



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Ave., Quezon City

CONSOLIDATED ANNUAL AUDIT REPORT

On the

NATIONAL LABOR RELATIONS COMMISSION

For the Year Ended December 31, 2013

EXECUTIVE SUMMARY

A. INTRODUCTION

This Consolidated Annual Audit Report (CAAR) of the National Labor Relations Commission (NLRC) for CY 2013 covers the financial transactions and operations of the NLRC's Main Office, eight Divisions, 14 Regional Arbitration Branches (RABs) and 10 Sub-RABs.

The NLRC is an attached agency of the Department of Labor and Employment (DOLE) for policy and program coordination. It 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. To carry out this mandate, the NLRC is authorized under Rule VI, Section 6 of the Rules of Procedures of the NLRC to collect cash and surety bond in an amount equivalent to the monetary award, exclusive of moral and exemplary damages and attorney's fees. The cash bonds and garnished amounts are treated as Trust Receipts and are deposited in an Authorized Government Depository Bank (AGDB) as an exemption from the provision of Executive Order (EO) No. 338 implemented by 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 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 adjudicatory powers of the NLRC are being exercised by the 93 offices of Labor Arbiters in the NLRC-RABs and the Commission Proper that sits in eight Divisions. The Commission Proper is 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 (Regions I to V and CAR), the Seventh Division handles appealed cases at Visayas Region and the Eight Division for appealed cases at Mindanao area.

With the passage of the NLRC Rationalization Act (R.A. 9347) which took effect on August 26, 2006, the Commission is composed of a Chairman, 23 Commissioners and Commission Attorney and 143 Labor Arbiters, of which 72 are in NCR. It is presently headed by Chairman, Honorable Gerardo C. Nograles, assisted by the 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.

Of the 1,193 plantilla positions the Commission has, 932 are filled-up as of year-end. The Main and RABs Offices have 259 and 673 officers and employees, respectively. There are 35 employees on Job Order basis and one casual.

The NLRC is adopting a partially decentralized system of accounting. One set of books of accounts is maintained for Main Office including the 1st to 6th Divisions, and RAB-NCR. The 7th and 8th Divisions, the 15 RABs (I-XIII NCR and CAR) and ten Sub-RABs (1, 3 to 10 and 12) maintain separate set of books of accounts.

B. OPERATIONAL HIGHLIGHTS

For the year 2013, among the significant accomplishments reported by the NLRC-Main and RABs are the following:

- On performance measure based on quantity, the table below presents FY 2013 case disposition vis-à-vis the target in the following:
 - (a) *Project Speedy and Efficient Delivery of Labor Justice (SpeED)*, under the 22-Point Philippine Labor and Employment Agenda of President Benigno S. Aquino III, with a target of **98% case disposition** of enrolled number of cases within the prescribed period, by end of December 2013

PROJECT SPEEDY & EFFICIENT DELIVERY OF LABOR JUSTICE (SpeED) 6 <i>(To dispose all cases within the prescribed period)</i>					
Level			Target	Actual Disposed	%
Regional (Original Case)	Arbitration	Branches	25,644	25,440	99%
Commission Proper (Appealed Cases)			9,949	9,837	99%
Grand Total			35,593	35,277	99%

- (b) *Office Performance Commitment Review (OPCR)* as required by the DOLE and CSC under Strategic Performance Management System (SPMS), with a target of **98% case disposition** of pending cases as of December 31, 2012 and newly-filed cases from January to March 2013, by end of December 2013; and,

OFFICE PERFORMANCE COMMITMENT REVIEW (OPCR) <i>(To dispose 98% of cases filed in March 2013 & earlier cases by end of December 2013)</i>					
Level			Target	Actual Disposed	%
Regional (Original Case)	Arbitration	Branches	16,821	16,623	99%
Commission Proper (Appealed Cases)			4,936	4,921	99%
Grand Total			21,757	21,544	99%

- (c) **Major Final Output** per Office Performance Indicator Framework (OPIF) as required by the DBM under the National Expenditure Program (NEP), with a total target of **46,500 (i.e. Regional Arbitration Branches – 33,000 and Commission Proper – 13,500) case disposition**, whether within or beyond the prescribed period, by end of December 2013.

MAJOR FINAL OUTPUT (OPIF) <i>(Target vs. Actual)</i>			
Level	Target	Actual Disposed	%
Regional Arbitration Branches (Original Case)	33,000	30,245	92%
Commission Proper (Appealed Cases)	13,500	11,925	88%
Grand Total	46,500	42,170	91%
*MFO must be at least 90% of its target per DBM Memorandum Circular No. 2012-03, November 12, 2012.			

- Under the Major Final Output (MFO), the NLRC was able to maintain a higher level of disposition of cases, and posted gains in reducing the number of pending cases.
- In 2013, the NLRC posted an overall output of 42,170 cases, 30,245 as original cases from the Regional Arbitration Branches (RABs), and 11,925 as appealed cases from the Commission Proper. . The Commission Proper attained 88% of its target disposition of cases of which 50% were resolved in favor of labor and 50% in favor of the management. At the RABs, the actual disposition of 30,245 cases, or 92% of its target, 68% were resolved in favor of labor and 32% were decided in favor of the management. Details are presented in the following table:

Office	Disposition of Cases			Disposed Cases in Favor of:			
	Target	Actual	%age	Management (Employer)	%age	Labor (Employee)	%age
Commission Proper*	13,500	11,925	88%	5,558	50%	5,518	50%
RABs	33,000	30,245	92%	9,761	32%	20,484	68%
Total	46,500	42,170	91%	16,168	38%	26,002	62%

- The Commission Proper received 11,409 cases, higher by 324 cases than the 11,085 cases received in 2012. In the RABs, cases received in 2013 decreased by 86 cases, from 30,107 in 2012 to 30,021 in 2013.
- Considering the total number of cases handled in 2013, NLRC-Main and RABs posted an overall output of 42,170 cases, 30,245 or 78% as original cases from the RABs and 11,925 or 90% as appealed cases from the Commission Proper. At the end of 2013, 8,489 original cases and 1,286 appealed cases or a total of 9,775 cases are still on hand.

*

Office	Balance 12/31/12	Cases Received CY 2013	Total Cases Handled	Disposed Cases	%age	Balance 12/31/13
Commission Proper	1,802	11,409	13,211	11,925	90%	1,286
RABs	8,713	30,021	38,734	30,245	78%	8,489
* Total	*10,515	41,430	51,945	42,170	81%	9,775

Adjustments after validation of cases inventory

Ageing of Ending Caseload* As of December 31, 2013

Age	RABs Disposition Period - within 9 months	Commission Proper Disposition Period - within 6 months
1-3 months old (Oct. to Dec., 2013)	4,338	929
4-6 months old (July to Sept. 2013)	2,891	235
7-9 months old (Apr. to July 2013)	1,180	69
10 months old and above (Mar. 2013 and earlier)	198	41
Total	8,607	1,274

*Data on ageing showed different figures on ending balances of cases from the previous table. In RABs, this was explained as based on individual receipt and output of the case, hence, a single docketed case can contain two or more records of age of pending case while in the Commission Proper was due to creation, assignment and transfers from one Division to another Special Division which could be divided to Special Division Proper and Special 1st and 2nd Division.

- Out of the total amount of ₱6.787 billion judgment awards at the RABs benefiting 37,972 workers, ₱3.582 billion were awarded through settlement, benefiting 23,845 workers, and ₱3.205 billion through decided cases with merits benefiting 14,127 workers. At the Commission Proper, ₱2.646 billion was awarded, benefiting 11,216 workers.

Mode	Amount Awarded in Billion	No. of Workers Benefitted
Commission Proper	₱ 2.646	11,216
RABs		
- By way of settlement	3.582	23,845
- Decision on the merits	3.205	14,127
TOTAL	₱ 9.433	49,188

- In 2013, the RABs settled 13,341 cases through the mandatory conciliation and mediation conference of the compulsory arbitration process which are in addition to the settlement during the initial mandatory conciliation and mediation conference under the Single-Entry Approach (SEnA) (Republic Act

No. 10396) Regional Arbitration Branches (RABs) of 6,264 or 37% settlement out of 16,389 Requests for Assistance, with ₱150,028,211.62 monetary benefits, and 6,979 workers benefited.

- The amount of judgment awards at the RABs reached ₱6.787 billion, benefiting 37,972 workers. Of the total amount awarded and workers benefitted, ₱3.582 billion were awarded through settlement, benefiting 23,845 workers, and ₱3.205 billion, through cases of merit (decided), benefiting 14,127 workers. At the Commission Proper, ₱2.646 billion was awarded, benefiting a total of 11,216 workers.
- The decisions promulgated by the Commission maintains high affirmation rate both in the Court of Appeals (CA) and in the Supreme Court (SC) as out of 1,431 NLRC cases resolved by the Court of Appeals, 1,296 cases or 90.56 percent were affirmed while for those resolved by the Supreme Court, affirmation rate reached 83.36 percent or 511 out of the 613.

C. FINANCIAL HIGHLIGHTS

During FY 2013, NLRC-Main and RABs had total appropriations of ₱818.35 million under General Appropriations Act for FY 2013 (RA 10155). Total allotments and Notice of Cash Allocation (NCA) received amounted to ₱818.35 million and ₱750.86 million, respectively. Out of the ₱818.35 million total allotments received, expenditures amounted to ₱816.89 million, thereby leaving an unobligated balance of ₱1.46 million. Details of the distribution of sources and application of funds are shown below:

I. Allotment, Obligations Incurred and Balances

Sources of Funds	Allotment	Obligations Incurred	Unobligated Balance
Current Year's Appropriations			
1. Regular Funds			
Direct Release			
PS	₱484,218,000.00	₱484,218,000.00	₱- 0.00
MOOE	122,595,000.00	122,468,369.47	126,630.53
CO	2,353,000.00	2,348,943.94	4,056.06
<i>Sub-total</i>	609,166,000.00	609,035,313.41	130,686.59
2. Other Releases			
PGF	121,072,715.00	120,860,107.55	212,607.45
MPBF	54,332,630.00	54,332,630.00	0.00
3. Automatic Appropriations			
	33,779,000.00	32,662,623.17	1,116,376.83
<i>Sub-total</i>	209,184,345.00	207,855,360.72	1,328,984.28
Total	₱818,350,345.00	₱816,890,674.13	₱1,459,670.87

II. Notice of Cash Allocation

Fund	NCA	Obligations Liquidated	Unexpended Balance	Reversion to National Treasury
101	₱750,858,806.00	₱727,661,098.28	₱23,197,707.72	₱23,197,707.72

For CY 2013, the NLRC-Main and RABs reported a total income of ₱24,094,848.72 from appeal, deposit, certification, attestation, certified machine copy, filing and execution fees, interests on bank deposits and proceeds from sale of unserviceable property for the account of the national government and were all remitted to the National Treasury, with details shown in the table below. The depository banks of NLRC's Trust/Fiduciary Fund accounts are the Land Bank of the Philippines and starting in February 2009, the United Coconut Planters Bank (UCPB). The latter is accredited by the Department of Finance as a depository bank of National Government Funds under its Memorandum dated November 12, 2002 and Department Order No. 27-05 dated December 9, 2005. Details of income are shown on the following:

Sources of Income	2013	2012	Increase/ (Decrease)
Nominal fees and Charges			
- Appeal	₱ 3,193,373.00	₱ 5,915,948.63	(₱2,722,575.63)
- Deposit	4,745,692.67	5,951,239.02	(1,205,546.35)
- Certification	1,610,150.00	1,904,904.00	(294,754.00)
- Attestation	3,110,000.00	4,014,400.00	(904,400.00)
- Certified Machine Copy	982,170.63	1,161,866.00	(179,695.37)
- Filing Fees	6,837,458.77	6,702,518.00	134,940.77
- Others	609,777.85	65,700.32	544,077.53
<i>Sub-Total</i>	₱ 21,088,622.92	₱25,716,575.97	(₱4,627,953.05)
Interest Income	2,664,886.92	3,436,645.93	(771,759.01)
Proceeds from Sale of Unserviceable PPE	341,338.88	0.00	341,338.88
Total	₱ 24,094,848.72	₱29,153,221.90	(₱5,058,373.18)

D. AUDIT SCOPE

The audit covered the review of accounts and operations of the NLRC's Main Office, eight (8) Divisions, 15 RABs and ten (10) Sub-RABs for CY 2013. It was aimed at determining whether the consolidated financial statements present fairly the financial position and results of operations of the Commission for the year then ended and the extent of compliance with existing laws, rules and regulations.

E. INDEPENDENT AUDITOR'S REPORT

We rendered a qualified opinion on the fairness of presentation of the financial statements in view of the materiality of the effects of the accounting deficiencies noted as stated in the Independent Auditor's Report and as discussed in detail in Part II of the report.

F. OBSERVATIONS AND RECOMMENDATIONS

The significant observations and recommendations which are discussed in detail in Part II of the report are summarized below:

1. On the disposition of cases based on the Major Final Output (MFO) 1 targets of the 2013 General Appropriations Act and total caseloads handled, the NLRC attained: a) 92 and 78.08 percent, respectively, in the compulsory arbitration by the RABs and b) 88 and 90.27 percent, respectively, for appealed cases in the Commission Proper, based on the results of the agency's performance in the arbitration and adjudication of labor cases and implementation of the 2011 Rules of Procedures, as amended.

The Single Entry Approach (SEnA) under MFO 2, as an immediate intervention process to effect amicable settlement among differing parties, had accomplished 37.20 percent out of the total Requests for Assistance of 16,839, wherein due to the absence of quantified targets, no conclusion was derived as to its success or failure.

We recommended that Management review its targets to attain 100 percent or higher accomplishment rate on the disposition of cases based on actual receipt of cases during the baseline years used in establishing the performance indicators.

2. Unclaimed cash bonds for RABs II, VI-Iloilo and XI in the amount of ₱4,991,712.22, ₱78,580.41 and ₱7,040,138.76, respectively, aged five to 19 years remained in the Cash in Bank-Local Currency Current Account Fiduciary Trust Accounts either due to the failure of Management to notify the complainants/awardees of the amounts due to them or these represent unresolved cases. Further, the Other Payables accounts of RABs II and III amounting to ₱10,961,684.16 and ₱10,063,854.76, respectively, were not supported with detailed schedules, records, documents or inventory of cases such that these were not fully validated if pertaining to unresolved or decided cases but still unpaid to awardees.

We recommended that NLRC Management:

- **require the conduct of the inventory of all pending cases, include the status to date and facilitate the maintenance and updating of the record of all cases handled;**
 - **establish monitoring strategies to enable claimants to receive what is due them within a reasonable period after preparation and approval of the claims;**
 - **require the concerned Accountants to reconcile bank records with the account balances per books and subsidiary records of valid claimants; and**
 - **require the Accountants to reconcile accounting records with the inventory list of cases submitted by the Labor Arbiters to come up with the account balances duly supported with valid claimants.**
3. The confirmed bank balance of Cash in Banks-LCCA of Main and NCRAB amounting to ₱780,932,454.01 for accounts with the Land Bank of the Philippines (LBP) and United Coconut Planters Bank (UCPB) was not yet reconciled to date with its book balance affecting the reliability of the book balance of ₱758,012,157.71 as of December 31, 2013 with a difference of ₱22,920,296.30. Further, for prior years' transactions reconciled with the bank records up to December 31, 2011 on LBP accounts, the amount of ₱13,562,529.63 was unaccounted and ₱2,559,333.14, net, was still subject to adjustments in the books for errors covering the periods from 2004 to 2011.

We recommended that NLRC Management:

- **require the Chief Accountant of Main and NCRAB to prioritize the updating of the BRS for Cash in Bank-LCCA with LBP and UCPB to cover the periods up to December 31, 2013, adjust the books for reconciling items or notify the banks for any adjustments/corrections and determine items affecting the total cash accountability of the dismissed Cashier; and**
 - **require that the final accountability of the dismissed Cashier be incorporated in the charges filed and that the events pertaining to such accountability be fully disclosed in the Notes to Financial Statements of the agency.**
4. The manner of preparation of the Report of Collections and Deposits by the NCRAB Cashier with Order of Payments as reference was not in compliance with NGAS guidelines and the figures were not tallied with the amounts directly

deposited by payors with the bank resulting to errors in captured collections and deposits data since there were transactions unpaid/undeposited or deposited in other dates. Further, the Order of Payments issued by the NCRAB Cashier were not pre-numbered resulting to double/multiple use of assigned numbers manually encoded. Likewise, collections of RAB VI Bacolod were not deposited intact the next banking day following its receipt with the Authorized Government Depository Bank (AGDB).

We recommended that Management:

- **require the Cashier-NCRAB to prepare the Report of Collections as prescribed under the NGAS Manual and reconcile the totals per Report of Collections and Deposits with the Bank Daily Abstract of Collections (UCPB), adjust/correct the report before the transmittal to the Accounting Unit;**
 - **require the Cashier-NCRAB to report on the issued Order of Payments (OP) that were not presented with the bank for deposit;**
 - **cause the preparation of the pre-numbered OP for NCRAB that the Cashier will issue to payors to eliminate the occurrence of double or multiple numbering of the form;**
 - **require the Accounting Unit to keep track of the Order OPs issued, e.g., series assigned and actually presented with the AAB and employ control measures to ensure that issued OPs that were not used by payors are monitored if presented at later dates;**
 - **continuously monitor the collections deposited with the AAB to ensure that all monies due to the government and those held in trust are fully accounted for ; and**
 - **require RAB VI Bacolod to monitor that all collections are deposited regularly and intact and that another personnel be designated either as collecting or disbursing officer for proper segregation of duties and responsibilities.**
5. Cash advances under the accounts Advances to Officers and Employees and Due from Officers and Employees of Main and NCRAB, were unadjusted for errors in recording, non-recording of refunds/liquidations in the net amount of ₱169,454.84, unreconciled with subsidiary records and unliquidated balances while cash advances totaling ₱47,053.00 granted from July to October 2013 for RAB VI Bacolod were not liquidated at the end of the year and RAB XIII failed to record correctly the cash advances liquidation.

We recommended Management require the Accountants of Main and NCRAB, RABs VI and XIII to:

- **determine the adjustments to be made on the erroneous cash advance balances per books;**
 - **adjust the books for the errors/over/understatements of the individual cash advance balances;**
 - **evaluate the beginning non-moving balances as to individual accounts and impose settlements;**
 - **issue corrected/adjusted and certified statement of unliquidated cash advances;**
 - **monitor that the remaining cash advances be liquidated; and**
 - **monitor the liquidation of the cash advances outstanding at year-end and cause the proper recording of liquidation in the General Journal.**
6. Property, Plant and Equipment account balances of Main and NCRAB, RABs IV, X and XIII had a difference of ₱20,182,677.31 when compared with the Property inventory balances due to unreconciled transfers to Regional Arbitration Branches, unrecorded disposal of PPE and misclassification of items while the PPE accounts of RABs I, II, V, IX and XII had unreconciled balances with the property records and those of RAB V were not insured with the General Insurance Fund of the GSIS

We reiterated our prior year's recommendations that Management requires the Accountants and Property Officers to:

- **observe proper classification of all PPE items carried in their respective records;**
- **reconcile the accounting and property records to arrive at the correct balances of each PPE account; and**
- **update the records for all transfers to RABs that were not properly taken up either in Accounting records or in the inventory reports of both the recipient and originating offices.**

For the current year's transactions we recommended that Management require:

- **the Accountants to review the propriety of the values reported as disposal of, as well as the errors in the book up of PPEs, in the current year and take up the necessary adjustments in the accounting records;**

- the Property Officers to reclassify the PPEs in agreement with the accounting treatment or to the proper PPE account, as the case may be;
 - all RABs to regularly conduct physical count of the PPEs, adjust the books or correct the inventory report based on the count and valuation of such PPEs; and
 - the Property Officer-designate of RAB V to prepare a list of all insurable properties of the agency and furnish the GSIS with the said list for appraisal of the amount of the premium to be paid for the insurance of the property and ensure compliance with the regulations.
7. Inventory of supplies and materials with year-end balance per books of Main and NCRAB amounting to ₱1,048,048.52 had a variance of ₱358,242.69 when compared with the supply records/physical count of ₱689,805.83 due to unrecorded issuances, direct charges to expenses instead of through inventory account and differing classification of office supplies, accountable forms and construction supplies inventories over/understating the affected account balances. Inventories per books of the 8th Division RAB X amounting to ₱336,881.70 were not reconciled in the absence of an inventory report and report of issuances for the year overstating the account balance.

We recommended that Management require the Accountants and Supply Officers to:

- reconcile and adjust their respective records to arrive at the corrected Inventory balances as of December 31, 2013 and onwards;
 - henceforth apply consistently the proper account treatment in the Inventory or Expense account, as the case maybe; and
 - cause the periodic preparation and submission of the Report of Supplies and Materials Issued to the Accounting Unit as document for the adjustment of the account Inventories and that all receipts and issuances be taken up in the books in the year when the transactions occurred.
8. In the absence of a plan or agency directives for the regular upkeep of Main and NCRAB's motor vehicles, the Repairs and Maintenance Expenses from January to December 2013 amounting to ₱716,465.78, a total of ₱376,164.86 was either reimbursed to end-users or charged to Petty Cash Funds instead of through normal procurement and disbursement processes and were found to be deficient or incomplete on the basic documentary requirements of the expenses incurred.

