



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

**CONSOLIDATED
ANNUAL AUDIT REPORT**

on the

**NATIONAL LABOR RELATIONS
COMMISSION**

For the Year Ended December 31, 2019

EXECUTIVE SUMMARY

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

The Commission is composed of a Chairman, 23 Commissioners, 120 Commission Attorneys and 146 Labor Arbiters, of which 76 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 plantilla positions, of which 1,114 are filled-up as of year-end, leaving a balance of 181 unfilled positions. The NLRC Central Office (CO) and RABs Offices have 261 and 853 officers and employees, respectively. There are 39 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 1st to 6th Divisions and NCR Arbitration Branch (NCRAB). The 7th and 8th Divisions, the 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 following Performance Indicators in its Organizational Outcome on Labor Disputes Resolution Services for Calendar Year (CY) 2019:

Performance Indicators	Target	Accomplishment	Percent
1. Percentage increase in cases resolved through conciliation-mediation	60%	61%	101.67
2. Percentage of original/appealed cases processed within nine months or 270 days/six months or 180 days	96%	96%	100.00
3. Percentage of decisions affirmed by a higher court	98%	99%	101.02
4. Percentage of cases resolved within three months from filing of case	68%	67.59%	99.40

The NLRC posted an overall case output totaling 66,747 cases, of which, 13,455 cases were disposed of through conciliation and mediation under the Single-Entry Approach (SEnA); 41,690 cases through compulsory arbitration by the RABs; and 11,602 appealed cases resolved by the CP.

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 13,455 labor disputes thru mandatory conference under SEnA and 25,521 under compulsory arbitration or a total of 38,976 labor disputes, benefiting a total of 51,884 number of workers involved, with settlement award of ₱4,234,827,833.88.

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 2019 based on inflow of cases received including the beginning balances:

Regular Inflow and Outflow of Cases (Excluding SEnA)

Level	Beginning Balance (Jan. 1, 2019)	Total Cases Received Regardless of Age	Cases Handled	Cases Disposed (2019)		Ending Caseload (Dec. 31, 2019)
				Actual	Percent	
RABs	11,787	41,104	52,891	41,690	79	11,201
CP	823	12,012	12,835	11,602	90	1,233
Total	12,610	53,116	65,726	53,292	81	12,434

Out of 41,690 cases disposed of, 30,101 or 72 percent was resolved in favor of labor (employee), and 11,589 or 28 percent in favor of Management (employer). The amount of Judgment Awards reached ₱7.761B benefiting 58,921 workers. Of the total amount awarded, ₱3.725B was awarded through settlement, benefiting 32,620 number of workers involved, and ₱4.036B through decisions on the merit, benefiting 26,301 number of workers involved.

The NLRC also implemented the Project Speedy and Efficient Delivery of Labor Justice (SpeED), which prescribes the periods-Process Cycle Time (PCT) of deciding labor cases brought to the RABs and Appellate Level under its compulsory arbitration services. Under Project SpeED, the Agency committed to dispose 96 percent of their cases within the PCT of which, it accomplished 96.35 percent or 51,348 out of 53,292 decided cases. Furthermore, the Agency was able to dispose 67.59 percent or 36,018 out of 53,292, decided cases within three months which is near its 68 percent accomplishment target per GAA.

On appealed cases, the CP disposed 99.41% or 11,534 out of 11,602 target cases, of which, 8,383 or 72 percent was resolved in favor of labor (employee) and 3,219 or 28 percent in favor of Management (employer). The amount of Judgment Awards reached ₱2.169B, benefiting 10,483 number of workers involved as of December 31, 2019.

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 the CY 2019, 99 percent or 7,150 of 7,222 decided cases appealed were affirmed by the concerned higher authorities, thus an indication of the Commission's Labor Arbiters' diligence in the performance of their work.

C. Financial Highlights

The NLRC had total appropriations of ₱1,513,770,000.00 for its Agency-Specific Budget under the General Appropriations Act (GAA) for Fiscal Year (FY) 2019, which is augmented by budget releases of ₱334,038,755.00 from the Miscellaneous Personnel Benefits Fund and ₱62,716,068.00 Automatic Appropriations for Retirement and Life Insurance Premiums (RLIP). Total allotments received amounted to ₱1,643,872,355.00, of which ₱1,643,318,267.48 obligations were incurred, thus, leaving an unobligated balance of ₱554,087.52. Details of allotments, obligations incurred and unobligated balance, are shown below:

Appropriations, Allotments, Obligations Incurred and Balances

Sources of Funds	Appropriations	Allotments Received	Obligations Incurred	Unobligated Balance
(In PhP)				
Current Year's Appropriations				
1. Regular Funds (Agency-Specific Budget)				
Personnel Services (PS)	1,095,106,000.00	1,083,559,057.00	1,083,559,057.00	-
Maintenance and Other Operating Expenses (MOOE)	190,900,000.00	163,058,475.00	163,058,066.44	408.56
Capital Outlay	227,764,000.00	500,000.00	500,000.00	-
Sub-total	1,513,770,000.00	1,247,117,532.00	1,247,117,123.44	408.56
2. Other Releases-Special Purpose Funds				
Miscellaneous Personnel Benefit Funds	-	82,689,602.00	82,135,933.03	553,668.97
Pension and Gratuity Fund	-	251,349,153.00	251,349,153.00	-
Sub-total	-	334,038,755.00	333,485,086	553,668.97
3. Automatic Appropriations				
RLIP		62,716,068.00	62,716,058.01	9.99
Sub-total		62,716,068.00	62,716,058.01	9.99
Total	1,513,770,000.00	1,643,872,355.00	1,643,318,267.48	554,087.52

The Agency's financial position and performance for CY 2019 with comparative figures for CY 2018 are as follows:

Particulars	2019	2018 (As Restated)
	(In PhP)	
Financial Position		
Assets	2,983,246,260.86	2,521,524,528.98
Liabilities	2,897,133,303.76	2,435,254,262.81
Net Assets/Equity	86,112,957.10	86,270,266.17
Financial Performance		
Revenue	27,014,882.02	24,499,323.46
Less: Current Operating Expenses		
PS	1,482,948,306.09	1,317,178,710.84
MOOE	144,628,419.35	135,845,919.32
Financial Expenses	1,321,495.10	18,393.79
Non-Cash Expenses	7,786,766.80	7,759,414.80
Total Current Operating Expenses	1,636,684,987.34	1,460,802,438.75
Surplus (Deficit) from Current Operations	(1,609,670,105.32)	(1,436,303,115.29)
Net Financial Assistance/Subsidy	1,648,397,886.72	1,470,329,226.78
Sale of Assets	70,232.25	4,945.50
Gains	253,076.25	1,272,463.31
Losses	(2,296,234.18)	-
Surplus (Deficit) for the Period	36,754,855.72	35,303,520.30

For its service income in CY 2019, the NLRC-CO and RABs reported total collections/receipts of nominal fees and charges of ₱27,014,882.02 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- eight Divisions, 15 RABs and 10 Sub-RABs for CY 2019. 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 2019. As stated in the Independent Auditor's Report and discussed in details Part II of this report, a total misstatement of ₱12,537,441.81, was found in Cash and Cash Equivalents, Inventories, Property Plant and Equipment (PPE), Financial Liabilities, and Maintenance and Other Operating Expenses

accounts of the NLRC and its Regions due to accounting errors and omissions, thus, the accuracy, completeness, classification, and 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, among others, as discussed in Part II of this Report:

1. There were total misstatements of ₱12,537,441.81 found in the Cash and Cash Equivalents, Inventories, Property Plant and Equipment, Financial Liabilities, and Maintenance and Other Operating Expenses accounts of the NLRC and its Regions due to accounting errors and omissions, which significantly affect the fair presentation of its financial statements (FSs) as at December 31, 2019. (*Observation No. 1*)

Cash accounts:

We recommended that the Management of:

- a. **NLRC – CO, NCRAB, RAB Nos. V, IX and XI recognize all reconciling items in the BRSs that require correction/adjustment in the books to reflect the correct balance of the Cash in Bank accounts and other affected accounts;**
- b. **RAB No. V to:**
 - i. **direct the Accountant to take up in the books of accounts the unrecorded bank deposits;**
 - ii. **require the Cashier to coordinate with the Agency's depository banks namely, UCPB and LBP, Legazpi City Branch to obtain the necessary data on the deposits that were directly deposited by clients of the Agency; and**
 - iii. **require the Accountant to record promptly in the books of accounts all collections that are directly deposited by clients to the Agency's bank accounts to ensure the correctness of reported balances of the CIB and Liabilities/Income accounts and for fair presentation of the Agency's FSs.**

Inventories

We recommended that the Management of RAB Nos. V and CAR direct the Accountant/Acting Accountant to effect the necessary adjustments in the books of accounts on the Semi-Expendable PPE to reflect the correct balances of the Inventories account, in compliance with Section 10, Chapter 8 of the GAM for the NGAs, Volume I.

