and current year; and
- b. formulate or design strategies, in addition to those currently applied by the Agency, to improve its performance and reach the succeeding years' targets taking into consideration the management of risks in times of adversities such as the COVID-19 pandemic.

The foregoing audit observations and recommendations were communicated through Audit Observation Memoranda (AOMs) and discussed with Management officials in an Exit Conference conducted on June 9, 2021 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, 2020 amounted to ₱1,054,754.53, ₱1,882,463.40 and ₱633,775.48, 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 62 prior years' audit recommendations, which were contained in the CYs 2018 and 2019 CAARs, 34 were fully implemented and 28 were not implemented as of December 31, 2020, as summarized in the following table. The details of prior year's recommendations are discussed in Part III of the Report.

Status of Implementation	Number of Recommendations	Percentage
Fully Implemented	34	54.84
Not Implemented	28	45.16
Total	62	100.00