We recommended that NLRC Management:

- establish routine maintenance plan for all the service vehicles, direct a responsible official/personnel to take care of the execution of said plan including securing of budget or funds availability whereby said official shall be responsible for the evaluation of the repairs requested and the reasonableness of the funding requirements;
- cause the inclusion of repairs and maintenance expenses in the Annual Procurement Plan detailing the schedules for repair and the budgetary allocation for the servicing of vehicles for any given year; and
- require the Accounting Unit to ensure compliance with all the necessary documentary requirements for the repairs and maintenance of the service vehicles.

G. Status of Implementation of Prior Year's Audit Recommendations

We made a follow-up on the actions taken by the Main Office and RABs to implement the recommendations of prior years and we noted the following:

RAB	FULLY IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED
Main Office/NCRAB	3	9	none
CAR	1		
1	2	1	
2*	6	2	
3		1	2
4	1		
5			2
6. Iloilo and Bacolod	none	none	none
9	3	4	1
8 th Div Reg 10		2	2
10		2	1
11		1	1
12	1	1	1
13	4	2	

*With unimplemented recommendations for CY 2010

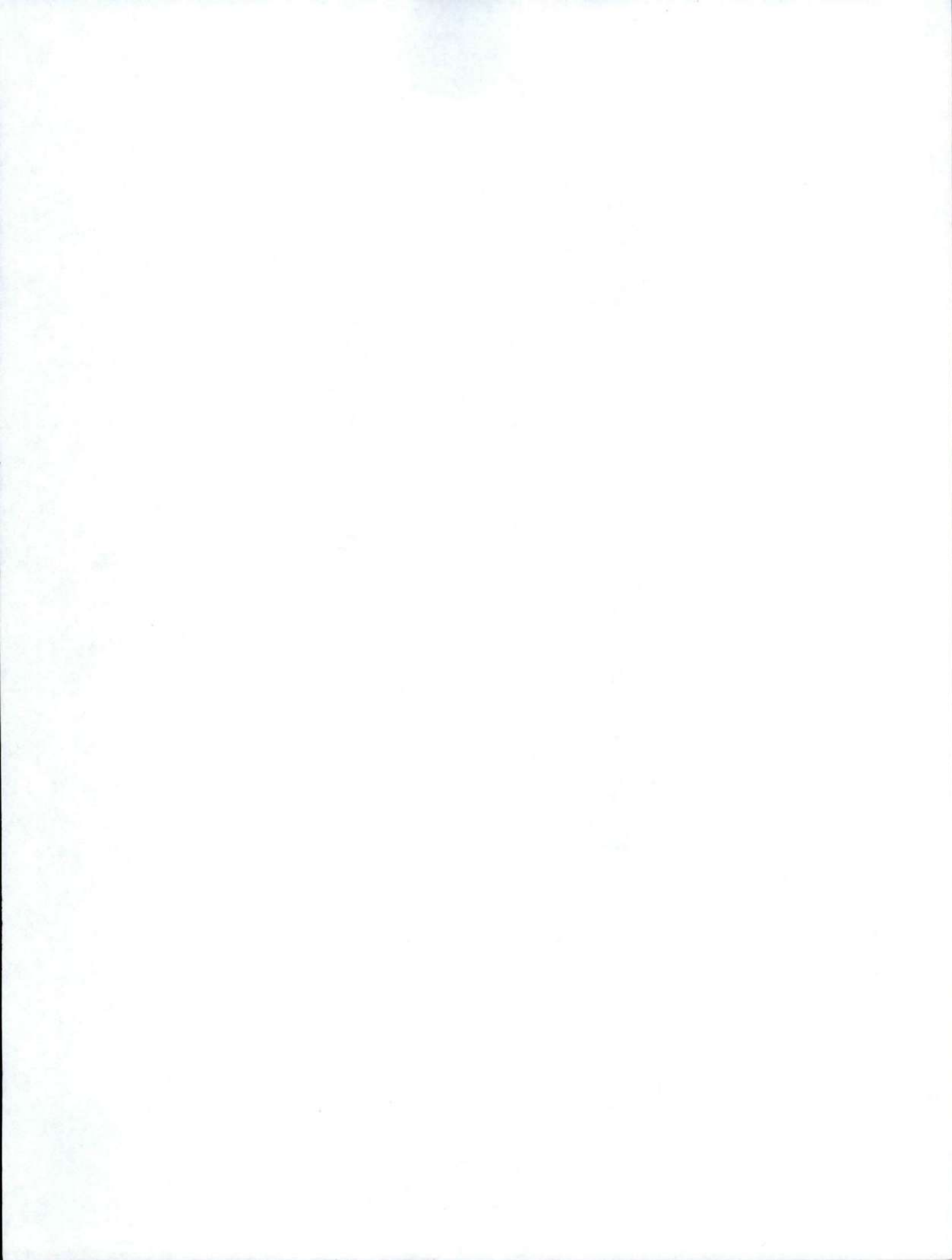


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PART I

AUDITED FINANCIAL STATEMENTS



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

INDEPENDENT AUDITOR'S REPORT

The Honorable Chairman
National Labor Relations Commission
PPSTA Building, Banawe St.
Quezon City

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of the Government Auditing Code of the Philippines (PD 1445), we have audited the accompanying Consolidated Balance Sheet of the National Labor Relations Commission (NLRC) as of December 31, 2013, and the related Consolidated Statements of Income and Expenses and Consolidated Cash Flows for the year then ended. These financial statements are the responsibility of the Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted state auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement/s. Our audit included examining, on a test basis, evidences supporting the amounts and disclosures in the financial statements. It also included assessing the accounting principles used and significant estimates made by the Management, as well as, evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Part II – Observations and Recommendations, the following deficiencies in the financial statements were noted:

1. Unreconciled balances per books compared with the bank balances of Cash in Bank-LCCA, Fiduciary Trust of Main and NCRAB accounts in the amount of ₱22,920,296.30 due to the failure of the Accountants to prepare Bank Reconciliation Statements and adjust the discrepancies in the current year.
2. Subsidiary balances for Main and NCRAB were not reconciled with that of the general ledger for the accounts Advances to Officers and Employees and Due from Officers and Employees of ₱1,033,806.84 and ₱540,607.66, respectively.
3. Unadjusted Property, Plant and Equipment account balances compared with the Property Inventory balances of Main, NCRAB, and RABs IV, X and XIII amounting to ₱20,182,677.31 was due to unreconciled transfers to Regional Arbitration Branches, unrecorded disposal of PPE, and misclassification of items and unreconciled balances with the property records.


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4. Unreconciled Inventory of Supplies and Materials balance per books of Main and NCRAB amounting to ₱358,242.69 when compared with the supply records/physical count due to unrecorded issuances, direct charges to expenses and misclassification of items.
5. Discrepancies on the account Due to GSIS of Main and NCRAB amounting to ₱240,553.55 was due to the failure of the Accounting Unit to adjust the books for remittances without proper liability set up and to provide details or subsidiary records for the balance of the account thus, affecting the correctness of the year-end balance.

In our opinion, except for the effects of the matters discussed in the preceding paragraphs, the financial statements referred to above present fairly, in all material respects, the financial position of the National Labor Relations Commission as of December 31, 2013, and the results of its operations and cash flows for the year then ended in conformity with generally accepted state accounting principles.

COMMISSION ON AUDIT

By:


ANTONIO L. GOPEZ
State Auditor V
Supervising Auditor

November 11, 2014



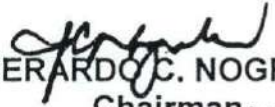
Republic of the Philippines
Department of Labor and Employment
NATIONAL LABOR RELATIONS COMMISSION
Quezon City

**STATEMENT OF MANAGEMENT RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

The management of National Labor Relations Commission is responsible for all information and presentations contained in the accompanying **Consolidated Balance Sheet of the NATIONAL LABOR RELATIONS COMMISSION as of December 31, 2013** and the related Statement of Income and Expenses and Cash Flow for the year then ended. The financial statements have been prepared in conformity with generally accepted state accounting principles and reflect amounts that are based on the best estimates and informed judgment of management with appropriate consideration to materiality.

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


ELVIRA F. CRUZ
Accountant IV


GERARDO C. NOGRALES
Chairman

NATIONAL LABOR RELATIONS COMMISSION

Revised Consolidated Detailed Balance Sheet

(With Comparative Figures for 2012)

As of December 31, 2013

	<u>2013</u>	<u>2012</u>
Current Assets:		
Cash (Note 3)		
Cash National Treasury - MDS	P 5,698,937.28	P 187,372.66
Petty Cash	110,292.31	24,753.27
Cash Collecting Officer	517,499.77	223,509.67
Cash Disbursing Officer	9.00	-
Cash in Bank - Local Currency Current Account	1,256,519,823.85	1,196,300,119.99
Cash in Bank - Local Currency Savings Account	2,588,969.45	2,688.40
Cash in Bank - Foreign Currency, Savings Deposit	50,278,325.68	34,838,002.61
Total Cash	<u>1,315,713,857.34</u>	<u>1,231,576,446.60</u>
Receivables (Note 4)		
Due from Regional Office	-	472,255.88
Due from National Treasury	180,703.82	50,000.00
Due from Officers & Employees	588,367.04	4,032,247.19
Due from NGAs	1,555,147.01	223,312.98
Due from GOCCs	2,421.21	2,421.21
Due from Central Office	12,071.28	12,071.28
Advances to Officers and Emploeyss	1,094,803.64	1,739,139.49
Receivables-Disallowance/Charges	1,351,379.76	1,383,606.86
Other Receivables	39,972,506.33	39,969,616.33
Total Receivables	<u>44,757,400.09</u>	<u>47,884,671.22</u>
Inventories (Note 5)		
Office Supplies Inventory	1,868,351.93	3,051,267.31
Accountable Forms Inventory	12,320.00	10,000.00
Other Supplies Inventory	4,292.57	4,749.32
Drugs and Medicines Inventory	19,604.76	16,053.16
Construction Materials Inventory	117,518.90	188,830.00
Total Inventories	<u>2,022,088.16</u>	<u>3,270,899.79</u>
Prepaid Expenses (Note 6)		
Prepaid Insurance	47,753.33	58,643.75
Prepaid Rent	5,226,215.00	5,196,215.00
Guaranty Deposit	207,720.00	207,720.00
Other Prepaid Expenses	14,639.91	12,689.91
Total Prepayments	<u>5,496,328.24</u>	<u>5,475,268.66</u>
Total Current Assets	<u>P 1,367,989,673.83</u>	<u>P 1,288,207,286.27</u>

	<u>2013</u>	<u>2012</u>
Plant, Property & Equipment (Note 7)		
Land	539,400.00	539,400.00
Other Structures	40,025.56	40,025.56
Leasehold Improvements	176,779.59	77,470.46
Office Equipment	18,641,711.64	17,887,244.21
Furniture & Fixtures	9,236,402.28	8,620,425.16
IT Equipment & Softwares	50,045,816.43	48,817,191.30
Communication Equipment	261,117.35	270,049.35
Library Books	8,038,029.32	7,915,468.72
Firefighting Equipment & Accessories	4,400.00	4,400.00
Motor Vehicles	31,487,580.50 ✓	30,939,480.50
Other Leasehold Improvement	669,458.03	562,192.03
Other Plant, Property & Equipment	919,538.26	1,015,917.33
Total	120,060,258.96	116,689,264.62
Less: Accumulated Depreciation	61,359,706.30	53,414,960.80
Net Sound Value	<u>58,700,552.66</u>	<u>63,274,303.82</u>
Other Assets (Note 8)	<u>1,855,613.91</u>	<u>3,086,074.87</u>
TOTAL ASSETS	<u>P 1,428,545,840.40</u>	<u>P 1,354,567,664.96</u>
Current Liabilities (Note 9)		
Accounts Payable	4,975,428.42	1,662,174.96
Due to Officers & Employees	3,854,534.85	3,000,883.19
Due to National Treasury	2,365,206.66	9,221,866.01
Due to Bureau of Internal Revenue	2,788,449.36	3,076,106.42
Due to GSIS	2,109,405.15	2,400,163.66
Due to PAG-IBIG	571,277.56	546,974.19
Due to PHILHEALTH	666,291.49	410,079.36
Due to Nat'l Gov't. Agencies	279,268.50	281,138.50
Due to Gov't Owned or Controlled Corp	1,299,381.69	1,300,515.53
Due to Central Office	27,006.27	-
Performance/Bidders/Bail Bonds Payable	-	2,677,372.02
Other Payables	1,330,598,077.90	1,241,185,254.30
Total	<u>P 1,349,534,327.85</u>	<u>P 1,265,762,528.14</u>
Equity (Note 10):		
Government Equity, Beginning	88,805,136.82	67,155,676.76
Current Operations	(7,587,124.05)	11,195,695.53
Adjustment of Prior Years	(2,227,803.70)	10,203,475.84
Disposal of PPE	21,303.48	48,418.75
Adjustments (RABs)	0.00	201,869.94
Total Retained Operating Surplus	(9,793,624.27)	21,649,460.06
Government Equity, End	<u>79,011,512.55</u>	<u>88,805,136.82</u>
TOTAL LIABILITIES & EQUITY	<u>P 1,428,545,840.40</u>	<u>P 1,354,567,664.96</u>

See Accompanying Notes to Financial Statements

NATIONAL LABOR RELATIONS COMMISSION

Consolidated Detailed Income Statement

(With Comparative Figures for 2012)

As of December 31, 2013

	<u>2013</u>	<u>2012</u>
Income: (Note11)		
Subsidy Income from National Gov't	P 833,302,456.58	P 812,249,297.03
Subsidy Income from Central Office	-	37,533,621.95
Subsidy to Regional Arbitration Branches	-	(51,000.00)
Total Subsidy Income	<u>833,302,456.58</u>	<u>849,731,918.98</u>
Less: Reversion of Unused Cash Allocations	<u>(23,197,707.72)</u>	<u>(74,320,377.41)</u>
Net Subsidy Income	<u>810,104,748.86</u>	<u>775,411,541.57</u>
Other Service Income	132,550.46	212,777.21
Interest Income	20,201.48	4,497.58
Tax Remittance Advices (TRAs)	-	1,546,581.29
Remittance to National Treasury	<u>(132,550.46)</u>	<u>(156,206.20)</u>
Total Income	<u>P 810,124,950.34</u>	<u>P 777,019,191.45</u>
Less: Expenses		
Personal Services (Note 12)		
Salaries & Wages - Regular	399,327,937.35	368,244,149.31
Salaries & Wages - Casual	110,822.04	108,682.03
Personnel Economic Relief Allowance	22,079,173.85	20,925,744.05
Additional Compensation (ADCOM)	-	861,000.00
Representation Allowance	26,556,280.76	18,599,177.16
Transportation Allowance	21,378,607.46	16,728,522.23
Clothing Allowance	4,635,000.00	4,539,000.00
Productivity Incentive Bonus	2,436,845.00	1,903,887.00
Loyalty	30,000.00	20,000.00
Honoraria	123,900.00	133,000.00
Overtime Pay and Night Shift	275,500.15	344,226.45
Cash Gift	4,898,060.00	4,481,375.00
Year-End Bonus	33,144,166.60	32,477,342.98
Life & Retirement Contributions	32,660,156.44	30,466,188.79
PAG-IBIG Contributions	1,095,725.83	1,084,100.00
PHILHEALTH Contributions	3,467,278.37	3,030,647.50
EC Contributions	1,106,321.10	1,083,103.76
Pension Benefits - Civilian	30,259,292.29	9,085,791.42
Retirement Benefits - Civilian	62,984,940.95	65,299,649.07
Terminal Leave Benefits	27,387,680.61	29,635,429.47
Longevity Pay	100,000.00	115,000.00
Other Bonuses & Allowance	12,581,850.00	8,760,019.63
Other Personnel Benefits	3,126,776.69	30,761,761.87
Total Personal Services	<u>P 689,766,315.49</u>	<u>P 648,687,797.72</u>

	<u>2013</u>	<u>2012</u>
Maintenance & Other Operating Expenses (Note 13)		
Travel Expenses - Local	2,570,393.27	2,594,326.32
Tavel Expenses - Foreign	152,808.00	-
Training Expenses	3,439,641.64	2,784,603.81
Office Supplies Expense	5,980,318.93	4,943,997.97
Accountable Forms Expense	122,766.60	132,885.65
Drugs & Medicines Expenses	3,655.40	-
Gasoline, Oil, & Lubricants	1,958,384.47	2,212,551.49
Textbooks	300.00	1,700.00
Other Supplies Expense	140,638.11	91,254.03
Water	1,998,707.44	2,107,565.57
Electricity	15,284,184.49	14,640,452.01
Postage & Deliveries	8,637,046.95	11,016,206.66
Telephone Expense - Landline	2,846,005.90	3,038,812.05
Telephone Expense - Mobile	1,346,752.76	1,222,492.80
Internet Expense	930,933.26	763,936.12
Cable, Satellite, Telegraph & Radio Expenses	23,643.41	23,530.06
Advertising Expense	185,299.20	47,249.59
Membership Dues & Contributions to Organizations	1,200.00	150.00
Printing & Binding Expenses	113,976.91	139,191.55
Rent Expense	33,083,212.86	33,932,345.20
Representation Expenses	345,049.60	333,366.48
Transportation & Deliveries	75,816.47	67,230.50
Subscription Expense	248,703.00	226,122.05
Legal Services	59,650.00	35,488.00
Auditing Services	6,835.00	33,603.59
General Services	3,589,237.25	2,644,580.06
Janitorial Services	3,071,051.35	2,665,009.25
Security Services	8,166,316.84	7,970,504.93
Other Personnel Services	197,043.35	77,269.05
Repairs & Maintenance - Other Structures	2,266.50	10,951.65
Repairs & Maintenance - Leasehold Improvements	221,118.00	5,154.90
Repairs & Maintenance - Office Building	213,867.09	15,270.00
Repairs & Maintenance - Office Equipment	263,253.25	346,762.31
Repairs & Maintenance - IT Equipment	270,113.37	313,603.37
Repairs & Maintenance - Furniture & Fixtures	265,606.43	26,278.75
Repairs & Maintenance - Communication Equipment	4,850.00	15,170.50
Repairs & Maintenance - Motor Vehicles	1,105,811.24	631,019.17
Repairs & Maintenance - Other PPE	12,998.00	20,090.00
Subsidy to Regional Branches	54,007.65	-
Extra-ordinary Expenses	4,291,972.50	3,490,575.99
Miscellaneous Expenses	3,110,558.36	2,374,511.97
Donation	7,000.00	4,000.00
Taxes, Duties & Licenses	106,693.05	75,251.25
Fidelity Bond Premiums	399,972.29	400,357.35
Insurance Expense	282,975.92	630,203.74
Depreciation Expense - Leasehold Improvement	15,047.85	10,812.54

	<u>2013</u>	<u>2012</u>
Depreciation Expense - Building & Other Structures	4,484.67	7,204.56
Depreciation Expense - Office Equipment	1,334,882.72	1,654,090.66
Depreciation Expense - Furniture & Fixtures	289,748.88	350,827.78
Depreciation Expense - IT Equipment & Softwares	2,353,980.32	2,233,756.95
Depreciation Expense - Library Books	237,725.96	293,007.27
Depreciation Expense-Communication Equipment	19,732.02	21,842.97
Depreciation Expense - Motor Vehicles	2,138,964.33	2,572,984.03
Depreciation Expense - Firefighting Equipment	565.68	565.68
Depreciation Expense - Other PPE	75,230.98	121,382.61
Other Maintenance & Operating Expenses	15,358,882.83	7,822,789.88
Total Maintenance & Other Operating Expenses P	<u>127,021,882.35</u>	<u>P 117,194,890.67</u>
Financial Expenses		
Interest Expense	4,178.47	-
Bank Charges	16,591.50	11,000.00
Others:		
Prior Years Adjustments	9,949.20	(71,561.68)
Gain/Loss on Sale of Disposed Assets	893,157.38	1,369.21
Total Expenses	<u>817,712,074.39</u>	<u>765,823,495.92</u>
Excess of Income Over Expenses	<u>P (7,587,124.05)</u>	<u>P 11,195,695.53</u>

See Accompanying Notes to Financial Statements

NATIONAL LABOR RELATIONS COMMISSION

Statement of Cash Flow
(With Comparative Figures for 2012)
As of December 31, 2013

	<u>2013</u>	<u>2012</u>
Cash Flow from Operating Activities:		
Cash Inflows (Note 14):		
Receipt of Notice of Cash Allocation	P 750,858,806.00	P 775,461,185.00
Receipt of Fund Transfer from Central Office	10,245,785.58	
Receipt of Notice To Transfer Allocations	231,130,195.86	221,545,262.22
Interfund Transfer to RO	431,905.98	40,414,339.69
Collections from Fiduciary Funds	1,524,388,191.42	1,354,421,505.58
Collections of Income from Government Service	21,088,622.92	25,716,575.97
Collection of Income from Bank Interest	2,664,886.92	3,436,645.93
Gain in Valuation of Trust Funds in Dollars	1,258,580.60	-
Cancellation of Staled Checks	32,757,758.80	17,810,649.12
Collections of Receivables- Disallowance	43,891.56	1,351,252.71
Receipt of Refund of Cash Advances & Overpayments	138,573.61	306,566.93
Petty Cash Fund	5,000.00	15,000.00
Total Cash Flow from Operating Activities	<u>2,575,012,199.25</u>	<u>2,440,478,983.15</u>
Cash Outflows (Note 15):		
Cash Payment of Operating Expenses	493,837,804.98	540,461,501.70
Releases to Regional Arbitration Branches	231,130,195.86	221,545,262.22
Cash Payment of Payables Incurred in Operations	94,440,307.41	102,455,256.98
Cash Payment of Other Payables	16,650,038.38	1,544,942.82
Cash Purchase of Inventories	6,280,034.80	6,969,019.99
Granting of Cash Advance	12,433,147.34	11,805,354.40
Remittances of GSIS/PAG-IBIG/PHILHEALTH Payable	93,432,737.41	66,058,827.38
Remittance to GOCCs	1,971,120.27	2,290,296.90
Remittances to Employees Association	9,482,360.82	12,072,455.00
Remittance of Income to National Treasury	30,502,634.58	36,093,339.70
Remittance to BIR	3,905,705.28	31,743.53
Remittance of Legal & Research Fees to UP Law Center	12,535.00	10,420.00
Reversion of Unused Cash Allocation	23,197,707.72	77,628,045.57
Adjustment of Prior Years	(7,449.20)	1,037,145.36
Cash Payments of Awards/Cash Bonds	1,471,447,920.05	1,198,175,953.65
Undeposited Collections	-	179,687.02
Liquidation of Petty Cash Fund	5,000.00	5,000.00
Total Cash Outflows	<u>2,488,721,800.70</u>	<u>2,278,364,252.22</u>
Cash Provided by Operating Activities	<u>86,290,398.55</u>	<u>162,114,730.93</u>
Cash Provided by Investing Activities		
Cash Inflow from Proceeds of Sale of Unserviceable PPE	341,338.88	-
Receipt of Cash thru Notice of Transfer Allocation (NTA)	212,010.00	
Cash Outflows for the Purchase of PPE	(2,466,843.75)	(6,957,539.31)
Cash payment for construction of room	(75,790.93)	
Total Cash Provided by Operating and Investing Activities	<u>84,301,112.75</u>	<u>155,157,191.62</u>
Add: Cash Balance, Beginning	1,231,412,744.59	1,076,255,552.97
Cash Balance, Ending	<u>P 1,315,713,857.34</u>	<u>P 1,231,412,744.59</u>

See Accompanying Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

I General

A. Agency Profile

The National Labor Relations Commission (NLRC) was created by virtue of PD 442, otherwise 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.