PPE accounts

We recommended that the Management of concerned RAB/Office direct the:

- a. Accountant to reclassify the PPE items in the Other Assets account to the specific asset accounts pursuant to PPSAS No. 17 and the Revised Chart of Accounts (RAB V);
- b. direct the Appraisal Committee to adjust the recorded value of the donated computer sets based on determined fair value (RAB XIII); and
- c. direct the Accountant to reclassify the donated computer sets from Other Assets account to the appropriate account ICT or Semi-Expendable ICT (RAB XIII).

Financial Liabilities

We recommended and NLRC CO and NCRAB Management agreed to direct the Accountant to:

- a. adjust the erroneous entries made in the Accounts Payable account; and
- b. revert to the Accumulated Surplus/(Deficit) account all undocumented Accounts Payable and those documented which remained outstanding for at least two years, for which no actual administrative or judicial claim has been filed, in accordance with EO No. 87 dated August 13, 2019.

Maintenance and Other Operating Expenses

We recommended and the Management of RAB No. XI agreed to direct the Petty Cash Fund Custodian to strictly comply with Section 54, Chapter 19 of the GAM for NGAs, Volume I and instruct the Bookkeeper to always coordinate with the PCF Custodian to ascertain accurate financial reporting in accordance with the PPSAS and GAM.

We recommended and Management of RAB No. XII agreed to direct the Accountant to record the necessary adjusting entries and to adhere the basic principle of accrual basis of accounting in recording transactions in the books of accounts by recording expenditures as accounts payable in the year to which

the transaction pertains to assure fund allocation from the respective year of allotment and appropriations.

2. Other accounting deficiencies totaling ₱384,824,497.69 were observed in the recording and reporting of financial transactions due to insufficient reconciliation of book and bank balances and of the accounting/property records, inadequacy of records and non-preparation of the required forms/reports to substantiate the account balances, thus, affecting the reliability, accuracy and completeness of the reported account balances of the Assets and Financial Liabilities accounts. (Observation No. 2)

Cash in Bank (CIB) accounts

We recommended that the Management of NLRC- CO and NCRAB:

- a. recognize all reconciling items in the BRSs that require correction/adjustment in the books to reflect the correct balance of the CIB accounts and other affected accounts; and
- b. NLRC - CO and NCRAB to fast track/facilitate the verification of the long-standing unverified reconciling item discrepancy of ₱13,562,529.63 in the Fiduciary Award (LBP Trust account) which overstates the books over the bank balance and take up the necessary adjustments/corrections to reflect the correct balance of the said CIB account;
- c. make representation with the concerned bank to immediately correct the bank errors noted in the last BRS and to facilitate the release of BS to NLRC.

We also recommended that the Executive Labor Arbiter of RAB III direct the personnel concerned to exert all efforts in gathering the necessary documents/records to update the SLs pertaining to the CIB-LCCA-UCPB and CIB-LCCA-LBP, respectively, and the respective reciprocal credit account Trust Liabilities.

Inventories

We recommended that the Management of RAB CAR direct the:

- a. Property Officer to prepare and submit to the Accounting Unit the RSMI to report the issuance of semi-expendable property; and
- b. Accountant to record in the books of accounts the issuance of semi-expendable items upon receipt of the RSMI.

We also recommended that the Management of RAB XI direct:

- a. the Supply Officer to include the Office Supplies Inventory in the RPCI and use the RPCPPE for PPE items; and
- b. instruct the Supply Officer and the Bookkeeper to reconcile their balances periodically.

PPE accounts

We recommended that Management of the CO and NCRAB and RAB XI direct the Property Officer and the Accountant to reconcile their respective records to establish the correct balance of the PPE accounts.

We recommended the Management of concerned RABs comply with laws, rules and regulations by GAM for NGAs, Volumes I and II, and require:

- a. the Chief Accountant/ Head of Accounting Unit to:
 - a.1. revise the RPCPPE as of December 31, 2019 based on actual physical count to include the PPE type, quantity as per count of the items, shortage or overage, and other required information, in accordance with the Instructions on the preparation of RPCPPE (Appendix 73) of the GAM for NGAs, Volume II, to facilitate verification and reconciliation (CO and NCRAB); and
 - a.2. maintain and thereafter promptly update PPELC for each class of PPE as prescribed in Section 42, Chapter 10 of the GAM (CO and NCRAB, RABs VI and XII);
- b. the Supply and/or Property Division/Unit to:
 - b.1. conduct physical inventory of all its PPE and prepare RPCPPE every year thereafter; (CO and NCRAB and 8th Division);
 - b.2. maintain complete PC for each class of PPE and update the same based on the Inspection and Acceptance Report and other supporting documents, issue/transfer/disposal and the description/information about the asset (RABs VI and VII);
 - b.3. prepare and maintain PAR acknowledged by end-users (RABs VII, X and 8th Division);
 - b.4. prepare and issue PTR for transfers of property from one accountable officer/Agency/Fund Cluster to another accountable officer/Agency/Fund Cluster;

- c. both Heads of Accounting and Supply and/or Property Units to reconcile their PPE records, such as: Property Cards, PPE Ledger Card, Physical Inventory Report and PAR (RABs VI, VII and XII).

We further recommended that Management of the concerned Offices immediately constitute an Inventory Committee to 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 Auditor a copy of the RPCPPE not later than January 31 of the following year in accordance with Section 38 of the GAM for NGAs, Vol. I (RABs VI and VII).

We recommended that the Management of RAB I ensure compliance with the provisions of Sections 39 and 40, Chapter 10 of the GAM for NGAs, Volume I and direct the Accountant to:

- a. determine the properties derecognized by obtaining a duly accomplished IIRUP from the Property Officer to substantiate recording of disposal, and prepare adjusting entries, if necessary. Thereafter, ensure that PPE shall be derecognized from the books, only upon submission of the IIRUP from the Property Officer after completion of disposal, as required under Sections 39 and 40, Chapter 10 of the GAM; and
- b. maintain PPELCs for each class of PPE in accordance with the instructions provided under Appendix 70, Volume II of the GAM, for proper monitoring and control.

We recommended that the Management of concerned RABs direct:

- a. the Property Officer to cause the disposal of the unserviceable properties in consonance with Section 79 of PD No. 1445; (RAB V)
- b. immediately dispose obsolete or outmoded, physically damaged/dilapidated property pursuant to Chapter 7 of the handbook on PSMS to save cost of repairs and maintenance; (RAB XII)
- c. the Acting Accountant to make the necessary adjusting entries to derecognize the assets from the books of accounts once the unserviceable properties are disposed in accordance with Sections 40(d) and 39(d) of Chapter 10 of GAM, Volume I. (RAB V and XII)

Advances account

We therefore restated our prior years' recommendation for Management to submit information on any collection effort or contingency plan on the possible recovery of the dormant unsettled cash advances while awaiting the Court's decision.

Trust Liabilities account

We recommended and reiterated our prior year's recommendation that Management direct the Accounting Division to:

- a. 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 (CO and NCRAB and RABs I, V, VI, VIII and IX);
- b. prepare a monthly Schedule of Trust Liabilities complete with details and ageing based on subsidiary records to show the Trust Liability for each case (CO and NCRAB);
- c. maintain and update the SLs for the Fiduciary fund to reflect identified reconciling items to minimize/eliminate the discrepancies and reflect the correct balance matching/supporting the GL Trust Liabilities account (CO and NCRAB and RABs I, V, VI, VIII and IX);
- d. maintain a separate SL for Execution Fund for the recording of collected fees and expenses paid out of the fund (CO and NCRAB);
- e. analyze the composition of the Trust Liabilities account and make necessary adjusting entries or corrections in the Trust Fund subsidiary record (RAB I); and
- f. include in the Notes to FS the necessary disclosures such as, but not limited to: i) the age of Trust Liabilities; and ii) the composition and balances of the Trust Liabilities as represented by the Cash Bonds and Fiduciary Awards and Execution Fees (CO and NCRAB).

Inter-Agency Payables

We recommended that the Management of NLRC-CO and NCRAB require its Accountant to analyze/investigate the cause/s of the noted discrepancy and make the necessary adjustments to correct the reported balances of Due to BIR, Due to GSIS and Due to Pag-IBIG accounts to ensure fair presentation of the FSs.

Other Receivables

We recommended that the Management:

- a. provide the Audit Team with an updated status of the cases filed with the Court together with all the supporting documents; and
- b. submit information on any contingency plan of the Management on the possible recovery of the trust fund while awaiting the Court's decision.

The foregoing audit observations and recommendations were communicated through Audit Observation Memoranda. Due to the present situation caused by COVID-19, the conduct of the exit conference was not feasible. In lieu thereof, we furnished a copy of the Summary of Audit Observations and Recommendations on the results of audit recommendations conducted for the CY 2019. Their comments were incorporated in the Consolidated Annual Audit Report (CAAR), where appropriate.

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

The total balances of suspensions, disallowances and charges as of December 31, 2019 amounted to ₱1,081,092.65, ₱2,077,463.40 and ₱860,893.48, respectively, remained unsettled at yearend, details of which 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 which were contained in the CY 2018 Consolidated Annual Audit Report (CAAR), and in the CYs 2014-2017 CAARs, 38 were fully implemented and 52 were not implemented as of December 31, 2019, as summarized on the following table. The details of prior years' recommendations are discussed in Part III of the Report.

Status of Implementation	Number of Recommendations	Percentage
Fully Implemented	38	42.22
Not Implemented	52	57.78
Total	90	100.00

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PART I

AUDITED FINANCIAL STATEMENTS



Republic of the Philippines
COMMISSION ON AUDIT
National Government Sector
Cluster 5 – Education and Employment
Commonwealth Avenue, Quezon City

INDEPENDENT AUDITOR'S REPORT

Atty. GERARDO C. NOGRALES
Chairman
National Labor Relations Commission
Quezon City

Qualified Opinion

We have audited the consolidated financial statements of the **National Labor Relations Commission (NLRC)**, which comprise the Consolidated Statement of Financial Position as at December 31, 2019, and the Consolidated Statement of Financial Performance, Consolidated Statement of Changes in Net Assets/Equity, Consolidated Statement of Cash Flows, and Consolidated Statement of Comparison of Budget and Actual Amounts for the year then ended, and Notes to the Consolidated 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 section of our Report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the NLRC as at December 31, 2019, and its consolidated financial performance, consolidated changes in net assets/equity, consolidated cash flows, consolidated comparison of budget and actual amounts and notes to consolidated financial statements for the year then ended in accordance with the Philippine Public Sector Accounting Standards (PPSASs).

Basis for Qualified Opinion

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

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

As discussed in Part II of this report, a total misstatement of ₱12,537,441.81 was found in Cash and Cash Equivalents, Inventories, Property Plant and Equipment, Financial Liabilities, and Maintenance and Other Operating Expenses accounts of the NLRC and its Regions due to accounting errors and omissions, thus, the accuracy, completeness, classification, and existence and rights and obligations of said accounts cannot be relied upon, thereby affecting the fair presentation of the financial statements.

Moreover, other accounting deficiencies totaling ₱384,824,497.69 were observed in the recording and reporting of financial transactions due to insufficient reconciliation of book and bank balances and of the accounting/property records, inadequacy of records and non-preparation of the required forms/reports, thereby affecting the reliability, accuracy and completeness of the reported balances of the aforesaid Asset accounts, including Receivables and Advances, and Financial Liabilities in the FSs as of December 31, 2019.

Emphasis of Matter

We draw attention to Note 5.2 - Other Receivables account of the financial statements. These are funds to support the Trust Liabilities account, which are subject of on-going litigation due to accountabilities of two former accountable officers, the uncertainty of collection of which affect the payment of Judgment Awards or may prejudice the satisfaction of awards of prevailing parties in labor cases to which the funds are intended. Our opinion is not unqualified in respect of this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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.

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

- Identify and assess the risk of material misstatements of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis of our opinion. The risk of not detecting a material misstatement resulting from fraud is higher for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or override of internal control.
- Obtain understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the NLRC's internal control.
- Evaluate appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statement present the underlying transactions and events in a manner that achieves fair presentation.

COMMISSION ON AUDIT

By:


OFELIA A. MONICO
Supervising Auditor

September 15, 2020

NATIONAL LABOR RELATIONS COMMISSION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
ALL FUNDS
AS AT DECEMBER 31, 2019

	<u>Note</u>	<u>2019</u>	<u>2018</u> <u>(As restated)</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	3.3, 4	₱ 2,853,409,756.91	₱ 2,409,528,010.25
Receivables	5	44,824,933.63	48,648,174.65
Inventories	3.4, 6	4,595,798.37	5,594,541.94
Other Current Assets	7	11,700,702.58	7,025,286.26
Total Current Assets		<u>2,914,531,191.49</u>	<u>2,470,796,013.10</u>
Non-Current Assets			
Property, Plant and Equipment	3.5,8	49,467,033.16	36,005,486.82
Intangible Assets	3.7,9	16,070,489.86	11,577,844.14
Other Non-Current Assets	7	3,177,546.35	3,145,184.92
Total Non-Current Assets		<u>68,715,069.37</u>	<u>50,728,515.88</u>
Total Assets		<u>2,983,246,260.86</u>	<u>2,521,524,528.98</u>
LIABILITIES			
Current Liabilities			
Financial Liabilities	10	25,243,061.97	8,498,962.79
Inter-Agency Payables	11	6,791,978.17	12,790,762.10
Trust Liabilities	12	2,864,790,455.43	2,368,090,619.08
Other Payables	13	307,808.19	45,873,918.84
Total Current Liabilities		<u>2,897,133,303.76</u>	<u>2,435,254,262.81</u>
Total Liabilities		<u>2,897,133,303.76</u>	<u>2,435,254,262.81</u>
Total Assets less Total Liabilities		<u>86,112,957.10</u>	<u>86,270,266.17</u>
NET ASSETS/EQUITY			
Accumulated Surplus/(Deficit)	14	86,112,957.10	86,270,266.17
Total Net Assets/Equity		<u>₱ 86,112,957.10</u>	<u>₱ 86,270,266.17</u>

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

**NATIONAL LABOR RELATIONS COMMISSION
CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE
ALL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Note</u>	<u>2019</u>	<u>2018</u> <u>(As restated)</u>
Revenue			
Service and Business Income	15	P 27,014,882.02	P 24,499,323.46
Total Revenue		<u>27,014,882.02</u>	<u>24,499,323.46</u>
Less: Current Operating Expenses			
Personnel Services	16	1,482,948,306.09	1,317,178,710.84
Maintenance and Other Operating Expenses	17	144,628,419.35	135,845,919.32
Financial Expenses	18	1,321,495.10	18,393.79
Non-Cash Expenses	19	7,786,766.80	7,759,414.80
Total Current Operating Expenses		<u>1,636,684,987.34</u>	<u>1,460,802,438.75</u>
Surplus/(Deficit) from Current Operations		(1,609,670,105.32)	(1,436,303,115.29)
Net Financial Assistance/Subsidy	20	1,648,397,886.72	1,470,329,226.78
Sale of Assets	21	70,232.25	4,945.50
Gains	21	253,076.25	1,272,463.31
Losses	21	(2,296,234.18)	-
Surplus/(Deficit) for the period		P <u>36,754,855.72</u>	P <u>35,303,520.30</u>

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

**NATIONAL LABOR RELATIONS COMMISSION
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS/EQUITY
ALL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Note</u>	<u>Accumulated Surplus/ (Deficit)</u> <u>2019</u>	<u>2018</u> <u>(As restated)</u>
Balance at January 1	P	86,270,266.17	P 76,995,085.81
Add/(Deduct):			
Other adjustments			39,177.96
Restated balance		<u>86,270,266.17</u>	<u>77,034,263.77</u>
Add/(Deduct):			
Changes in Net Assets/Equity for the Calendar Year			
Surplus/(Deficit) for the period		36,754,855.72	35,303,520.30
Adjustment of net revenue recognized			
directly in net assets/equity ¹	14	(37,115,485.49)	(25,753,912.66)
Others ²	14	203,320.70	(313,605.24)
Balance at December 31	P	<u><u>86,112,957.10</u></u>	P <u><u>86,270,266.17</u></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 revenues or expenses (e.g. transfer of PPE from one unit of the agency to another directly charged to Accumulated Surplus/(Deficit))