RA 6715 enacted on November 01, 1989, reorganized the NLRC and Regional Arbitration Branches (RABs). It attaches the NLRC to the Department of Labor and Employment for program and policy coordination.

RA 9347 which took effect on August 26, 2006 created three additional Divisions in the Commission and the Commission Attorney positions.

B. 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.

C. Organizational Structure

The Central Office at Luzon is composed of the following offices:

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

The NLRC has 1,193 approved plantilla positions, 923 of which were filled positions. The eight Divisions are composed of 24 Commissioners, with Chairman Gerardo C. Nograles sitting as the Presiding Commissioner of the First Division. The 15 RABs consist of 93 offices of Labor Arbiters and 38 offices for other services with the Executive Labor Arbiter handling administrative supervisory functions.

D. The NLRC Jurisdiction

The adjudicatory powers of the NLRC are being exercised by the 93 offices of Labor Arbiters in the NLRC-RABs and the Commission Proper that sits in eight divisions by virtue of RA 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)

Original and exclusive jurisdiction under the Labor Code, as amended:

- 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 R.A. 6727;
- 8) Enforcement of compromise agreements when there is non-compliance by any of the parties pursuant to Art. 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 R.A. 8042, as amended by R.A. 10022; and,
- 10) Other cases as may be provided by law.

E. Appellate Body of the NLRC (Commission Proper)

The Commission Proper is composed of tripartite sectoral representation per Division: the government sector as its Presiding Commissioner, and two members, one each from the labor and management sectors have the jurisdiction to handle and review appealed cases from the RABs (Articles 217 and 263 of the 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 CAR) the Seventh Division handles appealed cases at Visayas Region and the Eighth 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.

F. 2013 Accomplishments

The National Labor Relations Commission's 2013 Accomplishment Report provides the results of the agency's performance in the arbitration and adjudication of labor cases, and demonstrates to the public the commitment to its mission and accountability over the promotion of industrial peace based on social justice through an effective enforcement and economically-viable dispute settlement machinery.

Note 1 Basis of Financial Statements Presentation

The Commission is maintaining two (2) fund sources: General Appropriations Act and Fiduciary Fund; and, with the collections of general income which were regularly remitted to the National Treasury.

Fiduciary/Trust funds in *custodia legis* refers to collections from awards in labor cases for the complainants held in trust by the Commission for proper disposition upon finality of said judgment awards. These funds includes appeal bond posted by the respondent employers, proceeds from garnishments, executions and enforcement of the Commission's decisions/resolutions/orders, execution fee/expense fund, injunction expense fund and extraordinary remedy expense fund pursuant to Articles 223 and 224 of the Labor Code of the Philippines.

The Commission received total appropriations for its operational activity in the amount of ₱818,350,345.00 for the year of which ₱816,890,674.13 was utilized and the amount of ₱1,459,670.87 represents the unexpended balance.

For the year, the total collections for fiduciary/trust funds has reached ₱1,524,388,191.42 and the releases of judgment awards from this fund was ₱1,471,447,920.05.

Note 2 Significant Accounting Policies

1. All financial transactions were recorded in accordance with the Manual of New Government Accounting System (NGAs), accounts conforms with the prescribed chart of accounts and financial statements were prepared in accordance with generally accepted state accounting principles and standards;
2. Property, Plant and Equipment are carried at cost less accumulated depreciation;
3. The Straight Line Method of depreciation is used in depreciating the Property, Plant and Equipment after providing 10% residual value and computed using estimated useful lives pursuant to COA Circular No. 2003-07 dated December 11, 2003;
4. Collections and disbursements for fiduciary funds in foreign currencies are collections in dollars recorded in peso equivalent at the prevailing exchange rate at the time of the actual deposit with the agency depository bank and revalued every reporting date at its current exchange rate;
5. Fund releases to Regional Arbitration Branches were made through Sub-allotments and Notice to Transfer Allocations (NTA).
6. Fundamental errors of prior years are corrected by using the Prior Year's Adjustments accounts.

II Balance Sheet

Note 3 Cash – ₱1,315,713,857.34

Cash is composed of the following:

Petty Cash Fund	₱ 110,292.31
Cash – Payroll Fund	2,588,969.45
Cash National Treasury, MDS	5,698,937.28
Cash Collecting Officer	517,499.77
Cash Disbursing Officer	9.00
Cash In Bank – Local Currency Current Account	1,256,519,823.85
Cash In Bank – Foreign Currency, Savings Deposit	50,278,325.68
Total	₱ 1,315,713,857.34

- Cash National Treasury, MDS in the amount of ₱5,698,937.28 consists the amount of unclaimed checks as of December 31, 2013.
- Cash In Bank – Local Currency Savings Account in the amount of ₱2,588,969.45 represents the ATM Payroll account of the NLRC Central Office.
- Cash In Bank-Local Currency Current Account (Fiduciary Fund) amounting to ₱1,256,519,823.85 consists of fiduciary funds in *custodia legis* that covers 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), authorized government depository banks pursuant to the authority and exemption granted by the Office of the President from the provisions of E.O. 338. Breakdown of balances per Offices are as follows:

Office	Amount
Central Office and NCR	₱ 758,012,157.71
Seventh Division, Cebu City	2,977,268.54
Eighth Division, Cagayan De Oro City	3,035,383.38
Cordillera Administrative Region, Baguio City	24,262,521.94
Reg'l Arbitration Branch I, San Fernando, La Union	19,568,312.10
Reg'l Arbitration Branch II, Tuguegarao Cagayan	10,960,664.16
Reg'l Arbitration Branch III, San Fdo., Pampanga	76,006,143.59
Reg'l Arbitration Branch IV, Calamba Laguna	98,233,757.52
Reg'l Arbitration Branch V, Legazpi City	30,283,573.76
Reg'l Arbitration Branch VI, Bacolod City	51,706,530.54
Reg'l Arbitration Branch VII, Cebu City	95,277,231.95
Reg'l Arbitration Branch VIII, Tacloban City	0
Reg'l Arbitration Branch IX, Zamboanga City	5,263,525.40
Reg'l Arbitration Branch X, Cagayan De Oro City	18,152,362.90
Reg'l Arbitration Branch XI, Davao City	33,936,567.89
Reg'l Arbitration Branch XII, Koronadal City	16,941,984.34
Reg'l Arbitration Branch XIII, Butuan City	11,901,838.13
Total	₱ 1,256,519,823.85

- Cash In Bank – Foreign Currency, Savings Deposit has an ending balance of \$1,132,905.04 as of December 31, 2013 revalued using the Foreign Currency Exchange Rate Index of the Bureau of the Treasury at ₱44.38 or a total of ₱50,278,325.68. This account is maintained at UCPB for the monetary judgment awards in US Dollars involving OFW cases.

Note 4 Receivables – ₱44,757,400.09

Receivables are composed of the following:

Due from National Treasury	₱	180,703.82
Due from Officers and Employees		588,367.04
Due from NGAs		1,555,147.01
Due from GOCCs		2,421.21
Due from Central Office		12,071.28
Advances to Officers and Employees		1,094,803.64
Receivables-Disallowance/Charges		1,351,379.76
Other Receivables		39,972,506.33
Total	₱	44,757,400.09

- The account Due from National Treasury the amount of ₱180,703.82 consists of the following:

Over remittance of Interest Income for 2012	₱130,703.82
Collections for Trust Funds remitted to BTR (RAB XI)	50,000.00
Total	₱180,703.82

- The account Due from Officers and Employees amounting to ₱588,367.04 consists of the amount granted as cash advances for local travels, cash shortage booked up under this account and the tax arrears of NLRC employees as a result of year-end tax adjustments.
- Due from NGAs account in the amount of ₱1,555,147.01 comprises of the advance payment of the common supplies and equipments to the Procurement Service, DBM.
- The account Receivables – Disallowance/Charges arises from payments/disbursements disallowed in audit by the Commission on Audit.
- The account Other Receivables consists of the following:

Reported deposits as per RCD but not credited by the bank as per Bank Statement	₱ 10,038,015.37
Reported Cancelled Checks but Fraudulently Encashed In the Bank	28,877,520.45
Overpayment in Trust Funds releases	90.07
Nominal Fees from Returned Check Collections (Lanting Security)	1,401.96
Undeposited Collections of former Cashiers which form part of the Cash Shortages subject by the charges filed against them.	1,042,882.39
Overpayment of Salaries and Wages	8,193.49
Other Receivables of RAB- X	4,402.60
Total	₱ 39,972,506.33

Administrative and criminal charges covering the amount of ₱39,958,418.21 has been filed, the progress of the cases are indicated in the status report of the Acting Director, Legal and Enforcement Department which is attached as Annex "A."

Note 5 Inventories – ₱2,022,088.16

This account consists of the following:

- The account Office Supplies Inventory in the amount of ₱1,868,351.93 represents the office supplies procured and stored at the stockroom of the NLRC Supply Officer.
- The account Construction Materials Inventory in the amount of ₱117,518.90 consists of materials procured for the minor repairs and maintenance of office facilities and furniture and fixtures.
- The account Accountable Forms Inventory in the amount of ₱12,320.00 refers to the cost of Official Receipts on hand of the Supply Officer for issuance to the Cashiers of this office upon their request.
- Drugs and Medicines Inventory in the amount of ₱19,604.76 represents the unissued first aid medicines that are found at the NLRC Clinic which will be credited upon receipt of the monthly report of issued and utilized medicines.
- Other Supplies Inventory in the amount of ₱4,292.57 represents purchases of utensils for the use of 7th Division Conference Room.

Note 6 Prepayments – ₱5,496,328.24

The composition of the account Prepayments is as follows:

Prepaid Rent	₱5,226,215.00
Guaranty Deposit	207,720.00
Prepaid Insurance	47,753.33
Other Prepaid Expenses	14,639.91
Total	₱5,496,328.24

- Prepaid Rent in the amount of ₱5,226,215.00 represents the security deposit on the Lease Contract of the rented office space by the following NLRC offices:

Central Office	₱4,508,015.00
Eight Division	480,000.00
RAB - III	58,200.00
RAB-XI	180,000.00
Total	₱5,226,215.00

- Guaranty Deposit in the amount of ₱207,720.00 represents prepaid rent of the following offices:

RAB - VII	₱192,000.00
RAB-XI	15,720.00
Total	₱207,720.00

- Prepaid Insurance in the amount of ₱47,753.33 covers the unexpired portion of the insurance policy of the NLRC Motor Vehicles.
- Other Prepaid Expenses account represents prepaid expenses of RAB-I.

Note 7 Plant, Property and Equipment – ₱58,700,552.66

Land	₱ 539,400.00
Office Equipment	18,641,711.64
Furniture & Fixtures	9,236,402.28
IT Equipment & Software	50,045,816.43
Communication Equipment	261,117.35
Library Books	8,038,029.32
Motor Vehicles	31,487,580.50
Other Plant, Property & Equipment	919,538.26
Leasehold Improvements	176,779.59
Other Leasehold Improvements	669,458.03
Other Structures	40,025.56
Firefighting Equipment and Accessories	4,400.00
<i>Total</i>	₱ 120,060,258.96
Less: Accumulated Depreciation	61,359,706.30
Total Sound Value	₱ 58,700,552.66

- The account Land in the amount of ₱539,400.00 represents the land awarded or donated by the Provincial Government of Cagayan to the NLRC – RAB- II for the construction of its office building.
- IT Equipment and Software in the amount of ₱50,045,816.43 represents total cost of computer software and hardware procured for the development of Case Monitoring System of the NLRC.

The discrepancy of the amount of the IT Equipment and Software in accounting records and the inventory report submitted by the Property Officer was due to the following:

1. Computers and Printers in the total amount ₱4,598,872.50 which were already issued to the NLRC Regional Arbitration Branches are still recorded in the books of the Central Office (List as Annex “B”);

2. Licensed Software (260 units for 260 workstations) and Cost of Cabling which are part of the Case Monitoring System (CMS) Project contract price in the total amount of ₱11,128,000.00 was not taken up in the inventory report of the Property Officer;
3. Licensed Software – MS Office '97 Professional Edition acquired in 1999 in the amount of ₱1,205,220.00 also was not taken up in the inventory report but was recorded in the books of accounts as IT Equipment and Software at the time of acquisition;
4. Upgrading of computers in year 2010 in the amount of ₱489,287 was taken up in the books of accounts as part of the IT Equipment extending the useful lives of the computers.

The above discrepancies in the inventory account "IT Equipment and Software" account shall be adjusted in 2014 as soon as the following courses of actions are implemented:

- a. The Property Officer shall provide the Accountant with the copies of the Acknowledgment Receipt of Equipment (ARE) for those issued computers and printers to the RABs;
- b. The Accountant shall send confirmation letters to the RABs for the receipts and recording of the transferred computers and printers;
- c. Upon confirmation of the receipt and recording of listed computers and printers by the RABs together with the ARE, the Accountant shall prepare a Journal Entry Voucher (JEV) to drop the IT Equipment and Software from the books of the NLRC-Central Office in 2014;

The Property Officer shall distribute the cost of licensed software to the number of computers procured under the Case Monitoring System project and the cost of cabling to the high end servers.

As of the reporting date, there are already regional branches which have submitted their confirmations, but the adjustments of the above discrepancies were not yet made as the reconciliation were not yet complete.

- Communication Equipment in the amount of ₱261,117.35 represents the cost of cellular phones and facsimile machines purchased for the official use of NLRC officials.

Note 8 Other Assets – ₱1,855,613.91

The Other Assets account arises from the reclassification of fully depreciated Plant Property and Equipment. The decrease in the amount was due to the disposal of other assets through public auction.

Note 9 Current Liabilities – ₱1,349,534,327.85

This account consists of:

Accounts Payable	₱ 4,975,428.42
Due to Officers & Employees	3,854,534.85
Due to National Treasury	2,365,206.66
Due to Bureau of Internal Revenue	2,788,449.36
Due to GSIS	2,109,405.15
Due to PAG-IBIG	571,277.56
Due to PHILHEALTH	666,291.49
Due to Nat'l Gov't. Agencies	279,268.50
Due to Gov't. Owned or Controlled Corp.	1,299,381.69
Due to Central Office	27,006.27
Other Payables	1,330,598,077.90
Total Current Liabilities	₱1,349,534,327.85

- The Accounts Payable account consists of the unclaimed checks at the end of the year for MDS and Trust funds accounts and the unpaid obligations for 2013.
- Due to Officers and Employees account represents the unpaid claims of officers and employees as of December 31, 2013 of which ₱780,333.43 is attributable to the unliquidated cash advances granted to Disbursing Officer for the payrolls in prior years.
- Due to National Treasury in the amount of ₱2,365,206.66 represents the unremitted income collections as of December 31, 2013.
- The account Due to National Government Agencies consists of collections for legal and research fund for the month of December 31, 2013 in the amount of ₱11,180.00 due for remittance to UP Law Center and ₱268,088.50 unaccounted balance during the conversion of accounts from old to new Standard Government of Accounts in 2003 pursuant to COA Circular 2003-001 dated June 17, 2003 and the NGAS.

- The account Other Payables in the amount of ₱1,330,598,077.90 is the reciprocal account of the Cash in Bank-Fiduciary Fund which represents cash bonds posted by the respondents as the losing party and the garnishments for the satisfaction of monetary awards in labor cases held in trust for proper disposition to parties upon finality of the decisions of Labor Arbiters. The noted insufficiency of the Cash in Bank – Fiduciary Fund to back up these trust obligations of the office was due to the noted misappropriations of the former Cashiers which are the subject of the charges filed against them as stated in the Status Report by the Acting Director of Legal and Enforcement.
- The account Due to Government Owned/Controlled Corporation represents the amount deducted from the salaries of employees for their loans from the Land Bank of the Philippines, National Home Mortgage and Finance Corporation and Quedancor.

Note 10 Government Equity – ₱79,011,512.55

This account consists of:

Excess of Income Over Expenses – Current Operations	₱ (7,587,124.05)
Disposal of PPE	21,303.48
Adjustment for Prior Years	(2,227,803.70)
<i>Total</i>	₱ (9,793,624.27)
Add: Beginning Balance	88,805,136.82
Government Equity	₱ 79,011,512.55

- The account Adjustment for Prior Years includes the following:

Central Office:	
Adjustments for 2012 obligations paid in 2013	(₱ 679,347.74)
Refund of overpayment of salaries, allowances paid in prior years.	(533,136.34)
TRA issued for 2012 tax remittances	3,482,273.79
Adjustments for sale of Other PPE	(327,450.00)
Adjustments for the rebate from National Home Mortgage and Finance Corp for early remittance of collections	10,786.08
Adjustments for the supplies and materials issued and utilized for the period October to December 2012	(1,255,512.61)
Replacement of a staled MDS check issued in prior years	(6,267.64)
Adjustments for cancellation of recording liquidations of TEV	6,853.00
Adjustments in prior year's expense account which should have been recorded as advances to officers and employees.	60,550.00

Adjustments by the Regional Arbitration Branches:	
Seventh Division	(124,050.32)
Eighth Division	(766,930.16)
Regional Arbitration Branch - II	(7,355.70)
Regional Arbitration Branch - IV	(5,068.24)
Regional Arbitration Branch - V	(1,899,895.13)
Regional Arbitration Branch - VI	417.00
Regional Arbitration Branch - VII	(5,852.10)
Regional Arbitration Branch - VIII	(77,154.46)
Regional Arbitration Branch - IX	(16,567.87)
Regional Arbitration Branch - X	(11,279.00)
Regional Arbitration Branch - XI	(29,220.88)
Regional Arbitration Branch - XII	(1,420.00)
Regional Arbitration Branch - XIII	(42,175.38)
Total	(₱2,227,803.70)

III Statement of Income and Expenses

Note 11 Subsidy Income from National Government – ₱833,302,456.58

This account consists of:

NCA received from DBM for expenses for Agency Operational Requirements:		₱750,858,806.00
Current Operating Fund	₱613,243,169.00	
Retirement Gratuity	67,090,523.00	
Terminal Leave Pay	23,283,118.00	
Pension Benefits	30,699,074.00	
Performance Based Bonus	10,290,000.00	
Productivity Enhancement Incentive	4,645,000.00	
Prior Year's Payable	1,607,922.00	
Tax Remittance Advice (TRA) issued to BIR:		82,572,821.69
Central Office	₱ 55,002,725.63	
Seventh, Eighth Division		
And RABs	27,570,096.06	
Total		₱833,431,627.69
Refund of Cash Advances and other overpayments		(129,171.11)
Total		₱833,302,456.58

NCA received from DBM:

Date	NCA Number	Amount
1/02/13	NCA-BMB-B-13-0000116	₱307,185,000.00
1/28/13	NCA-BMB-B-13-0002052	292,764.00
1/18/13	NCA-BMB-B-13-0001461	2,766,943.00
1/29/13	NCA-BMB-B-13-0002103	4,787,647.00

Date	NCA Number	Amount
2/07/13	NCA-BMB-B-13-0002660	9,764,367.00
2/07/13	NCA-BMB-B-13-0002659	3,513,366.00
2/26/13	NCA-BMB-B-13-0003985	4,788,476.00
2/26/13	NCA-BMB-B-13-0003993	293,735.00
2/26/13	NCA-BMB-B-13-0003987	9,588,815.00
4/03/13	NCA-BMB-B-13-0005875	4,034,081.00
4/05/13	NCA-BMB-B-13-0006352	2,193,638.00
4/12/13	NCA-BMB-B-13-0006666	1,819,748.00
4/19/13	NCA-BMB-B-13-0007019	4,773,696.00
4/18/13	NCA-BMB-B-13-0007021	259,617.00
4/24/13	NCA-BMB-B-13-0007388	5,059,505.00
5/08/13	NCA-BMB-B-13-0007992	725,000.00
5/08/13	NCA-BMB-B-13-0007982	3,311,150.00
5/08/13	NCA-BMB-B-13-0007993	3,634,237.00
5/30/13	NCA-BMB-B-13-0009128	6,936,737.00
5/29/13	NCA-BMB-B-13-0009063	1,307,300.00
3/25/13	NCA-BMB-B-13-0005553	2,629,408.00
7/01/13	NCA-BMB-B-13-0010241	258,384,000.00
7/01/13	NCA-BMB-B-13-0010881	7,604,019.00
7/15/13	NCA-BMB-B-13-0012868	2,141,512.00
7/16/13	NCA-BMB-B-13-0013031	1,022,386.00
7/23/13	NCA-BMB-B-13-0013705	1,133,631.00
7/23/13	NCA-BMB-B-13-0013782	10,290,000.00
7/25/13	NCA-BMB-B-13-0014067	725,619.00
8/06/13	NCA-BMB-B-13-0014735	728,658.00
8/12/13	NCA-BMB-B-13-0014179	1,607,922.00
8/12/13	NCA-BMB-B-13-0014287	3,640,447.00
8/13/13	NCA-BMB-B-13-0015190	181,619.00
9/02/13	NCA-BMB-B-13-001622	1,917,968.00
9/02/13	NCA-BMB-B-13-0016120	752,790.00
9/03/13	NCA BMB-B-13-0016125	5,628,622.00
9/05/13	NCA BMB-B-13-0016371	527,040.00
9/23/13	NCA BMB-B-13-0017605	129,333.00
9/26/13	NCA BMB-B-13-0017753	27,348,000.00
9/26/13	NCA BMB-B-13-0017801	4,124,558.00
10/17/13	NCA BMB-B-13-0019141	326,360.00
11/8/13	NCA BMB-B-13-0020174	38,347.00
11/14/13	NCA BMB-B-13-0020602	23,618.00
11/14/13	NCA BMB-B-13-0020606	513,550.00
11/14/13	NCA BMB-B-13-0020649	1,748,280.00
11/18/13	NCA BMB-B-13-0020807	4,039,045.00
11/21/13	NCA BMB-B-13-0021203	279,043.00
12/02/13	NCA BMB-B-13-0021661	20,326,169.00

Date	NCA Number	Amount
12/05/13	NCA BMB-B-13-0022503	109,104.00
12/06/13	NCA BMB-B-13-0022807	3,628,506.00
12/06/13	NCA BMB-B-13-0022907	4,645,000.00
12/10/13	NCA BMB-B-13-0022916	4,433,254.00
12/12/13	NCA BMB-B-13-0023617	732,872.00
12/23/13	NCA BMB-B-13-0024640	2,462,304.00
Total		₱750,858,806.0

Note 12 Personal Services – ₱689,766,315.49

- The increase in personal services was due to the hiring of additional personnel for Commission Attorney VI as authorized in 2013 and the adjustments in the monthly Representation and Transportation Allowance of Officials pursuant to NBC No. 546.
- Personnel Economic Relief Allowance (PERA) amounting to ₱22,079,173.85 represents 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 Sec. 39 of the General Appropriations Act for 2013.
- Representation and Transportation Allowance in the amount of ₱26,556,280.76 and ₱21,378,607.46 respectively represent payment of allowances to NLRC officials as provided under the General Appropriations Act (GAA).

Changes in the account Transportation Allowance in the amount of ₱1,713,900.00 for CY 2012 was due to the adjustment in charging payment of reimbursements of gasoline expenses of 17 NLRC officials with issued government vehicle to the account Gasoline Expenses. This is in compliance to the AOM No. 2012-002 dated March 18, 2013, that said amounts should be charged from the allocation of Maintenance and Other Operating Expenses (MOOE) instead from the allocation for Personal Services. This adjustment or reclassification of accounts is supported by the fund considering an unexpended allotment for MOOE in the amount of ₱1,937,747.43 for the year 2012 and as per letter of DBM dated July 24, 2013 denying the request for realignment and recommended to tap the reimbursement of gasoline expenses from whatever savings on MOOE pursuant to the General Provisions of the General Appropriations Act.

- Honoraria in the amount of ₱123,900.00 are payments to resource speakers on in-house seminars and trainings. This also includes honorarium paid to members of Bids and Awards Committee (BAC) for each successful bid and award of contracts.

- Pension Benefits – Civilian in the amount of ₱30,259,292.29 represent the monthly pensions of retired Commissioners and Labor Arbiters pursuant to the retirement Law of the judiciary under R.A. 9946 as amended, R.A. 9347 as amended and Article 216 of the Labor Code of the Philippines.
- Retirement Benefits – Civilian in the amount of ₱62,984,940.95 represent the retirement gratuity benefits paid to the NLRC employees 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 ₱27,387,680.61 represent 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 E.O. No. 292.
- Other Bonuses and Allowances and Other Personnel Benefits represent payments for the following:

Performance Based Bonus (PBB)	₱ 10,122,425.00
Monetization of Leave Credits	1,346,201.69
Loyalty Awards to Employees who have attained 10 years and 5 years thereafter as per CSC Memorandum Circular No. 06	1,310,000.00
Service Incentive Awards for Officials and Employees who retired from service during the year	280,000.00
Performance Enhancement Incentives (NBC 2010-03)	2,633,000.00
Anniversary Bonus (DOLE 80 th Anniversary)	17,000.00
Total	₱ 15,708,626.69

Note 13 Maintenance and Other Operating Expenses – ₱127,021,882.35

- Travel Expenses – Local in the amount of ₱2,570,393.27 represents reimbursements of fares of officials and employees from/to NLRC Central Office – RABs offices in the attendance of mid-year and year-end performance assessments, core-planning exercises, En Banc Sessions of the Commission and reimbursements of Bailiffs, Messengers, and Sheriffs in the delivery of official documents, orders, notices and writs of executions.
- Travel Expenses – Foreign in the amount of ₱152,808.00 represents the counterpart contribution (airfare ticket) of the NLRC in sending Labor Arbitrer Grace M. Venus to assist Secretary Rosalinda D. Baldoz at the conference regarding working conditions of Filipino Seafarers at Southampton, United Kingdom.

- Training Expenses in the amount of ₱3,439,641.64 represent expenses incurred during the various in-house trainings and seminars in line with the agency's program on values enhancement and staff capability building.
- There was a decrease of ₱254,167.02 in Gasoline, Oil and Lubricants expenses due to the reimbursement of gasoline expenses of officials issued with government service vehicles who are not entitled to Transportation Allowance as per COA regulations and Sections 45 and 46 of the General Provisions of General Appropriations Act for CY 2013.
- Postage and Deliveries in the total amount of ₱8,637,046.95 represent payments made to the Philippine Postal Corporation for the cost of postage and stamps for all notices of hearings, decisions, orders, resolutions and other documents sent to parties in labor cases and other government offices.
- Electricity in the amount of ₱15,284,184.49 represents cost of electric and power consumption for the year for NLRC Central Office and RABs.
- Telephone Expense – Landline of ₱2,846,005.90 consists of payments to PLDT and Bayantel for the telephone service lines of the NLRC Central Office and the RABs for the year.
- Internet Expense of ₱930,933.26 represents payment to internet connections of NLRC Central Office and the RABs.
- Representation Expense totaling to ₱345,049.60 represents expenses incurred for in-house official meetings and conferences and outside office meetings and conferences with other government offices.
- Transportation and Deliveries expenses account of ₱75,816.47 represents payment of cost of freight charges for shipment of case records and the Plant Property and Equipment incurred by the NLRC Central Office to the Regional Arbitration Branches.
- Legal Services in the amount of ₱59,650.00 represent payments of appearance fees and expenses of legal staff when they appear in court hearings for the NLRC Central Office and RABs pursuant to Sec 42 of the General Provisions of RA 10352 or the General Appropriations Act of 2013.
- General Services in the amount of ₱3,589,237.25 represent payments of salaries and wages of emergency and contractual encoders and other services.

- Repairs and Maintenance – Leasehold Improvements in the amount of ₱221,118.00 represent expenses incurred for the repair of rooms occupied for office space at rented building of the NLRC Central Office and the RABs.
- Repairs and Maintenance – Motor Vehicles of ₱263,253.25 represent payments for regular maintenance of motor vehicles for official use of the officials and employees of NLRC Central Office and RABs.
- Extraordinary and Miscellaneous Expenses in the amount of ₱4,291,972.50 and ₱3,110,558.36 respectively represent reimbursement of expenses incurred by the Offices of Commissioners at the First to Sixth Divisions, Office of the Executive Clerk of Court IV, Office of the Director, Management and Administrative Department, NLRC Central Office and for the Office of Executive Labor Arbiter, RABs pursuant to Sec. 23, General Provision of General Appropriations Act for 2013.
- Taxes, Duties and Licenses of ₱106,693.05 represent payments to LTO registration of NLRC motor vehicles and renewal of the license of NLRC fire arms used by the security guards.
- Fidelity Bond Premiums of ₱399,972.29 represent payments of bond premiums to the Bureau of the Treasury for all NLRC Central Office and NCR bonded officer having money and property accountabilities.
- Depreciation expense is computed using the straight-line method after deducting the 10% residual value from the total acquisition cost over the useful life of the property.
- Other Maintenance and Operating Expenses in the amount of ₱15,358,882.83 represent payment of the economic benefits under the Collective Negotiation Agreement (CNA).

IV Statement of Cash Flow

Note 14 Cash Inflows

- NCA received from DBM (see note 11)
- Collections from Fiduciary Funds in the amount of ₱1,524,388,191.42 represents the total money received from cash bonds, garnishments and executions of monetary judgment awards for the year for labor cases based on the decisions and resolutions of the NLRC Commission Proper and the RABs.

- Collections of Income from Government Service in the total amount of ₱21,088,622.92 represent money received from nominal fees and charges that are remitted to the Bureau of the Treasury.
- Collections of Income from Bank Interest in the amount of ₱2,664,886.92 represent interest earned for the year on bank deposits maintained at Land Bank of the Philippines and United Coconut Planters Bank for the NLRC's trust funds.
- Cancellation of Staled Checks in the amount of ₱32,757,758.80 represent reversion of lapsed/obsolete checks issued from MDS and Fiduciary Funds to the "Cash In Bank" account.
- Collections of Receivables – Disallowance in the amount of ₱43,891.56 represent the amount collected for the settlement of disallowed payments of C.N.A. Incentives for 2010.

Note 15 Cash Outflows

- Cash Payment of Operating Expenses in the amount of ₱493,837,804.98 represent cash outflows for the direct cash payments to various obligations incurred by the NLRC Central Office and the RABs during the current year.
- Releases to Regional Arbitration Branches in the total amount of ₱231,130,195.86 represent transfer of cash allocation through the Notice to Transfer Cash Allocation to the bank for the funding requirements for current operations of NLRC Seventh and Eighth Division and the 14 Regional Arbitration Branches.
- Cash Advances granted in the amount of ₱12,433,147.34 represent the cash advances for the payment of Bonuses and Incentives by RAB-III and for the purchase of emergency supplies and special activities by the Central Office and RAB-I.
- Remittance to Employees Association in the amount of ₱9,482,360.82 represent cash remittance of monthly union dues deducted from NLRC employees to NLRC Employees Association (NLRCEA), National Association of Labor Arbiters, Inc. (NALAI) and Association of Labor Arbitration Associate of the Philippines (ALAAP). This also includes cash remittance of Medocare Premiums deducted from the salaries of the employees through the NLRCEA.
- Remittances of Income to National Treasury in the amount of ₱30,502,634.58 represent cash remittance of income collections to the Bureau of the Treasury.

- Remittance to BIR in the amount of ₱3,905,705.28 represents cash remittance of taxes withheld from the Anniversary Bonus provided by the Department of Labor and Employment.
- Reversion of Unused Cash Allocation in the amount of ₱23,197,707.72 represents the unexpended balance of Notice of Cash Allocation (NCA) for the year.
- Cash Payments of Awards/Cash Bonds in the amount of ₱1,471,447,920.05 represent cash payments of monetary judgment awards in labor cases.

Note 16 Cash Provided by Investing Activities

- Cash Outflows for the Purchase of PPE consists of cash payments for the acquisition of various PPE for the year.

V Changes in the Financial Reports

The major changes in the statements and presentation were due to the following adjustments:

- As shown in the Detailed Statement of Income and Expenses for the period ending December 31, 2012 is the effect of correction of charging reimbursement of gasoline expenses of 17 NLRC Officials assigned with government vehicles from Transportation Allowance (TA), expenditures under the Personal Service (PS) to Gasoline Expense account under the MOOE in the total amount of ₱1,713,900.00 in conformity with Section 45 of the General Appropriations Act, FY 2012 and in compliance with the audit recommendation of the Audit Team of the Commission On Audit and the authority to utilize MOOE savings as required by the Department of Budget and Management rules and regulations.
- Cash In Bank – Foreign Currency Savings Account (FCSA) representing the trust collections in US Dollars and Other Payables account were revalued at the peso exchange rate/dollar as of the date of this report.
- The Due to National Treasury account was also adjusted for the interest income earned from Cash in Bank – FCSA due to the valuation made at the prevailing exchange rate and the adjustments on errors in recording remittances to the National Treasury.

PART II

**OBSERVATIONS AND
RECOMMENDATIONS**

OBSERVATIONS AND RECOMMENDATIONS

VALUE FOR MONEY

Disposition of Cases

On the disposition of cases based on the Major Final Output (MFO) 1 targets of the 2013 General Appropriations Act and total caseloads handled, the NLRC attained: a) 92 and 78.08 percent, respectively, in the compulsory arbitration by the RABs and b) 88 and 90.27 percent, respectively, for appealed cases in the Commission Proper, based on the results of the agency's performance in the arbitration and adjudication of labor cases and implementation of the 2011 Rules of Procedures, as amended.

The Single Entry Approach (SEnA) under MFO 2, as an immediate intervention process to effect amicable settlement among differing parties, had accomplished 37.20 percent out of the total Requests for Assistance of 16,839, wherein due to the absence of quantified targets, no conclusion was derived as to its success or failure.

1. The NLRC 2011 Rules of Procedures shall carry out the objectives of the Constitution, the Labor Code of the Philippines and other relevant legislations, and to assist the parties in obtaining just, expeditious and inexpensive resolution and settlement of labor disputes.

2. The NLRC's Major Final Outputs (MFOs) 1 and 2 with the performance indicators and targets based on the General Appropriations Act of 2013 had attained the accomplishments presented in the table below. The percentages of disposed cases were likewise compared with the actual caseloads handled as shown in the same table.

Performance Indicators	Target	Total Caseload (Qty)	Disposed Cases (Qty)	% to Target	% to Total Caseload
MFO 1. Compulsory Arbitration	To dispose 33,000 cases	38,734	30,245	92	78.08
A. Original Cases (Regional Arbitration Branches)	To dispose 13,211 cases	13,211	11,925	88	90.27
B. Appealed Cases (Commission Proper)					
MFO 2	To render 100% request for assistance	16,839	6,264	100*	37.20
A. Single Entry Approach (SEnA)					

**Total caseload of 16,839 was considered as assisted, hence 100% accomplished per target although the settled cases number only 6,264*

3. The above data showed that the NLRC did not meet its targeted case disposition for CY 2013 in both the original cases at the Regional Arbitration Branches (RABs) and the appealed cases at the Commission Proper.

4. Relative to the accomplishments, when compared with the actual caseload handled the NLRC obtained 78.08 percent and 90.27 percent for RABs and Commission Proper, respectively as shown on the following tables:

Table 1 – Original Cases, RABs

RABs	Beg. Caseload	Received Cases	Total Caseload	Disposed Cases	% to Total Caseload	Balance
NCR	4,904	16,469	21,373	17,357	81.21%	4,016
CAR	102	491	593	421	70.99%	172
RAB I	124	381	505	380	75.25%	125
RAB II	128	431	559	426	76.21%	133
RAB III	429	1,441	1,870	1,343	71.82%	527
RAB IV	1,044	2,342	3,386	2,277	67.25%	1,109
RAB V	122	370	492	362	73.58%	130
RAB VI	408	1,309	1,717	1,189	69.25%	528
RAB VII	590	2,999	3,589	2,857	79.60%	732
RAB VIII	43	225	268	221	82.46%	47
RAB IX	39	265	304	244	80.26%	60
RAB X	220	1,347	1,567	1,168	74.54%	399
RAB XI	216	779	995	818	82.21%	177
RAB XII	242	659	901	712	79.02%	189
RAB XIII	102	513	615	470	76.42%	145
Totals	8,713	30,021	38,734	30,245	78.08%	8,489

Table 2 – Appealed Cases, Commission Proper

Commission Proper	Beg. Caseload	Received Cases	Total Caseload	Disposed Cases	% to Total Caseload	Balance
1 st Division	289	1,458	1,747	1,473	84.32%	274
2 nd Division	205	1,596	1,801	1,733	96.22%	68
3 rd Division	122	1,638	1,760	1,753	99.60%	7
4 th Division	258	1,511	1,769	1,582	89.42%	187
5 th Division	365	1,450	1,815	1,456	80.22%	359
6 th Division	212	1,460	1,672	1,516	90.67%	156
7 th Division	187	1,451	1,638	1,535	93.71%	103
8 th Division	164	845	1,009	877	86.92%	132
Special Division	4	5	9	7	77.78%	2
Total (1st-8th Division)	1,802	11,409	13,211	11,925	90.27%	1,286

5. Management explained that the target of 33,000 original cases and 13,500 cases for Compulsory Arbitration in the RABs and Commission Proper, respectively, under the Major Final Output (MFO) 1 of the 2013 General Appropriations Act was based on a three year average inflow of cases while the 38,734 cases was the actual total caseload handled in 2013 which included cases that were newly-filed and cannot be included in the total case disposition target for the current year.

6. The Single Entry Approach or SEnA was defined under Department Order No. 107-10 of the DOLE as an administrative approach to provide a speedy, impartial, inexpensive and accessible settlement procedure of all labor issues or conflicts to prevent them from ripening into full blown disputes. Conciliation-mediation process shall be utilized as immediate intervention to effect amicable settlement among the differing parties.

7. Of the 16,839 Request for Assistance (RFAs) for NLRC RABs-SEnA, a total of 6,264 was settled or an average of 37.20% settlement rate during the initial stage of the mandatory conciliation and mediation conference. The table below shows the Single Entry Approach (SEnA) for NLRC RABs for the year 2013.

RABs	SEnA Request for Assistance (RFAs)	Settled SEnA RFAs	Percentage to RFAs
NCR	8,746	3,214	36.75%
CAR	57	51	89.47%
RAB I	270	131	48.52%
RAB II	443	206	46.50%
RAB III	387	152	39.28%
RAB IV	489	155	31.70%
RAB V	392	213	54.34%
RAB VI	1,915	798	41.67%
RAB VII	2,331	559	23.98%
RAB VIII	147	47	31.97%
RAB IX	169	65	38.46%
RAB X	584	226	38.70%
RAB XI	475	165	34.73%
RAB XII	425	275	64.71%
RAB XIII	9	7	77.78%
Totals	16,839	6,264	37.20%

8. In the absence of a quantified target on this intervention for amicable settlement, there was no conclusion derived on the success or failure of the said SEnA. It was noted however, that in the case of NLRC-NCRAB, the disposition rates increased from 75.96, 79.21 and 81.21 percent for the years 2011, 2012 and 2013 with the initial implementation of the SEnA.

9. Management explained that in addition to the settlement of SEnA RFAs, 13,341 or 44% share of settled cases were disposed by the Labor Arbiters of the Regional Arbitration Branches (RABs) during the mandatory conference of compulsory arbitration process for a total 19,605 requests/cases disposed through Settlement.

10. In the exit conference conducted with officials of the NLRC, it was explained that due to the intricacies of cases to be resolved the ideal period is nine months to resolve cases. It was also clarified that there is no provision in the Rules of Procedures for six months to resolve cases.

11. We recommended that Management review its targets to attain 100 percent or higher accomplishment rate on the disposition of cases based on actual receipt of cases during the baseline years used in establishing the performance indicators.

12. Management commented that regular monitoring was conducted by NLRC - Central Office on the resolution/disposition of cases received at the Regional Arbitration Branch level within the prescribed period thus, reducing case backlog and making its case dockets current.

Unclaimed Cash Bonds

Unclaimed cash bonds for RABs II, VI-Iloilo and XI in the amount of ₱4,991,712.22, ₱78,580.41 and ₱7,040,138.76, respectively, aged five to 19 years remained in the Cash in Bank-Local Currency Current Account Fiduciary Trust Accounts either due to the failure of Management to notify the complainants/awardees of the amounts due to them or these represent unresolved cases. Further, the Other Payables accounts of RABs II and III amounting to ₱10,961,684.16 and ₱10,063,854.76, respectively, were not supported with detailed schedules, records, documents or inventory of cases such that these were not fully validated if pertaining to unresolved or decided cases but still unpaid to awardees.

13. The Cash in Bank-Local Currency Current Account (Fiduciary Fund) consists of fiduciary funds in *custodia legis* representing Main and RABs 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), authorized government depository bank pursuant to the authority and exemption granted by the Office of the President from the provisions of E.O. 338.

14. The account Other Payables is the reciprocal account of the Cash in Bank-LCCA Fiduciary Fund which represents cash bonds posted by the respondents as the losing party and the garnishments for the satisfaction of monetary awards in labor cases held in trust for proper disposition to parties upon finality of the decisions of Labor Arbiters.