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

**NATIONAL LABOR RELATIONS COMMISSION
CONSOLIDATED STATEMENT OF CASH FLOW
ALL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Note</u>	<u>2019</u>	<u>2018</u> <u>(As restated)</u>
Cash Flows From Operating Activities			
Cash Inflows			
Receipt of Notice of Cash Allocation	P	1,683,711,991.72	P 1,531,270,377.01
Collection of Income/Revenues		27,665,263.86	25,295,701.72
Collection of Receivables		-	505,372.79
Trust Receipts		2,570,160,525.34	2,377,043,574.27
Other Receipts		1,125,313.27	778,439.38
Adjustments		197,641,267.77	112,525,109.74
Total Cash Inflows	22	<u>4,480,304,361.96</u>	<u>4,047,418,574.91</u>
Cash Outflows			
Remittance to National Treasury		29,083,725.46	25,067,741.88
Payment of Expenses		1,400,234,529.85	1,233,967,580.69
Purchase of Inventories		8,484,972.61	9,817,466.42
Grant of Cash Advances		20,268,803.26	4,546,516.02
Prepayments		2,253,514.58	69,900.58
Payment of Trust Liabilities		2,170,306,102.55	1,988,174,716.57
Remittance of Personnel Benefit Contributions and Mandatory Deductions		226,176,025.44	228,167,482.31
Release of other inter-agency fund transfers		-	1,740,428.29
Reversal of Unutilized NCA		35,314,105.00	60,941,150.23
Other adjustments		135,760,641.29	106,795,050.85
Total Cash Outflows	23	<u>4,027,882,420.04</u>	<u>3,659,288,033.84</u>
Net Cash Provided by (Used in) Operating Activities		<u>452,421,941.92</u>	<u>388,130,541.07</u>
Cash Flows from Investing Activities			
Cash Outflows			
Purchase/Construction of Property, Plant and Equipment		1,877,594.91	6,932,394.73
Purchase of Intangible Assets		4,365,504.53	8,640,655.94
Purchase of computer software		3,854.14	965,389.16
Total Cash Outflows		<u>6,246,953.58</u>	<u>16,538,439.83</u>
Net Cash Provided by (Used in) Investing Activities		<u>(6,246,953.58)</u>	<u>(16,538,439.83)</u>
Increase (Decrease) in Cash and Cash Equivalents		446,174,988.34	371,592,101.24
Effects of Exchange Rate Changes on Cash and Cash Equivalents	24	(2,293,241.68)	1,053,682.82
Cash and Cash Equivalents, January 1	4	<u>2,409,528,010.25</u>	<u>2,036,882,226.19</u>
Cash and Cash Equivalents, December 31		<u>P 2,853,409,756.91</u>	<u>P 2,409,528,010.25</u>

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

**NATIONAL LABOR RELATIONS COMMISSION
CONSOLIDATED STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
REGULAR AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

Particulars	Budgeted Amounts		Actual Amounts on Comparable Basis	Difference Final Budget and Actual
	Original	Final		
RECEIPTS				
Services and Business Income	30,992,000.00	30,992,000.00	27,984,712.21	3,007,287.79
Total Receipts	30,992,000.00	30,992,000.00	27,984,712.21	3,007,287.79
PAYMENTS				
Personnel Services	1,158,056,295.78	1,519,702,348.00	1,476,821,700.08	42,880,647.92
Maintenance and Other				
Operating Expenses	192,458,339.79	163,058,475.00	160,832,631.30	2,225,843.70
Capital Outlay	232,310,922.75	227,764,000.00	-	227,764,000.00
Total Payments	1,582,825,558.32	1,910,524,823.00	1,637,654,331.38	272,870,491.62
NET RECEIPTS/PAYMENTS	(1,551,833,558.32)	(1,879,532,823.00)	(1,609,669,619.17)	(269,863,203.83)

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

NATIONAL LABOR RELATIONS COMMISSION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2019
(Amounts are in Philippine Peso)

1. General Information/Agency Profile

National Labor Relations Commission (NLRC) was created by virtue of Presidential Decree (PD) No. 442, known as the Labor Code of the Philippines, 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 RA No. 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 Consolidated Financial Statements (FSs) of the NLRC for the year ending December 31, 2019 were authorized for issuance on March 20, 2020.

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 (CP) (First to Sixth Division based at Luzon, Seventh Division at Visayas, and Eight Division at Mindanao)
6. The 15 RABs

The NLRC has 1,295 approved plantilla positions, 1,114 of which were filled positions as of December 31, 2019. The eight divisions are composed of 23 Commissioners, with Chairman Gerardo C. Nograles sitting as the Presiding Commissioner of the 1st Division. The 15 RABs consist of 113 Offices of Labor Arbiters and 45 Offices for other services with the Executive Labor Arbiter of each RABs handling the administrative supervisory functions.

The NLRC Jurisdiction

The adjudicatory powers of the NLRC are being exercised by the 113 offices of Labor Arbiters in the NLRC-RABs and the CP that sits in eight divisions by virtue of RA No. 9347 for appealed cases.

The Labor Code of the Philippines enumerates and defines the jurisdiction of the NLRC.

The Arbitration Branch of the NLRC (Labor Arbiter) has original and exclusive jurisdiction under the Labor Code, as amended, on the following case 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 Labor Code of the Philippines, 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 Labor Code, 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 & 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 CP 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 & 263 of the Labor Code of the Philippines). The first six Divisions handle appealed cases from the National Capital Region (NCR), and other parts of Luzon (Regions I to V and Cordillera Administrative Region [CAR]) the Seventh Division handles appealed cases at Visayas Region and the Eight Division for appealed cases at Mindanao area.

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

Powers of the Commission

Article 218 of Book V of the Labor Code of the Philippines 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, 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 of from determining the dispute or part thereof, where it is trivial, or where further proceedings by the Commission are not necessary or desirable; and

4. To hold any person in contempt directly or indirectly and impose appropriate penalties therefor 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 (P500.00) or imprisonment not exceeding five (5) days, or both, if it be the Commission or a member thereof, or by a fine not exceeding one hundred pesos (P100.00) or imprisonment not exceeding one (1) 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 Commission or Labor Arbiter in the manner prescribed under Rule 71 of the Revised Rules of Court; and (As amended by Section 10, RA No. 6715, March 21, 1989)

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 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 of 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 or 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 Consolidated FSs have been prepared in accordance with the Philippines Public Sector Accounting Standards (PPSAS) issued by the Commission on Audit (COA) per COA Resolution No. 2014-003 dated January 24, 2014.

The Consolidated FSs have been prepared on the basis of historical cost, unless stated otherwise. The Statement of Cash Flows is prepared using the direct method.

3. Summary of Significant Accounting Policies

3.1 Basis of Accounting

The Consolidated FSs are prepared on an accrual basis in accordance with the PPSAS.

3.2 Consolidation

The Consolidated FSs reflect the assets, liabilities, revenues, and expenses of the reporting entity and all controlled entities.

The controlled entities are all those entities (including special purpose entities) over which the controlling entity has the power to govern the financial and operating policies. The controlled entities are fully consolidated from the date on which control is transferred to the controlling entity. They are de-consolidated from the date that control ceases.

Inter-group transactions, balances and unrealized gains and losses on transactions between members of the group are eliminated in full.

The accounting policies of the controlled entities are consistent with the policies adopted by the controlling entity.

The controlled entities are:

NLRC – Seventh Division at Cebu City

NLRC- Eight Division at Cagayan De Oro City

NLRC RABs:

- Cordillera Administrative Region, Baguio City
- RAB-I, San Fernando, La Union
- RAB-II, Tuguegarao, Cagayan
- RAB-III, San Fernando, Pampanga
- RAB-IV, Calamba, Laguna
- RAB-V, Legazpi City
- RAB-VI, Bacolod City
- RAB-VII, Cebu City
- RAB-VIII, Tacloban City
- RAB-IX, Zamboanga City
- RAB-X, Cagayan De Oro City
- RAB-XI, Davao City
- RAB-XII, Koronadal City
- RAB-XIII, General Santos City

3.3 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 Consolidated 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).

3.4 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.

3.5 Property, Plant and Equipment (PPE)

Recognition

An item is recognized as 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 PPE 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 NLRC 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 NLRC uses a residual value equivalent to five percent (5%) of the cost of the 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.

3.6 Leases

National Labor Relations Commission as a lessee

Operating lease

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

3.7 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 No. 5, Borrowing Costs.

Intangible Assets Acquired through Non-Exchange Transactions

The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date these were acquired.

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 is amortized over its useful life.

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

An intangible asset with indefinite useful lives shall not be amortized.

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.

3.8 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.

3.9 Prior Period Adjustments (2018)

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, 2019
Various overpayments of salaries and wages and other benefits in 2018.	Due from Officers and Employees	32,833.45	32,833.45
Recognition of Other Receivables and payments thereof (net effect) relating to the prior year/s.	Other Receivables	(375.00)	(375.00)
Unrecorded issuance of office supplies in 2018.	Office Supplies Inventory	(8,522.03)	(8,522.03)
Unrecorded issuance of Semi-Expendable Furnitures and Fixtures in 2018.	Semi-Expendable Furnitures and Fixtures	(4,995.00)	(4,995.00)
Recognition of prepaid rent (net) in prior year.	Prepaid Rent	50,745.00	50,745.00
Recognition of prepaid Sky Cable subscription in 2018 (net of expired portion in 2018)	Other Prepayments	22,183.33	22,183.33
Recognition of various payables to officers and employees (net of erroneous entry) in the prior year/s.	Due to Officers and Employees	5,874.80	5,874.80
Unrecorded accrued PhilHEALTH expenses in 2018.	Due to PhilHealth	(21.72)	(21.72)
Adjusting entry to correct the amount payable to Landbank	Due to GOCCs	24,523.06	24,523.06
To recognize the accrued service fees of Job Order personnel in December 2018.	Other Payables	(11,115.00)	(11,115.00)
Total			111,130.89

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 has accumulated at the reporting date are not recognized as expense. Non-accumulating compensated absences, like special leave privileges, are not recognized.