15. NLRC Administrative Order No. 07-17 series of 2012 was issued on the Internal Guidelines for the Release of Trust Funds with the following objectives:

- a. To prescribe a uniform procedure in the processing and requirements for the release of trust funds.
- b. To set a clear delineation of responsibilities of each over the release of trust funds.
- c. To simplify the procedure and eliminate “red Tape” in the processing of the release of trust funds.

16. The balance of Cash, Local Currency Current Account-Fiduciary Fund totalling ₱1.2 billion pertains to the collected cash bonds/garnishments as of December 31, 2013 with details on the next page, and corresponding schedules carried as account Other Payables held in trust.

Office/RABs	Cash in Bank, LCCA (Fiduciary Trust)	Other Payables
Central Office and NCR	₱ 758,012,157.71	₱ 828,537,686.58
Seventh Division, Cebu City	2,977,268.54	2,977,268.54
Eighth Division, Cagayan De Oro City	3,035,383.38	3,027,579.70
Cordillera Administrative Region, Baguio City	24,262,521.94	24,262,521.94
RAB I, San Fernando, La Union	19,568,312.10	19,439,653.17
RAB II, Tuguegarao, Cagayan	10,960,664.16	10,961,684.16
RAB III, San Fernando, Pampanga	76,006,143.59	75,716,849.48
RAB IV, Calamba, Laguna	98,233,757.52	97,279,049.51
RAB V, Legazpi City	30,283,573.76	30,146,777.61
RAB VI, Bacolod City	51,706,530.54	51,507,190.81
RAB VII, Cebu City	95,277,231.95	95,278,231.95
RAB VIII, Tacloban City	0.00	5,062,573.51
RAB IX, Zamboanga City	5,263,525.40	5,490,466.19
RAB X, Cagayan De Oro City	18,152,362.90	18,135,229.42
RAB XI, Davao City	33,936,567.89	33,969,589.88
RAB XII, Koronadal City	16,941,984.34	16,913,987.66
RAB XIII, Butuan City	11,901,838.13	11,891,737.79
Total	₱1,256,519,823.85	₱1,330,598,077.90

17. As discussed below are the observations on the unclaimed awards and the lack of verifiable documents in the review of the accounts Other Payables and Cash in Bank-LCCA Fiduciary Trust for RABs II,III, VI and XI Iloilo

18. For RAB II, out of the total unclaimed cash bond of ₱10,960,664.16 representing 90 cases, ₱4,991,712.22 or 56 cases were not claimed for more than six to 19 years. The reciprocal account Other Payables showed a balance of ₱10,961,684.16 that did not have detailed schedules of payors who posted the cash bonds or those who were already determined as awardees to the cases disposed.

19. For RAB III analysis of Other Payables account showed the balance of ₱75,716,849.48 as of December 31, 2013 representing cash bonds posted by respondents who appealed the decisions, ₱10,063,854.76 pertain to Years 2005 and below or aged 5-19 years.

20. Out of the year-end balance of ₱75,716,849.48, the amount of ₱65,652,994.72 or 87% pertains to cash bonds posted in 2006 to 2013 which were properly accounted for in the books. On the other hand, the remaining balance of ₱10,063,854.76 or 13% transacted in 2005 and prior years did not have detailed schedules, records and supporting documents to establish validity. Inventory and reconciliation of records for 2005 and below was on going at the time of audit.

21. For RAB VI - Iloilo, checks amounting to ₱78,580.41 were issued from August 31, 2012 to June 7, 2013 under the LBP Account No. 0032-1049-75 (Fiduciary Trust) remained outstanding and became stale as of December 31, 2013.

22. Audit of the accounts at RAB XI disclosed that the monetary judgment awards of decided cases and cash bonds for cases on appeal totaling ₱7,040,138.76 still remained in the books of accounts for more than five years as of December 31, 2013 due to the failure of management to exert effort in notifying the complainants depriving them of the amounts due.

23. The Audit Team was informed that some of the cases were on appeal or transferred to RAB X, hence, the amount was not yet released to the complainants. However, the inventory report of cases with finality was not prepared and submitted, thus reconciliation of records and payments to the complainants could not be facilitated.

24. In the absence of an inventory of cases, the balances of the Fiduciary Trust account that remained in the books of the concerned RABs were not fully validated if they pertain to the cases still pending or were decided cases with unclaimed awards/refunds to the winning parties.

25. **We recommended that NLRC Management:**

- **require the conduct of the inventory of all pending cases, include the status to date and facilitate the maintenance and updating of the record of all cases handled;**
- **establish monitoring strategies to enable claimants to receive what is due them within a reasonable period after preparation and approval of the claims;**
- **require the concerned Accountants to reconcile bank records with the account balances per books and subsidiary records of valid claimants; and**
- **require the Accountants to reconcile accounting records with the inventory list of cases submitted by the Labor Arbiters to come up with the account balances duly supported with valid claimants.**

26. Management comments were quoted in whole as follows:

It is well established in the NLRC system that parties are served with all Notices, Orders and Resolutions regarding the outcome of the complaint filed. Under the NLRC Rules of Procedure, a writ of execution or an order of release of fiduciary funds are issued upon motion of the party-claimant. Section 6, Rule XI provides: "Within two (2) working days from receipt of a motion for the issuance of a writ of execution which shall be accompanied by a computation of a judgment award, if necessary, the Commission or the Labor Arbiter may schedule a pre-execution conference to thresh out matters relevant to execution including the final computation of monetary award. The pre-execution conference shall not exceed fifteen (15) calendar days from initial schedule, unless the parties agreed to an extension."

The conduct of inventory of cases is actually being done by offices of the Labor Arbiters and the Commissioners.

The recommendation to require the Accountants to reconcile records of trust funds balances with the inventory list of cases is not feasible due to the following reasons:

- The NLRC handle and dispose about 33,000 cases in a year. The decided cases at the level of the arbitration branch are being elevated by way of appeal to higher courts: Commission Proper, Court of Appeals and to the Supreme Court of the Philippines.
- The names of Labor Arbiters and Commissioners were not indicated in the subsidiary records maintained by the Accounting Unit, thus, the difficulty of tracing all the trust funds with the inventory of cases pending before the Commissioners and Labor Arbiters plus the fact that most of the decided cases are appealed to the Commission/Court of Appeals/Supreme Court. Appealed cases may not be included in the Inventory of cases as of the given date since the records are being elevated to the Office handling appealed cases.

FINANCIAL AND COMPLIANCE

Unreconciled Cash in Banks

The confirmed bank balance of Cash in Banks-LCCA of Main and NCRAB amounting to ₱780,932,454.01 for accounts with the Land Bank of the Philippines (LBP) and United Coconut Planters Bank (UCPB) was not yet reconciled to date with its book balance affecting the reliability of the book balance of ₱758,012,157.71 as of December 31, 2013 with a difference of ₱22,920,296.30. Further, for prior years' transactions reconciled with the bank records up to December 31, 2011 on LBP accounts, the amount of ₱13,562,529.63 was unaccounted and ₱2,559,333.14, net, was still subject to adjustments in the books for errors covering the periods from 2004 to 2011.

27. The following rulings on bank reconciliation are as follows:

- Section 74 of PD No. 1445 provides that, "At the close of each month, depositories shall report to the agency head, in such form as he may direct, the condition of the agency account standing on their books. The head of the agency shall see to it that reconciliation is made between the balance shown in the reports and the balance found in the books of the agency."
- Section 2.1.2 of COA Circular No. 92-125a dated March 4, 1992 states that "The Chief Accountant/ Head of Accounting Units of National Government Agencies shall prepare correcting/adjusting entries for discrepancies/errors or other reconciling items requiring corrections by the agency immediately

after the Bank Reconciliation Statements (BRS) were made and after those items were properly analyzed and verified." Section 3.0 of the same circular prescribes the preparation and reconciliation procedures of the BRS for the National Government Agencies."

28. For CY 2013 and preceding year 2012, there were no bank reconciliation statements prepared and submitted for the Cash in Bank-LBP and UCPB Fiduciary Trust accounts for Main and NCRAB. A summary of book and confirmed bank balances for 2013 were as follows:

Particulars	Bank Confirmed Balances 12.31.12/13	Balance per Books 12.31.12/13	Difference
CY 2013:			
UCPB Peso Account	₱ 560,687,186.25	₱ 531,921,526.14	₱28,765,660.11
LBP Peso Account	220,245,267.76	226,090,631.57	(5,845,363.81)
Total	₱ 780,932,454.01	₱ 758,012,157.71	₱22,920,296.30

29. The LBP Peso account represents the balances of unclaimed fiduciary trust accounts after the NLRC Main and NCRAB opted to transfer its deposits to the UCPB in 2009. The UCPB Peso account consists of collections/disbursements of the fiduciary trust and execution funds including bank interests.

30. For the UCPB account, Subsidiary Ledgers (SLs) were maintained by the Accounting Unit. The SLs showed the individual unclaimed balances of deposits with the UCPB for the Fiduciary Trust. The total balances per SLs amounted to ₱523,819,125.77 or a difference of ₱8,102,400.37 from the book balance of ₱531,921,526.14. The Accounting Unit has not identified the cause/s of the difference between the General Ledger and the Subsidiary Ledgers for the UCPB account. Further, since there was no Bank Reconciliation Statement as of year-end 2013 and also for 2012, the difference of ₱28,765,660.11 between the book and bank confirmed balances was also not identified.

31. There were no Subsidiary Ledgers (SLs) prepared for the LBP account for Fiduciary Trust to support the book balances and to reconcile with the bank balances. The Accounting Unit continued to update the bank reconciliation for the LBP account but unfortunately was still delayed by two years as of December 31, 2013.

32. The latest Bank Reconciliation Statements (BRS) submitted as of September 30, 2013 by the Main and NCRAB Chief Accountant covered the period reconciled up to December 2011 for Fiduciary Trust LBP Account No. 0662-1011-84. The items/transactions identified for adjustments as of that date were as follows:

Particulars	Amounts for Adjustment
Addition to book balance	₱ 3,462,739.58
Deduction to book balance	903,406.44
<i>Net amount for adjustment</i>	₱ 2,559,333.14
Unaccounted difference with bank balance	(13,562,529.63)
Total for adjustment	₱(11,003,196.49)

33. The additions and deductions to book balance with net amount for adjustment of ₱2,559,333.14 pertain to errors in recording or unrecorded transactions from 2004-2010 that remained unadjusted to date.

34. The unaccounted difference of ₱(13,562,529.63) is the remaining balance as of September 2010 of reconciling items previously identified amounting to ₱(25,329,329.63) of which ₱11,766,800.00 was adjusted to Other Receivable account for fraudulently encashed checks from December 2001 to November 2003 by the former dismissed Cashier. There were irregular withdrawals/deductions from the bank account that need to be returned back to the bank balance.

35. There were no cause/s advanced as to the still unidentified difference of ₱13.5 million so that even after a thorough reconciliation of records, this remained a substantial amount unaccounted for.

36. For the current year's review of the Cash in Bank account the following were observed:

- a) Collections and deposits of ₱37,396.91 for April and June 2011 transactions were recorded only in September 2013 for NSF checks.
- b) Double recording of staled checks amounting to ₱338,848.06, one upon reporting by the Cashier and second upon replacement of the check. This was adjusted before the closing of the books.
- c) Staled checks amounting to ₱26,601,199.20 issued in CY 2012 and earlier months of CY 2013 were not yet fully replaced or not all were claimed.

37. Further, no adjustments were recorded in the books of NLRC Main and NCRAB on the reconciled figures as of the date of submission of the BRS, thus the balances per books and per bank were presented with unadjusted amounts. Reconciling items for the CYs 2012 and 2013 still need to be identified and adjusted. Due to the lack of adjustments in the books for the reconciling items from years 2004-2011 and the failure to prepare the BRS for CYs 2012-2013, the Cash in Banks-LCCA was unreliable.

38. **We recommended that NLRC Management:**

- **require the Chief Accountant of Main and NCRAB to prioritize the updating of the BRS for Cash in Bank-LCCA with LBP and UCPB to cover the periods up to December 31, 2013, adjust the books for reconciling items or notify the banks for any adjustments/corrections and determine items affecting the total cash accountability of the dismissed Cashier; and**
- **require that the final accountability of the dismissed Cashier be incorporated in the charges filed and that the events pertaining to such accountability be fully disclosed in the Notes to Financial Statements of the agency.**

39. Management commented that the Accountant already submitted the updated reconciliation reports, as of June 2014, for trust fund maintained at Land Bank of the Philippines. All adjustments shall be effected in the year 2014 upon completion of the reports. The reconciliation of trust funds maintained at UCPB is updated however not yet submitted to the Office of the Audit Team Leader (ATL), since it is still being reviewed by the Accountant.

40. It was also stated that the recommendation of the ATL was already complied, the accountability of the dismissed Cashier is already established and being disclosed in the Notes to the Financial Statements.

41. As a rejoinder, the last BRS submitted for LBP accounts as of December 31, 2011 still showed unidentified differences that may still affect the final accountability of the dismissed Cashier.

Internal control on collections and deposits

The manner of preparation of the Report of Collections and Deposits by the NCRAB Cashier with Order of Payments as reference was not in compliance with NGAS guidelines and the figures were not tallied with the amounts directly deposited by payors with the bank resulting to errors in captured collections and deposits data since there were transactions unpaid/undeposited or deposited in other dates. Further, the Order of Payments issued by the NCRAB Cashier were not pre-numbered resulting to double/multiple use of assigned numbers manually encoded. Likewise, collections of RAB VI Bacolod were not deposited intact the next banking day following its receipt with the Authorized Government Depository Bank (AGDB).

42. Quoted here are pertinent provisions for Collections and Deposits under **NGAS Manual Volume 1:**

- a) **“Sec. 22. Reporting of Collections and Deposits,.** At the close of each business day, the Collecting Officers shall accomplish the Report of Collections and Deposits (RCD) in accordance with the instructions provided in Volume II of the NGAS Manual for the RCD. All collections shall be deposited with AGDB for the account of the agency or the Treasurer of the Philippines daily or not later than the next banking day.
- b) **Sec. 23. Procedures for Collections and Deposits Through the Collecting Officer. . .**
 - 6) *Cash Unit, Designated Staff - Based on the validated DS from the AGDB and copy of the ORs on file, prepares Report of Collections and Deposits (RCD) in two copies, initials on the RCD and forwards the same together with Copy 2 of the ORs and DS to the Head of the Cash Unit for review and signature.*

7) *Head of the Cash Unit - Reviews and signs the RCD. Forwards original of RCD, Copy 2 of the ORs and DS to the Designated Staff for submission to the Accounting Unit.*

c) **Sec. 24. Procedures for Collections through Accredited Agent Banks (AAB).**

Accounting Unit

Receiving/Releasing Staff - Receives collection documents from the AAB/AGDB. Records receipt in the logbook maintained for the purpose. Forwards the same to the Bookkeeper for preparation of the JEV.

Bookkeeper - Based on the received collection documents, prepares JEV in two copies, signs "Prepared by" portion of the JEV. Forwards the JEV and documents to the Head of the Accounting Unit for review and signature.

Head of the Accounting Unit - Reviews and signs "Certified Correct by" portion of the JEV. Forwards the JEV and documents to the Bookkeeper for recording in the General Journal (GJ).

d) **Sec. 45. Order of Payment (OP).** *The Order of Payment (Appendix 42) shall be accomplished by the Accounting Unit by stating the nature and computation of amount due before collections shall be received by the Cashier."*

NCRAB:

43. From January to September 2013, the procedures for collections were similar with that in prior years whereby the Collecting Officer issued Official Receipts after the payors had deposited with the UCPB, the depository bank for collections. We noted in the audit of the prior year's collections that the ORs were issued but no accountability for money received in view of the direct deposits.

44. From October 2013 and onwards, changes in procedures involved the issuance of Order of Payment by the Cash Unit to be presented with the bank for the deposit to the collection accounts of the NLRC. The Order of Payment was a devised form replacing the ORs. This was prepared by the Cash Unit based on the Assessment Form from the originating unit that assessed the fees. The forms followed a numbering series controlled by the Cash Unit.

45. Under the two processes above, a Daily Report of Collection is prepared and submitted by the NLRC Cashier. The report is a summary of the daily receipted collections for process (2) and daily issued Order of Payment for process (3) above. In

both cases, there were discrepancies with the deposited amounts per bank records and errors in the amounts reported due to the following:

DEFICIENCY	NO. OF TRANSACTIONS	AMOUNT
• Deposits for the day reported in succeeding day/s or in prior date/s	76	₱ 6,687,936.06
• Error in reported amount of collection/deposit	9	51,391,304.34
• Double recording of collections and deposits	3	191,841.39
• Collection reported per Order of Payment issued was not deposited with the bank	2	473,353.41
• Double assignment of serial numbers in the Order of Payment	48	
• Series not sequentially used e.g., part of series issued in succeeding days	10	
Total amount of errors in the verified Daily Report of Collections		₱58,744,435.20

46. The Cashier modified the Report of Collections and Deposits prescribed under NGAS in a form titled, Daily Report of Collections. The form used did not include end of the day summary to tally the total deposits per bank report. There were deficiencies in the amounts per Cashier's report and per bank that were not corrected in the Daily Report of Collections prepared and submitted to conform with the actual deposited amounts from January to November 2013. The Cashier received bank reports daily from 9:00 a.m. to 10:00 a.m.

47. The current system whereby the series of the Order of Payments were under the control of the Cash Unit, likewise showed that errors occurred on assigning of serial numbers as well as monitoring the issuance.

48. It was the Accounting Unit that reviewed and corrected the Cashier's report prior to the recording in the books of accounts to tally with the amounts deposited in the bank.

49. The objective of assuring the correctness of the amounts that will be taken up as collections and deposits in the books of the NLRC was not achieved at the level of the Cash Unit. The reports submitted by the Cashier were unreliable and had to be corrected by the Accounting Unit prior to the recording in the books.

RAB VI Bacolod:

50. Verification of the Report of Collections and Deposits for the Year 2013 showed that the income collected from payments of various fees were not remitted or deposited regularly and intact with authorized government depository bank the next banking day following its receipt. The collection is in the custody of the Accountable Officer ranging from four to 17 days upon its receipt.

51. Also, the Accountable Officer acts as both the collecting and disbursing officer. The office did not adequately segregate duties related to collection, recording and depositing of receipts, the preparation and recording of disbursement. Sound internal control system requires that these functions should not be practiced by a single individual to ensure check and balance between both records as well as the safeguarding of government funds.

52. **We recommended that Management**

- **require the Cashier-NCRAB to prepare the Report of Collections as prescribed under the NGAS Manual and reconcile the totals per Report of Collections and Deposits with the Bank Daily Abstract of Collections (UCPB), adjust/correct the report before the transmittal to the Accounting Unit;**
- **require the Cashier-NCRAB to report on the issued Order of Payments (OP) that were not presented with the bank for deposit;**
- **cause the preparation of the pre-numbered OP for NCRAB that the Cashier will issue to payors to eliminate the occurrence of double or multiple numbering of the form;**
- **require the Accounting Unit to keep track of the OPs issued, e.g., series assigned and actually presented with the AAB and employ control measures to ensure that issued OPs that were not used by payors are monitored if presented at later dates;**
- **continuously monitor the collections deposited with the AAB to ensure that all monies due to the government and those held in trust are fully accounted for; and**
- **require RAB VI Bacolod to monitor that all collections are deposited regularly and intact and that another personnel be designated either as collecting or disbursing officer for proper segregation of duties and responsibilities.**

53. Management commented that the NLRC has designed a reporting system and format of the Daily Report of Collections that would require the Cashier to indicate all Order of Payment Form (OPF) issued. The Cashier was also instructed to undertake proper validation of her report with the Daily Abstract of Collections and Deposits submitted by the bank to have an accurate report of collections for the day.

54. Management, likewise, agreed with the recommendation on the pre-numbering of the OPF as part of the system improvement and in fact have pre-numbered OPFs for easy monitoring if paid to the bank. The Accounting Unit conducts daily verification of the report of the Cashier with the daily abstract of deposits by the banks and the OPF issued. There is also continuous evaluation and assessments by the management of the existing collection system through bank with the main objective of improving and ensuring that

sufficient controls, checks and balance of the entire process are present so as to account for all the receipt of monies for the government and the fiduciary funds.

55. There will also be a review of the basic responsibilities and functions of the Cashier on collections and disbursements, the number of transactions on a daily basis, reorientation on the timeliness of deposit of collections. The audit recommendation for RAB 6 Bacolod will be considered.

Cash Advances unliquidated/unadjusted balances

Cash advances under the accounts Advances to Officers and Employees and Due from Officers and Employees of Main and NCRAB, were unadjusted for errors in recording, non-recording of refunds/liquidations in the net amount of ₱169,454.84, unreconciled with subsidiary records and unliquidated balances while cash advances totaling ₱47,053.00 granted from July to October 2013 for RAB VI Bacolod were not liquidated at the end of the year and RAB XIII failed to record correctly the cash advances liquidation.

56. The general guidelines on granting of cash advances include the provision that no additional cash advance shall be allowed to any official or employee unless the previous cash advance given to him is first liquidated and accounted for in the books as certified by the Chief Accountant.

57. Under COA Circular No. 201-004 dated November 28, 2012, the Chief Accountant shall, within the same period (on or before December 15, 2012) furnish the Head of Agency and the Head of the Auditing Unit a list of Accountable Officers with unliquidated and outstanding cash advances.