4. Cash and Cash Equivalents

Cash and Cash Equivalents are composed of the following:

Particulars	2019	2018
Cash on Hand	2,388,587.24	5,634,150.58
Cash in Bank – Local Currency, Current Account	2,725,273,134.90	2,325,004,506.03
Cash in Bank – Local Currency, Savings Account	70,374,539.83	220,886.39
Cash in Bank – Foreign Currency, Savings Deposit	55,373,494.94	71,399,194.05
Cash – Tax Remittance Advice	-	7,269,273.20
Total	2,853,409,756.91	2,409,528,010.25

4.1 **Cash on Hand** account consists of undeposited collections at the end of the year under the account of Cash-Collecting Officers amounting to **₱1,990,829.84** and Petty Cash Fund (PCF) in the amount of **₱397,757.40**. The PCF is maintained under the imprest system and utilized to pay out petty expenses. Replenishments of the fund are directly charged to the appropriate expense account.

4.2 **Cash in Bank-Local Currency, Current Account (LCCA)** or Fiduciary Fund amounting to **₱2,725,273,134.90** 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) and other Authorized Government Depository Banks (AGDBs) pursuant to Department of Finance (DOF) Department Circular No. 01-2017 dated 11 May 2017.

The fiduciary accounts maintained by the Central Office (CO) and NCR Arbitration Branch (NCRAB) at UCPB are combination of Savings and Current Accounts. The Agency reports the balance of these bank accounts under Cash in Bank – LCCA.

4.3 **Cash in Bank – Local Currency Savings Account (LCSA)** in the amount of **₱70,374,539.83** represent the Payroll account of the CO and NCRAB.

4.4 **Cash in Bank – Foreign Currency, Savings Deposit** account has ending balance of **\$1,091,231.24** as of December 31, 2019 or equivalent to **₱55,373,494.94** in Philippine Peso using the Foreign Currency Exchange Rate

Index of BSP as of the same date. This account is maintained at UCPB for the monetary judgment awards denominated in US Dollars.

Presented in table below are breakdown of Cash and Cash Equivalents per region/office:

Particulars	2019	2018
CO and NCR	1,656,903,994.82	1,536,147,050.88
Seventh Division	5,054,935.20	4,924,241.30
Eight Division	3,126,991.83	3,960,506.23
Cordillera Administrative Region (CAR)	16,553,993.57	7,833,521.74
RAB I	88,605,897.15	26,522,356.19
RAB II	36,110,239.12	19,240,639.77
RAB III	208,317,847.63	121,449,056.76
RAB IV	264,260,490.06	240,683,625.06
RAB V	30,618,969.10	28,602,791.41
RAB VI	70,043,536.82	75,144,414.12
RAB VII	203,281,190.22	126,668,720.16
RAB VIII	7,741,642.70	7,914,086.82
RAB IX	9,278,027.49	13,095,220.19
RAB X	41,993,690.10	37,547,323.40
RAB XI	105,648,115.74	51,643,682.69
RAB XII	20,775,032.65	24,255,224.57
RAB XIII	85,095,162.71	83,895,548.96
Balance at December 31	2,853,409,756.91	2,409,528,010.25

5. Receivables

Particulars	2019	2018 (As restated)
Inter-Agency Receivables	2,672,040.01	6,139,325.05
Other Receivables	42,152,893.62	42,508,849.60
Total	44,824,933.63	48,648,174.65

5.1 Inter-Agency Receivables

Particulars	2019	2018
Due from National Government Agencies (NGAs)	2,669,618.80	6,136,903.84
Due from Government Owned and Controlled Corporations (GOCCs)	2,421.21	2,421.21
Total	2,672,040.01	6,139,325.05

Due from NGAs account in the amount of **₱2,669,618.80** pertains to the following offices:

- CO and NCR – advance payment for common office supplies and PPE paid to the Department of Budget and Management (DBM)-Procurement Service amounting to **₱120,618.80** as of December 31, 2019.

- RAB VIII – fund transfer to Department of Public Works and Highways (DPWH) for the repair and rehabilitation of Office Building amounting to ₱2,549,000.00 as of year-end.

5.2 Other Receivables

Particulars	2019	2018 (As restated)
Receivables- Disallowances/Charges	1,766,862.55	2,049,417.55
Due from Officers and Employees	792,359.17	865,611.48
Other Receivables	39,593,671.90	39,593,820.57
Total	42,152,893.62	42,508,849.60

Receivables – Disallowance/ Charges account arose from payments/ disbursements disallowed by COA in the following offices:

Particulars	Amount	Aging		
		Less than 1 year	1 to 2 years	More than 2 years
CO	918,242.75	-	-	918,242.75
7 th Division	16,500.00	-	-	16,500.00
8 th Division	821,238.62	-	-	821,238.62
RAB VII	10,881.18	-	-	10,881.18
Total	1,766,862.55	-	-	1,766,862.55

Due from Officers and Employees account amounting to ₱792,359.17 is reported by the following offices:

- CO and NCR – unliquidated cash advances granted for local travel, tax arrears for the current year to be remitted to Bureau of Internal Revenue (BIR), advance payment of parking rental of officials and employees, receivable for overpayment of judgment award and overpayment of salaries and benefits of employees resigned/separated as of the end of Calendar Year (CY) 2019.
- RAB I – overpayment of salary of an employee due to preventive suspension.
- RAB XI – penalties charged to accountable employee due to late filing and remittance of withholding tax to BIR and tax arrears of an employee.
- RAB XII – overpayment of Step Increment of an employee.

Particulars	Amount	Aging		
		Less than 1 year	1 to 2 years	More than 2 years
CO and NCR	527,181.47	527,181.47	-	-
RAB I	11,747.88	-	11,747.88	-
RAB III	96,944.12	96,944.12	-	-
RAB VII	377.00	377.00	-	-
RAB X	152,475.45	-	152,475.45	-
RAB XI	3,633.25	-	3,633.25	-
Total	792,359.17	624,502.59	167,856.58	-

Other Receivables account consist of the following:

Particulars	Year Occurred	Amount
Receivables with administrative or criminal charges filed:		
Reported cancelled checks but fraudulently encashed in the bank	2001 to 2006	28,877,520.45
Reported deposits as per RCD but not credited by the bank as per Bank Statement	2006	10,038,015.37
Undeposited collections of former cashiers which form part of the cash shortages subject of the charges filed against them.	2004 to 2006	659,459.59
Sub-total		39,574,995.41
Overpayment in trust funds releases	2012	90.07
Overpayment of salaries and wages	2012	8,193.49
Over remittance of SSS and HDMF	2019	1,261.00
RAB III	2019	8,135.42
RAB X	2019	84.48
RAB XII	2019	912.03
Total		39,593,671.90

6. Inventories

Accounts	2019	2018 (As restated)
Inventories:		
Carrying Amount, Beginning	5,608,058.97	3,341,127.75
Procurement for 2019	10,654,549.92	9,527,376.01
Expensed During the Year except write-down	(11,617,838.49)	(7,440,873.41)
Prior Period Adjustments	(48,972.03)	166,911.59
Carrying Amount, Ending Balance	4,595,798.37	5,594,541.94

The Inventories account consist of the following:

- **Office Supplies Inventory account** in the amount of **P1,920,833.92** represents the office supplies procured and stored at the stockroom of the NLRC Supply Officer.

- **Accountable Forms, Plates and Stickers Inventory** account in the amount of **₱10,180.00** 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** account in the amount of **₱6,732.93** 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 Inventory** account amounted to **₱137,899.88** at the end of the year.
- At the end of the year, **Semi – Expandable Machinery and equipment Inventory** account amounted to **₱1,464,159.49** while **Semi – Expandable Furniture, Fixtures and Books Inventory** account amounted to **₱1,055,992.15**.

7. Other Assets

Particulars	2019		2018 (As restated)	
	Current	Non-Current	Current	Non-Current
Advances	411,860.09		142,604.43	
Prepayments	2,993,511.10		988,330.97	
Other Deposits	8,295,331.39		5,894,350.86	
Other Assets		3,177,546.35		3,145,184.92
Totals	11,700,702.58	3,177,546.35	7,025,286.26	3,145,184.92

7.1 Advances account consist of the following:

- **Advances to Special Disbursing Officer** account in the amount of **₱399,480.09** represent unliquidated cash advances as of December 31, 2019 granted to disbursing officers for payroll and for other specific activities.
- **Advances to Officers and Employees** in the amount of **₱12,380.00** is the unliquidated cash advance for travel expenses as of December 31, 2019.

7.2 Prepayments account represents the unexpired portion of prepaid rent and prepaid insurance and other prepayments, broken down as follows:

Particulars	2019	2018 (As restated)
	Prepaid Rent	2,915,302.51
Prepaid Insurance	66,818.99	145,285.02
Other Prepayments	11,389.60	33,572.95
Total	2,993,511.10	988,330.97

- 7.3 Deposits account pertains to security deposits required under the lease contract entered by NLRC CO, NCR, RABs VII, XI and XII.