58. Verification of the grant and liquidation of cash advances for CY 2013 for Main and NCRAB as well as the outstanding advances in prior periods showed that the subsidiary balances were not reconciled with that of the general ledger for the accounts Advances to Officers and Employees and Due from Officers and Employees of ₱1,033,806.84 and ₱540,607.66, respectively.

59. The following table shows the advances carried as negative balances or were not corrected/adjusted for refunds/liquidations made by the accountable officers.

	Cause/s of errors	Advances to Officers and Employees	Due from Officers and Employees
Balance per books 12.31.13		₱,033,806.84	₱ 540,607.66
Negative balances	Liquidations/adjustments were credited with no corresponding cash advance balance being settled	43,840.55	257,544.78
Unrecorded refunds	Under recording of credits to the cash advance for refunded unused amounts.	(56,471.25)	(29,476.71)
Remittance to BIR	Unadjusted remittance for return of cash advance	8,176.42	

	Cause/s of errors	Advances to Officers and Employees	Due from Officers and Employees
No subsidiary account balance	Amounts were presented as reclassification/adjustments/overpayments with no individual subsidiary account balance		(63,067.51)
Net Errors		(4,454.28)	165,000.56
Adjusted Balances		₱1,029,352.56	₱ 705,608.22

60. The various adjustments/corrections amounted to ₱169,454.84 broken down as accounts Advances for Officers and Employees at ₱4,454.28 and Due from Officers and Employees at ₱165,000.56.

61. Likewise, the beginning balance of the account Due from Officers and Employees amounting to ₱443,393.60 does not have subsidiary record of the unsettled balances of the advances. This had been forwarded balances since CY 2010 and prior years.

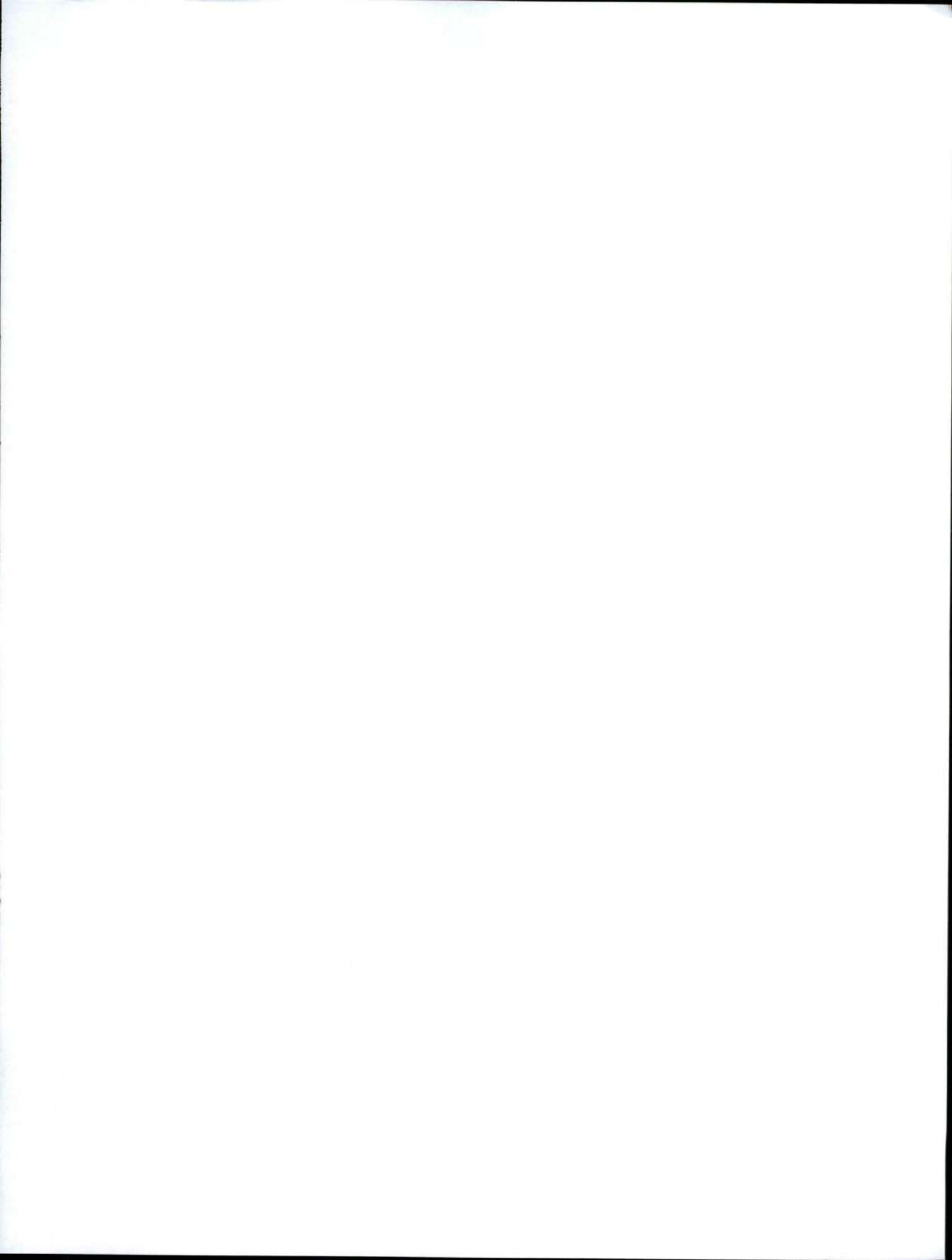
62. The Certified Quarterly Statement of Unliquidated Cash Advances does not tally with the balances appearing in the books of the agency. Advances to Officers and Employees was reported with a balance of ₱871,406.68 while the books carried ₱1,033,806.84 at year-end. Due from Officers and Employees was reported with a balance of ₱16,500.00 while the books had the amount of ₱540,607.66 as year-end balance. Further, after adjustments the accounts' subsidiary balances to be established were at ₱1,029,352.56 and ₱705,608.22 for the above accounts.

63. The cash advances have to be reviewed and adjusted/corrected to reflect the actual amounts remaining unsettled to date. The lack of adjustments had over/understated the balances of the cash advances carried in the books of Main and NCRAB and at the same time not reflecting the actual status of the accounts in the certified statements of unliquidated cash advances issued by the office on a quarterly basis.

64. Cash advances totaling ₱47,053.00 granted from July to October 2013 for RAB VI Bacolod were not liquidated at the end of the year, thus, understating the related expenses while liquidation of cash advances for RAB XIII were erroneously recorded to the Cash Disbursement Journal instead of the General Journal.

65. **We recommended that Management require the Accountants of Main and NCRAB, RABs VI and XIII to:**

- **determine the adjustments to be made on the erroneous cash advance balances per books;**
- **adjust the books for the errors/over/understatements of the individual cash advance balances;**



- evaluate the beginning non-moving balances as to individual accounts and impose settlements;
- issue corrected/adjusted and certified statement of unliquidated cash advances;
- monitor that the remaining cash advances be liquidated; and
- monitor the liquidation of the cash advances outstanding at year-end and cause the proper recording of liquidation in the General Journal.

66. Management agreed with the recommendations and the Accounting Unit of this Office is in the process of verifying and reconciling the Cash Advances account to determine the necessary adjustment to be done in the records.

67. The RAB VI reported that 20% of the cash advances were already liquidated in the year 2013, 43% was liquidated on June 2014 and the remaining 37% was covered with Notice to Liquidate within a certain time or for salary deduction if not liquidated despite receipt of the reminder/notice to liquidate.

68. The RAB XIII Accountant will monitor the liquidation of the cash advances, the proper recording in the books and NLRC management will likewise monitor the compliance to this observation and recommendation.

Property, Plant and Equipment Unreconciled

Property, Plant and Equipment account balances of Main and NCRAB, RABs IV, X and XIII had a difference of ₱20,182,677.31 when compared with the Property inventory balances due to unreconciled transfers to Regional Arbitration Branches, unrecorded disposal of PPE and misclassification of items while the PPE accounts of RABs I, II, V, IX and XII had unreconciled balances with the property records and those of RAB V were not insured with the General Insurance Fund of the GSIS

69. NGAS Manual for National Government Agencies, Volume I, Sec. 41. Purchase or Construction of Property, Plant and Equipment provides:

“Property, plant and equipment acquired through purchase shall include all costs incurred to bring them to the location necessary for their intended use, like transportation costs, freight charges, installation costs, etc. These are recorded in the books of accounts as Assets after inspection and acceptance of delivery.”

70. The NGAS Manual likewise provides the following instructions on the recording of Property, Plant and Equipment accounts:

- a) The Accounting Unit shall post necessary information to the Property, Plant and Equipment Ledger Card (PPELC) based on paid documents.

- b) The Report on the Physical Count of Property, Plant and Equipment (RPCPPE) shall be used to report the physical count of property, plant and equipment by type as of a given date. It shows the balance of property and equipment per cards and per count and shortage/overage, if any.

71. COA Memorandum No. 88-558 dated February 23, 1988 requires that Offices of the National Government insure government properties with the General Insurance Fund. COA Circular No. 92-390 dated November 17, 1992 was issued to assist the General Insurance Fund and the Property Replacement Fund of the Government Service Insurance System (GSIS) in determining the physical assets of the national and local government including those of government-owned and/or controlled corporations and their subsidiaries and affiliates and ensuring that all insurable assets and properties of the government are adequately covered/insured with the General Insurance Fund of the GSIS.

72. The following table shows the observations in the audit of the Property, Plant and Equipment accounts of the Main Office and Regional Arbitration Branches (RABs) of the NLRC:

CO/RAB	Book Balance	Difference with Property Records	Audit Observations on PPE
Main and NCRAB	₱75,815,662.59	₱19,891,259.85	Account balances amounting to ₱75,815,662.59 had a difference of ₱19,891,259.85 when compared with the Property inventory balances of ₱55,924,402.74 due to unreconciled transfers to Regional Arbitration Branches, unrecorded disposal of PPE and misclassification of items. Current year's acquisitions also registered a difference of ₱323,470.25 owing to unmatched classification of PPE accounts and error in accounting for procured but undelivered items
RAB I	940,948.76		Non-submission by the Acting Property Custodian of the Report on Physical Count of Property, Plant and Equipment as of December 31, 2013 and failure to update Property Cards and the non-maintenance of Ledger Cards by the Accounting Unit
RAB II			Unserviceable equipment/property pending disposal with an approximate value of ₱23,580.00 were not reclassified and recorded under the Other Asset
RAB IV	501,169.66	33,372.66	The accuracy/correctness of Property, Plant and Equipment (PPE) account could not be ascertained due to the unreconciled difference of ₱33,372.66 between the accounting records and the physical inventory reports and existence of transferred items from the Main Office that were not accounted for.

CO/RAB	Book Balance	Difference with Property Records	Audit Observations on PPE
RAB V			The account balance of Property, Plant and Equipment could not be ascertained due to the non-maintenance by the Agency of the required property records. The Agency failed to obtain insurance coverage of all insurable properties and equipment.
RAB IX	2,298,843.72		PPE Ledger Cards (PPELC) and Property Cards (PC) were not maintained by the Acting Accountant and Supply Officer
8 th Div Reg X	4,547,062.98	217,785.90	Unreconciled property and accounting records on PPE accounts
RAB XII			Lapses in the reclassification of unserviceable PPE to Other Assets account, existence of small value items with more than one year serviceable life but small enough to be considered as PPE and non-maintenance of Property Cards (PC)
RAB XIII		40,258.90	Discrepancies between the Inventory Report of PPE and Report of Physical Count of PPE
Total	₱84,103,687.71	₱20,182,677.31	

RAB I:

73. Unserviceable properties with an undetermined appraised value have not been disposed as provided under Sec. 79, PD No. 1445, thus exposing them to further deterioration and loss to the government and depriving the agency use of the space.

74. Ocular inspection conducted in the premises of RAB 1 showed that various unserviceable properties were stored in the stockroom of the agency. This consisted of air condition units, chairs, computers and other unserviceable properties. This could not be disposed because the Acting Property Custodian has not conducted an inventory of its Property, Plant and Equipment.

RAB V:

75. There was failure to insure with the GSIS General Insurance Fund and the Property Replacement Fund all the insurable properties and equipment because the Property Officer-designate was not aware of the regulation. Only the Agency's vehicle was insured as a requirement for registration with the Land Transportation Office (LTO).

8th Division RAB X:

76. Out of total PPE amounting to ₱4,547,062.98 per books, there was a difference of ₱217,785.90 from the inventory balances of IT Equipment, Office Equipment and Furniture and Fixtures totaling ₱4,764,848.88 that was not adjusted at year-end.

RAB XII:

77. The Supply Unit of NLRC XII together with the COA Team as observer conducted physical inventory of PPE on November 13, 2013. Complete count was made in three Offices of NLRC, the concerned Office submitted the RCPPE.

78. Discrepancies noted between the Accounting and Property records of the PPE accounts were attributed to the following:

- a. Unserviceable IT equipment amounting ₱34,063.00 awaiting disposal were still included in the RCPPE list instead of Other Asset Accounts.
- b. There were assets transferred to Other Asset Accounts but not yet dropped from the accounting records as they are still found in the PPE list.
- c. In the PPE list submitted to COA, there are assets considered as serviceable with more than one year but small enough to be considered as PPE.

79. The unreconciled balance of the accounting records as against the supply records resulted to the inaccurate balances of the PPE account thus putting into doubt the reliability of this account.

RAB XIII:

80. The erroneous classification of fully depreciated PPE items amounting to ₱81,121.00 to Other Assets Account (290), even though said items are already unserviceable, contrary to Section 143, Volume III, MNGAS and due to the inclusion of certain small tangible items amounting to ₱4,899.20, which should not be booked up under the PPE account but rather should be recorded as expense upon their issuance.

Main and NCRAB:

81. Data from the Accounting and Property records and reports showed the following balances of PPE accounts as of December 31, 2013:

PPE accounts	Per Accounting Records	Per Property Records	Difference	Remarks
Office Equipment	₱ 9,589,395.41	₱ 3,318,038.00	₱6,271,357.41	Office Equipment taken up as Other PPE
Furniture and Fixtures	4,632,715.51	0.00	4,632,715.51	
IT Equipment and Software	38,810,560.82	5,479,581.80	33,330,979.02	See fully depreciated PPEs
Communication Equipment	96,979.50	0.00	96,979.50	
Library Books	3,822,165.32	0.00	3,822,165.32	Included in the inventory but without value

PPE accounts	Per Accounting Records	Per Property Records	Difference	Remarks
Motor Vehicles	18,081,524.50	16,319,982.00	1,761,542.50	
Other Leasehold Improvement	669,458.03	0.00	669,458.03	
Other Property, Plant and Equipment	112,863.50	3,451,534.75	(3,338,671.25)	Office Equipment in the inventory
Fully depreciated serviceable PPE		26,796,690.64	(26,796,690.64)	Includes Off. Equip, Furn & Fix, IT Equip.
Fully depreciated PPE for disposal		558,575.55	(558,575.55)	Off. Equip. & IT Equip.
Balances 2013	₱ 75,815,662.59	₱ 55,924,402.74	₱19,891,259.85	
Balances 2012	(75,280,807.99)	(69,299,726.45)	(5,981,081.54)	
Changes 2013	₱ 534,854.60	(₱13,375,323.71)	₱ 13,910,178.31	

82. The prior year's audit observation identified the differences as due to account classification, unrecorded procurement costs that should be added to the value of the items, unrecorded transfers of PPE from the Central Office to the Regional Arbitration Branches, among others.

83. The changes recorded in the books of accounts for the current year were accounted for as the acquisitions and adjustments valued at ₱534,854.60 while property records likewise showed differences with the property inventory records as follows:

PPE	Per Books	Per Inventory	Difference	Remarks
Office Equipment	₱283,645.00	₱324,960.00	₱(41,315.00)	Misclassified O/E, F/F, Com. Equip.
Furniture & Fixtures	216,338.00	0.00	216,338.00	No record per inventory
IT Equipment & Softwares	634,600.00	0.00	634,600.00	Error in recording per books of undelivered PPEs worth ₱457,000.00
Communication Equipment	19,480.00	0.00	19,480.00	O/E per inventory
Library Books	112,840.60	109,039.60	3,801.00	Difference paid by RAB VIII
Other Leasehold Improvements	107,266.00	0.00	107,266.00	No record per inventory
Other PPE	0.00	159,099.75	(159,099.75)	Taken up as Off. Equip. per books
Transfers	(839,315.00)		(839,315.00)	
Changes in PPE for CY 2013	₱ 534,854.60	₱ 593,099.35	₱(58,244.75)	

84. The Property inventory had records for the PPEs valued at ₱593,099.35 which were still not reconciled with the accounting records as to the proper PPE category/classification. There were deductions from the prior year's balance per inventory of the total PPE amounting to ₱13,164,340.26 for disposal undertaken during the year. There was however a difference of ₱210,983.45 in the property records unaccounted at year-end for the total difference of ₱13,375,323.71 between CYs 2012 and 2013. The disposal and other adjustments/transfers were not taken up by the Accounting Unit resulting in a difference of ₱19.9 million between the accounting records and the property records as of December 31, 2013.

85. In the absence of reconciliation between the accounting and the property records to account for the differences in PPE carried in both records, proper classification of PPE items, and adjustments to both records as needed, the balances of the PPE accounts remain doubtful.

86. **We are reiterating the prior year's recommendations that Management require the Accountants and Property Officers to:**

- **observe proper classification of all PPE items carried in their respective records;**
- **reconcile the accounting and property records to arrive at the correct balances of each PPE account; and**
- **update the records for all transfers to RABs that were not properly taken up either in Accounting records or in the inventory reports of both the recipient and originating offices.**

87. **For the current year's transactions, we recommended that Management require:**

- **the Accountants to review the propriety of the values reported as disposal as well as the errors in the booking up of PPE, and take up the necessary adjustments in the accounting records;**
- **the Property Officers to reclassify the PPE in agreement with the accounting treatment or to the proper PPE account, as the case may be;**
- **all RABs to regularly conduct physical count of the PPE, adjust the books or correct the inventory report based on the physical count and valuation of such PPE; and**
- **the Property Officer-designate of RAB V to prepare a list of all insurable properties of the agency and furnish the GSIS with the said list for appraisal of the amount of the premium to be paid for the insurance of the property and ensure compliance with the regulations.**

88. Management commented and agreed with the recommendations. There is an ongoing reconciliation of the records of Property Officer and the Accountant of the Main and NCRAB. Adjustments and reclassification will be done. The Accounting Unit is in the process of verifying the recording of all PPE procured for the year 2013 to determine the necessary adjustments to be done in the books of accounts and in the records of the Property Unit. To implement this recommendation, the Accounting Unit will furnish the Property Unit of the copy of the Journal Entry Voucher (JEV) on the recording of the PPE.

89. NLRC RAB V commits to comply with the recommendation.

90. NLRC RAB XII commented that Management is amenable with the finding that IT Equipment and Software amounting to ₱34,063.00 should be recorded under the Other Assets Account. The Accountant will draw a Journal Entry Voucher (JEV) to this effect. Some assets under this account have already undergone technical inspection by COA and were offered to public for sale, however the party willing to procure the assets offered price far below from what was set by the disposal committee. At present the Committee is finding ways to negotiate the price which is favorable to the government.

91. Management also agreed that there were assets with more than one year serviceable life but small enough to be considered as PPE which are still in the PPE list especially in the Furniture and Fixtures account. The Property /Supply Officer will look into this matter and will do the necessary adjustment.

92. On the matter of conducting actual inventory, Management of RAB XII already scheduled its annual physical inventory on October 22 to 24, 2014. The Accounting Unit now maintains its Property, Plant Equipment Card and is ready for examination by the Audit Team.

Unreconciled Inventory of Supplies and Materials

Inventory of supplies and materials with year-end balance per books of Main and NCRAB amounting to ₱1,048,048.52 had a variance of ₱358,242.69 when compared with the supply records/physical count of ₱689,805.83 due to unrecorded issuances, direct charges to expenses instead of through inventory account and differing classification of office supplies, accountable forms and construction supplies inventories over/understating the affected account balances. Inventories per books of the 8th Division RAB X amounting to ₱336,881.70 were not reconciled in the absence of an inventory report and report of issuances for the year, overstating the account balance.

93. The NGAS has the following basic features and policies:

Perpetual Inventory of Supplies and Materials. Supplies and materials purchased for inventory purpose shall be recorded using the perpetual inventory system. Regular purchases shall be coursed thru the inventory account and issuances thereof shall be recorded as they take place except those purchased out of Petty Cash Fund which shall be charged directly to the appropriate expense accounts.

- a. Valuation of Inventory. Cost of ending inventory of supplies and materials shall be computed using the moving average method.
- b. Maintenance of Supplies and Property, Plant and Equipment Ledger Cards. For appropriate check and balance, the Accounting Units of agencies, as well as the Property Offices, shall maintain Supplies Ledger Cards/Stock Cards by stock number and Property, Plant and Equipment Ledger Cards/Property Cards by category of Property, Plant and Equipment, respectively.