Particulars	2019	2018
Other Deposits	7,941,728.39	5,546,480.86
Guaranty Deposits	353,603.00	347,870.00
Total	8,295,331.39	5,894,350.86

8. Property, Plant and Equipment (PPE)

Particulars	Property, Plant and Equipment								TOTAL
	Land and Other Land Improvements	Buildings	Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Books	Leased Assets and Improvements	Other Property, Plant and Equipment	Construction in Progress-Buildings and Structures	
Carrying Amount, January 1, 2019	539,400.00	-	16,072,851.13	13,084,482.46	1,168,197.26	8,578.98	173,214.34	4,958,762.65	36,005,486.82
Additions/Acquisitions	348,000.00	5,499,861.63	2,435,494.33	-	228,020.26	17,842,575.53	-	-	26,353,951.75
Adjustments	-	-	40,450.00	(58,232.31)	-	-	-	(4,958,762.65)	-
Total	887,400.00	5,499,861.63	18,548,795.46	13,026,250.15	1,396,217.52	17,851,154.51	173,214.34	-	(4,976,544.96)
Disposals	-	-	(34,693.48)	-	-	-	-	-	57,382,893.61
Depreciation (As per Statement of Financial Performance)	-	-	(4,492,366.53)	(2,395,126.81)	(99,387.24)	(770,678.16)	(108,185.83)	-	(142,879.31)
Impairment Loss (As per Statement of Financial Performance)	-	-	(15,422.40)	-	-	-	-	-	(15,422.40)
Carrying Amount, December 31, 2019 (As per Statement of Financial Position)	887,400.00	5,499,861.63	14,006,313.05	10,631,123.34	1,296,830.28	17,080,476.35	65,028.51	-	49,367,033.16

Particulars	Property, Plant and Equipment								TOTAL
	Land and Other Land Improvements	Buildings	Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Books	Lease Assets Improvements	Other Property, Plant and Equipment	Construction in Progress-Buildings and Structures	
Gross Cost (Asset Account Balance per Statement of Financial Position)	887,400.00	5,499,861.63	53,945,715.75	37,232,586.10	3,366,995.29	22,474,472.89	375,117.00	-	123,782,148.66
Accumulated Depreciation	-	-	(39,939,402.70)	(26,601,462.76)	(2,070,165.01)	(5,393,996.54)	(310,088.49)	-	(74,315,115.44)
Carrying Amount, December 31, 2019 (As per Statement of Financial Position)	887,400.00	5,499,861.63	14,006,313.05	10,631,123.34	1,296,830.28	17,080,476.35	65,028.51	-	49,367,033.16

- Additions/Acquisitions consist of procurement for CY 2019 of PPE amounting to ₱26,353,951.75, included in this amount is the reclassified beginning balance of Construction in Progress – Building and Structures of RAB II to Buildings account in the amount of ₱4,958,762.65. Notable addition also to PPE is the recognized Leased Land and Building of 7th Division in the net amounts of ₱10,623,514.62 and ₱11,695,378.68, respectively.

- Adjustments refer to prior period adjustments such as erroneous recording of cost of PPE and overstatement/understatement of recorded accumulated depreciation.

9. Intangible Assets

Particulars	Computer Software	Development in Progress	Intangible Assets
Carrying Amount, January 1, 2019	938,023.12	10,639,821.02	11,577,844.14
Additions/Acquisitions	3,854.14	4,523,461.25	4,527,315.39
Adjustment	(20,884.01)	-	(20,884.01)
Total	920,993.25	15,163,282.27	16,084,275.52
Disposals	-	-	-
Amortization (As per Statement of Financial Performance)	(13,785.66)	-	(13,785.66)
Impairment (As per Statement of Financial Performance)	-	-	-
Carrying Amount, December 31, 2019 (As per Statement of Financial Position)	907,207.59	15,163,282.27	16,070,489.86

Particulars	Computer Software	Development in Progress-Computer Software	Total Intangible Assets
Gross Amount Asset Account Balance per Statement of Financial Position	1,066,504.09	15,163,282.27	16,229,786.36
Accumulated Amortization	(159,296.50)	-	(159,296.50)
Carrying Amount, December 31, 2019 (As per Statement of Financial Position)	907,207.59	15,163,282.27	16,070,489.86

Development in Progress pertains to Computer Software and Website being developed in the amount of ₱14,878,282.27 and ₱285,000.00, respectively.

10. Financial Liabilities

10.1 Payables

Particulars	2019	2018 (As restated)
Accounts Payable	5,407,057.84	4,337,138.10
Due to Officers and Employees	5,830,856.24	4,161,824.69
Finance Lease Payable	14,005,147.89	-
Total Payables	25,243,061.97	8,498,962.79

- **Accounts Payable** account consists of unclaimed checks at the end of the year under trust fund accounts and unpaid obligations for 2019 under the general fund.
- **Due to Officers and Employees** account are unpaid claims of officers and employees as of December 31, 2019.
- **Finance Lease Payable** account pertains to the land and building of 7th Division.

11. Inter-Agency Payables

Particulars	2019	2018 (As restated)
Due to BIR	1,828,941.24	8,032,285.82
Due to GSIS	1,823,705.08	1,865,081.86
Due to PAG-IBIG	550,831.77	565,339.77
Due to PhilHealth	665,284.32	666,559.64
Due to NGAs	1,063,285.77	792,515.04
Due to GOCCs	859,929.99	868,979.97
Total	6,791,978.17	12,790,762.10

- 11.1 **Due to BIR, GSIS, PAG-IBIG, and PhilHealth** accounts are withholding taxes and employees' contributions deducted from payroll due for remittance by the Agency.
- 11.2 **Due to NGAs** account consists of unremitted collections for legal & research fund and other collections as of 31 December 2019.
- 11.3 **Due to GOCCs** account represents the amount deducted from the salaries of employees for payment of their loan from LBP, National Home Mortgage and Finance Corporation.

12. Trust Liabilities

Particulars	2019	2018
Trust Fund	2,858,868,964.50	2,364,488,417.16
Execution Fund	5,921,490.93	3,602,201.92
Total Trust Liabilities	2,864,790,455.43	2,368,090,619.08

Trust Liabilities account in the amount of **₱2,864,790,455.43** is the reciprocal account of the Cash in Bank – LCCA (Fiduciary Fund) which represents cash bonds posted by the respondents as the losing party. This also includes garnishments for the satisfaction of monetary awards in labor cases held in trust for proper disposition to parties upon finality of the decision of the Labor Arbiter. The noted insufficiency of the Cash in Bank – Fiduciary Fund to back up these trust obligations of the office was due to the

misappropriations of the former Cashiers which are the subject of the charges filed against them as stated in the Status Report by the Director of Research and Legal Department.

13. **Other Payables** account amounting to **₱307,808.19** represents the amount payable to National Labor Relations Commission Employees Association (NLRCEA), partial settlement of Notice of Charge of Marthalina Peralta and Angelito Escarcha to be transferred to NLRC Execution Fund account as well as amounts representing deposits for injunction bonds, injunction expense fund and appeal bonds posted by private parties or entities as of December 31, 2019.

14. **Net Assets/Equity** account consists of:

Particulars	2019	2018 (As restated)
Balance at January 1		
Other Adjustments	86,270,266.17	76,995,085.81
Restated Balance		39,177.96
Surplus/(Deficit) for the period	86,270,266.17	77,034,263.77
Adjustments directly recognized in Net Assets/ Equity	36,754,855.72	35,303,520.30
Others	(37,115,485.49)	(25,753,912.66)
Balance at December 31	203,320.70	(313,605.24)
	86,112,957.10	86,270,266.17

15. **Service Income** account consists of collected fees and charges which are deposited to the National Treasury, the details of which are as follows:

Particulars	2019	2018
Appeal Fees		
Clearance Fees	2,973,921.73	3,027,245.00
Certification Fees	2,162,500.00	2,028,252.00
Filing and Legal Fees	1,745,944.60	1,398,413.69
Other Service Income	4,591,553.39	4,505,537.60
Interest Income	11,829,072.38	10,522,367.79
Total	3,711,889.92	3,017,507.38
	27,014,882.02	24,499,323.46

16. **Personnel Services**

16.1 **Salaries and Wages** account represents payment to regular plantilla position personnel and casual employees. During the year, the Commission paid a total of ₱783,032,050.46 of Salaries and Wages.

Particulars	2019	2018 (As restated)
Salaries and Wages – Regular	782,910,857.66	677,438,939.70
Salaries and Wages - Casual/Contractual	121,192.80	67,561.29
Total	783,032,050.46	677,506,500.99

16.2 Other Compensation account consists of:

Particulars	2019	2018 (As restated)
Personnel Economic Relief Allowance	26,604,802.66	26,523,152.12
Representation Allowance	31,330,678.57	30,999,032.27
Transportation Allowance	30,094,170.51	29,728,357.37
Clothing/Uniform Allowance	6,612,000.00	6,666,757.00
Productivity Incentive Allowance	-	558,750.00
Longevity Pay	9,533,351.00	9,153,081.93
Overtime and Night Pay	386,587.66	270,804.88
Bonus	131,223,962.63	114,362,899.85
Cash Gift	5,517,750.00	5,620,250.00
Other Bonuses and Allowances	51,702,704.45	55,944,702.27
Total Other Compensation	293,006,007.48	279,827,787.69

- **Personnel Economic Relief Allowance** consists the monthly allowance in the amount of ₱2,000.00 granted to each NLRC personnel pursuant to Sec. 4 (f)(i) of Senate and House Representative Joint Resolution No. 4, s. 2009 and the General Appropriations Act (GAA) for Fiscal Year (FY) 2019.
- **RA and TA** are granted to authorized NLRC Officials as attached to their occupied positions and as authorized under the GAA for 2019 and NBC No. 546.
- **Clothing/Uniform Allowance** represents payment for annual clothing allowance in the amount of ₱6,000.00 per employee pursuant to the GAA, CY 2019.
- **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 Performance Enhancement Incentives, Collective Negotiation Agreement Incentive and Performance Based Bonuses authorized under NBC No. 2010-3 and Executive Order No. 80.

Particulars	Amount
Collective Negotiation Agreement Incentive	24,818,750.00
Productivity Enhancement Incentive	5,207,000.00
Other Bonuses and Allowances	21,676,954.45
Total	51,702,704.45

16.3 **Personnel Benefit Contributions** account consists of government contributions for NLRC officials and employees, as follows:

Particulars	2019	2018 (As restated)
Retirement and Life Insurance	62,521,755.89	54,762,837.58
Pag-IBIG	1,317,200.00	1,318,700.00
PhilHealth Insurance	5,175,441.91	5,040,521.59
Employees Compensation Insurance	1,314,500.00	1,313,549.73
Total	70,328,897.80	62,435,608.90

16.4 **Other Personnel Benefits** account consists of the following:

Particulars	2019	2018
Pension Benefits - Civilian	133,025,725.00	112,193,104.91
Retirement Gratuity - Civilian	103,644,608.00	91,829,983.22
Terminal Leave Benefits	49,483,791.00	62,275,324.15
Other Personnel Benefits	50,427,226.35	31,110,400.98
Total	336,581,350.35	297,408,813.26

- **Pension Benefits – Civilian** in the amount of **₱133,025,725.00** 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 Labor Code of the Philippines and RA No. 9946.
- **Retirement Gratuity – Civilian** in the amount of **₱103,644,608.00** 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 **₱49,483,791.00** 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 Executive Order No. 292.
- **Other Personnel Benefits** represent payments for Monetization of Leave Credits and Loyalty Awards.

17. Maintenance and Other Operating Expenses

Particulars	2019	2018 (As restated)
Travelling Expense	1,599,936.94	1,621,167.29
Training and Scholarship	2,465,277.64	4,046,466.24
Supplies and Materials	11,617,838.49	11,351,246.71

Particulars	2019	2018 (As restated)
Utility Expenses	16,284,146.53	17,379,668.70
Communication Expenses	18,677,812.13	15,753,118.94
Confidential, Intelligence and Extraordinary Expenses	22,923,704.96	22,978,788.78
Professional Services	1,148,811.60	1,322,027.58
General Services	18,982,730.14	15,472,367.41
Repairs and Maintenance	1,768,815.10	1,866,602.03
Taxes, Insurance Premiums and Other Fees	817,447.09	697,522.30
Other Maintenance and Operating Expenses	48,341,898.73	43,356,943.34
Total Maintenance and Other Operating Expenses	144,628,419.35	135,845,919.32

17.1 Traveling Expense

Particulars	2019	2018
Traveling Expenses- Local	1,599,936.94	1,621,167.29
Total	1,599,936.94	1,621,167.29

Traveling Expenses – Local in the amount of **₱1,599,936.94** were expended for local and domestic travels of officials and employees of Central Office and NCR 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 transportation expenses of bailiffs and liaison officers.

17.2 Training and Scholarship

Particulars	2019	2018
Training and Scholarship	2,465,277.64	4,046,466.24
Total	2,465,277.64	4,046,466.24

Training & Scholarship Expenses in the amount of **₱2,465,277.64** 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.

17.3 Supplies and Materials Expenses

Particulars	2019	2018 (As restated)
Office Supplies Expenses	7,203,352.74	6,949,884.00
Accountable Forms Expenses	78,440.00	48,610.00
Drugs and Medicines Expense	62,503.89	24,572.80
Fuel, Oil and Lubricants Expenses	1,566,483.91	1,520,751.64
Semi-Expendable Machinery and Equipment Exp.	671,857.37	749,862.88
Semi-Expendable Furniture, Fixtures, and Books	781,261.90	1,245,304.80
Other Supplies and Materials Expenses	1,253,938.68	800,260.59
Chemical and Filtering Supplies Expenses	-	12,000.00
Total	11,617,838.49	11,351,246.71

- **Office Supplies Expenses** in the amount of **₱7,203,352.74** are consumptions of common office supplies used for the operation of the Agency.
- **Accountable Forms Expense** is the costs of government accountable forms such as official receipts, checks issued to the accountable officers at the CO and RABs.
- **Fuel, Oil and Lubricants** in the amount of **₱1,566,483.91** 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 entitled to Transportation Allowance as per COA regulations and GAA for FY 2019.
- **Semi-Expendable Expenses** are semi-expendable office equipment, information and communication technology equipment, furniture and fixtures and books costing less than ₱15,000.00 issued to NLRC employees during the year.

17.4 Utility Expenses

Particulars	2019	2018
Water Expenses	1,819,553.16	1,412,753.05
Electricity Expenses	14,464,593.37	15,966,915.65
Total	16,284,146.53	17,379,668.70

17.5 Communication Expenses

Particulars	2019	2018 (As restated)
Postage and Courier Services	10,585,174.71	9,099,072.91
Telephone Expenses	4,673,386.20	4,799,829.80
Internet Subscription Expenses	3,382,200.49	1,816,909.55
Cable, Satellite, Telegraph and Radio Expenses	37,050.73	37,306.68
Total	18,677,812.13	15,753,118.94

- **Postage and Courier Services** in the total amount of **₱10,585,174.71** are payments made to Philippine Postal Corporation and Airfreight 2100, Inc. for the cost of postage, stamps and delivery of 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 **₱4,673,386.20** are payments to PLDT 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 RABs for the year.

- **Internet Subscription Expenses** in the amount of **₱3,382,200.49** represent payments to internet service providers of NLRC for its case monitoring and internet services for online submission of reports and online remittance of taxes.
- **Cable, Satellite, Telegraph and Radio Expenses** in the amount of **₱37,050.73** are payments to cable subscription of NLRC to Sky Cable during the year.

17.6 Confidential, Intelligence and Extraordinary Expenses

Particulars	2019	2018
Extraordinary and Miscellaneous Expenses	22,923,704.96	22,978,788.78
Total	22,923,704.96	22,978,788.78

Extraordinary and Miscellaneous Expenses in the amount of **₱22,923,704.96** are reimbursement of expenses incurred by the Offices of Commissioners, Executive Clerk of Court IV, Directors of Management and Administrative Department and Research and Legal Department, Executive Labor Arbiters and Labor Arbiters pursuant to the GAA for FY 2019.

17.7 Professional Services

Particulars	2019	2018
Legal Services	116,730.00	67,868.00
Auditing Services	934,258.60	1,067,667.50
Other Professional Services	97,823.00	186,492.08
Total	1,148,811.60	1,322,027.58

Legal Services represent payments to appearance fee and expenses of legal staffs that are appearing in court hearings for the NLRC pursuant to the GAA of 2019.

17.8 General Services

Particulars	2019	2018
Janitorial Services	3,292,558.29	(As restated) 2,906,461.06
Security Services	10,440,040.80	9,199,393.15
Other General Services	5,250,131.05	3,366,513.20
Total	18,982,730.14	15,472,367.41

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

17.9 Repairs and Maintenance

Particulars	2019	2018
Repairs and Maintenance – Buildings and Other Structure	134,359.30	60,800.55
Repairs and Maintenance – Machinery and Equipment	1,387,903.68	647,998.77
Repairs and Maintenance – Transportation Equipment	213,919.12	885,292.27
Repairs and Maintenance – Furniture and Fixtures	32,033.00	185,937.40
Repairs and Maintenance – Leased Assets Improvement	600.00	30,094.04
Repairs and Maintenance – Other Property, Plant and Equipment	-	56,479.00
Total	1,768,815.10	1,866,602.03

- **Repairs and Maintenance – Buildings and Other Structures** were incurred for the repair of offices.
- **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.