Main and NCRAB:

94. The balances of the account Inventories per books and per supply records/physical count as of December 31, 2013 for Main and NCRAB were as follows:

Type of Inventory	Per Books	Per Supply Records	Variance
Office Supplies inventory	₱ 902,924.86	₱ 671,564.22	₱ 231,360.64
Accountable Forms Inventory	8,000.00	2,500.00	5,500.00
Drugs & Medicines Inventory	19,604.76	15,741.61	3,863.15
Construction Materials Inventory	117,518.90	0	117,518.90
Total	₱ 1,048,048.52	₱ 689,805.83	₱ 358,242.69

95. The Accounting and Supply Offices' records showed unreconciled beginning balances of the four inventory accounts amounting to ₱2,225,878.33 and ₱1,262,178.09, respectively that were not adjusted or corrected. In addition to such unadjusted balances, the following deficiencies were noted between the books and the inventory records for the current year with the net amount of ₱358,242.69:

- Receipt of deliveries for Office Supplies amounting to ₱131,925.00 was treated in the books as Office Supplies/Training Expenses but inventory in the supply records; spare parts amounting to ₱85,344.00 were treated as Inventory per books but not in the supply records; Accountable Forms worth ₱24,500.00 were treated as Office Supplies per supply records but were expensed per books.
- Issuances of Office Supplies from October to December 2013 amounting to ₱555,275.71 were recorded in the books in the ensuing year instead of adjusting the account at year-end.
- Accountable Forms amounting to ₱50,000.00 were taken up as expenses per books in CY 2013 but were included in the Inventory per Supply records. Only the issuance for CY 2012 was recorded in the books for the current year.
- Drugs and Medicines with issuances worth ₱7,160.55 were not taken up per books in CY 2013.

- Issuances of construction materials with the amount of ₱117,518.90 were not recorded in accounting records but were already taken up with the supply records. Further, prior year's purchases of construction materials amounting to ₱188,830.00 were reclassified as Office Supplies Inventory in the current year.

96. The differences in the classification of inventory items, the manner of accounting of either expense or inventory as well as unadjusted inventory accounts both for the beginning and year-end to reflect all issuances were contributory to the variances in the balances carried in the Accounting and Supply records. There was no reconciliation done to check on the correctness of the two records prior to the closing of the books.

8th Div. RAB X:

97. The inventory account per books of the 8th Division RAB X amounting to ₱336,881.70 had no corresponding inventory report at year-end. Likewise, no Report of Supplies and Materials Issued (RSMI) was prepared and submitted to the Accounting Unit.

98. The Acting Supply Officer reasoned out that failure to prepare and submit the RSMI was due to his dual duties as stenographer during hearings conducted and as Acting Supply Officer.

99. The Presiding Commissioner promised to comply with the audit recommendations and designate other personnel to assist on court hearings for the Acting Supply Officer to focus on the issuance of RSMI and to reconcile records with the Accountant.

100. The failure to reconcile the accounting records as against the records of the supply office as well as non preparation of the RSMI, contributed to the discrepancies in the Inventories account for Main and NCRAB and the 8th Division RAB X books.

101. **We recommended that Management require the Accountants and Supply Officers to:**

- **reconcile and adjust their respective records to arrive at the corrected Inventory balances as of December 31, 2013 and onwards;**
- **henceforth apply consistently the proper account treatment in the Inventory or Expense account, as the case maybe; and**
- **cause the periodic preparation and submission of the Report of Supplies and Materials Issued to the Accounting Unit as document for the adjustment of the account Inventories and that all receipts and issuances be taken up in the books in the year when the transactions occurred.**

102. The Management of NLRC Main and NCRAB commented that the huge amount of discrepancy between the inventory report of supplies and materials and the accounting records is the amount of supplies and materials issued covering the period from October to December 2013, which was not received by the Accounting Unit on the date of preparation and submission of the financial reports. The Accounting Unit is in the process of verifying its records on the procurement of office supplies to determine the proper adjustments to be done in the books. In addition, Management will monitor and require the submission by the Supply Officers of their monthly RSMI on time.

Reimbursement of Expenses for Repairs and Maintenance

In the absence of a plan or agency directives for the regular upkeep of the NLRC Main and NCRAB's motor vehicles, the Repairs and Maintenance Expenses from January to December 2013 amounting to ₱716,465.78, a total of ₱376,164.86 was either reimbursed to end-users or charged to Petty Cash Funds instead of through normal procurement and disbursement processes and were found to be deficient or incomplete on the basic documentary requirements of the expenses incurred.

103. The revised documentary requirements for common government transactions prescribed under COA Circular No. 2012-001, dated June 14, 2012 includes the following for the repairs of motor vehicles:

- Pre-repair evaluation report and approved detailed plan by the agency showing in sufficient detail the scope of work/extent of repair to be done
- Post inspection reports
- Warranty Certificate
- Request for payment
- Bills/invoices
- Certificate of Acceptance
- Such other documents peculiar to the contract and/or to the mode of procurement necessary for the auditorial review and in the technical evaluation

104. The NLRC spent a total of ₱716,465.78 for the repairs and maintenance of the service vehicles issued to the officials as well as for the general services use. Of this amount, ₱340,300.92 was paid directly to suppliers for five of the 65 repair works undertaken during the year. The remaining amount of ₱376,164.86 was either reimbursed to end-user officials or charged to Petty Cash Funds.

105. The documentary requirements for the repairs were not attached to the Disbursement Vouchers as shown on the following table:

Required documents not complied	No. of transactions	Amount
Inspection and acceptance report	4	₱ 99,101.82
Pre and post repair inspection	6	82,687.75
Report of Waste Materials	4	20,025.00
Signatures of concerned officials on PR/RIS/WMR	3	48,122.35
Certificate of acceptance	3	35,518.75
Unsigned inspection and acceptance report	5	33,684.65
Total	25	₱ 319,140.32

106. The Property Unit maintains history or record of repairs for the vehicles but not a plan for the continuous maintenance and upkeep of said vehicles. As a result, expenditures for regular maintenance were mostly reimbursed instead of following a timetable and budget for the said repairs. The practice was not controlled as to necessity and urgency but rather left to the end-users' initiative to have the vehicles serviced as needed.

107. Reimbursement of expenses may be sought only in cases of emergencies and not considered as a regular mode of payment. Budgetary constraints may eventually cause the delayed or non-reimbursements and the lack of, or incomplete documentary requirements of the expenditures incurred.

108. **We recommended that NLRC Management:**

- **establish routine maintenance plan for all the service vehicles, direct a responsible official/personnel to take care of the execution of said plan including securing of budget or funds availability whereby said official shall be responsible for the evaluation of the repairs requested and the reasonableness of the funding requirements;**
- **cause the inclusion of repairs and maintenance expenses in the Annual Procurement Plan detailing the schedules for repair and the budgetary allocation for the servicing of vehicles for any given year; and**
- **require the Accounting Unit to ensure compliance with all the necessary documentary requirements for the repairs and maintenance of the service vehicles.**

109. Management commented that Administrative Order (AO) No. 1-03 series of 2014 was issued setting limits/ceilings up to ₱10,000.00 per year as the maximum amount of reimbursement for the repairs and maintenance of motor vehicle for each official. The AO also required each official to be responsible in the proper maintenance of his/her assigned service vehicle. This measure was designed to observe prudence in spending the minimal budget allocation for the repairs and maintenance of motor vehicles without violating the state auditing rules and regulations.

110. For the service vehicles of the general administrative services which were not covered by the above AO, NLRC will come up with a revised routine maintenance plan and will include the repairs and maintenance expenses in the Annual Procurement Plan. The needed documentary requirements for the maintenance expenses shall be complied.

111. As a rejoinder, we are reiterating our stand that reimbursement was the mode of payment rather than payment thru checks direct to suppliers for services rendered for vehicles assigned to the officials of NLRC. Under this scheme, the documentary requirements were not fully complied.

Lack of compliance with auditorial requirements

Audit of the various RABs disclosed lack of compliance with the standard requirements on government transactions such that: a) RAB V failed to comply on the mandatory use of the Philippine Government Electronic Procurement System (PhilGEPS) in its procurement activities contrary to Administrative Order (AO) No. 17 dated July 28, 2011; b) Accountable Officials of RABs V and VI were not bonded/bonds were not renewed contrary to Section 101 of P.D. No. 1445 and Treasury Order No. 02-2009 dated August 6, 2009; c) overpayment of Representation Allowance (RA) and Travelling Allowance (TA) in RAB III in the total amount of ₱30,000.00; d) RAB IV did not establish Petty Cash Fund; and e) RAB IX had incomplete documentary requirements to support the payments on some common transactions and failed to submit to the Office of the Audit Team Leader copies of purchase orders (POs) issued to various suppliers as provided under COA Circular No. 2012-001.

112. In the audit of the various transactions of the RABs observations on the lack of compliance with the rules and regulations on government transactions were noted and summarized below:

RABs	Rules and Regulations	Deficiencies
III	Section 6.0 of NBC No. 548 dated May 15, 2013 on the guidelines in the grant of RATA.	Overpayment by ₱30,000.00
IV	Establishment of a Petty Cash Fund	No Petty Cash Fund was established and expenses were reimbursed
V	Section 5 of AO No. 17 mandatory use of the PhilGEPS	Not PHILGEPS compliant
	Section 101 of P.D. No. 1445 and Treasury Order No. 02-2009 on bonding of Accountable Officials	Property Officer-designate is not properly bonded
VI	- do -	Bond of three Accountable Officials were renewed 41 days after cancellation dates instead of upon expiration
IX	COA Circular No. 2012-001 on submission of copies of Purchase Orders (POs)	Incomplete documentary requirements and non-submission of copies of POs

113. **We recommended that Management require the RABs V, VI, III, IV and IX to comply with the various requirements and guidelines on government transactions.**

114. Management commented that the concerned RABs will comply with the audit recommendations. Further, the Chairman has issued a Memorandum on the strict compliance with the DBM NBC No. 548 dated May 15, 2013 on the Amended Rules and Regulations on the Grant of RATA. The records of RAB III will be checked and verified and cause the refund when necessary.

The account Due to GSIS of Main and NCRAB with an ending balance of ₱2,058,093.01 had discrepancies totaling ₱240,553.55 for charges on comprehensive insurance of vehicles without setting up of a liability account for the current year while the beginning balance after adjustments amounting to ₱2,298,646.56 did not have subsidiary details pertaining to unremitted deductions or errors for book adjustments.

115. The account Due to GSIS comprised of contributions due/collections received/amounts withheld for remittance to the Government Service Insurance System (GSIS). The balance of the account should be the unremitted amounts of the prior month or any amounts for adjustment such as refunds, as the case maybe, reflecting the correct liability at the end of the reporting period.

116. The books of the NLRC Main NCRAB showed the account balance of Due to GSIS amounting to ₱2,058,093.01 breakdown as follows:

Beginning Balance		₱ 2,365,900.51
Total credits Jan-Dec	29,530,063.74	
Total debits Jan-Dec	(29,837,871.24)	(307,807.50)
<i>Ending Balance</i>		2,058,093.01
Add: Remittance with no set up of liability		240,553.55
Balance for adjustment/remittance		₱ 2,298,646.56

117. The difference between the total credits or liability set up and the total debits or remittances amounting to ₱307,807.50 showed the following:

- Payment for comprehensive insurance for vehicles without setting up of the liability- ₱240,553.55
- Liability set up in prior year and remitted in the current year - ₱35,728.28
- Remaining amount for verification pertaining to prior year set up of liability - ₱31,525.67

118. From the foregoing transactions, only the amount of ₱35,728.28 was applicable as reduction to the beginning balance of the account. The amount of ₱240,553.55 should have adjustment in the books for the liability set up while transactions amounting to ₱31,525.67 should be verified.

119. There were no supporting schedules to the beginning balance of ₱2,365,900.51 and the amount remitted in 2013 for the prior year's liability was insignificant. Likewise, there was no information detailing the nature of the account balance in the Notes to the Financial Statements.

120. The Accounting Unit failed to adjust the books for the remittances without proper liability set up and to provide details or subsidiary records for the balance of the account affecting the correctness of the year-end balance.

121. **We recommended that Management require the Accountant of Main and NCRAB to:**

- **adjust the books for the recording of transactions that resulted to a negative balance due to the lack of liability account that should be set up for the insurance payments amounting to ₱240,553.55 and verify the correctness of the transactions pertaining to the amount of ₱31,525.67;**
- **work back on the prior year/s to determine if the unremitted deductions exist and cause the settlement with the GSIS of the validated amounts;**
- **adjust the books for any error in the recording of the liability or other transactions that may have affected the correctness of the year-end balance; and**
- **henceforth, establish the ending balance of the account Due to GSIS corresponding to the remaining unremitted deductions due for settlement in the ensuing month/period.**

122. The Accounting Unit of Main and NCRAB are in the process of verifying the accounts to determine the necessary adjustments to be made and the unremitted amounts, if any, for proper remittance to the GSIS.

Gender and Development

123. The following GAD programs and activities were implemented in the different RABs of NLRC including its Main Office:

Main Office and RABs	Targets	Disbursements	Observations
Main and NCRAB	₱3,480,000.00	₱366,650.00	There were GAD activities implemented that did not identify the cost or disbursements particulars
CAR		47,886.87	Only ₱47,886.87 or .005% of the total budget was spent for GAD related activities
I	461,284.75	47,161.75	No GAD Plan from the Head office was cascaded to the Regional Arbitration Branch – I and the five (5) % of the agency's total budget allocated for GAD-related activities was not strictly followed

Main Office and RABs	Targets	Disbursements	Observations
II		68,271.00	Two-day training on "Gender Sensitivity Seminar (GSS) was conducted in Sta. Ana, Cagayan
III			Management was not able to implement activities on Gender and Development Program. Their operational budget is not sufficient to sustain GAD.
IV, VI, VII, VIII, XI			No report on GAD implementation
V			Failure by the agency to prepare and submit GAD plan and budget, as required under Section 29 of the General Provisions of the 2009 GAA
IX		25,000.00	Activity on enhancement of women's knowledge on the provisions and salient features of the applicable laws for the kasambahay or household helpers.
8 th Div Reg X	214,750.00	131,479.85	Amount spent on seminars for its Gender and Development Program in CY 2013

124. Management commented that NLRC is complying with the Gender and Development Program. However, the agency cannot fully provide for the 5% of MOOE budget allocation considering the minimal budget and the need to support the major programs and projects in carrying out the core mandate of the office and the accomplishment of its targets.

125. The RABs were to allocate savings or MOOE for GAD activities but not all were able to comply and justified that their operations will be impaired if funds will be channeled to GAD.

COMPLIANCE WITH TAX LAWS

RAB	PARTICULARS
Main and NCRAB	The balance per books of the account Due to BIR amounting to ₱2,761,010.48 was settled in the ensuing year with remittances amounting to ₱3,109,398.68, adjustments to the account amounting to ₱935,667.56 and the difference of ₱587,279.36 is for analysis and evaluation.
I	The amount of ₱823,644.70 was remitted to the BIR thru Tax Remittance Advices leaving a balance of P907.71 which is a tax refund for an employee who resigned on Dec. 31, 2013 and tax withheld from postage.
II	Taxes withheld from agency personnel and outside creditors were correctly computed and remitted on time.

RAB	PARTICULARS
III	All taxes withheld from employees' compensation and all other required taxes due from government disbursements for purchases of goods and services were remitted on or before the 10 th day of the succeeding month to the Bureau of Internal Revenue through Tax Remittance Advice pursuant to Revenue Regulation No. 2-98.
IV	NLRC-RAB 4 had withheld taxes amounting to ₱117,560.98 for supplies and services, all of which were paid thru TRA within the year.
V	Compliant: Remitted taxes totaling ₱1,949,090.00 through Tax Remittance Advices (TRAs). The balance of ₱31,663.83, as of December 31, 2013, was remitted in January 2014.
VII	Taxes totaling ₱3,573,498.15 was remitted to the BIR during the year.
IX	₱968,936.61 was withheld and remitted to the BIR.
8 th Div. Reg X	Remitted to the BIR through the issuance of Tax Remittance Advice (TRA) totaled ₱4,248,838.94
XI	Taxes totaling ₱2,286,680.74 was remitted during the year.
XIII	complied

126. Management commented that the office strictly complied with the withholding of tax and its remittance as per BIR regulations.

Senior Citizens and Differently-Abled

127. There were no expenses related to or in support of the Senior Citizens and Differently-Abled. Management plans to request from PPSTA the construction of ramp for disabled clients and visitors. Also in the pipeline is the use of facilities favorable to disabled clients e.g. elevators, so that they need not wait in line.

Status of Suspensions, Disallowances and Charges

Central Office and RABs	Suspensions	Disallowances	Charges
Main and NCRAB	-	₱424,482.92	-
CAR	There were no suspensions, disallowances and charges as of December 31, 2013, as reflected in the Statement of Audit Suspensions, Disallowances and Charges (SASDC).		
- Disallowance issued prior to RRSA	Notices of Disallowances issued from February 21, 2001 to October 25, 2005 for the payment of RATA to Atty. Jesselito B. Latoja, Jr., former Executive Labor Arbiter of NLRC, RAB-CAR and reimbursement of fuel expenses amounting to ₱55,125.00 that remain unsettled to date. (settled in 2014)		
II	There were no Notices of Suspension or Disallowance issued during the year. Minor deficiencies noted in audit		
III	There were no prior year audit suspensions, disallowances and charges. No NS/ND/NC issued in CY 2013.		
IV	NLRC-RAB IV does not have unsettled suspensions, disallowances and charges.		

Central Office and RABs	Suspensions	Disallowances	Charges
VII	No unsettled NS/ND/NC		
IX	For CY 2013, the Audit Team did not issue ND, NS, NC and NSSDC		
8 th Div. Reg X	The account Receivables/Disallowances and Charges totaling ₱821,238.62 as of December 31, 2013 remained unsettled for more than ten (10) years in violation of Section 10.4 of COA Circular No. 2009-06, dated September 15, 2009.		
XI	-	120,000.00	-
XIII	No unsettled NS/ND/NC		

128. Management commented that they are monitoring the settlement of disallowances and suspensions. For 2014, salary deductions will be effected to collect the unsettled COA disallowances.

PART III

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

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Out of 11 audit recommendation in CY 2012, five were fully implemented, five were partially implemented and one was not implemented.

Observations and Recommendations	Ref.	Management Action	Status of Implementation (Full, Partial, Ongoing or Not Implemented)	Reason for Partial/Non Implementation
<p>1. The balance of Cash in Bank-LCCA, Foreign Currency Savings Account accounts totalling ₱1,231,138,122.60 was not reconciled with the bank balances, no Bank Reconciliation Statements were prepared and submitted, and bank interests were not deposited with the National Treasury for Main and NCR, RABs IV, VI Bacolod, IX and XIII.</p> <p><u>Main and NCR:</u></p> <ul style="list-style-type: none"> • The Cash in Bank, LCCA of ₱673,272,451.29 for the Fiduciary Peso Savings accounts at UCPB and LBP was not reconciled with the bank confirmed balances of ₱682,875,756.45 showing a difference of ₱9,603,305.16 due to: <ul style="list-style-type: none"> ○ Failure to adjust/correct deficiencies in the BRSs covering January 2005 to July 2009. ○ Incomplete encoding of deposits and payments to various payees in the LBP Peso account ○ Lack of reconciliation between the book and bank records ○ No Subsidiary Ledgers for UCPB and LBP account, thus book balances for each account was not ascertained. 	<p>2012 CAA R P 35-37 (paras 1-8)</p>	<p>BRS submitted only up to June 2014 for LBP accounts, none for UCPB deposits.</p>	<p>Partially Implemented</p>	<p>Reiterated in CY 2013 audit report due to lack of updated BRS</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation (Full, Partial, Ongoing or Not Implemented)	Reason for Partial/Non Implementation
<ul style="list-style-type: none"> ○ Uncorrected/unadjusted deficiencies in the prior years ○ Absence of subsidiary records for the counterpart Other Payables account. <p><u>RAB-IX:</u></p> <p>Bank Reconciliation statement for CY 2012 were not prepared and submitted on or before the 15th day of the succeeding month, delayed submission from 1-4 months.</p> <p><u>RAB XIII:</u></p> <p>Stale check amounting to ₱3,490.95 continues to be recorded in the Agency's Bank Reconciliation Statement as outstanding check</p> <p>The understatements in the balances per books compared with the bank balances of Cash in Bank-LCCS, FCSA accounts in the amount of ₱23,678,953.44 due to the failure of the Accountants to reconcile and adjust the discrepancies in the current year for Main and NCR, RABs VI Bacolod, IX and XIII</p>		<p>BRS submitted within the prescribed period.</p> <p>The check amounting to ₱3,490.95 was already claimed by the complainant but was not encashed by the payee for unknown reason. However, the Accountant had already prepared the necessary adjustment.</p> <p>Reconciliation is still in the process</p>	<p>Fully Implemented</p> <p>Fully Implemented</p> <p>Partially Implemented.</p>	<p>The adjustments for errors will be taken up in 2014.</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation (Full, Partial, Ongoing or Not Implemented)	Reason for Partial/Non Implementation
<p>We recommended that the Accountants of Main and NCR, RABs IV, VI Bacolod, IX and XIII to:</p> <ul style="list-style-type: none"> • complete the Bank Reconciliation Statements (BRSs) for UCPB and LBP accounts as of December 31, 2012; • adjust the books for all errors in recording and inform the bank of errors found in the reconciliation, if any, for correction of the bank records; and • reconcile the fiduciary account balances with the reciprocal account, Other Payables and with Other Receivables. <p>We likewise recommended that NLRC Management work out funding mechanisms to cover up the deficiencies on the fiduciary trust accounts in Main and NCR should the claims precede the decision on the cases filed.</p>				
<p>2. The NLRC Main and NCR did not comply with the previously recommended collection process where, as observed in CY 2012, issuance of Official Receipts (ORs) after payees deposited directly with the bank resulted to deposited amounts more than the receipted collections since not all payees went back to the agency Cashier for the said OR issuance. The process of issuing ORs without receipt of cash did not serve as a control measure to</p>	<p>CAAR 2012 p. 37-40 (paras. 9-21)</p>	<p>The management had already changed their system for collections process. OR's were no longer used and collections were deposited directly to the bank covered by Order of Payment by the depositor/ payor.</p>	<p>Fully Implemented</p>	