17.10 Taxes, Insurance Premiums and Other Fees

Particulars	2019	2018
Taxes, Duties and Licenses	166,583.91	112,395.23
Fidelity Bond Premium	232,225.70	190,295.00
Insurance Expenses	418,637.48	394,832.07
Total	817,447.09	697,522.30

- **Taxes, Duties and Licenses** are payments to Land Transportation Office (LTO) registration of NLRC motor vehicles and renewal of the license of NLRC fire arms used by the security guards.
- **Fidelity Bond Premium** are payments of bond premiums to the Bureau of the Treasury (BTr) for all NLRC Central Office and NCR bonded officers holding money and property accountabilities.
- **Insurance Expenses** payments to GSIS for the general insurance of NLRC properties.

17.11 Other Maintenance and Operating Expenses

Particulars	2019	2018
Advertising Expenses	-	29,400.00
Printing and Publication Expenses	735,379.91	530,792.22
Representation Expenses	2,576,797.28	1,836,005.23
Transportation and Delivery Expenses	606,668.58	95,729.00
Rent/Leased Expenses	42,935,195.32	39,996,471.73
Membership Dues and Contributions to Organizations	-	100.00
Subscription Expenses	217,994.00	205,989.00
Other Miscellaneous Expenses	6,713.50	-
Donations	60,900.00	-
Other Maintenance and Operating Expenses	1,202,250.14	662,456.16
Total	48,341,898.73	43,356,943.34

- **Advertising Expenses** incurred in posting advertisements in newspapers for invitation to bid and publications of en banc resolutions and other policy issuances.
- **Printing and Publication Expenses** incurred in the printing of NLRC revised rules of procedure.
- **Representation Expenses** are expenses incurred for in-house official meetings & conferences and outside office meetings and conferences with other government offices.
- **Transportation & Deliveries Expenses** account were payments of cost of freight charges for shipment of case records and Plant Property Equipment from/to NLRC Central Office and the RABs.

18. **Financial Expenses** represents bank charges paid during the year.

Particulars	2019	2018
Bank Charges	16,215.26	18,393.79
Interest Expense	1,292,356.32	-
Other Finance Charges	12,923.52	-
Total	1,321,495.10	18,393.79

19. Non-Cash Expenses

19.1 Depreciation

Particulars	2019	2018
Depreciation – Machinery and Equipment	4,492,366.53	4,112,800.13
Depreciation – Transportation Equipment	2,395,126.81	2,860,843.67
Depreciation – Furniture, Fixtures and Books	99,387.24	96,567.20
Depreciation – Leased Assets Improvements	770,678.16	8,066.69

Particulars	2019	2018
Depreciation – Other PPE	-	3,325.00
Total	7,757,558.74	7,081,602.69

Depreciation expense are computed on a straight-line method after deducting the 5% residual value from the total acquisition cost over the useful life as prescribed by COA.

19.2 Amortization

Particulars	2019	2018
Amortization-Computer Software	13,785.66	87,505.61
Total	13,785.66	87,505.61

19.3 Impairment Loss

Particulars	2019	2018
Impairment Loss-Property, Plant and Equipment	15,422.40	374,222.50
Impairment Loss-Computer Software	-	216,084.00
Total	15,422.40	590,306.50

Impairment loss of PPE account refers to unserviceable properties reported in the Inventory and Inspection Report of Unserviceable Property (IIRUP) while impairment loss of Computer Software account pertains to expired computer software.

20. Net Financial Assistance/Subsidy

Particulars	2019	2018
Notice of Cash Allocation (NCA)	1,521,985,049.00	1,398,525,397.00
Tax Remittance Advice	161,726,942.72	132,744,980.01
Total Subsidy from National Government	1,683,711,991.72	1,531,270,377.01
Reversion of Unutilized NCA	(35,314,105.00)	(60,941,150.23)
Net Financial Assistance/Subsidy	1,648,397,886.72	1,470,329,226.78

21. Net Gains/(Loss)

21.1 Sale of Assets

Particulars	2019	2018
Sale of Unserviceable Property	70,232.25	4,945.50
Total	70,232.25	4,945.50

21.2 Gains

Particulars	2019	2018
Gain of Foreign Exchange	-	1,053,682.82

Particulars	2019	2018
Other Gains		
Miscellaneous Income	156,219.60	156,473.49
Total	96,856.65	62,307.00
	253,076.25	1,272,463.31

Other Gains consists of the following:

Particulars	Amount
Income from Grants and Donations in Kind	
Proceeds from sale of bidding documents/records	27,500.00
Total	128,719.60
	156,219.60

21.3 Losses

Particulars	Amount
Loss on Sale of PPE	
Loss on Foreign Exchange (FOREX)	2,992.50
Total	2,293,241.68
	2,296,234.18

22. Cash Inflows from Operating Activities

22.1 Receipt of Notice of Cash Allocation

Particulars	2019	2018
Notice of Cash Allocation (NCA)	1,521,985,049.00	1,398,525,397.00
Tax Remittance Advice (Constructive Receipt of NCA)	161,726,942.72	132,744,980.01
Total	1,683,711,991.72	1,531,270,377.01

22.2 Collection of Income/Revenues

Particulars	2019	2018
Clearance Fees		
Certification Fees	3,334,030.74	2,803,435.00
Appeal Fees	829,060.36	779,228.99
Filing Fees	3,220,921.73	3,185,085.00
Other Service Income	4,877,864.35	4,787,460.00
Interest Income	11,716,693.33	10,816,600.24
Collection of Other Income	3,557,973.75	2,817,868.45
Total	128,719.60	106,024.04
	27,665,263.86	25,295,701.72

22.3 Trust Receipts

Particulars	2019	2018
Trust Fund		
Execution Fund	2,544,622,235.68	2,359,624,849.33
Total	25,538,289.66	17,418,724.94
	2,570,160,525.34	2,377,043,574.27

22.4 Other Receipts represents other collections of the Agency which relates to its operating activities.

Particulars	2019	2018
Unused Petty Cash Fund	30,257.40	14,370.25
Refund of Overpayment of PS	405,702.26	90.00
Receipt of refund of cash advances	7,110.00	359,395.10
Other miscellaneous receipts	682,243.61	404,584.03
Total	1,125,313.27	778,439.38

22.5 Adjustments represents various adjustments made by NLRC for cancelled/lost/staled checks, demand drafts, debit memo and other adjustments which amounted to **₱197,641,267.77**.

23. Cash Outflows from Operating Activities

23.1 Remittance to National Treasury

During the year, total receipts of **₱29,083,725.46** representing collections of various legal fees, refunds of cash advances and other receipts were remitted to the BTr by NLRC.

23.2 Payment of expenses refers to disbursement for Personnel Services (PS) and Maintenance and Other Operating Expenses (MOOE) of **₱1,234,659,622.86** and **₱165,574,906.99**, respectively.

23.3 Purchase of inventories pertains to cash purchases for office supplies, accountable forms, plates and stickers and drugs and medicines amounted to **₱8,484,972.61** during the year.

23.4 Grant of Cash Advances pertains to cash advances of **₱20,268,803.26** granted during the year to officials and employees for travelling expenses, operating expenses, payroll, and special purpose/time-bound undertakings.

23.5 Prepayments represents advance payments for rent, insurance and other prepayments made by the agency with total amount of **₱2,253,514.58**

23.6 Payment of Trust Liabilities are disbursements from trust accounts representing release of monetary judgment awards and refund of cash bond during the year with total amount of **₱2,170,306,102.55**.

23.7 Remittance of Personnel Benefit Contributions and Mandatory Deductions represents remittances during the year of personnel benefits and payroll deductions to GSIS, Pag-IBIG, PhilHealth, SSS and other financial institutions or organizations which amounted to **₱226,176,025.44**.

23.8 Reversal of Unutilized NCA

Particulars	Amount
CO and NCR	13,782,231.94
Seventh Division	1,563,044.04
Eight Division	4,875,516.05
CAR	360,987.40
RAB I	155,324.77
RAB II	57,258.84
RAB III	771,440.97
RAB IV	2,230,609.19
RAB V	557,406.55
RAB VI	1,874,676.84
RAB VII	2,947,536.42
RAB VIII	859,005.15
RAB IX	239,807.87
RAB X	2,292,964.71
RAB XI	1,798,670.17
RAB XII	827,868.22
RAB XIII	119,755.87
Total	35,314,105.00

23.9 **Other Adjustments** pertains to adjustments resulting to a credit to cash such as reversal of entries made for unclaimed checks as of December 31, 2019, adjustments in compliance with COA recommendations and other adjustments. For the year 2019, these adjustments amounted to **₱135,760,641.29**.

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

Particulars	Amount
Total amount in Dollar	\$ 1,091,231.24
Multiply by: Exchange rate as of December 31, 2019	50.744
Total Amount in Peso	55,373,494.94
Less: Book Balance	57,666,736.62
Foreign Exchange Gain (Loss)	(₱ 2,293,241.68)