Observations and Recommendations	Ref.	Management Action	Status of Implementation (Full, Partial, Ongoing or Not Implemented)	Reason for Partial/Non Implementation
<p>establish the correctness of the collections against deposits.</p> <p>Audit recommendations in prior periods to set-up controls include:</p> <ul style="list-style-type: none"> • The UCPB to issue Special Bank Receipt customized for NLRC collections instead of the agency issuing ORs; • Labor Arbiters to prepare an order to pay called Arbiters' Assessment (AA); • Cash Section to issue color-coded Order of Payment (OP) based on the AA; • Reporting requirements including supporting documents of the UCPB in accordance with the Guidelines for the Collection and Reporting System of Fiduciary Fund; • Cash Section to prepare a Daily Report of Order of Payment Issued and compared with the Bank's Abstract of Collections and Deposits; and • Accounting to compare Cash Section Report with the Bank's Abstract as well as compliance with the terms of service of the MOA <p>We recommended that Main and NCR Management:</p> <ul style="list-style-type: none"> • consider a change in the current collection process for Main and NCR in accordance with the existing accounting regulations; 				

Observations and Recommendations	Ref.	Management Action	Status of Implementation (Full, Partial, Ongoing or Not Implemented)	Reason for Partial/Non Implementation
<ul style="list-style-type: none"> • come up with a revised workflow on collections and deposits considering the applicability of the previous audit recommendations and/or based on the specific situations/needs of the agency's operations, e.g., legal requirements on judgment awards; and • revisit the existing MOA with UCPB to incorporate the adjustments necessary to achieve the revised workflow. 				
<p>3. Property, Plant and Equipment account with consolidated balances totalling ₱116,689,264.62 was unreliable due to the failure to a) adjust and correct the Accounting and Property records of Main and NCR, b)conduct inventory for RAB VI Bacolod, and c) renew Acknowledgment Receipts of Property for RAB V.</p> <p><u>Main and NCR:</u></p> <p>The balances per books and per physical inventory report as of December 31, 2012 were subjected to assessment by NLRC management with the objective of determining the correctness of the said balances in the Accounting records as reconciled with the inventory report of the Property Section. The reconciliation will pave the way for the disposal of unserviceable PPE after which a dropping of the values taken up in the accounting records will follow.</p>	<p>CAAR 2012 p. 40-44 (paras. 22-30)</p>	<p>On process of retrieving documents, reconciliation and confirmation of all issued PPE to RABs and disposal.</p>	<p>Partially Implemented</p>	<p>This is a reiteration of audit observation in 2013 ML</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation (Full, Partial, Ongoing or Not Implemented)	Reason for Partial/Non Implementation
<p>4. Unserviceable PPE for Main and NCR valued at ₱9,500,994.75 and equipment worth ₱80,000.00 for RAB X which had been idle for ten years already were still included in the accounting and inventory records as of year-end and not assessed for disposal and replacement resulting in the overstatement of the PPE balances.</p> <p>We recommended that Management of Main and NCR require:</p> <ul style="list-style-type: none"> • the Property Officer to prepare an Inventory and Inspection Report on Unserviceable Property (IIRUP) for all the unserviceable, obsolete and disposable items, proceed with the disposal procedures and observe processes for returned unserviceable property; and • the Chief Accountant to reclassify the unserviceable items from IT Equipment and Software to Other Assets account category on the basis of the IIRUP <p>We likewise recommended that the Main and NCR and RAB V implement the disposal procedures for all unserviceable assets and undertake a periodic assessment of the Property, Plant and Equipment accounts.</p>	<p>CAAR 2013 p. 45-47 (paras. 31-38)</p>	<p><u>Main and NCR:</u></p> <p>The Property Officer had submitted the IIRUP for the year 2012 and disposal of unserviceable PPE on April 2013. The Accountant had drawn JEV for the reclassification of items listed in IIRUP to Other Assets account.</p> <p><u>RAB X:</u></p> <p>Some items were already transferred to another government office without cost.</p>	<p>Fully Implemented</p> <p>Partially Implemented</p>	

Observations and Recommendations	Ref.	Management Action	Status of Implementation (Full, Partial, Ongoing or Not Implemented)	Reason for Partial/Non Implementation
<p>5. Advances to Officers and Employees amounting to ₱1,585,449.99, aged two to six years for Main and NCR, remained unliquidated as of December 31, 2012 due to non-compliance with Section 89 of PD No. 1445, COA Circular No. 97-002 dated February 10, 1997, COA Circular 2009-002 dated May 18, 2009 and as a result of unrecorded/unadjusted settlements in the accounting records while cash advances for RAB IX were granted even in the absence of certification from the Accountant that no previous advances were unliquidated.</p> <p>We recommended that Management:</p> <ul style="list-style-type: none"> • require the Accountants of Main - NCR and RAB IX to: <ul style="list-style-type: none"> ➢ demand submission of liquidation reports by the Disbursing and Accountable Officers with outstanding cash advances for salaries/wages and travels; ➢ adjust the books accordingly for the liquidation of the particular cash advances; ➢ stop the granting of additional cash advance to accountable officers who were determined to have outstanding cash advances to date and recommend salary deductions of unsettled amounts; and 	<p>CAAR 2013 p. 47-50 (paras. 39-43)</p>	<p><u>Main and NCR:</u></p> <p>Notices to Liquidate cash advances and Notices of Payroll Deduction for unliquidated cash advances were issued.</p> <p>For RAB IX</p>	<p>Partially Implemented</p> <p>Not Implemented</p>	<p>This finding is reiterated in CY 2013 for errors and lack of adjustments in the books and the unidentified beginning balance of the account Advances to Officers and Employees and Due from Officers and Employees.</p> <p>No comment submitted by the Management</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation (Full, Partial, Ongoing or Not Implemented)	Reason for Partial/Non Implementation
<ul style="list-style-type: none"> • require the Accountant of Main and NCR: <ul style="list-style-type: none"> ➤ to update computation of the funds accountability of the dismissed Cashier of Main-NCR to include the unliquidated cash advances and reclassify the same to proper account. 				
<p>6. Transportation Allowances amounting to ₱1,713,900.00 which were continuously sourced from the personal services allotment, were granted from January to December 2012 to 17 officials with issued government vehicles contrary to Section 45 of the General Appropriations Act, FY 2012.</p> <p>We recommended that Management:</p> <ul style="list-style-type: none"> • comply with the GAA provision prohibiting payment of transportation allowance to officials who use or were assigned service vehicle, and the said officials to refund the total amount of ₱1,713,900.00; and • work out with the DBM on the revision of the budget for an increase in gasoline allocations to cover the expenses of the service vehicles and come up with internal guidelines on how to allocate gasoline and all other maintenance costs of the service vehicles. 	<p>CAAR 2012 p. 50-51 (paras. 44-51)</p>	<p>Complied, officials with service vehicles are not granted Transportation Allowance but a reimbursement to a monthly gasoline expenses upon submission of the approved request for reimbursements supported by the Official Receipts of gasoline paid and incurred for the assigned vehicle. Thus, the monthly reimbursements of gasoline expenses were charged to TA account as there is no budget allocated for the gasoline expenses of the officials.</p> <p>There is no double payment of transportation allowance or similar expenses to NLRC Officials as they are allowed only one</p>	<p>Fully Implemented</p>	

Observations and Recommendations	Ref.	Management Action	Status of Implementation (Full, Partial, Ongoing or Not Implemented)	Reason for Partial/Non Implementation
		<p>entitlement of reimbursement of gasoline expenses per month. The 17 NLRC Officials are not included in the general payroll for the regular monthly payment of fixed TA.</p> <p>The NLRC complied with the recommendation to work out with the DBM on the revision of the budget for an increase in the gasoline allocations for each budget proposal submitted way back 2011, 2012 and 2013. In fact, we requested for the realignment of TA to Gasoline Expenses, but our budgetary requests were not considered by the DBM.</p> <p>For FY 2012, there is unexpended allotment under MOOE in the amount of ₱1,937,747.43 sufficient to cover the amount of gasoline reimbursements paid to 17 NLRC Officials which were charged from TA.</p>		

Observations and Recommendations	Ref.	Management Action	Status of Implementation (Full, Partial, Ongoing or Not Implemented)	Reason for Partial/Non Implementation
		<p>The Department of Budget and Management in its letter dated July 24, 2013, recommended that we could tap the monthly reimbursements of gasoline expenses form whatever savings from MOOE pursuant to the General Provisions of the GAA.</p> <p>We are submitting the revised financial reports for 2013 to reflect the adjustments in the charging of the monthly reimbursements of gasoline expenses form TA to gasoline Expense account.</p>		
<p>7. Judgment Award in RAB XIII amounting to ₱24,957.69 was not released to the concerned prevailing party despite the issuance of the Order on the Motion to Release dated December 13, 2012, in accordance with Section 2, Rule IV of 2012 NLRC Sheriffs' Manual on Execution of Judgment.</p> <p>We recommended that the Cashier be directed to release the said judgment award to the concerned party, otherwise an explanation or justification for the non-release of the same shall be submitted.</p>	<p>CAAR 2012 p. 51-53 (paras. 52-57)</p>	<p>Per Sheriff's Report, the judgment award amounting to ₱24,957.69 was not released to the concerned prevailing party despite the issuance of the Order on the Motion to Release dated December 13, 2012 because the said amount was not actually collected from the respondent. The total amount collected was ₱1,688,086.29 only</p>	<p>Fully Implemented</p>	

Observations and Recommendations	Ref.	Management Action	Status of Implementation (Full, Partial, Ongoing or Not Implemented)	Reason for Partial/Non Implementation
		(₱1,500,000.00 plus ₱188,086.29) excluding the judgment award and attorney's fee of complainant Marife Anino since the latter and the respondent had already settled amicably.		
<p>8. Some financial transactions of NLRC RAB XIII for calendar year 2012 were not correctly recorded in the appropriate accounts, as provided under NGAS Manual for National Government Agencies, Volume III, thereby affecting the correctness and integrity of the Statement of Income and Expenses, as required under Section 111 of PD 1445.</p> <p>We recommended that the Accountant correct accounting entries made and ensure appropriate use of accounts in recording Agency's financial transactions in the books of accounts, in accordance with the generally accepted accounting principles and NGAS Manual for Nat'l Government Agencies.</p>	CAAR 2012 p.53-56 (paras. 58-74)	Adjusting entries were made.	Fully Implemented	
<p>9. Prior year's obligations of RAB XII totalling ₱137,751.88 were not certified as Accounts Payables as of December 31, 2011 and were paid out of current year's Notice of Transfer Allocation (NTA) contrary to Section 4.4.4.2 of the National Budget Circular No. 528, depleting its cash resources intended for the current year's operations.</p>	CAAR 2012 p. 57 (paras. 75-79)	Management commented that they have already requested the Central Office to provide them additional funds to avoid payment of expenditures lodged to Accounts Payable during the year.	Fully Implemented	Management had received Notice of Cash Allocation from their Central Office.

Observations and Recommendations	Ref.	Management Action	Status of Implementation (Full, Partial, Ongoing or Not Implemented)	Reason for Partial/Non Implementation
<p>We recommended that Management make representation with the Department of Budget and Management and the National Labor Relations Commission, Central Office to release additional funds for the payment of prior year's payables totaling ₱137,751.88 so that it could effectively sustain the delivery of effective and efficient services to its clientele. Henceforth, current Notice of Transfer Allocation should not be utilized for payment of Accounts Payable not submitted to DBM pursuant to NBC No. 528.</p>				
<p>10. Extraordinary and Miscellaneous expenses amounting to ₱120,000.00 at RAB VI Bacolod were only supported with certification rather than official receipts evidencing disbursement contrary to Sections 4 (6) and 39 (1) of Presidential Decree No. 1445 and Section 28 (e) of the Manual on the New Government Accounting System, Volume I, precluded the Auditor from verifying the validity of these transactions.</p> <p>We recommended strict compliance with Sections 4 (6) and 39 (1) of Presidential Decree No. 1445 and Section 28 (e) of the Manual on the New Government Accounting System, Volume I on the complete documentation for Extraordinary and Miscellaneous Expenses.</p>	<p>CAAR 2012 p. 58 (paras. 80-85)</p>		<p>Fully Implemented</p>	

Observations and Recommendations	Ref.	Management Action	Status of Implementation (Full, Partial, Ongoing or Not Implemented)	Reason for Partial/Non Implementation
<p>11. The NCR reported actual accomplishment of 19,396 cases disposed as shown in its 2012 Accomplishment Report did not tally with the Report of Status of Cases of 19,465, or a difference of 69 cases due to changes/adjustments in data after assignment or consolidation of cases and upon inventory of old cases as monitored and validated by the Research, Information and Publication Division's (RIPD) rendering the latter report unreliable.</p> <p>We recommended that the RIPD at Main-NCR define the processes and the document flow including the changes/adjustments to the monthly/year-end reports that were generated. Any change should be identified in the reports such as additions/deductions to balances and the effect of transfers of cases including reconciled data, if any. Moreover, to undertake a system review related to the data management and controls to test the completeness, validity of information and reliability of reports generated on case disposition.</p>	<p>CAAR 2012 p. 58-60 (paras. 86-97)</p>	<p>Under the present system of validation of case disposition, the RIPD validates the accomplishment of each NCR Labor Arbiter through the submitted copy of the decision/order/resolution. If no copy of the decision/order/resolution was submitted within the prescribed period of time (<i>i.e</i> every 27th day of the month of the succeeding month following the month of reference), the RIPD will consider the case reported in the CMS. In other words, the reports submitted in the CMS by each of the Labor Arbiter will not be automatically counted and credited to the accomplishment of the said Labor Arbiter/NCR Arbitration Branch.</p> <p>It must be stressed that the Labor Arbiter, through their Labor Arbitration Associates, has the exclusive control in disposing their case in the CMS. The RIPD has no control</p>	<p>Fully Implemented</p>	<p>Clarifications on the process of RIPD's validation of report of accomplishments accepted and the adjustments in the figures justified.</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation (Full, Partial, Ongoing or Not Implemented)	Reason for Partial/Non Implementation
		<p>over the disposition of cases by the Labor Arbiter in the CMS. This is the reason the RIPD acts as the audit division, to validate the reports submitted in the CMS, through their monthly physical reports and the copy of the decision/ order/ resolution.</p> <p>The data in the CMS where the 'Report of Status of Cases of 19,465 generated was not yet a validated report. Thus, the 69 cases cannot be considered as deficiencies, inasmuch as these are not credited or validated accomplishment.</p> <p>The RIPD monitors not only the figures but also the corresponding output of that figures, and more importantly the accuracy, integrity and correctness of the data based on the reliable document. (i.e. the copy of the decision, orders and resolutions).</p>		

Observations and Recommendations	Ref.	Management Action	Status of Implementation (Full, Partial, Ongoing or Not Implemented)	Reason for Partial/Non Implementation
<p>We reiterated our recommendations that Management:</p> <ul style="list-style-type: none"> • direct the Acting Chief, Financial and Management Division and Regional Accountants to complete the preparation of the Schedule of Other Payables then reconcile with the GL; • adjust the Other Payables and Cash in Bank, LCCA accounts for the still unreverted stale checks; • deposit to the National Treasury the bulk of the Fiduciary Trust Fund pursuant to Section 7 of the General Provisions of the General Appropriation Act, to protect the fund from risk of loss due to bankruptcy or fortuitous loss. 		<p>RAB IV, VI-Iloilo and VIII</p> <p>No comments submitted by management</p>	<p>Not Implemented</p>	<p>Reiterated in CY 2013</p>
<p>2. Some NLRC officials did not receive their net pay/benefits in the total amount of ₱454,450.84 from January to July 2011 as these were not credited to their respective LBP payroll accounts and instead switched and/or credited in full by Ms. Dulce Fabrero herself to her payroll account.</p> <p>We recommended that Management:</p> <ul style="list-style-type: none"> • direct Ms. Dulce F. Fabrero to settle immediately the said disallowance. Audit disallowance not appealed within (6) months from receipt hereof shall become 	<p>2011 CAAR p.48-53 (paras. 42-55)</p>	<p>Demands to settle the embezzled amount from the salaries and wages of NLRC employees was served to Ms. Dulce F. Fabrero. On January 24, 2012, Ms. Fabrero has paid ₱250,000 as acknowledged by Official Receipt No. 242025.</p> <p>Appropriate charges were filed against Ms. Fabrero.</p> <p>The management has created a</p>	<p>Partially Implemented</p>	<p>The balance of ₱204,450.84 remained unsettled. The resolution for Administrative case filed for Ms. Fabrero is still unresolved and the case has not been file with the Office of the Ombudsman</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation (Full, Partial, Ongoing or Not Implemented)	Reason for Partial/Non Implementation
<p>final and executory as prescribed under Sections 48 and 51 of PD 1445;</p> <p>File appropriate charges against Dulce F. Fabrero for fraudulently manipulating the payroll and stealing the net pays of the agency officials totaling ₱454,450.84, with the Office of the Ombudsman without further delay</p>		<p>committee who conducted appropriate investigation on the payroll scam.</p>		
<p>3. Judgment awards of decided cases and cash bonds on appealed cases accumulated to a huge amount of ₱641,034,738.51 in NCR, which remained deposited in Cash-in-Bank-LCCA. As of December 31, 2011, it increased by ₱23,538,146.78 from the CY 2010 balance of ₱617,496,591.73. Also in RAB II, a total of ₱556,603.74 represents unclaimed cash bonds of decided cases which remained unsettled over 15 years. The huge balance remained exposed to risk of probable loss considering the weak internal control system and that the major depository bank is not government owned.</p> <p>We reiterated our recommendation that Management:</p> <ul style="list-style-type: none"> review the addresses of the winning complainants written on the Notice of the Decision as against the records and conduct massive information dissemination to inform the parties involved on cases with finality of 	<p>CAAR 2011 p.58-62 (paras. 73-87)</p>	<p>Both parties (complainant and respondent) are notified and served with all Notices of Decision/Resolution of the Commission, Order of Release and the Writ of Executions in case of receipt of motion for executions in pursuant to the NLRC Rules and Procedures. They are set for a pre-execution conference before the final execution of judgment awards and we may conclude that parties are fully aware of their claims.</p> <p>The conduct of massive information dissemination to notify the parties cannot be implemented by the Office to preserve</p>	<p>Fully Implemented</p>	

Observations and Recommendations	Ref.	Management Action	Status of Implementation (Full, Partial, Ongoing or Not Implemented)	Reason for Partial/Non Implementation
<p>decisions so that payments/ release of the awards to the claimants could be effected immediately;</p> <ul style="list-style-type: none"> consider creating a Revolving Fund for an estimated ample amount to take care of the releases/ payment of cash awards upon finality of decisions, pursuant to Section 5 of the General Provisions of GAA of 2010; and deposit to the National Treasury pursuant to Section 7 of the General Provisions of GAA, the bulk of the Fiduciary Trust Fund to protect the fund from probable misuse and or detrimental fortuitous losses, and all the accounts that had become dormant in accordance with Section 2, of Rule XI on Execution Proceedings of the 2011 Revised Rules of Procedure of the NLRC . 		<p>and protect the trust funds exposure to any risk of misrepresentations. We are adopting a system to ensure that funds entrusted must be released only to the party-claimant to satisfy monetary judgment award in a particular case to which fund was intended.</p> <p>Notifications were made to the handling Labor Arbiters for unclaimed checks.</p> <p>The trust funds cannot be declared dormant at any given time since it is posted to support or as assurance of the satisfaction of the monetary judgment award of the workers - claimants upon the finality of the Decision of the Commission, or otherwise to be refunded/returned to the respondent.</p>		
<p>4. The lot owned by the RAB II in the Regional Government Center remained idle for eight years due to lack of funds to construct their office building, which is now endangered of reconveyance.</p>	<p>CAAR 2011 p.62- 63 (paras. 88-90)</p>	<p>Management have already made representation with NLRC Central Office regarding the release of the funds and hopefully the fund will be released soon.</p>	<p>Partially Implemented</p>	<p>Inquiry was made and management informed that they made follow-up to their request.</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation (Full, Partial, Ongoing or Not Implemented)	Reason for Partial/Non Implementation
<p>We recommended that Management make strong representation with the officials of NLRC Central Office to allocate funds for capital outlay to be used for the construction of their office building to avoid the reconveyance of their lot.</p>				
<p>2010:</p>				
<p>1. The validity of Atty. Restauero's claim on Extraordinary and Miscellaneous expenses amounting to ₱120,000.00 for year ended December 31, 2010, can not be ascertained due to lack of legal basis his being designated as Executive Labor Arbiter of RAB XI.</p> <p>We recommended that Management require the refund of ₱120,000.00 from Atty. Restauero and strictly adhere to existing government accounting rules and regulations in the disbursement of funds. To avoid audit disallowances, deny further claims of Atty. Restauero due to lack of legal basis.</p>	<p>CAAR 2010 p. 51-53 (paras. 69-80)</p>	<p>The personnel concerned made an appeal on the case.</p>	<p>Not Implemented</p>	<p>The case has been referred to Legal Department of COA for decision on appeal.</p>

For purposes of summarizing the status of implementation of recommendations shown in the Executive Summary of this report, in cases when observations and recommendations are common to two or several Regional Arbitration Branches, but the status of implementation of recommendations differ, the recommendation is considered partially implemented on the whole, this being a consolidated report on the audit of NLRC.

